Chapter 2

Globalisation, SMEs and Tourism Development

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2.A. Enhancing the Role of SMEs in the Global Tourism Industry

Introduction

The main objective of this chapter is to examine how the globalisation of tourism is affecting the role of Small and Medium-Sized Enterprises (SMEs) in the industry's supply and distribution value chains and networks. It examines how SMEs can best operate in a global market place, even though their theatre of activities is local, how small companies can best compete with both local suppliers and with major international tourism companies and multi-national enterprises (MNEs), and how recent developments in technology, especially in the area of Internet-based information and reservations systems, can best be embraced by SMEs. The report draws on previous work by the OECD and on a series of case studies carried out on this subject by a number of member States.

The chapter also seeks to identify strategies and policies that will strengthen the position of SMEs in those value chains. Seven countries, Australia, Austria, Germany-Jordan, Korea, Spain (Andalusia and the Balearic Islands), Poland and Switzerland have carried out case studies on related tourism-sector issues (Annex 2.A1), the results of which have been taken into account in preparing this report. The primary focus of these case studies is on SME tour operators, travel agencies and hotels.

Tourism: A global industry

Tourism is one of the world economy's growth sectors. Despite crisis-induced slumps the long-term growth trend appears to be stable. The tourism industry has benefited from the process of globalisation. The trend to a better division of labour on a worldwide basis has been particularly favourable to tourism, resulting in increased productivity and prosperity in many countries. The introduction of a market economy and the development of democracy in many emerging and transition economies have provided real incentives for the development of business and leisure tourism in these regions.

As a result, tourism today is one of the most internationalised sectors of the world economy. The world tourism market has been substantially extended, adding considerably to the potential for further growth and at the same time bringing about greater competition between tourism destination countries.

The dual structure of the tourism industry

Tourism has developed a dual economic structure over the years. To generalise, in most of the leading tourism origin markets, especially in Europe and Asia, the international travel and tourism industry is composed mainly of large companies that organise tourism to various destinations on an industrial basis. They offer standardised products, and develop global strategies that enable them to make the best worldwide use of local potential. While large companies are supported by a network of smaller specialists, these specialists generally serve only a small proportion of the overall market.

To a large extent, these large enterprises are based on innovation. In civil aviation, charter flights were invented as a way of dealing with seasonal peaks in tourism demand.

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Hotel chains such as Hilton and Marriott grew from family companies, and were based on a desire to satisfy the needs of business travellers, and on the concept of brand reliability and the application of established standards across the chain. The giant car rental sector now allows visitors to have the same mobility abroad as they do at home. Credit cards have made international money transfers much easier while at the same time reducing the risks involved in foreign exchange operations. Equally, general access to ATMs (automatic teller machines) for cash withdrawals is increasingly important in tourism destinations.

However, in many tourism destinations, the story is very different. Here, it is SMEs that primarily offer tourism services (*e.g.* accommodation, catering, excursions and leisure activities). SMEs (notably micro and small enterprises), in tourism destinations are often numerically dominant in terms of enterprise numbers, number of employees and profit. The available figures indicate that the number of SMEs in tourism is, on average, continuing to increase.

Here, a distinction should be made between some major tourism destinations, such as Spain, where vertical integration within the tourism industry often means that hotels and ground tour operators are linked to and often owned by the major tourism groups based in leading origin markets. In developing countries and less "industrialised" tourism destinations on the other hand, SMEs still predominate in the supply of tourism services and facilities.

Statistical evidence suggests that, while the number of large companies is relatively small in the tourism industry of the more developed tourism destinations, they can nonetheless account for more than half of total turnover in the sector and for a significant proportion of employment. On the other hand, 60-90% of all enterprises in the hotel sector, a leading branch of tourism, or in the travel agency sector, are micro companies, *i.e.* firms that employ fewer than nine persons (in Austria, for example, 99% of tourism establishments are SMEs and 90% of them employ fewer than ten people, while in Andalusia in Spain, 89% of travel agents and 81% of hotels also employ fewer than ten people)

Large companies, which benefit from standardisation and economies of scale, are in a position to offer their clients more attractive services at very competitive prices. They are able to develop new tourism markets and offer new products. This helps them to increase the "customer value" and to reduce their operating costs. Small enterprises find this harder to achieve, and yet offer the opportunity to address one of the key, emerging demands of the market – the personalisation of the tourism product.

In the modern and increasingly experienced major tourism origin markets, many tourists no longer want standardised products, preferring to tailor their holiday experience to their own specific needs and tastes, and insisting on personalised services. It is here that an opportunity arises for SMEs, since they are an important part of a destination's ability to adapt to the ever-changing requirements of the individual tourist, and are often more fleet of foot than larger companies in adapting to consumers' changing tastes and preferences.

Thus, tourism enterprises, especially in destinations, operate in a global market place but, for a large majority, remain actors at the local level. Rising international competition is forcing all enterprises to look at innovative ways of improving the quality and market orientation of their products, their profitability and competitiveness. This situation confronts SMEs with many challenges in the framework of globalisation.

The case studies illustrated in this report demonstrate that value chains, networks and co-operation among SMEs, multi-national enterprises (MNEs) and destinations are important drivers of SME growth. For example, the participation of SMEs in value chains and networks is an incentive for entrepreneurs to take a more managerial approach to business and for SMEs to increase their capacity, thus leading to economies of scale and cost reductions. To remain competitive, SMEs need to co-operate. In tourism, the success of an individual business often depends upon the success of a destination, a network or a global value chain. That being said, very often SMEs are unable to utilise the maximum potential of the value chains and networks due to their lack of capital, time, human resources or experience. It is in this area that supportive public policies can help.

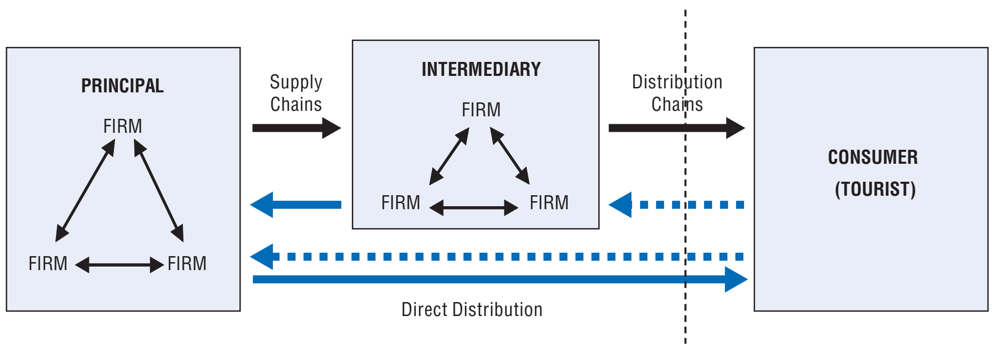
Global value chains, networks and clusters

Global value chains

A value chain describes the full range of activities and actors required to bring a particular set of products to market (Sturgeon, 2001). These include design and product development, production, marketing, distribution, and support to get the product to the final user and for its disposal after use. Typically, the concept of a value chain is applied to manufacturing industries, where value is added throughout the process in a linear fashion which links the initial product development and its manufacture and distribution to the consumer.

In the tourism sector, the relationships are more complex, given that tourism services are supplied by many different suppliers. Figure 2.1 illustrates the concept. This represents a simplified version of the value chain in the context of international tourism markets. At one end of the chain, tourism product suppliers are identified as "Principal". The "Principal" produces products and services for the consumer/tourist who is represented at the other end of the value chain. The "Intermediary" is in charge of bundling, packaging and promoting the tourism product and making it available to the consumer. With the adoption of information and communication technologies (ICT), the "Principal" is now able to distribute its products directly to the consumer/tourist, cutting out the intermediary ("disintermediation").

Figure 2.1. **A simplified version of the value chain of the tourism-related Industries**



Source: OECD, adapted from Paraskevas, 2005.

The notion of value chains highlights one specific aspect of the links between firms, which is the economic linkage of "value addition" in the full range of activities that are required to bring a product from its conception to its end use. "Value addition" is indeed key. It is the pursuit of those productive activities with the highest returns that makes lead firms in the value chain decide on which activities to keep in-house and which to outsource.

It is important also to emphasise that tourism is perhaps one of the most global of economic activities. The consumer is usually geographically far removed from the "product" to be consumed (*e.g.* the holiday). The suppliers are located in the destination, the sellers/ bundlers are usually located in the country of the tourist's origin, while the corporation with which the consumer deals can be either national or, often the case in Europe at least, part of a multi-national corporation that may only operate through a national subsidiary in the tourist's country of origin. For this reason, the concept of "global" value chains is especially appropriate when considering the international tourism industry.

Networks and clusters: The central role of the destination

There are important differences between value chains and networks. A "chain" maps the vertical sequence of events leading to the delivery, consumption, and maintenance of goods and services, while a "network" highlights the nature and extent of the inter-firm relationships that bind sets of firms into larger economic groups.

The concepts of networks and clusters, notably for SMEs, are as relevant for tourism SMEs as for any other economic sector. In a nutshell, a network represents circumstances where a group of SMEs voluntarily co-operate with each other in order to gain some of the competitive advantages that larger-scale companies can achieve through economies of scale.

A cluster on the other hand represents a group of SMEs that, usually due to a similar geographic location, serve broadly the same market and thereby create a physically close group of companies that may either compete and/or co-operate with each other. In horizontal clustering, tourism operators are co-located in a particular geographic area, share an industrial or technological base, operate within a common market and use a common purchasing and/or distribution channel.

In tourism, the key element in both networks and clusters is the tourism destination itself. This creates by its very nature a geographical concentration of service providers in the same place, creating in turn the conditions for network and/or cluster development. The differences between value chains, networks and clusters are summarised in Table 2.1.

Over the last decade there has been considerable interest and dynamism in developing clustering and networking among destinations and tourism-related SMEs to strengthen their competitive advantage. Research demonstrates that belonging to a cluster or a network can:

- Enhance productivity and the rate of technological innovation.
- Help to build a common industry view to lobby local authorities.
- Overcome some of the disadvantages of small size by undertaking co-operative actions (*e.g.* in marketing).
- Pool resources for human resource development.
- Enhance growth and the competitive performance of firms.

Clusters and networks can thus allow SMEs to combine the advantages of small scale with the benefits of large scale.

The growing role of the consumer in the governance of tourism value chains

The Internet has fundamentally changed the international tourism industry. In essence, this change has two dimensions. First, all categories of firms, large and small, from anywhere in the value chain, can now communicate directly with their end customers. Second, whereas the consumer used to be outside the value chain, he/she is now at the heart of it. Just as suppliers can reach the consumer directly, by-passing

Table 2.1. **Value chains, networks and clusters**

	Value chains	Networks	Clusters
Definitions	The sequence of productive (*i.e.* value-added) activities leading to and supporting end use	A set of inter-firm relationships that bind a group of firms into a larger economic unit	A group of SMEs, co-located and serving similar markets in competition and/or collaboration
Modalities	The bundles of activities that various actors do or do not engage in	The character and extent of inter-firm relationships	The process of collaborative actions based on co-location
Alternative names	• Supply chain • Commodity chain • Production chain • Activities chain • Product pipeline	• Value network • Supply-base	
Characteristics	• In linear (*e.g.* manufacturing) chains, the process of adding value in the various stages between initial design and product delivery • In non-linear (*e.g.* tourism sector) service industries, the process of adding value between the assembly of travel products by the wholesaler and delivery to the custorm in tourism destinations	• Allows firms access to specialised services at lower costs based on contractual agreement • Restricted membership based on co-operation makes it easier for firms to make complex products and supply complex services • Has common business goals	• Attracts much needed specialised services to a region • Based on social values that foster trust and encourage reciprocity • Open membership • Involves both co-operation and competition at the same time • Generates demand for other fims with a variety of similar and related capacities • Has collective vision

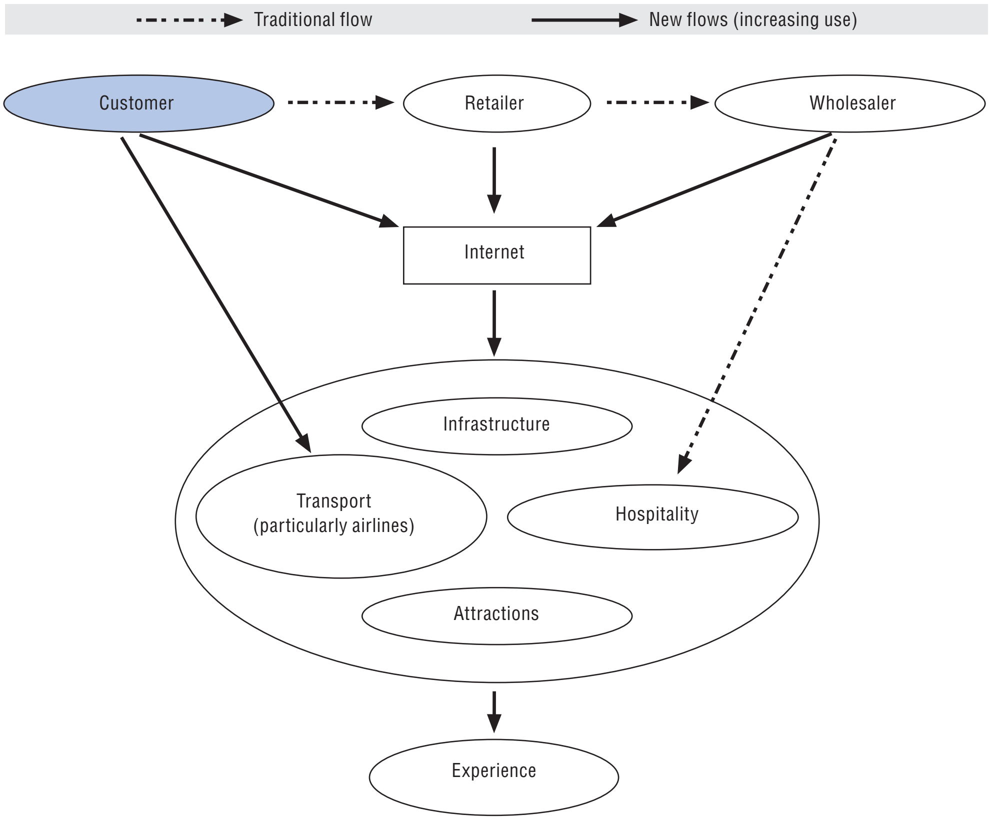
Source: OECD, adapted from Sturgeon, 2001 and Rosenfield, 2001.

industry intermediaries, so the consumer now has direct access to the supply-side. Indeed, it is no exaggeration to say that the Internet has brought one step nearer the realisation of perfect competition in travel and tourism markets – where all suppliers and all consumers are aware of the range of services and prices offered for a given product and can make their choices and adjust their supplies accordingly.

Consequently, it is now the consumer who governs the tourism value chain. Consumers have several different paths available when purchasing the end product, unlike in other industries (Figure 2.2). They have a wide range of ways to identify the product of their choice, they can surf from website to website and use different types of search engines, they can move from direct to indirect travel distribution channels, benefit from a relative online cost transparency, make informed comparisons and sometimes even name their price for the tourism product they want. If information is power, then consumers have an infinite number of tools to gather this information and are able both to dictate their "value" terms in the chain and often co-create it as well.

Perhaps the most important of all issues now facing SMEs in the tourism sector is therefore to ensure that the quality of the information provided to the consumer is fully competitive with the consumer's next best option. The actors who will be able to position themselves best in the value chain will be those best able to manage the flow of information to and from the consumer as well as to and from all the actors involved in the bundle of the tourism product on offer.

Figure 2.2. **Australia: Consumers and the tourism value network**



SME operating patterns and challenges: case study findings

This section identifies the main issues faced by tourism SMEs and presents case study evidence on how some of these have been tackled.

How significant are value chains for tourism SMEs?

The case studies demonstrate (Table 2.2) that tourism SMEs often have limited knowledge of their role in global value chains (GVCs). Given the complex nature of the industry, value chains involving tourism businesses are generally highly fragmented and SMEs are not able to identify their competitive advantage through a value chain analysis. For SMEs in tourism, the idea of greater participation in GVCs is therefore not necessarily a high priority. SMEs do not always have a clear understanding of the significance of the multiple linkages that occur along the tourism value chains.

Case studies also indicate, however, that the concept of GVCs has been gaining significance recently. A majority of enterprises are increasingly (and mostly intuitively) aware of the significance of a value chain in creating a product for the customer. The impact of globalisation on the structure of tourism supply is evident. Globalisation is undoubtedly creating a range of opportunities and opening up many new foreign markets for the international tourism industry. These large industry players tend to occupy a dominant position, often controlling access to key resources such as finance, information/market research and technology. SMEs, however, often lack the time and skills to be able to

Table 2.2. **SMEs' awareness and understanding of the tourism value chain**

Question / Case study	Tourism value chain(s) structure, the market/price structure/ competitors	SMEs' key assets or weaknesses in the chain
Australia	SMEs do not find the concept of GVCs very pertinent to their activities.	Branding and well-trained staff are recognised assets. Strategic alliances and geographic clusters allow organisations to work together to increase their market share. High potential of SMEs for further development of high yield markets.
Austria	SME hotels participating in co-operative schemes have a good understanding of the service value chain.	For SMEs, professional co-operation management is key in creating added value that is both measurable and sustainable. Only a few SME alliances have undertaken international co-operation.
Germany/Jordan	Jordanian SMEs recognise the German tour operators – the producers of the package tours – as the main agents of the value chain.	The high costs of establishing a branch office in the country of destination are an obstacle for SME tour operators.
Korea	Most companies in the tourism sector have a low level of awareness of GVCs, although they try to establish new business models to generate more revenues.	Lack of finance, knowledge and technical know-how, brand management and marketing skills are important barriers for the participation of SMEs in GVCs.
Poland	Many SMEs have limited knowledge of their role in tourism GVCs. They consider travel agents and tour operators, as well as large international or domestic hotel chains, as the key players.	SMEs identify costs, service quality and coverage as key factors in their competitiveness. Competition at the local, regional and international level drives cost reduction and training of personnel.
Spain (Andalusia)	For SME hotels, the main partners within the tourism value chain are the large, vertically-integrated tour operators that create high dependency on tour operators and low customer loyalty. Travel agencies acknowledge their role of intermediation and identify the large vertical groups and transport companies as the main agents of the value chains.	Small independent hotels try to differentiate themselves from establishments belonging to the large hotel chains by dealing in a more direct and familiar manner, seeking to avoid the more impersonal environment of the large chains.
Spain (Balearic Islands)	Balearic enterprises see themselves as producers within the structure of the value chain, which they believe should always be focused on the customer.	The most important business attributes remain the brand name, the real estate, the surrounding environment, information systems and know-how. Product diversification is seen as an important strategy to reduce dependence on a specific market and also to counteract seasonality.
Switzerland	Travel agencies and tour operators have a better knowledge and understanding of the value chain than SME hotels.	For SMEs, personalised service and advice to their customers is key.

understand the global context or to analyse strategic issues, thereby reinforcing their competitiveness.

How SMEs can create added value through GVCs and networks?

Case studies underline the various benefits that SMEs can gain by diversifying and expanding their activities through greater participation in GVCs and networks (Box 2.1 and Table 2.3). SMEs' participation in value chains and networks contributes to innovation by a process of continual improvement to satisfy customers' expectations and by allowing SMEs to reach new markets and customers. It also enables companies (such as travel agencies) to specialise in specific, often niche, markets, to increase their expertise and raise the quality of their advice to their clients. The tailor-made services that they can deliver can raise the value they add for their clients who, in return, will be ready to pay more. By knowing and meeting their customers' requirements, they can raise their customers' loyalty and hence raise their profits.

The case studies also underline the fact that those SMEs which are privately-owned and which do not co-operate with others face the severest difficulties in these areas.

Box 2.1. **Poland: Benefits for SMEs from participating in GVCs**

- Enhanced brand image by being able to use the logo of a well-known international brand.
- Significant fixed cost reductions, resulting from economies of scale.
- Reaching more markets due to joint marketing and promotion, and participation in various global online reservation systems.
- Greater numbers of foreign tourists and tourist groups organized by travel agents or tourism operators co-operating with a chain.
- Access to major databases on customers and market trends, enabling service quality to be matched more closely to the customer, and the adoption of better company operating strategies.
- Access to the latest technologies and proven solutions.
- Access to professional training for all personnel, including management.
- Promotion and implementation of innovative practices at the enterprise.

Table 2.3. **Estimated benefits to tourism SMEs' from participation in GVCs**

Question / *Case study*	Benefits of being part of a supply/value chain
Australia	The idea of greater participation in GVCs is not necessarily a high priority for most tourism operators in Australia. Although there is strong awareness of the immediate, first-hand interactions that connect particular businesses, there is little understanding of the importance of the multiple linkages that occur along the entire length of these chains.
Germany/Jordan	Jordanian travel agency SMEs can get access to foreign markets.
Korea	At both industry and company level, SMEs are becoming aware of the importance of the value chain system for their competitiveness in the currently highly competitive business environment. Value chain participation allows SMEs to take advantage of interactivity, customer and quality management.
Poland	Lack of knowledge about the potential benefits hinders SME participation in value chains and co-operation with large companies. While value chains have a small impact on SMEs, very positive examples exist of SMEs benefiting from co-operative networks.
Spain (Andalusia)	To deal with competitive pressures, travel agencies estimate that they should focus on offering a better quality product, with greater added value, in order to increase customer loyalty.
Spain (Balearic Islands)	Value chains contribute to niche market development, improved know-how and innovation, expansion prospects (*e.g.* in markets and customers) and specialisation. Enterprises believe they are in a leading position as a result of their specialisation, the quality of their service and their accumulated experience, and therefore do not intend to increase their role in the value chain. However, most admit that they are experiencing a loss of competitiveness due to increasing competition.
Switzerland	Travel agencies can increase their profitability through more focused participation in GVCs. Hotels can reach a critical mass in marketing/branding, organise their reservation systems and streamline their purchases.

Co-operation within the value chain

The globalisation of the tourism industry has prompted numerous SMEs in tourism to initiate or join a co-operative scheme in order to increase their performance and profitability (Table 2.4). Given the importance of small businesses in tourism, personal relationships, networks and clusters are considered crucial elements in tourism value chains.

The Austrian case study, for example, identified three main co-operative schemes: "horizontal", "vertical" and "lateral" (Table 2.5). This approach is illustrative of the range of co-operative ventures open to SMEs and of their likely impact on the firms concerned.

Several case studies indicate that those SMEs that exclude themselves from tourism networks are disadvantaged. The consumer is looking for a comprehensive tourism

Table 2.4. **Co-operation within the tourism value chain**

Question / *Case study*	Level of co-operation with contractor(s), suppliers and/or partners	Degree of SMEs' dependence on main contractor(s)
Australia	SMEs tend to be loyal to their traditional partners, with whom they have long-standing alliances. Relationships tend to be more prevalent at the domestic than at the international level. However, an increasing number of SMEs are affiliating themselves with MNEs, either as individual suppliers or as local franchisees.	Most tourism providers continue to see themselves as largely self-sufficient and independent entities. They develop their own strategies, identify and meet the needs of particular segments of the tourism market in their own unique ways, and generally rely on a finite set of partners to bring their products and services to market. However, even the most "independent" travel agent now feels compelled to join a franchise in order to extend its market power.
Austria	Inter-firm co-operation includes co-operation between companies of the same sector (*e.g.* family hotels) or with partners in a different sector (*e.g.* hotels and cable car companies).	Local hotels choose to co-operate to maintain their independence at the same time as reaching critical mass. A co-operative venture in the tourism sector without a clear legal basis or a specific co-operation agreement just does not work.
Germany/Jordan	The co-operation between tour operators and incoming agencies is central to the operational management of the value chain from the market to the destination.	Incoming agencies (IAs) play a central role as co-ordinators and controllers of package holidays in Jordan due to regulations which force every foreign tour operator (TO) to work in partnership with a Jordanian IA. However, in attracting foreign tourists, they are dependent on the foreign TO as they have no direct access to markets. IAs are highly fragmented and have little scope to negotiate with foreign TOs.
Korea	About 50% of the medium-sized hotels surveyed are in a partnership with companies in other industries – most frequently credit card companies. Small hotels partner with travel agencies, to receive support in reservation systems.	Most SMEs hotel (generally those with less than four stars) are operated as independent hotels.
Poland	Most SMEs are affiliated with trade organisations (*i.e.* tourism organisations, chambers of commerce). However, it is felt that affiliation does not bring clear benefits.	More than half of the SMEs interviewed are independent of any hotel chain, and they only envisage co-operation for joint advertising or, more rarely, to share reservation systems. Some SMEs have franchise contracts.
Spain (Andalusia)	The hotels consulted have signed many individual contracts with different tour operators, booking centres, and virtual or traditional agencies. Prices and quotas tend to be set, with strong pressure on prices. A high percentage of hotel establishments belong to chains which allows them to increase their negotiating power with others in the tourism value chain. Co-operative networks in the hotel industry are particularly active between innovative firms and are contributing to product upgrading and better quality services.	All SME hotels and travel agencies interviewed are independent. However, both small hotels and travel agencies depend on tour operators for most of their reservations and turnover. In particular, "sun and sand" destinations typically see the subordination of hotel establishments to the interests of tour operators. SME hotels' dependency is especially high with respect to attracting foreign tourists.
Spain (Balearic Islands)	Co-operation occurs within associations of tourism enterprises at the local level, and with employer organisations at a regional, national and international level, mainly for joint promotion. SMEs also associate with tour operators through guaranteed contracts or co-operation agreements for joint promotion. The big hotel chains also establish joint venture agreements with suppliers and partners for the joint development of their activities or to benefit from the brand name of specific international enterprises.	Only the big hotel groups are able to belong to several value chains, since their activities are both horizontally and vertically integrated.
Switzerland	Tour operators develop close partnerships with hoteliers and other partners in order to strengthen their connections with different products, respond quickly to the customer and achieve scale economies. Travel agencies tend to work with a limited number of tour operators to optimise their revenues. Hoteliers co-operate with colleagues for marketing purposes or to optimise their supply chain. Hoteliers also develop new forms of co-operation with ski lifts and cable car companies.	Some independent travel agencies choose to join the brand of a tour operator to increase their revenues. Due to their small size, however, many hotels cannot work with tour operators.

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Table 2.5. **Co-operative models in Austria**

	Horizontal	Vertical	Lateral
Co-operative schemes	Co-operation between partners belonging to the same sector and offering the same type of service	Co-operation between partners belonging to the same sector or belonging to two neighbouring sectors and offering different types of services	Co-operation between partners belonging to completely different sectors
Impacts	Economies of scale	Optimisation of the service chain	Exploration of new market segments
Examples	Co-operation between several hotels	Co-operation between a hotel and a cable car company	Co-operation between a hotel and a company of the automotive industry
Keywords	Intra-sectoral co-operation	Service chain	Distribution partnership

experience which includes all the products and services (transport, accommodation, catering, entertainments, etc.). Such an experience often cannot be provided by a single small business. However, while tourism is by nature a "connecting business", co-operation within a network is not always viewed as positive. Weak co-operation can generate additional costs or conflicts of interests among the partners/competitors without yielding any measurable benefits. A number of key factors can be identified for successful co-operation models (based on the Austrian case study – Box 2.2).

Box 2.2. **Austria: Key factors for successful alliances in the tourism sector**

- *The legal form of the venture or the type of co-operative agreement:* A co-operative venture in the tourism sector without a clear legal basis or a specific co-operation agreement just does not work.
- *The intensity of the co-operation*: Commonly agreed and clear priorities for the co-operative venture have to be set.
- *The size of the venture:* Very tight co-operation between establishments in the tourism sector will inevitably bring about equally intensive personal contacts and presupposes a readiness among all stakeholders to develop a feeling of togetherness.
- *The spirit of co-operation*: *a)* for target group-oriented co-operative ventures, partners are characterised by the similarity of their mission statement and their product offer as well as by a largely homogeneous level of quality; *b)* the partners in a destination-oriented co-operative model share common territorial roots.
- *The internal organisational structures*: Essential ingredients for success are: leadership qualities at company management level, excellent internal communications, a systematic approach to co-operation and the presence of certain characteristics such as trust, integrity and commitment to the co-operative project.

Research has shown (Braun, 2005) that successful tourism clustering requires a high level of cohesion, professionalism and industry knowledge, underpinned by SMEs networking and knowledge sharing. Instinctively, SMEs rarely act proactively in network development, however, and often need encouragement to do so. Natural resources have long provided small tourism firms with a clustering incentive, although it is also the case that many regions have insufficient firms, physical, financial or human infrastructure for the successful development and growth of clusters. In such cases, enabling policies can make all the difference (see policy implications below).

How SMEs compete and are structured in tourism destinations

Competition in tourism is primarily between destinations, and only secondarily between individual service providers within destinations. It is a destination's natural and cultural attractions that attract tourists; each country, region and location has a unique character. Differentiation is the market strategy of destinations.

As shown in some case studies, tourism companies profit from the uniqueness of destinations and SMEs operating in those destinations have considerable strength. They can gain from the destination's brand image without having to incur high marketing costs themselves, are able to meet the customer's changing requirements flexibly, can offer a wide range of services and can use their local knowledge to exploit the locality's potential to the maximum. Moreover, smaller enterprises, such as a family operated business, can personalise the tourism experience to differentiate themselves from other, higher volume operators.

Despite these advantages, however, the case studies have shown that the SMEs themselves have to invest time and effort in their own success. Brand quality has to be maintained through constant investment in product improvements, quality assurance systems and human resources development.

The impact of information technology

Travel and tourism services are information-intensive, highly amenable to digital delivery, and targeted towards customers who are typically not local. Digital delivery brings opportunities and challenges for travel and tourism services, and mediation and disintermediation are central to these opportunities and challenges. All case studies emphasise that the travel and tourism value chains have been profoundly and fundamentally affected by information and communications technology (ICT) (Box 2.3). Consumer services can be delivered directly to the consumer (*e.g.* the purchase of an online airline ticket) or mediated by a services supplier.

Box 2.3. **Australia: The Internet – opportunity, or barrier?**

The Internet has had an enormous impact on the tourism industry, from computerised reservation systems to last minute Internet accommodation booking companies. It has also changed the way many customers and suppliers interact and navigate through the global value chain.

An inbound tour wholesaler who was interviewed speculated that he would be out of business within the next five years as a direct result of customers and retailers dealing directly with suppliers, owing to the effectiveness of the Internet in by-passing the "middle man".

In contrast to this, another travel agent interviewed believed that his competitive advantage centred on his ability to add value in the area of service, industry knowledge and organisational simplicity, as opposed to the Internet, which they speculated created more work and uncertainty for prospective consumers.

The impact of the Internet on the tourism industry provides an example of the importance for companies large and small to adapt to changes in technology if they are to remain competitive. Therefore from a global perspective the Internet is as much a threat as it is an opportunity, and those companies that adapt to the ever changing market place will be rewarded with increased competitiveness.

Level of adoption of ICT in travel and tourism services

On the demand side the uptake of digital delivery will depend on factors such as price, flexibility, bandwidth, ease of access, and the use of online interfaces. The rapid development of access to the Internet, its affordability and the inclination of users to search for information and purchase online have been important factors explaining the recent development of e-tourism by consumers (Box 2.4).

Box 2.4. **Consumers' preference: E-tourism websites *versus* traditional agents in the United States**

66% of American users believe that e-Tourism websites provide better services than travel agents. These figures come from a study that surveyed 1 351 leisure and 1 200 business travellers on 30 April 2002, carried out by Yesawich, Pepperdine and Brown/ Yankelovich Partners. According to the study, 39% of American leisure travellers (whether they use the Internet or not) think that the Internet is easier and faster to use for travel planning than a travel agent. This is extremely important, both for the future of the e-Tourism sector and for consumers' behaviour.

The survey indicates how positively e-Tourism websites have been developing, such as the improvement of their interfaces as well as their very rich content and offers which now allows more than a third of American leisure travellers to use the Internet rather than a travel agent. Since 59% of the American population use the Internet, this means that 66% of American Internet now prefer e-Tourism websites to services provided by their travel agent. Put another way, only a third of Internet users prefer dealing with a travel agent than a website – a major worry for this segment of the travel trade.

Source: www.etourismnewsletter.com.

From the perspective of the enterprise, e-tourism is developing at a steady rate. For example, in Europe, online travel sales increased by 44% during 2003 to reach EUR 11.7 billion (5.4% of the total market). Growth in the European online travel market is expected to slow, but its value was predicted to increase to more than EUR 20 billion by 2006 – an expected 8.6% of the total travel market (Marcussen, 2004) (Figure 2.3). There are notable differences in the levels of e-commerce and e-business activity among European countries. For example, in 2003, more than 50% of tourism enterprises in Austria were doing e-business, compared to fewer than 20% in France and Poland. At that time, only 20% of enterprises in Poland, Greece, France and Ireland were purchasing online (E-business Watch).

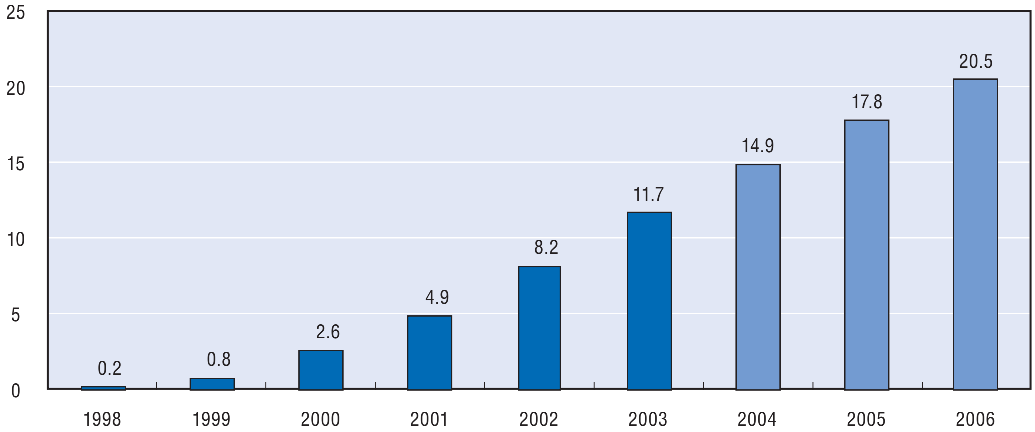
Further developments on the supply side will depend on the relative cost per transaction of online *versus* face-to-face alternatives, as well as the development and availability of new delivery systems and of course the quality of the infrastructure.

ICT and tourism

Case studies indicate that whereas the tour operators and airlines have adopted ICT relatively early, SME hotels have been relatively slow in embracing ICT in their business, due mainly to the lack of a clear strategy, expertise and available financial resources (Table 2.6). In contrast, large hotel chains have been playing a leading role.

Figure 2.3. **The western European online travel market, 1998–2006**

EUR billlions



Note: 2004 through 2006 forecasted.

Source: Marcussen, C.H. (2004), "Trends in European Internet Distribution of Travel and Tourism Services", Centre for Regional and Tourism Research, Denmark.

StatLink http://dx.doi.org/10.1787/153067554010

Table 2.6. **Technology and standards within tourism**

Case study / *Question*	Technology (including ICT)/Ability to cope with required standards
Australia	Operators of small accommodation units see the Internet as a complex opportunity which is currently being only partially utilised. Tour operators and travel agents are much more likely to view the Internet as a barrier to increasing their role within the GVC. The Internet boosts the power of consumers to by-pass intermediaries and deal directly with suppliers.
Korea	ICT uptake by SMEs is gradual and is seen as a tool to strengthen competitiveness.
Poland	The majority of hotel SMEs make insufficient use of ICT, due to the high costs of implementing new IT solutions and buying licences. As a consequence, such SMEs tend to use only basic IT tools.
Spain (Andalusia)	The use of new technologies is imposed, more in travel agencies than in hotel establishments, by large tourism intermediaries or suppliers. However, set-up costs are paid exclusively by the agencies, involving considerable effort on their part. They all work with Amadeus which pays the maintenance costs for its IT application.
Spain (Balearic Islands)	The travel agency sector sees the Internet as a very serious competitor. Innovation is intended in the form of expanding and improving the offer. Information systems and the Internet are making this process easier.
Switzerland	For tour operators and SME travel agencies, the use of ICT for connecting the various providers of services is essential to give the consumer accurate price information and to validate reservations in real time. Many SME hotels are still not connected to networks or reservation systems, but would like to do so to increase profitability.

Table 2.7 highlights ICT-related opportunities and challenges for travel and tourism service providers, including SMEs. ICT has created new opportunities for hotels to streamline internal management, *e.g.* reservation and yield management systems, guest accounting, call centres, and to a lesser extent employee management (e-training, labour scheduling) (Box 2.5). Large hotel players have created dedicated career websites. ICT has enabled hotels to manage their customers, their needs and sometimes their complaints more effectively. Quality management and performance measurement have been enhanced. ICT has, however also brought concerns to hotel managers in regard to negative impacts on prices and to the commoditisation/standardisation of hotel products.

Concerning the external value chain, technology has resulted in a streamlining of the supply chain management. Online connectivity using extranet and Internet technologies has allowed data synchronisation with suppliers (product availability and prices) and improved

Table 2.7. **ICT-related opportunities, challenges, enablers and obstacles for tourism SMEs, 2003**

Opportunities	Challenges
Direct access to potential customers	Minimising setup costs by developing systems and applications more suitable for SMEs
Cutting marketing and sales costs	Creating standard ICT and e-business applications for SMEs
Optimising lead-time and instant adjustments of supply according to demand	Employing multi-channel strategies
Enablers	**Obstacles**
The formation of network relations among SMEs	SME reluctance to invest in ICT and e-business
Customer-driven demand for e-business products and services	The business case for SMEs to grasp the potential of implementing e-business
Large enterprises leading the way for SMEs	Lifestyle SMEs and management motivations

Source: Adapted from E-business Watch (2004), Electronic Business in Tourism, Report 07-II, August 2004, European Commission, Brussels.

Box 2.5. **Marriott: Impact of Internet reservation system on revenue**

Increasing use of Internet reservation services may adversely impact the revenues of hotels. Some of our hotel rooms are booked through Internet travel intermediaries serving both the leisure, and increasingly, the corporate travel sectors. While Marriott's Look No Further Best Rate Guarantee has greatly reduced the ability of these Internet travel intermediaries to undercut the published rates of Marriott hotels, these Internet travel intermediaries continue their attempts to commoditize hotel rooms, by aggressively marketing to price-sensitive travellers and corporate accounts and increasing the importance of general indicators of quality at the expense of brand identification. These agencies hope that consumers will eventually develop brand loyalties to their travel services rather than to our lodging brands. Although we expect to continue to maintain and even increase the strength of our brands in the online marketplace, if the amount of sales made through Internet intermediaries increases significantly, our business and profitability may be harmed.

Source: Annual Report, Marriott, 2005.

communication and information sharing on issues such as demand changes and product modifications. The global players are increasingly looking for local SME hotels that can join in their strategic alliances to strengthen and stabilise their own value chains (Box 2.6).

With the Internet, service companies, and in particular travel agencies, have come under pressure from other actors such as airlines and accommodation suppliers, who are reducing or eliminating commission payments. As a result, travel agencies have had to seek other sources of revenue, such as charging customer service fees to replace lost commissions. The case studies show that many travel agents have joined co-operative agreements with other partners in the value chain, notably the tour operators (Box 2.7). Nonetheless, the number of travel intermediaries has been declining in many countries.

The Internet has encouraged the emergence of new online intermediaries. These have built successful businesses by placing e-commerce technology at the centre of their operation to ensure the widest distribution with the lowest cost base (Box 2.8). These new Internet intermediaries can typically be either new participants or consortia of existing

Box 2.6. **TUI: Technology adding value for money while increasing customer choice**

The TUI Group is employing advanced IT solutions to respond to changing demand in the tourism sector, where customers require more value for less money and are increasingly moving away from package holidays to independently constructed itineraries.

The Apollo system, a group-wide and web-based platform interfacing with all existing systems, will improve communication between tour operators and hoteliers in the TUI group. The sharing of information on destination and accommodation capacities across the group will allow faster and better reaction to supply and demand factors, thus offering customers a better quality of service while keeping costs low.

Through the TUI Hotel Portal, selected hoteliers will be able to enter and manage their own information via the web where it will be administered and sorted by TUI and retailed via relevant Internet pages. The portal will facilitate a rapid and easy handling of the mass volume sale of hotel capacities providing customers with a cost efficient, personalised service. For a more detailed description of The Apollo system and TUI Hotel Portal visit *www.tui.de*.

Source: World Travel and Tourism Council, 2005.

Box 2.7. **Germany: Retail agents**

Germany currently has approximately 18 200 travel agencies which sell travel as their main source of income. Of these, around 4 461 are IATA agencies.

Consolidation in the retail sector is making it increasingly difficult for travel agencies to remain independent. Between 1985 and 2003 the share of truly independent travel agents is estimated to have fallen from 71.2% to about 5%. This means that agents are either consortia-controlled, belong to chains, franchise organisations or co-operatives.

Training retail agents is a key factor for success in this market, and agencies such as Tourism Australia focus on agent training in conjunction with wholesale partners and tour operators.

Source: Deloitte Touche Tohmatsu, Reaching Travel Services To Consumers, 2005.

Box 2.8. **Online travel agents in Spain**

2004 was the year of consolidation of online travel agents in Spain. Parallel to the birth of a multitude of web pages and tourist websites, a process of concentration in the distribution sector has taken place. This has led to the consolidation of four large virtual travel agencies (Rumbo, Viajar.com, eDreams and Lastminute.com) which were leaders in a market exhibiting exponential growth since its inception.

Online travel sales in Spain represented about EUR 1.2 billlion in 2004 (135% up on 2003). This strong growth is due to a combination of factors: *a)* the growing use of the Internet for hotel reservations through online travel agencies; *b)* the strategy of disintermediation by airline companies and hotel chains, which increasingly choose their own channels of e-distribution rather than conventional agencies; and *c)* the growing level of adoption of ICT and e-commerce by the Spanish. As a result, the Internet has become both the first search option when planning a trip, and one of the main purchase channels.

participants. In some cases therefore, new segments within the travel and tourism industry are created by combining existing participants into new entities. Travel comparison websites, offering easy comparisons of travel prices and product features, represent another kind of intermediary striving to upgrade their position in the chain; these are growing in importance.

Whereas industry computer reservation systems or global distribution systems were highly complex, proprietary systems requiring access agreements and significant investment in ICT infrastructure and the skills needed to use them, the Internet is a "free", open network that can be used by anyone at a modest cost. The costs of adopting Internet-based technology are therefore low, and can bring many benefits to SMEs (Box 2.9).

Box 2.9. **Korea: A successful example of IT application in the tour operator industry**

Hanatour has become one of the biggest tour operators in Korea by the extensive introduction of ICT throughout its business, and by integrating external businesses into its value chain. Hanatour started in 1993 as a small travel agency. Based on a clear strategic plan, it developed a strong IT infrastructure in 1997 and also became a wholesaler. In 2001, Hanatour became the first tourism company listed in KOSDAQ (Korea Securities Dealers Automated Quotation). The value of the company has increased tenfold in a decade, and has seen rapid growth in its workforce since 2000. As a result, it has moved beyond its initial status as an SME.

Hanatour has signed co-operation agreements with 4 500 Korean travel agencies (more than 50% of the total). These agencies sell Hanatour products and provide all the company's services to customers on its behalf. It made a "General Sales Agency" agreement with eleven foreign companies including Trek America, Amtrek, Star Cruise, Royal Caribbean Cruise, Eurailpass, JR pass, and Alamo Rent-a-Car, and also entered into strategic partnerships with 30 domestic companies, including BC Card, Samsung Card, Hana Bank, LG Eshop and Emart.

Hanatour invested heavily in its network infrastructure ten years ago and has prepared its own "Enterprise Resource Planning" system as well as real time reservations services. This very innovative approach for Korea has resulted in strong internal growth.

Conclusions for SMEs

Globalisation is changing the structure of supply and distribution chains in the tourism industry, creating numerous challenges and opportunities for SMEs. Consequently, tourism SMEs have more opportunities to reach international markets, especially through wider use of ICT and lower transport costs. The tourism case studies highlight the potential of niche and especially of high yield markets. GVCs and networks encourage SMEs to make permanent improvements in know-how, innovation and product quality. ICT developments place the consumer at the centre of the chain, providing SMEs with an important opportunity to fulfil consumers' expectations and provide them with individual treatment. Efficient and well-designed co-operative ventures can increase SMEs' profitability.

The challenges are also numerous, however. The participation of tourism SMEs in GVCs has increased their responsibilities in the value chains. They need to do more in training and skills development. They need to cope with new products and process standards. Many SMEs in the hotel or travel agency sectors are dependent on global/regional players and compete fiercely with other SMEs, sharpening the price battle and often reducing profitability. Many tourism SMEs do not understand how to benefit from greater participation in GVCs and therefore do not co-operate with large players. Some of the most important issues for SMEs to deal with are as follows:

Key issues

Human and financial resources, and technical competence

All the case studies underline the fact that small businesses find it difficult to develop their human resources in order to participate fully in the industry's value chains. Even where the role of SMEs in GVCs is significant, they are not always ready to co-operate with other partners in the chain or in competitive business models, due to their limited capacities in areas such as entrepreneurial and business skills, and financing.

Unbalanced market power and internal tensions

SMEs interviewed for the case study research also underline some of the perceived negative effects of globalisation. Interviews highlighted that globalisation increases uncertainty and sometimes leads to a real "price war". SME hotels, for example, note that in recent years profit margins have been reduced by the continuous price pressure applied by large tourism operators and new online intermediaries. However, they also note the positive effects of globalisation, such as the reduction in air transport prices, especially since the appearance of the "low cost" carriers and the new markets they have created.

A survey by a private Greek consultancy on the market influence of tour operators on resort hotels shows their high degree of dependency (for about 60% of their total business) on tour operators. It underlines the fact that the enormous market power of the major UK and German tour operators affects the way these hotels conduct their business. According to this study, the main advantages of working with tour operators (as seen by Greek resort hotels) include: *a)* high volume of business; *b)* significant business outside the high season; *c)* getting paid on time and *d)* satisfactory room rates. The main disadvantages are *a)* pressure to lower prices, often implying a reduction in quality; *b)* diverting clients to other destinations; and *c)* some late payment problems.

Quality and standards

The tourism case studies, as with some other sectors, have shown that meeting product and process standards is essential for SMEs to be able to participate fully in either value chains or networks. Tourism enterprises have to adjust to new standards quickly to remain in the chain or network. The costs of accreditation can be very high for small firms; (Box 2.10 illustrates Australian governmental action in this area).

Several case studies show that SMEs working with value chains and networks, while meeting new standards, should also avoid compromising their authenticity. In a service industry like tourism, success in co-operative ventures requires that the SME provides a unique and authentic experience for the visitor.

Overcoming the problem of small size

The research carried out for this study has established that the fragmented small business sector that dominates tourism at the destination level finds it difficult to remain competitive in the international market. Tourism SMEs (of which typically 65-95% are micro enterprises), are disadvantaged because of their small size. Their capacity is often

Box 2.10. **Australia: Accreditation and quality in the tourism industry**

The tourism industry has recognised the impact that poor quality can have on repeat business. The task of meeting industry accreditation standards can be difficult for SMEs, and minimising the administrative burden while maintaining standards is a challenge.

The Australian Government is providing support towards the development of a tourism business and accreditation portal. The portal (*www.qualitytourism.com.au*) is designed with two toolkits. One helps the industry to develop and market tourism accreditation and relevant products through a single, accessible, user-friendly site. It also helps to raise awareness of accredited products available in the marketplace.

The second provides information and assistance to enable operators to improve their business management skills and includes links to key industry and Government websites that provide information on business and tourism accreditation. The portal is a voluntary self-sustaining tourism accreditation system that provides a national set of business improvement mechanisms. High levels of service and product quality are becoming key issues for Australia in terms of its reputation as a tourism destination. Tourists now have a greater capacity to research (and to discern between) the tourism experiences they are seeking. The creation of the portal is aimed at capturing benefits from this development by encouraging Australian tourism operators to align the products and experiences they offer more closely with the expectations and perceptions of travellers.

under-utilised (*e.g.* through the impact of seasonality) and their earning power is limited. They often have little know-how in marketing, technology and market trends and only limited access to distribution channels. A way forward for these micro-enterprises is to take far greater advantage of the potential for internal growth. For example, small firms can reduce their average costs by increasing their size (*e.g.* by adding more rooms in hotels or more seats in restaurants).

However, external growth is also urgently needed to overcome such size disadvantages. In tourism destinations, the development and marketing of tourism products and services needs to be increasingly based on partnerships and clusters which enable SMEs to position themselves better in the markets they serve. Provided that a cost advantage can be demonstrated over unilateral action, co-operation is one way of achieving this. Several case studies have shown that SMEs can take advantage of value chains to overcome their size disadvantages and sustain their competitiveness in the global tourism market.

Policy implications

Government policy should focus on areas where the market may not sufficiently provide what is needed to improve the performance of the tourism industry, especially for small enterprises. While the extent to which governments can help businesses to become more innovative and competitive may be limited, it is nonetheless the task of governments to create favourable policy environments to encourage tourism enterprises, both large and small, to adopt best practices in global value chains and networks, and to embrace innovation. There are in practice many areas in which governments could assist tourism SMEs to participate more effectively in GVCs and co-operative networks through policy initiatives in specific areas.

The role of governments

While the private sector plays the central role in creating and enhancing successful value chains, the public authorities also have a responsibility to promote better co-operation and networks by promoting permanent dialogue between the public and private sectors. These actions can enhance collaboration among enterprises and improve the quality of policy for inter-firm and inter-regional networks and clusters.

Most case studies identified policy issues and roles for national/regional/local public authorities (Table 2.8). According to the SMEs interviewed, the main objective should be to facilitate the participation of SMEs in GVCs or networks and/or to help them upgrade their position in the system.

Table 2.8. **Policy issues identified in the tourism industry case studies**

Question / *Case study*	Policy issues
	Tourism
Austria	• When clear market failures occur, it might be worthwhile for national/local public authorities to accompany SMEs in planning their co-operative strategies with a view to optimising the service chain on both the supply and demand sides, or to upgrade co-operation to an international level.
Germany/Jordan	• To protect the established value chain relationships between Jordanian and German SMEs from unexpected structural changes and political shocks. • To help SMEs in developing new value chains in new international markets. • To develop a policy in Jordan for upgrading the destination to attract new investors (*e.g.* vocational training, investment regulation, infrastructure development, quality and standards). • To increase the coherence of tourism with other policies.
Korea	• To strengthen the global competitiveness of the travel industry by: – Focusing on support rather than regulation policies. – Providing support through fiscal incentives rather than grants. – Seeking a policy of indirect rather than direct support. • To strengthen consumers' rights by: – Developing an efficient complaint system for tourists. – Organising an effective system of redress. – Paying more attention to safety issues for both inbound and outbound travellers.
Poland	• To improve knowledge and disseminate good practice among SMEs (*e.g.* ICT, marketing, financial support, education and professional training). • To support pro-development activities, through: – Education programmes. – The inclusion of SMEs in development strategies. – Evaluation of public programmes for SMEs. – The identification and transfer of good practice. – Financing a website addressed to SMEs. – The provision of market information. – Raising awareness among SMEs about existing financing programmes and how to use them. – Harmonizing taxes.
Spain (Andalusia)	• SMEs would like to see less bureaucracy. • An SME group would like to receive direct public support for ICT development, rejuvenating infrastructure and the promotion of co-operation. • Another SME group sees the role of public authorities more in designing the appropriate policy framework (standards, infrastructure) or in creating an industry advisory board.
Spain (Balearic Islands)	• A group of SMEs would like to see more public support in terms of promotion or improvement of infrastructure to improve their role in the value chains. • Half the enterprises interviewed receive support for training programmes, implementation of quality and environmental management systems. • Larger enterprises tend to say that the less public intervention the better. • Small business can be supported if aid does not interfere with the independence of the firm.

Table 2.8. **Policy issues identified in the tourism industry case studies** *(cont.)*

Question / *Case study*	Policy issues
Switzerland	• Tour operators consider that airport taxes are too high while at the same time recognising that this may be the price to be paid for good infrastructure and security. Travel agents are in need of support for vocational training. Hoteliers point out the necessity if increasing their added value through innovation and infrastructure development, although it is difficult for them to undertake action themselves due to a lack of finance.
Australian research paper on clusters presented at the 2005 OECD Conference (Dr. Patrice Braun)	• Tourism policies directed towards SMEs should always include clustering aspects. While such policies cannot compel SMEs to network, they can help augment the destination, provide infrastructure, promote leadership, and benefit the overall clustering processes. • Mapping assets at the destination end of the service chain will provide knowledge on local and regionally-embedded networks, while a strategic analysis of the local/regional value chain will help destinations to match local attributes with established and emerging visitor profiles. • Reassessing the role of SME clusters *vis-à-vis* global distribution systems will advance the adoption of ICT by individual tourism firms and contribute to new destination management partnerships.
OECD study on Digital Delivery of travel and tourism services	• Governments can provide a framework and business environment to enable the adoption and diffusion of ICT services, and enhance transition and adjustment in some of these areas. These include: – ensuring the availability of network infrastructure and enhancing the skills base to foster innovation; – increasing diffusion and use through information, demonstration and standardisation; – helping to establish an environment of online trust; and – ensuring that the business environment is both competitive and conducive to the take up of innovations (OECD, 2005a).

Two groups of SMEs have been identified. The first argues that governments should play a direct role in supporting SMEs, while the second advocates an indirect public sector role in strengthening the overall policy framework. The case studies tend to indicate that there is actually little or no support for facilitating the role of tourism SMEs in GVCs or networks directly – reflecting typical SME independence and suspicion of direct government intervention in their businesses.

In summary, some of the principle roles for public policy and government intervention may be summarised as follows:

Raising awareness of the potential of GVCs

Although the diffusion of ICT has made market intelligence easier for SMEs, their limited resources still hamper accurate information about the opportunities and challenges facing them. Many SMEs that are used to serving local markets may find it difficult to gain a good understanding of the potential advantages of co-operation with other enterprises or different business areas. Raising awareness of opportunities through public initiatives can encourage SMEs in tourism to participate in GVCs (OECD, 2006).

Creating an effective framework for ICT use

Information technology is crucial to improving performance in the tourism industry. Regulatory reform and investment in information technology are among the main reasons why productivity has improved in diverse sectors of tourism business. To create an effective framework for IT use by tourism services, governments need to address regulatory reform to bring down ICT costs and to develop standards and an international regulatory framework for electronic commerce. They also need to pay attention to ICT skills in education and training policy. Governments also play a role in developing the generic technologies and technological infrastructure related to ICT use, since the business sector may not always engage in long-term research on these aspects itself (OECD, 2005a).

Promoting training and skills development

Tourism is first and foremost a service industry. A primary role for governments is to support training and skills development and increase the entrepreneurial/management capacity of SMEs through appropriate small business support and training programmes. In order for SMEs to operate effectively in global value chains, it is essential to ensure and enhance the capacity of managers and employees to cope with new technologies, understand customers' needs, improve product quality and capture the potential of new (niche) markets. Strong leadership in management can play a crucial role in making a co-operative venture successful and in developing customer loyalty and quality management.

Promoting a culture of innovation

Tourism SMEs need to make more intensive use of innovations (mainly driven by large players) in view of their increased participation in GVCs and their relationships with larger companies. The sharing of innovative practices in terms of organisation, entrepreneurship or process development can be instrumental in strengthening the role and importance of SMEs in GVCs. Innovation-oriented tourism policies can contribute to a better spreading of innovation in tourism (*e.g.* for the rejuvenation of tourism supply). Government policies and programmes geared to the dissemination of information to the SME community and to the provision of support services to SMEs in this area can be very helpful. More specifically, where issues such as electronic banking and the availability of ATMs inhibit the development of a full range of tourism services, governments should examine the operating environment of the banking sector with a view to opening up their financial markets to greater competition and to the modernisation of the financial infrastructure. In the same vein, liberalisation of the telecommunications sector can reduce the costs of Internet provision to SMEs.

Facilitating accreditation standards and quality

A difficult task for SMEs, especially for the smaller ones, is to maintain and adopt the standards required for a high quality, dynamic and sustainable tourism industry, at local, regional, national and international levels. Adequate supporting policies that provide information on business and tourism accreditations and encourage SMEs to align their offer with the expectations of consumers can enhance the participation of SMEs in GVCs and networks. As demonstrated by the Australian example in Box 2.10, government programmes can be created to facilitate this process and provide support to SMEs lacking in the skills and experience required to meet standards and gain the appropriate accreditation.

Facilitating co-operation and networks in the tourism industry

There is great potential for the development of alliances, networks and clusters in travel and tourism. Because of the cross-sectoral complexity of the tourism industry, such alliances involve a wide variety of industry activities (*e.g.* transport, accommodation, food, entertainment, etc.) as well as many small businesses. Co-operation is important for achieving economies of scale and added value in the industry. Travel and tourism SMEs are likely to be based around a specific geographic location and could be supported through existing or new destination marketing/management organisations. Governments can play a major role, through their involvement in national and regional tourism organisations, in encouraging collaborative activities, supporting the development of networks of SMEs and in promoting their connections with large enterprises.

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ANNEX 2.A1

Tourism Industry Case Studies

	Australia
Research team:	Australian Government Department of Industry, Tourism and Resources (DITR).
Coverage:	The study focuses primarily on three distinct types of hotel accommodation (chain hotels, boutique hotels, and other accommodation, including hostels and bed and breakfasts), in four areas of the Gold Coast (Gold Coast Airport and surrounds; the Lamington and Springbrook National Parks and surrounds; Surfers Paradise and surrounds; and the theme parks of Sea World, Warner Bros Movie World, Wet "n" Wild, Dreamworld and surrounds).
Main findings:	Large MNCs, foremost hotels and airlines, are significant investors in Australian tourism and have raised the profile, appeal and accessibility of specific locations. These large firms are not well connected to SMEs. Australia's tourism industry is dominated by SMEs, and for these firms local and international personal networks drive activity more than business relationships across national borders. Co-operation in marketing is working reasonably well at national, state and local levels. Potential exists for SMEs to further develop high yield markets. There is a need for small and large firms to work together on training and skills development. Internet is seen as an opportunity and threat.
	Austria
Research team:	Austrian Bank for Tourism Development.
Coverage:	The study is based on: an analysis of the co-operation projects funded in the framework of a Tourism Promoting Scheme made available by the Austrian Federal Ministry of Economics and Labour; the results of a questionnaire addressed to the managers of active co-operation ventures within the Austrian Tourism sector; and structured interviews of industry experts as well as on the results of an analysis of the annual accounts of already active co-operation ventures.
Main findings:	Successful co-operation ventures show a number of specific characteristics, such as the legal form, the intensity of the co-operation and the internal organisational structure. A large majority of these ventures represent the classic pattern of horizontal co-operation. Co-operation schemes may increase profitability of SMEs.
	Germany/Jordan
Research team:	A co-operative research project between German and Jordanian research teams from the University of Jordan and the University of Frankfort am Main, funded by the German Research Council (DFG) and the German Federal Ministry of Co-operation and Development.
Coverage:	In-depth personal interviews were carried out with a total of 43 Tour operators, six of these in Austria, mostly independent medium-sized and small operators of regular Jordan packages as well as some occasional providers. Structured interviews were carried out with incoming agencies in Jordan, with hotel managers, airline managers and representatives of Jordanian tourist authorities.
Main findings:	The study identifies the key factors to ensure that the firms operating in the specific market niche of package tours from Germany to Jordan maintain their competitive advantage. Trust is a significant factor in ensuring the continuation of co-operation and lowering transaction costs. Inbound travel agencies in Jordan play a central role as co-ordinator and controller of package holidays. The branding of Jordan should be encouraged to enable the country to explore new niche markets.
	Korea
Research team:	Kyunghee University, Sejong University and Ministry of Culture and Tourism, Korea.
Coverage:	The survey of 16 hotels was conducted through in-depth interviews over a two week period during July 2005, with general managers and department heads, which included seven large hotels and nine 1st-3rd class tourist hotels. The survey for travel agencies and tour operators was conducted through in-depth interview during a four month period from 1 December 2005 to 30 March 2006, with managers and CEOs of 11 travel agencies and tour operators.

Main findings:	The wider adoption of ICT is a major concern for competitiveness among SMEs. There is an important participation of SMEs in global brands; value chain strategies allow SMEs to take advantage of interactivity, customer and quality management.
	Poland
Research team:	*Instytut Turystyki w Krakowie* (the Cracow Tourism Institute), Ministry of Economy, Department of Tourism.
Coverage:	21 hotel enterprises and five entities (2 travel agents, 1 SPA and 2 local governments) from the domestic hotel industry and its environment were selected for interviews, usually with top level executives. All the hotels that participated in the survey were SMEs.
Main findings:	Lack of knowledge about the potential benefits hinders SME participation in value chains and co-operation with large companies. International, regional and local competition is going to force actions, especially in personnel training and cost reduction. Networks created for the promotion of particular products have a chance to develop on a local or regional scale. The necessary co-operation is not developing since there is suspicion in participating in networks together with competitors. SMEs are practically invisible in innovation networks, associations of producers of various tourism products, tourism clubs, and Internet networks. There is a small impact of value chains on SMEs, but some very positive examples of SMEs participation in co-operation networks.
	Spain (Andalusia)
Research team:	Research team from the University of Seville.
Coverage:	Four hotel establishments and three travel agencies, located in the provinces of Malaga and Seville. Interviews took place with the owners and/or directors of the hotels and travel agencies. The study also benefited from the collaboration of the President of the Andalusian Travel Agencies (FEAVV) and the Seville Entrepreneur Association of Travel Agencies (AEVISE), as well as the Vice-President of the Seville and Province Hotel Association (AHS) – they presented the view of their respective subsectors and complemented the individual contributions from the firms.
Main findings:	Intermediaries such as tour operators, booking centres, and traditional or virtual travel agencies exert a high pressure on hotel prices, although intermediaries usually do not fulfil the quota reserved to hotels in the individualised contracts they signed with them. To reduce uncertainty, some hotels are part of a hotel association, which increase their commercial potential in exchange for quota and commission per room. Travel agencies estimate that they should focus on offering a better quality product, with greater added value in order to increase clients' fidelity. Globalisation increases uncertainty for SMEs and often results in a real "price war" and a reduction in profitability. Co-operation networks in the hotel industry are particularly active between innovative firms. They are contributing to product upgrading, and better quality and services. There is a need for small and large firms to work together on training and skills development.
	Spain (Balearic Islands)
Research team:	Centre of Tourism Research and Technologies of Balearic Islands (CITTIB) in co-operation with the Balearic Ministry of Tourism.
Coverage:	The sample comprised of 25 enterprises, of which 18 enterprises responded to the survey including 4 large, 8 medium and 6 small enterprises.Members of the enterprises' Board of Directors were interviewed in every case.
Main findings:	In terms of products, a large number of Balearic enterprises are involved in different lines of business. For example, travel agencies which are engaged in incoming *and* outgoing activities, or some of the large hotel chains which are also involved in the property market. This includes the addition of spa, wellness or sporting centres in hotels. Tourism value chains contribute to niche market development, improvement in know-how and innovation, expansion prospects (*e.g.* in markets and customers), and specialisation (*e.g.* the value chain has enable travel agencies to focus their services). The most important business attributes of the firm are location, facilities, service quality and excellence, brand, know-how, customer satisfaction and individual treatment.
	Switzerland
Research team:	Hospitality Research Department of the "École hôtelière de Lausanne".
Coverage:	The sample comprised of 20 enterprises from tour operators (multinationals, whose products cover among others, the Swiss holiday destination), travel agencies (major establishments, which distribute and sell products covering among others, the Swiss holiday destination) and hotels (small and medium-sized hotels covering different existing products in Switzerland proposed in holiday packages).
Main findings:	The main structural changes linked to the participation of SMEs in global value chains occurs in the outgoing branch of the tourism industry. There is a potential for SME travel agencies to further develop high-yield specialised niche markets. SME hotels prefer to strengthen their competitiveness through internal value creation. There is a need however for small hotels to co-operate and network to increase their participation in tourism value chains.

Note: Most of the case studies mentioned are available at *www.oecd.org/cfe/tourism*.

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2.B. Services Trade Liberalisation and Tourism Development

Introduction

The key objective of this chapter is to examine the role that services trade liberalisation could play in tourism development in developing countries, with the aim of contributing to international services negotiations. The focus is on the potential offered by the adoption of more liberal trade and investment policies in the variety of services and infrastructure that support tourism.

The importance of tourism for economic development is widely acknowledged. A critical feature of tourism is the movement of consumers – the consumer typically goes to the supplier instead of the other way around as in many other services. Sustainable tourism development[1] can thus play a key role in poverty alleviation. Tourism has the potential to employ unskilled or semi-skilled workers in the main centres and in outlying areas, and also stimulates further job creation in supply industries.

The significance of the sector is reflected in the relatively liberal environment currently in place in most countries and in the Uruguay Round commitments of World Trade Organisation (WTO) members. Nearly 130 WTO members, greater than for any other sector, have made GATS commitments under the category "Tourism and Travel Related Services" as defined in the GATS classification (W/120). This underlines the desire of most members to expand their tourism sectors and to attract foreign direct investment.

Developing countries' tourism potential and the opportunities it offers for socio-economic development could be significantly expanded. A prominent constraint to tourism development is the lack of adequate services and infrastructure needed to support the sector. This includes transport services and infrastructure, telecommunications and financial services, as well as electric power and sewage treatment facilities. Adequate consideration also needs to be given to construction, advertising and education services. Enhanced services trade and investment liberalisation, including at the regional and multilateral levels, could substantially contribute to the development of tourism. Liberalisation, however, needs to be appropriately designed and effectively implemented, giving due consideration to social and environmental impacts.

Definition and measurement of the tourism sector

The United Nations in 1994 defined tourism as "the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated within the place visited". Although there is now a growing recognition of the role of tourism as a productive activity and of its potential to generate significant direct and indirect economic benefits, the sector has suffered in many countries from a lack of political and popular support. This is because tourism's economic importance has often been underestimated.

Tourism is difficult to define and measure since it comprises sellers of many heterogeneous products and services. National accounts and industry statistics fail to

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present tourism as a specifically-defined sector, nor does tourism appear explicitly in typical economic input-output (I-O) tables. The category "Tourism and Travel Related Services", as defined in W/120 comprises hotels and restaurants, travel agencies and tour operators, and tourist guide services (and an "Other" sub-category).[2] Numerous other tourism services – computer reservation systems, cruise ships and many other transport services, hotel construction, etc. – are placed in other W/120 sectoral categories.

In an effort to improve understanding of the industry, the OECD, the World Tourism Organisation (UNWTO) and Eurostat developed the so-called *Tourism Satellite Account: Recommended Methodological Framework (TSA)* in 2000. The TSA attempts to provide a credible measure of the true contribution of tourism to a national economy by analysing those aspects of demand for goods and services that are associated with tourism, observing the interface between demand and supply of such goods and services, and describing how supply interacts with other economic activities. TSAs are already in place or under development in a significant number of OECD countries, and in an increasing number of developing countries.

Economy-wide effects of tourism

Broadly defined, tourism could be regarded as one of the world's largest and fastest growing industries. According to the World Travel and Tourism Council (WTTC), an organisation made up of executives from the travel and tourism industries, the contribution of travel and tourism to worldwide GDP will rise from 10.3% (USD 4 963.8 billion) to 10.9% (USD 8 971.6 billion) between 2006 and 2016. Employment is estimated at 234.3 million jobs in 2006, 8.7% of total worldwide employment, or 1 in every 11.5 jobs (WTTC). Direct employment growth in 2005 was estimated at 2.1 million new jobs, 6.5 million counting indirect job creation. The countries expected to increase the most in terms of employment between 2006 and 2015 are China, the US, Mexico, Indonesia, India and Brazil (WTTC).

According to the UNWTO, worldwide earnings from international tourism in 2006 reached a record of USD 735 billion, an increase of about 8% over 2005. Europe earned more than half of worldwide receipts (51%), followed by the Asia Pacific and the Americas (21% each), the Middle East (4%) and Africa (3%). Tourism is a crucial source of foreign exchange for developing countries. By 1998, tourism became the main source of foreign exchange revenue for the 49 LDCs, not counting the oil industry. Tourism also accounted for more than a sixth of their non-petroleum exports, far more than raw cotton and textiles, their second and third largest export earners. As a whole, tourism is the main export for a third of developing countries.

Tourism is a complex industry, generating significant economic activity with other industries, through two kinds of linkages – backward and forward linkages. Backward linkages relate to the importance of tourism as a demander of inputs from other industries, including a wide range of agricultural and manufacturing goods, and a variety of services, *e.g.* construction, telecommunications, energy and water and sanitation. Forward linkages relate to the importance of tourism as a supplier (or input) to other industries. As pointed out by Cai *et al.* (2005), while visitor expenditures (final demand) *per se* do not have forward linkages, the tourism industries that sell goods and services to tourists may have forward linkages by selling their products to businesses in other industries.

At the same time, the degree to which tourism will act as a key driver of economic growth in a country or region will depend on the extent of so-called tourism leakages.

These are defined as the amounts subtracted from tourist expenditures, and can take the form of profits and revenue paid abroad to international tour operators, interest payments on debt and the cost of imported goods and services. Leakages may also arise from the non-sustainability of environmental, cultural or other tourism assets over time.

Minimising leakages requires proactive processes that strengthen internal linkages and improve the tourism value-chain, notably by building domestic capacity rather than protecting domestic markets. In the early stages of development, as infrastructure and service investment takes place, leakages are likely to be high and desirable. Thereafter, they may diminish in parallel with the country's rising ability to meet its investment, services and goods needs domestically, and by developing appropriate policies to strengthen local capacities (see Gollub *et al.*, 2002, for a detailed discussion of these policies along the tourism value chain).

Tourism linkage analysis in selected developing and emerging economies

In this section, tourism linkage analysis has been carried out for three developing countries – India, Brazil and Indonesia. Linkage analysis recognises that changes in demand have both a direct and an indirect effect on the economy. For example, tourists spend money in certain sectors (direct effect) and these sectors in turn purchase goods and services from other sectors (indirect effect). Thus, a change in tourist demand affects an economy in ways that may be less than, equal to, or greater than the initial value of the change in demand. Linkage values exceeding one, indicate important multiplier effects and facilitate technology transfer within an economy.

An important issue in conducting linkage analysis for tourism is that the definition of the industry is not straightforward. As noted, tourism is not a category characteristically included in an I-O table, which is one of the necessary inputs to undertake linkage analysis. To abstract from these problems, the analysis presented here generally follows the methodology of Cai *et al*. (2005). This implies using a country's TSA to create a composite "tourism" industry and analyse the backward and forward linkages between "tourism" (as a whole) and the other I-O industries.

The three countries studied below exhibit a similar pattern in their tourism linkages. Backward linkages are about average or slightly above one, and forward linkages well above average. Linkages in the tourism sector appear to be strongest in Indonesia and the least strong in Brazil, with India falling somewhere in between. Given the level of economic development of the countries under study, and the structure of production across sectors, it is not surprising that linkages are generally strongest in the manufacturing sector. However, the tourism sector consistently scores stronger linkages (both backward and forward) than the average for the services sector, suggesting that tourism may be one of the most interconnected services sectors in these three economies.

India

Demand for tourism services in India was expected to increase by 8.4% in 2006 and to continue to rise steadily in the next decade (WTTC). The tourism sector in India, as in many countries, is made up of a diverse set of different sectors. As defined by the Indian TSA, Table 2.9 shows the share of the tourism characteristic industries (*i.e.,* the primary sectors that satisfy tourism demand) that can be attributed to tourism consumption.

Table 2.9. **Tourism industry ratios, India, 2002/03**

Industry	Total tourism consumption (%)
Accommodation services	92
Food and beverage serving services	18
Passenger transport services:	
• Railway	29
• Road	
– Buses	63
– Other mechanised vehicles	3
– Non-mechanised vehicles	90
• Water	2
• Air	94
Transport equipment rental	75
Travel agencies and similar	96
Other recreational and entertainment activities	49

StatLink http://dx.doi.org/10.1787/153405122182

Source: Reproduced from India's TSA for 2002-03.

The tourism sector is even more diverse when tourism-related sectors are included (*i.e.*, the secondary sectors that satisfy tourism demand). India's TSA identifies the following sectors as tourism-related sectors: clothing and garments, processed food, tobacco products, alcohol, travel related consumer goods, footwear, toiletries, gems and jewellery, medicines and health related items, and printing and publishing. However, because of issues of data availability in the TSA and aggregation in the input-output table, these sectors could not be included in the composite tourism sector for India. As a result, the linkages presented in this paper probably underestimate slightly the tourism sector as a whole.

India's backward and forward linkages for total inputs are shown in Figures 2.4 and 2.5. The composite tourism sector has an average backward linkage of about 1. Thus, an increase in final demand implies an about average effect on the sectors that supply inputs to the tourism sector. Using a slightly different method of creating a composite tourism sector, Cai *et al*. (2005) report similar findings for Hawaii's tourism sector in 1997. It is interesting to note that the backward linkage for tourism (1.01) is above a simple average of all of the other services sectors included in Figures 2.4 and 2.5 (0.87).

Figure 2.4. **India's backward linkages**

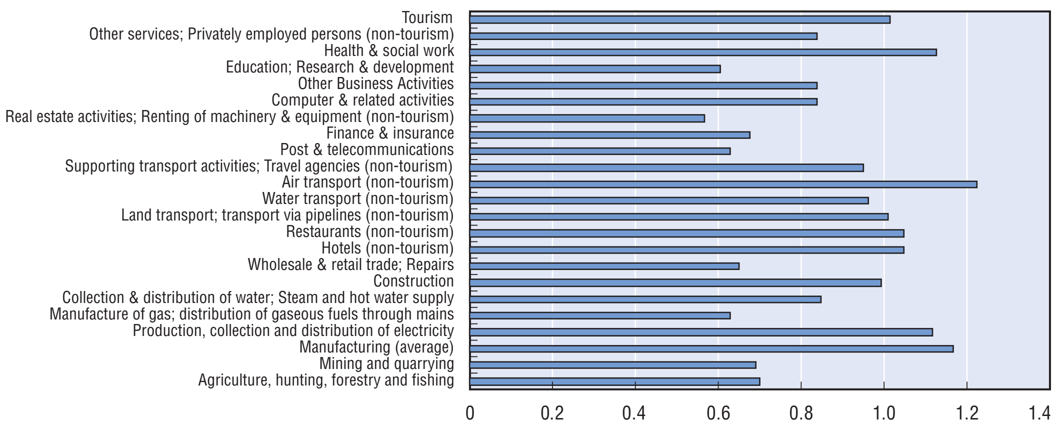

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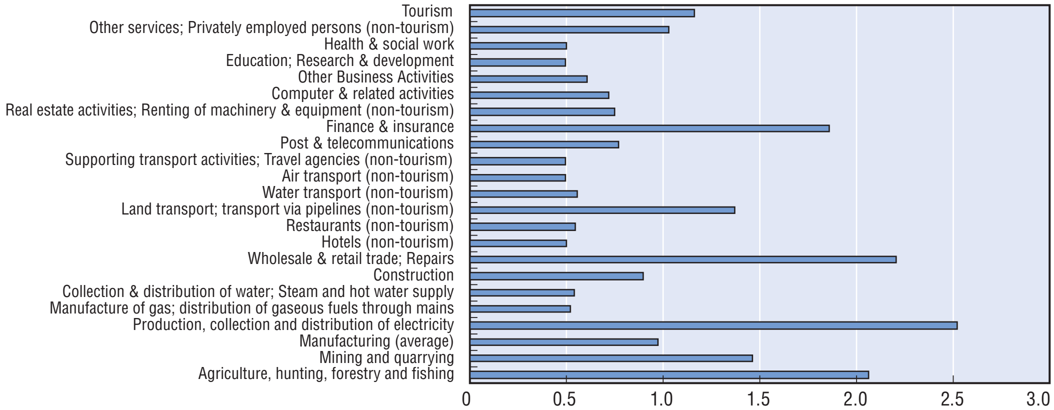
Figure 2.5. **India's forward linkages**



StatLink http://dx.doi.org/10.1787/153076318462

Note: The input-output table for India comes from the OECD as of June 2006 and relates to the period 1998-99. India's TSA was compiled by the Indian Ministry of Tourism as of January 2006 and represents the period 2002-03. Using data on real growth in travel and tourism demand from the WTTC, the data in India's TSA was converted to 1998-99 to ensure comparability with the most recent input-output table available for the country.

Similarly, tourism forward linkage is above average, with only six sectors having a higher forward linkage. This finding differs from the results obtained by Cai *et al.* (2005), who observe a below average forward linkage for the tourism sector in Hawaii in 1997. However, this difference could be accounted for either in the divergence in methodology or by the different level of economic development between Hawaii and India. In addition, the average forward linkage for the tourism sector (1.16) is greater than a simple average of the other services sectors (0.91). Coupled with the findings for the tourism sector's backward linkage, one can conclude that tourism may be one of the most interconnected services sectors in the Indian economy.

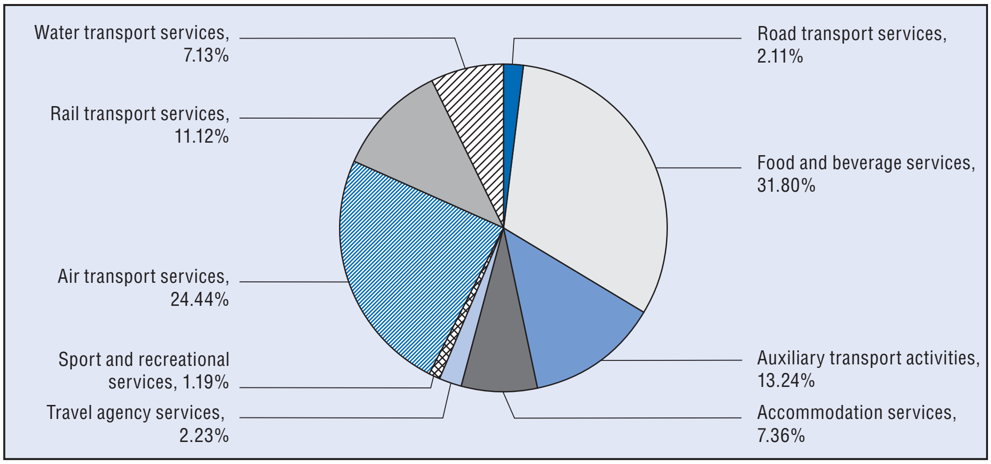
Brazil

Analysts at the WTTC estimate that demand for tourism services in Brazil grew by 5.3% to approximately USD 70.4 billion in 2006, which represents about 1% of the total global market for tourism services (WTTC). Similar to India, the Brazilian tourism sector is made up of many different sectors. Figure 2.6 shows the relative importance in terms of revenue of each of the "primary" sectors characteristic of the Brazilian tourism industry in 2003.

As indicated in the data from the IBGE, the food and beverage and air transport services sectors together generated in 2003 over half of the total net operational tourism-related revenue in Brazil (56.2%). These two sectors are followed by auxiliary transport activities (13.2%) and rail transport services (11.1%). The IBGE also reports that over 80% of all of the firms engaged in a tourism-related activity are in the food and beverage services business, and many of these firms employ five or fewer employees.

Figure 2.7 show that Brazil has an average backward linkage (1) in the tourism industry. This finding mirrors the results for India presented earlier in the section as well as the evidence presented for Hawaii in Cai *et al.* (2005). Brazil's forward linkage (Figure 2.8) is slightly above average (1.1), which again mirrors the results obtained for India. And while Brazil's tourism backward and forward linkages are both about average, they are nevertheless above the average of all of the other services sectors analysed. So while one might expect stronger linkages in the manufacturing sector – which is indeed what

Figure 2.6. **Per cent of net operational revenue of Brazilian firms in tourism-characteristic activities, 2003**



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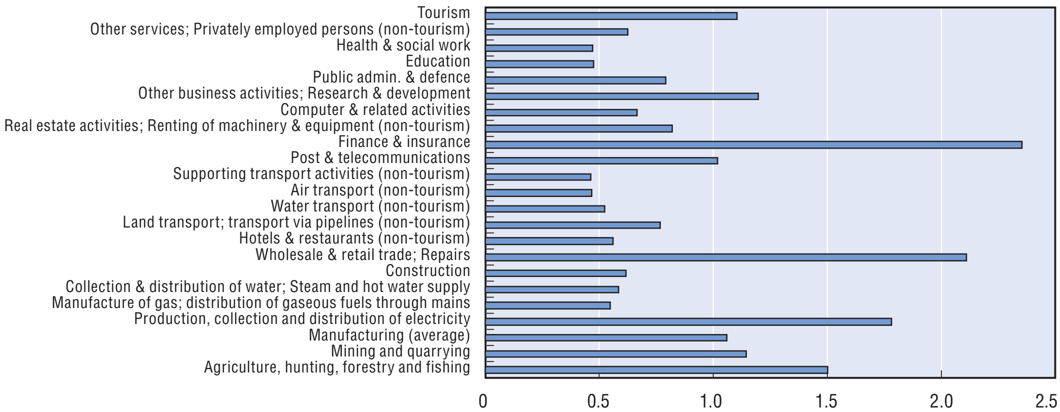
Source: Brazilian Institute of Geography and Statistics (IBGE), 2003.

Figure 2.7. **Brazil's backward linkages**



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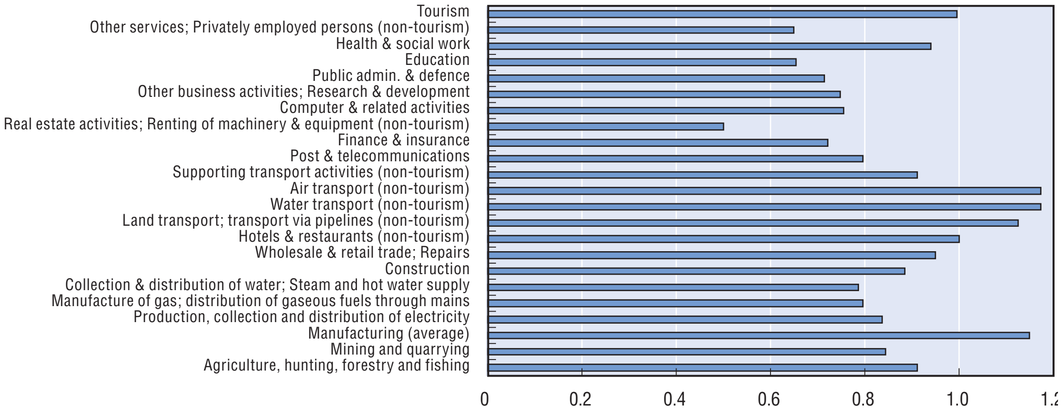
emerges in this analysis – tourism can be viewed as having relatively more linkages than the average services sector in Brazil.

Indonesia

Indonesia is also characterised by a growing tourism sector. For example, demand for tourism services in Indonesia is estimated to have increased 5.5% to approximately USD 37.3 billion in 2006, which represents about 0.6% of the total global market for tourism services (WTTC). Moreover, Indonesia is experiencing solid cumulative real growth in tourism demand (Figure 2.9).

While tourism demand in Indonesia has indeed been steadily increasing, Indonesia's market share of total world tourism demand has showed a more volatile pattern. Data from the WTTC show a steep dip in Indonesia's share of world tourism demand around 1997. Since then, its share of global tourism demand has been steadily increasing, but Indonesia has yet to get back to the highs experienced in the mid-1990s (WTTC).

Figure 2.8. **Brazil's forward linkages**



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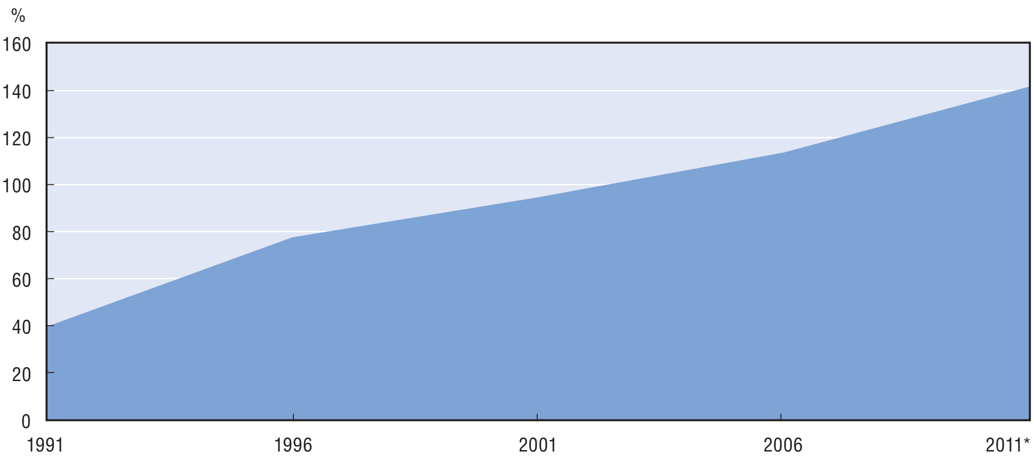
Note: The input-output table for Brazil comes from the OECD Input-Output Database as of January 2007 for the year 2000. Because Brazil has not yet completed its first TSA, data on output by sector is unavailable. Thus, the study assumed that the tourism share in each primary tourism-related sector is constant across all of the countries analysed (*i.e.* the shares calculated for India are applied to Brazil's input-output table to create a tourism composite sector). While this assumption means that the results presented for Brazil are estimates, it does not alter the structure of production across sectors, which is critical to linkage analysis.

Figure 2.9. **Tourism demand in Indonesia**

Cumulative real growth



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* Projected.

Source: Adapted from WTTC, 2006.

Figures 2.10 and 2.11 indicate that the backward linkage for tourism in Indonesia, at 1.05, is the strongest backward linkage for tourism in the three countries studied. In fact, only four other sectors have a higher backward linkage in the Indonesian economy. Indonesia's forward linkage is also more markedly above one than the other two countries (1.44). Both the backward and forward linkages for the tourism sector in Indonesia are also well above the average services sector in the economy, with the forward linkage being particularly strong when compared to the average service sector (0.84).

Figure 2.10. **Indonesia's backward linkages**

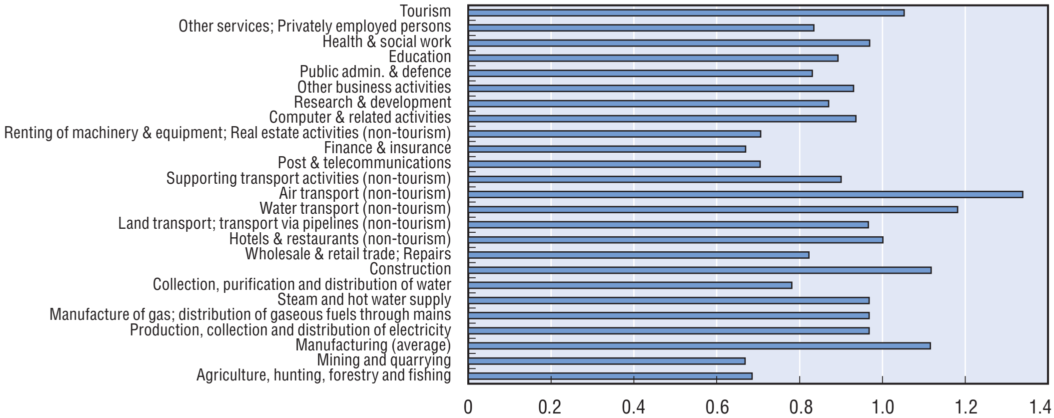

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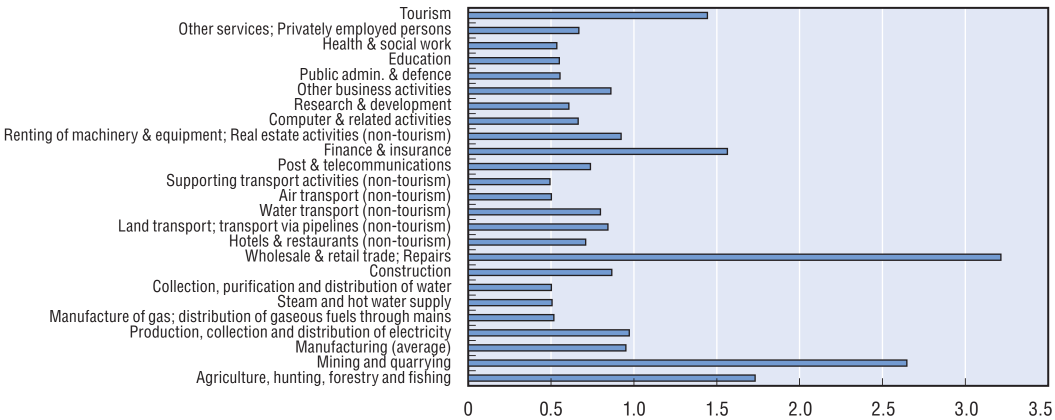
Figure 2.11. **Indonesia's forward linkages**



StatLink http://dx.doi.org/10.1787/153378253061

Note: The input-output table for Indonesia comes from the OECD Input-Output Database as of January 2007 for the year 2000. As noted, the study assumed that the tourism share in each primary tourism-related sector is constant across all of the countries analysed (*i.e.,* the shares calculated for India are applied to Indonesia's input-output table to create a tourism composite sector). This assumption should not affect the inter-linkages among sectors.

Constraints to tourism development: Case studies from Africa and Asia

From the point of view of tourism development, strong backward linkages can be vital. If there are constraints to these linkages, *i.e.* inputs needed for tourism activity are lacking or expensive, the growth of the sector may be undermined. In particular, the ability of a country to deliver tourism effectively depends critically on how well its services and infrastructure are capable of sustaining the sector. Against this backdrop, this section presents case studies from developing economies in Africa and Asia – Madagascar, Mozambique, Cambodia, India and South Africa. The case studies review the key constraints to tourism development and discuss the steps taken by the relevant governments to address them.

Key tourism features of the case study countries

Madagascar

Madagascar has world-class tourism assets. It is the world's fourth largest island, with nearly 5 000 km of coastline coupled with a continental shelf equal to 20% of the island's land area. Madagascar has a wide range of natural beauty and cultural resources to support tourism. It is home to many unique indigenous species, among them 30 species of lemur. These resources present numerous opportunities for developing both resort-based and eco-tourism.

Since 1990, tourist arrivals in Madagascar have grown at an average annual rate of 11% according to the UNWTO, reaching 312 000 in 2006. French tourists dominate arrivals, with a share of around 60%, for historical and cultural reasons, as well as flight itineraries. During the same period, the country had an estimated 556 hotels, of which around 111 were classified as meeting international standards and another 109 met local standards. The remaining hotels were unclassified, with many containing no more than 5 rooms. Operators have stated that this leads them to compete with each other for rooms in the small number of hotels that meet acceptable standards.

Using a simulated satellite account, the WTTC estimates that tourism's contribution to Madagascar's GDP (direct and indirect impact) in 2007 is expected to account for 6.3% of GDP and 206 000 jobs (5.1% of total employment).

Mozambique

Mozambique is endowed with remarkable tourism assets. It combines historical heritage, natural beauty and wildlife to offer cultural, beach and eco-tourism. However, the armed conflict that took place between 1973 and 1992 decimated tourism as well as wild-life conservation efforts. Since the end of the civil strife, operators' confidence has been slowly re-building and now Mozambique is in a unique position to revamp its tourism industry.

International tourist arrivals in Mozambique have risen significantly from the first measurable point in 1999 when they amounted to 240 000. UNWTO figures suggest that 578 000 tourists arrived in 2005, 23% up on 2004. Most visitors are intra-regional, with about one third coming from South Africa. Tourism receipts in 2005 totalled USD 130 million, 103% up from USD 64 million earned in 2001, an average annual rate of increase of about 15%. Currently available data for accommodation establishments estimate an availability of around 7 700 hotel beds in Mozambique, with an approximate occupancy rate of just below 40%. The capital, Maputo, generates about half the hotel nights.

In 2003, tourism only accounted for around 1.2% of GDP well below the Sub-Saharan Africa average of 6.9%. However, in 2005 the industry grew by 37%, which was the fastest growth rate in the world and also registered positive trends in attracting foreign investment, reaching about USD 84 million, the largest for any sector of the economy. The sector employs 32 000 people, an increase from 19 600 reported in 1990. Despite these encouraging signs, there remains much scope for the further development of Mozambique's tourism.

Cambodia

Cambodia is often mentioned as one of the top emerging tourism destinations in the world. Phnom Penh with its distinctive cultures and heritage and the legendary Khmer temples near Siem Reap, especially Angkor Wat, give Cambodia its reputation as a tourism destination worldwide. The Khmer temples date from the IXth and XVth centuries and form one of the most important and largest archaeological parks in the world, recognised as a World Heritage site by UNESCO. Other prominent tourist attractions include outstanding rain forest vegetation, the Mekong River and the Elephant Mountains along the southern coast.

The number of tourists in Cambodia has continuously increased to reach 1.4 million in 2005, a 35% rise on the previous year. The tourism sector is perceived as one of the most promising and as a primary source of foreign exchange. International tourism receipts in 2005 were estimated at USD 840 million, 39% up from 2004. WTTC estimates that 20% of GDP is accounted for by the tourism sector (direct and indirect impact) and that tourism employs one person in six. However, most of the growth has been concentrated in Siem Reap, which has raised issues of sustainability.

India

India has spectacular natural and cultural tourist attractions, with a cultural heritage of over 5 000 years. It is home to thousands of monuments and archaeological remains, including the Indus Valley Civilisation, one of the world's most ancient river valley civilisations. The natural resources and climate are very diverse, ranging from mountainous regions to valleys, plains and deserts. The country also has some of the best beaches in the world, many still unexplored, and many wildlife areas with a large variety of flora and fauna. Its visitor-friendly traditions, varied lifestyles and religions, and colourful fairs and festivals are strong attractions for tourists.

It is estimated that tourist arrivals in India grew from 1.8 million in 1992 to 4.4 million in 2006. The average annual rate of increase in tourist arrivals between 1990 and 2004 was 5.2%, although the rate accelerated to 9.2% between 2000 and 2006. According to the government, tourism has become an important employment generator and an instrument of poverty alleviation and sustainable human development. In 2004, employment generation through tourism is estimated at over 24 million, or 5.5% of total employment. Tourism receipts in 2006 were estimated at USD 8.9 billion, 18.7% up from USD 7.5 billion in 2005. Tourism is the third largest net foreign exchange earner for the country.

South Africa

South Africa's immense tourism potential went unrealised prior to 1990 during the Apartheid era. Given the inherent destination assets, since 1990 the tourism economy in South Africa has experienced strong and steady growth. The country's resource base is enormous and highly diverse, including accessible wildlife, spectacular sceneries, unspoilt wilderness areas, and cultural and historical attractions. There are numerous opportunities for special interest activities, including whale watching, sailing, fishing, volunteering, backpacking, hiking, eco-tourism and golf. South Africa also has international class hotels and resorts for business, and the quality of infrastructure and health services is generally good.

The number of international tourist arrivals visiting South Africa more than doubled between 1994 and 2004. Tourist arrivals continued to increase, reaching 8.4 million in 2006. Regional source markets contribute for almost 6.3 million tourist arrivals, while Europe accounts for around 16% of foreign arrivals, with the UK, Germany and the Netherlands being some of the key markets. In the Americas (4.3% of market share), the US, Canada and Brazil dominate; the Asia Australasian region (3.6% of market share) is represented by Australia, India and China. South Africa has about 8 500 tourist accommodation establishments with over

160 000 rooms. Camping and caravan sites account for the highest share (28% of the total), followed by hotels (25%), and holiday apartments and resorts (11% each).

Using a simulated satellite account, the WTTC estimates that tourism's contribution to South Africa's GDP (direct and indirect impact) was ZAR 141.86 billion (or 8.3%) in 2006, up from ZAR 122.49 billion in 2005. It is estimated that 425 930 jobs are directly supported by tourism, and an additional 521 600 jobs in indirect and induced activities.

Constraints to tourism development

Research in these five countries reveals a wide measure of commonality in the constraints faced in developing the tourism sector (Annex 2.A2). The most common constraints fall into five categories: transport services and infrastructure, accommodation, utilities and IT infrastructure, marketing and promotion, and education and training. Limited financial services also create bottlenecks in some of the countries studied. Some of these concerns are, of course, not limited to the tourism industry but reflect wider development issues affecting both residents and visitors.

Madagascar

In Madagascar, international air access is both restricted and expensive, due mainly to dominance by just two airlines – Air France and Air Madagascar. A lack of competition forces up fares (Paris-Antananarivo return is of the order of USD 2 200), there are only five services a week and virtually no other links to extra-regional destinations. Airport infrastructure requires upgrading, with only a few of the country's 133 airports having a paved runway. Domestic air services are also in the hands of Air Madagascar which further controls ground handling.

Roads throughout the country are in poor condition, with only 5 000 km paved out of 33 000 km nationally. Railways are limited to a few main routes and require further development, while ports infrastructure lacks the facilities required to profit from the country's location between two cruise ship poles in Mombasa and South Africa.

Hotel capacities are limited with mainly small units unable to accommodate larger groups and few establishments meeting international standards. A lack of bandwidth throughout the country prevents the provision of reliable Internet connections and thus shuts the tourism industry out of the key area of on-line bookings and the provision of information services direct to the traveller. Electricity supply is unreliable outside the main centres, as is water supply. Sewage disposal is widely inadequate with uncontrolled dumping actually damaging marine and other environments.

Madagascar's budget for marketing and promotion in 2002 was just USD 150 000, compared with USD 10 million in Kenya and USD 23 million in South Africa. In the key area of training, the country lacks skills and training in all tourism-related sectors, including language skills other than French. This hampers both the provision of information to tourists and the extent to which investors can obtain information on the country.

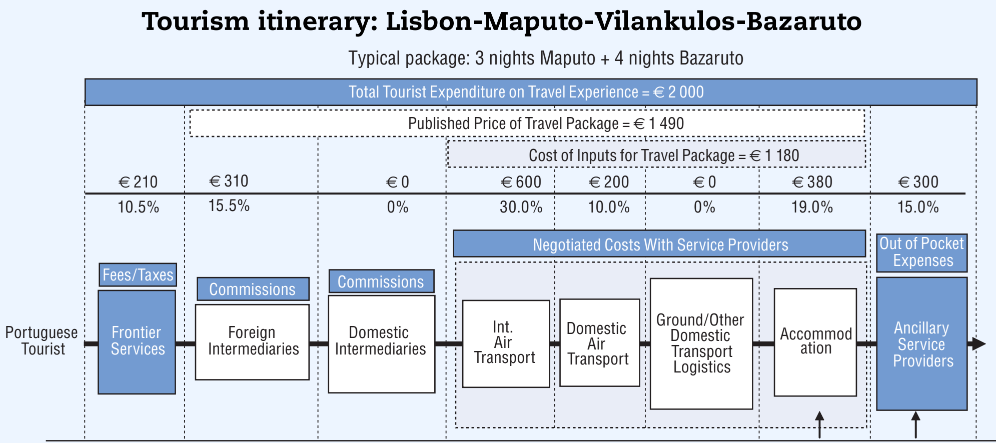
Mozambique

The situation in Mozambique to some extent mirrors that in Madagascar. Air access is very limited, with only one connection (to Portugal) other than regional services to Johannesburg, Nairobi, Harare and Dar es Salaam. The bilateral air service agreement with Portugal makes no provision for charter flights. Low service frequencies are also reflected in high fares. Domestic air transport is very limited as well, although fares are falling as a result of the arrival of some new, small carriers. The impact of such factors is illustrated in Box 2.11, which shows that international and domestic air fares account for 40% of a short holiday package.

Box 2.11. **Packaging a complete tourist experience in Mozambique**

OECD/Foreign Investment Advisory Service (FIAS) provides an analysis of the value chain of a typical tourist experience packaged for Portuguese travellers. The study maps the main economic agents that influence the cost and value of the itinerary Lisbon to Bazaruto. As shown below, domestic and international transport account for 40% of the total cost, while accommodation reaches 19%, tour operator commissions 15.5%, ancillary services 15% and airport's fees and taxes 10.5%.

Value chain map for Lisbon-Bazaruto travel package



The package is assembled wholly by the Portuguese tour operator, which procures the international flight, the local connecting flight as well as accommodation and transfers. The tourist pays a commission of EUR 310 to the tour operator and about EUR 600 for the discounted airfare. The domestic ticket amounts to about EUR 200 and accommodation totals EUR 380 including transport, some food and entertainment. The 7-nights itinerary is priced at EUR 1 490 and its main competitors are on the lower end of holidays to Cape Verde (price range EUR 369-EUR 1 389), and on the higher end of holidays to Mauritius (EUR 1 222-EUR 4 849) and Seychelles (EUR 1 256-EUR 4 410). However, Bazaruto cannot compete on price terms with Cape Verde and other similar destinations as its cost structure remains quite high. At the same time, it faces challenges competing with Mauritius and Seychelles as its tourism offer is not yet of a quality comparable to those competitors in the high end markets.

Source: OECD/FIAS, 2006.

Accommodation is in short supply, and there is no ability to accommodate groups of more than 30 people in the same establishment. The process of accessing land for new hotel development is slow, complex and expensive. Utilities are very costly and supply has been unreliable. Many tourist operators supply their own power, achieving supply reliability at a premium of some 240% above public tariffs. As in Madagascar, inadequate marketing budgets inhibit tourism's development, and a lack of tour operators also limits the sector's growth. There is a critical need for better trained personnel in an industry which is just at the beginning of realising its considerable long-term potential.

Cambodia

Cambodia's tourism sector suffers from the same general constraints as the other countries cited here. Basic infrastructure is lacking, trained tourism sector workers are in short supply, and limited resources allocated to marketing and promotion have led to a loss of market shares in parts of the country other than Siem Reap. The country's financial system is underdeveloped and the supply of foreign banking services is limited by government controls. Credit card acceptance in hotels and other tourist establishments remains limited, and so is ATM availability, exposing foreigners to the risks and impracticalities of bringing cash.

In addition, extreme pressure has been exerted on Siem Riep, the location of the country's internationally iconic attraction of the Khmer temples, to the extent that serious environmental damage is being done in the most sensitive areas. Water and sewage systems are not adequate even for residents, while electricity supply is unreliable and costly.

India

Under India's five-year planning cycle, the Ninth Plan (1997-2002) identified the key constraints to the development of tourism as restrictive air transport policies, poor infrastructure and accommodation, limited access to capital, underdeveloped marketing and promotion and deficient tourism education and training – a list very much along the same lines as the other countries featured in this paper. A more detailed study in 1999 by UNESCAP supported these findings, especially in the field of air transport.

Restrictive air transport policies, essentially protecting the national airline, Air India, which also suffered from capacity constraints, slowed until recently the development of reasonably-priced international access to the country. Only 10 out of India's 250 airports had runways over 10 000 feet and none possessed up-to-date automatic landings systems.

In the early years of this decade there was a national deficit of the order of 30 000 hotel rooms. Promotion and marketing was limited especially in the light of the rapid progress being made in this area by some of India's Asian neighbours. Indian banks and financing institutions, including the Tourism Finance Corporation, provided inadequate access to investment capital, while taxation on the tourism sector was regarded as excessive by some. Training and education in the hospitality and catering services, and more generally in the tourism industry, was seen as inadequate, with a national training capacity only one third of what the industry required.

South Africa

While South Africa is way ahead of the other countries featured here in terms of its tourism infrastructure, there remain nonetheless some important constraints. These were identified in an EU-assisted "*White Paper for the Development and Promotion of Tourism in South Africa*" of 1996, where education and training was identified as a key bottleneck. At that time, the country was able to satisfy only 10% of its training needs.

Although South Africa's air transport system compared well with countries in the region, with respect to both domestic and international traffic, efforts were needed to fully liberalise the industry. Deficiencies in infrastructure were also identified, notably regarding the inadequacies of the transport network to open the country's rural areas to tourism and thus spread the sector's benefits widely among the population. Accommodation continued to be highly concentrated in Cape Town, Durban and Gauteng, accounting for approximately 40% of total room stock. Marketing efforts and the lack of an appropriate supporting institutional structure at regional level also hampered the industry's wider regional development.

Addressing the bottlenecks

In the face of broadly similar challenges, each of the five governments have sought to address these issues by establishing a variety of policy responses. As shown in Annex 2.A2, the essence of these policies has been to seek to improve the functioning of the markets that serve the tourism industry. It is in these areas that national, regional and multilateral actions can be most effective.

Air transport liberalisation

All five countries reviewed have taken steps to liberalise their air transport sectors, albeit with different degrees. South Africa has liberalised domestic air travel allowing the operation of low-cost carriers, with the result that fares have fallen and passenger numbers have sharply increased on key domestic routes. Similar gains have been made by liberalising international routes (for example, the Nairobi-Johannesburg route was liberalised between 2000 and 2003, leading to a 69% rise in passenger traffic in a five year period). South Africa has a well developed airport infrastructure, resulting from a successful privatisation in the 1990s. The Airports Company South Africa is a globally competitive company which operates the country's 10 principal airports.

India has introduced a range of liberalising measures in air transport, including steps to privatise Air India and opening domestic routes to new carriers. Open skies agreements are being pursued and have been signed with Australia and the US. These measures have resulted in an increase in the number of airlines operating both domestically and internationally, greater private sector participation in airport operations and a boost in demand. In Madagascar, steps have been taken to end Air Madagascar's domestic monopoly and to introduce more open skies policies. The first open skies agreement was signed with the US in 2004. Airport reforms have also been introduced, with concessions granted for the management of the 12 largest airports.

In Mozambique, some liberalisation of domestic air services has been undertaken by allowing new carriers to compete with the national airline, LAM, internally. The government has also attempted to privatise the national airline, although thus far without success. Despite positive signs, a more difficult task seems to be liberalising at the international level. Mozambique signed the 1988 Yamoussoukro Declaration and SADC Protocol on Transport Communication and Meteorology, both of which in principle significantly liberalise traffic between signatories. These initiatives, though, still need to be implemented. In Cambodia, a 1998 open skies agreement with Myanmar, Vietnam and Laos has boosted services and passenger carryings in the region. Efforts to liberalise traffic beyond the region have not yet been made.

Utilities and IT infrastructure

While the supply of utilities is clearly also a general development issue that affects more than the tourism sector, the international tourism industry is very dependent on efficient basic infrastructure and IT services. This has been recognised by the countries reviewed here; in South Africa, for example, the White Paper stressed the importance of upgrading the existing infrastructure, including telecommunications, and improve accessibility in rural areas. Cambodia has received assistance by the Japanese International Co-operation Agency (JICA) to address infrastructural and environmental issues affecting Siem Reap. A new water supply system has been constructed as well as new electricity supply facilities to meet increasing demand for reliable power.

Concrete steps have also been taken to liberalise these services to increase efficiency and expand access. In Madagascar, for example, introduction of competition in the telecommunications sector was completed in 2004. The reforms have led to significant telecommunications service improvements compared to five years ago with the widespread use of cellular phones and the Internet. Mozambique has also embarked on an ambitious telecommunications reform, introducing competition and private sector participation in both fixed and mobile services, which has substantially expanded connectivity.

Furthermore, the government has committed to reform in the energy sector, by gradually introducing private sector participation through concessions coupled with new regulatory instruments to enhance efficiency and service access. This approach was piloted in mid-2004 in the Inhambane Province, where a contract to provide electricity was awarded to an international consortium. The Inhambane Province includes the Bazaruto archipelago, where it is expected that growing international tourism will generate high demand of electricity from hotels and other tourism establishments. There are early indications of success with the concession arrangement.

Hotel accommodation

Adequate hotel accommodation is central to a successful tourism sector. In India, the government is taking steps to improve land availability, one of the key limiting factors. In 2005, the Ministry of Tourism has proposed to the state governments to identify hotel sites and make them available to entrepreneurs on suitable terms, such as long-term lease. A number of fiscal incentives and other concessions have also been granted in order to encourage the expansion of available accommodation. Privatisation has also taken place in Madagascar's hotel sector; accommodation still requires action in Mozambique, although the problem has been recognised. The *National Tourism Policy and Implementation Strategy* includes a call to promote access to land for tourism growth.

In 2006, South Africa established a tourism programme within the Deputy-President's Accelerated and Shared Growth Initiative (AsgiSA). The AsgiSA programme identifies several areas for attention in an effort to take forward the bottlenecks and priorities identified in the White Paper. These include a proposal around the design of a cash rebate for tourism investments that create employment outside the main metropolitan areas.

Financial services

Although a strong financial services sector also represents a broader development issue, the need for appropriate access to capital for tourism establishments and to financial services for visitors has been highlighted in some of the countries studied here.

India, for example, has taken steps to expand the presence of foreign banks to provide for a wider and more competitively priced range of financing products, including for the tourism industry. In 2005, as part of the continuing process of financial market liberalisation, the Reserve Bank of India (RBI) initiated several banking reforms. It established a three-phase road map (to be concluded in March 2009), which will allow foreign banks satisfying the RBI's eligibility criteria to establish a wholly owned banking subsidiary (WOS) or to convert their existing branches into a WOS. Furthermore, the RBI is considering a further opening of foreign acquisition of shares in Indian private sector banks.

Education and training

The development of adequate education and training for tourism has been identified as a key challenge in all the case study countries. In Madagascar, a comprehensive tourism policy framework is under development, which includes a determination of how to fund expansion of education services building on the relative strengths of the public and private sectors and the establishment of a conducive framework for domestic and foreign investors. Similar national policies and action programmes are under development in Mozambique and Cambodia.

The AsgiSA programme established a national tourism skills development forum to guide the work needed to improve tourism human resources in South Africa. This forum was put in place after a national skills conference held in 2006, at which government, business, labour and community interests committed themselves to accelerating work targeting tourism skills. Critical to this are public-private partnerships to ensure that education and training are in line with the needs of the industry.

In India, the government's plans have progressively strengthened the institutional set-up in human resource development, including by creating the Advisory Board of Tourism and Trade charged with providing policy guidelines in the area of tourism training. Altogether, 21 government-run Hotel Management and Catering Technology Institutes and 14 Food Craft Institutes were also established under the Ninth Plan for imparting specialised training in these areas, with 15 more Craft Institutes to be set up in the Tenth Plan. The government also noted that more remains to be done in this area, including by promoting partnerships with the private sector to further strengthen capacity.

Promotion and marketing

The promotion of a country's tourism sector internationally remains mainly a public sector function. The comprehensive tourism policy framework put in place in Madagascar is intended to address this issue, as is the strategic planning process in Mozambique. In South Africa, the marketing efforts are spearheaded by South African Tourism, the country's national tourism organisation, which receives considerable financial support from the fiscus. The government of India, recognising the fierce competition in neighbouring tourist generating markets, significantly increased promotional expenditure since 1999-2000.

At the same time, the countries reviewed here recognise that, to be performed effectively, promotion and marketing of tourism destinations requires a co-ordinated approach developed jointly with the private sector. In South Africa, for example, a partnership between the government and the private sector led to the establishment of a Business Trust, which co-finances several services including marketing activities. Cambodia has recently been considering the establishment of a Tourism Marketing and

Promotion Board to step up co-operation between the public and private sectors in this area and enhance the country's image as a worldwide tourist destination. The importance of fostering public-private partnerships in tourism marketing has also been acknowledged by the Indian government.

Anticompetitive practices affecting tourism

Anticompetitive practices in tourism and related sectors can also be a bottleneck to the development of the industry and can arise at different stages of the tourism value-added chain according to the type of service supplied. Preliminary research has identified some key anticompetitive measures affecting trade in tourism, including cartels, abuse of dominant position and of buying power, and attempts to monopolise. These practices tend to minimise the impact of multiplier and other positive effects inherent in tourism, and exacerbate leakages in developing countries.

The vertical relationship between holiday package providers, retailers and tourism service suppliers can be an important source of anticompetitive behaviour. International tour operators act as the wholesalers of tourism products, such as transport, accommodation or organised excursions, provided in destination countries by local suppliers. Travel agents in origin markets act as the retailers. The tour operators' segment of the industry is dominated by a few large international firms and has featured increasing vertical integration in recent years (Meyer, 2003). Other segments of the industry, especially local suppliers such as independent hotels, restaurants and tourist guides, are characterised by a large number of SMEs.

In this context, anticompetitive practices can arise from the unbalanced market power of tour operators compared to that of independent suppliers. The power of large international tour operators (and increasingly of their allied agencies) can be used to bid down the margins of suppliers in destination countries. These suppliers, particularly in developing countries, have a weak bargaining position and lack negotiating skills, often resulting in unfavourable contractual conditions (Barbados Private Sector Trade Team, 2004). Similarly, destination management operators acting as intermediaries for international tour operators may abuse their dominant position to the detriment of small local service providers (Box 2.12).

The operating patterns of tour operators and travel agents differ among industrialised countries. For example, in Europe all-in-one package holidays are widespread, while in the US there is more reliance on direct airline use and associated bookings. Thus, competition and regulatory issues are likely to be different. In particular, for the unbundled travel package, computer reservation systems (CRS) and global distribution systems (GDS) can be of central importance.[3] Despite their major contribution to tourism development, a number of anticompetitive practices associated with their use have been identified. These include unfavourable access to competitors, prohibitively high user fees and restrictions on information display (UNCTAD, 2002).

Scope for anticompetitive practices may also arise in related industries. For example, large airlines have in some cases been accused of abusing their market power to the detriment of local suppliers. In addition, in parallel with recent trends in privatisation, deregulation and to some extent liberalisation, the airline industry has seen the emergence of strategic alliances and code sharing agreements among airlines of different countries. These initiatives can increase efficiency and reduce costs by rationalising the use of

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Box 2.12. Destination management operators in St. Lucia

International tour operators establish vertical links with firms in destination countries to manage the tourist experience in a comprehensive manner. In general, tour operators tend to rely on larger companies as they are most likely to meet higher standards and understand their needs better (*e.g.* knowledge on of European and North American markets and technical requirements on safety and liability issues). In St. Lucia, so-called destination management operators have emerged as a response to the needs of international tour operators, acting as ground agents and providing a wide range of services, such as local transfers, tours and special events.

St. Lucia Reps is the leading destination management company in the country, controlling 80% of the total packaged tours and 64% of total tourist arrivals. Complaints have been raised about abuse of its dominant position to the detriment of small local providers. In particular, St. Lucia Reps was allegedly able to reduce the prices of restaurants and providers in situ, refusing to bring business unless they were prepared to accept low rates. These concerns are aggravated because 60% of restaurants in the country are dependent on destination management companies.

Source: Stewart, 2006.

resources (*e.g.* check-in facilities and ground personnel), and can also expand existing networks. On the other hand, they may restrict competition and thus minimise benefits, particularly if airlines collectively achieve a dominant position on given routes (Diaz, 2001).

Anticompetitive business practices may additionally take place in hotel and related services. For instance, merger control issues or oligopolies may arise in major tourism destinations which feature large hotels and resorts belonging to highly concentrated international chains. Anticompetitive behaviour may also occur in the building and construction sectors on which the hotel industry relies. A number of cases of cartels or abuses of dominant position in these sectors have already been found in several industrialised countries (Souty, 2002).

Policy implications

Reforms at the national level

The preceding analysis has highlighted a number of areas for policy makers to consider when developing their tourism sectors, given its critical economic importance in many countries. Strengthening backward linkages is essential in order to unleash the sector's full potential, and particularly important is building service capacity and infrastructure. In order to realise this potential, substantial capital and expertise are needed. If appropriately designed, private sector participation and trade and investment liberalisation in services can be a means to complement national efforts in this direction.

Building service capacity

International air transport is the key to delivering tourists to their destinations, accounting in developing countries for nearly 80% of international tourist arrivals (UNESCAP, 2005b). Ideally, air transport should provide adequate access to tourism destinations at reasonable prices. Trade in air transport, though, has been heavily restricted by governments around the world since the Chicago Conference of 1944. Market access is largely determined by a complex system of some 3 500 bilateral agreements which typically determine the airlines permitted to operate on bilateral routes, their traffic rights, tariffs, and the number and frequency of their flights.

Nevertheless, over the years the regulatory framework of air transport has become increasingly more liberal. Deregulation has allowed for the entry of new carriers, including more recently low-cost carriers, and opened domestic routes to competition. Liberalisation of international air services has taken place particularly through the emergence of "open skies" agreements, which have relaxed restrictions on capacity and fares, and grant traffic rights up to a certain level. These reforms are seen as a way of improving efficiency and reducing costs, while maintaining service quality and extending regional and international connections.

Physical infrastructure including accommodation, airports, harbours, electricity, and water and sewage must also meet the needs of increasing tourist arrivals (as well as those of local residents), or tourism assets and market position may be damaged. However, national investment in infrastructure in developing countries often lags behind tourism growth. Innovative partnerships between governments and developers are engaging the private sector in helping to finance the infrastructure and operate the services. Large hotels also typically provide their own infrastructure, such as stand-by generators, water and sewage treatment plants. These initiatives are often able to increase a destination's carrying capacity.

The telecommunications and IT infrastructure is a vital driver for tourism development. Telecommunications liberalisation – coupled with technological innovation, particularly the introduction of cellular phones – has considerably expanded services in many countries. Expansion of IT also had a major impact on the structure of the tourism industry, and has become increasingly linked to the development of a number of other services that support tourism, from advertising to reservations and financial services. IT allows tourism suppliers, in particular small businesses, to have direct access to customers and allows customers to reach suppliers.

An effective financial system is a key enabler of tourism growth. Public financial institutions have typically been the main investors in infrastructure and partners in tourism development, but it is domestic and foreign private banks and investors – such as developers, constructors and real estate firms – that are now becoming increasingly important. If appropriately managed, these private players can attract the capital required, reduce costs and provide more specific financial products to finance the industry's growth and quality upgrading. At the retail level, enhanced credit card options and ATM penetration, which are generally linked to financial sector liberalisation, are increasingly indispensable to the international traveller.

Marketing and promotion are essential in order to generate viable levels of demand for tourism products and to succeed in a very competitive world. Well-targeted promotion can also contribute to tourism diversification and sustainability. In many countries, the public and private sectors now join forces to undertake promotional programmes. The government normally leads by allocating funds for national promotion, creating an overall image of the country and its main tourism assets, and improving perceptions of its attractiveness (for investors as well as tourists). The private sector promotes specific tourist accommodation and services, creating opportunities for enhanced trade and investment.

Growth of the tourism sector has a direct impact on a country's employment and human resources development, creating demand for professionals, specific skills and related education and training facilities. The need to develop and appropriately train the staff required at all levels and in all segments of the tourism industry has been widely acknowledged. Private education in tourism is growing significantly due to the rising burden on public finances from tourism's expansion. Another development has been the increasing importance of specialised training needed to expand tourism markets, including management and leadership training, information technology and languages. Strong leadership in management is crucial to capture the potential of high yield niche markets and to optimise the participation of SMEs in global value chains and networks.

The investment environment

Attracting investors to a country or destination requires an economic, social and political environment conducive to private sector investment. At the same time, the growth of a successful tourism sector requires that investments in accommodation and services, basic infrastructure and human resource development are carefully planned and appropriately phased. Tourism can expand in a sustainable manner if the carrying capacity of the assets is not exceeded, thus minimising the potential negative impact on the host society and environment. Due consideration also needs to be given to the development of national capacity to minimise financial leakages. Another important dimension is to ensure that local populations, including those in remote areas, are able to participate effectively in tourism.

Competition and other regulation

To limit the risks of anticompetitive practices in tourism, the development and enforcement of competition rules needs to accompany liberalisation, particularly in developing countries where such rules are often inadequate or absent. There may also be a need to strengthen co-operation between competition policy institutions in OECD and non-OECD countries. In addition, most of the services needed to support tourism, including transport, education, energy and environmental services, are often provided by the public sector to achieve a range of public policy objectives. Private sector participation and liberalisation in these services is no easy task and requires sound regulation and effective institutions to address market failure and meet social goals.

Government policies and institutions

A successful tourism sector requires strong public sector management and support. Given the cross-sectoral nature of tourism, tourism policy needs to be coherent and integrated with the country's overall economic, environmental and social policies. Partial policy mechanisms will be inadequate to address the needs and impact of the industry. Instead, governments need to establish a comprehensive policy framework that improves the business environment and addresses the underlying economic relationships as well as social and physical constraints.

To perform these tasks appropriately, the right institutional framework needs to be in place. Whatever the institutional setting, governments require a team of people with the capacity and expertise to prepare and implement a comprehensive policy framework. Such a framework needs to include a coherent set of programmes, notably in the following areas: *i*) institutional framework and medium- and long-term strategic vision; *ii*) conservation, preservation and development of the natural and cultural heritage; *iii*) support for the elaboration, development and diversification of products and innovation; *iv*) marketing and promotion of regions; *v*) human resources development (development of careers and skills); *vi*) use of information and communication technology; *vii*) information, economic monitoring and research for industry; *viii*) networks, poles and strategic alliance programmes; *ix*) strengthening of enterprise capacities, especially the smallest; and *x*) role of local authorities (promoting regional tourism).

Strong tourism agencies are needed that are capable of co-ordinating with other arms of government and other stakeholders such as local authorities, the private sector and NGOs. The preferred policy and institutional arrangements for tourism will have to reflect local conditions in each country, the size and characteristics of the sector and its growth prospects. Regular evaluations of the performance of tourism-related policies will be instrumental in identifying gaps, duplications or contradictions between policies, in assessing the quality of the institutional framework and in adapting the programmes to change. Such evaluations will be important in fostering a balance between tourism development policies and the broader objectives of economic, environmental and social development.

Co-operation in bilateral and regional initiatives

Regional tourism liberalisation is another important dimension where an increasing number of initiatives are being established, including in developing countries. For example, in Africa several regional initiatives have incorporated tourism in their liberalisation and co-operation efforts. The Southern African Development Community (SADC), the Common Market of Eastern and Southern Africa (COMESA) and the East African Community (EAC) are all examples of such initiatives. They include or are in the process of establishing protocols on services trade liberalisation, including tourism, or specific protocols for the integration of tourism markets. These initiatives also often include protocols or discussions on air transport, at times with specific reference to the benefits these could bring to tourism.

In Asia, in recognition of the growing importance of tourism for economic and social development, the Asia Pacific Economic Co-operation (APEC) established a Tourism Working Group in 1991. The basis for APEC's tourism co-operation is the APEC Tourism Charter, endorsed by members in 2000, which established several policy goals. A key objective relates to the removal of impediments to tourism business and investment, including measures taken through regulatory reform and the liberalisation of services trade related to tourism under the GATS. Other goals relate to increasing the mobility of visitors and the region's tourism competitiveness, by measures such as facilitating travel, fostering marketing, and managing tourism sustainably. The Charter also provides for the development of individual and collective action plans for implementation, through regular peer review mechanisms and independent assessment to ensure outcome delivery.

The Economic Partnership Agreement (EPA) negotiations between the EU and the African, Caribbean and Pacific (ACP) countries represent another initiative incorporating tourism, as part of broader efforts dealing with trade in services. In these negotiations, the linkages between tourism and the development of other services figure prominently. For instance, discussions between the EU and the Pacific members of ACP countries have focused on ways to promote the development of tourism industries, through measures such as the promotion of synergies between air transport and tourism, ways to address infrastructure deficiencies and obstacles created by the institutional and legal environment, and co-operation on tourism training and marketing.

Regional tourism liberalisation and regulatory co-operation is likely to be more effective than unilateral endeavours. They can create more expansive tourism destinations, help to increase the number of long-term tourists and also provide an opportunity to join forces to expand service and achieve sustainable tourism objectives. However, with the possible exception of APEC, in most regional initiatives implementation challenges have been identified, and progress on EPA negotiations has been slow. Although these initiatives have brought to the forefront the importance of regional co-operation in fostering tourism development, to date there have been few sustained results. For the most part, initiatives are confined to the level of good intentions and discussions about policy strategy; more emphasis is needed on implementation and the creation of robust enforcement mechanisms.

The GATS complementing role

Enhanced GATS commitments could contribute to the advancement of national and regional policies aimed at strengthening the tourism sector. By creating a more transparent and predictable legal framework, the GATS can improve the investment climate and help attract foreign investment to enhance the quality of services and infrastructure. The high level of commitments in the tourism sector indicates that WTO members widely recognise the important complementing role that the GATS can play in tourism development.

Yet, the complete bound liberalisation of the industry is far from having been achieved. At the level of W/120, there remain modal and sub-sectoral imbalances in the commitments and, most importantly, the generally low level of commitments in related sectors adds to the complexity of tourism liberalisation. The cross-sectoral dimension of tourism has been acknowledged in services negotiations by a number of developed and developing country members. Indeed, while tourism did not receive much attention recently, the sector featured prominently in the early stages of the negotiations.

In 1999, the Dominican Republic, El Salvador and Honduras circulated a proposal to create a GATS Annex on Tourism (WTO, 1999). One of the main rationale for the Annex was that the current GATS structure does not address the needs of the sector with respect to sectoral coverage. The Annex thus proposed the possibility of treating tourism as a cluster, on the basis of the definitions provided in the TSA. The Annex was subsequently joined by a number of other developing countries,[4] and nine other negotiating proposals followed, which stressed the widespread connection that tourism has with most other services sectors.[5] A "checklist" approach was suggested as a possible way forward in the negotiations.[6]

Improved GATS commitments in telecommunications and financial services are among the more readily attainable goals and can significantly contribute to the development of the tourism sector. Enhanced liberalisation of transport services and infrastructure under the GATS would also lead to substantial gains for the tourism sector, though in this case regulatory capacity requirements are more substantial. Yet, significant reforms have taken place in recent years, particularly in maritime services, which have created scope to achieve more progress on these services at the multilateral level.

Even in the air transport sector, which as noted has been until recently highly restricted and is largely excluded from the GATS,[7] there are a number of desirable initiatives that could be taken by WTO members. Consideration could be given to expand commitments in the ancillary services already covered by the Agreement,[8] to negotiate an amendment to the Annex on Air Transport to include ground handling services, and even to the more ambitious possibility of commitments in charter services. While these initiatives could be potentially highly beneficial to tourism, it is crucial that they be pursued without neglecting air safety and security.

Multilateral progress in other infrastructure services, such as waste treatment or energy, and in education services, while also very important for tourism development, is more difficult to attain in light of the more challenging regulatory environment. However, with respect to tourism, there are areas where regulatory capacity requirements are moderate in these services as well. For example, as noted, it is common for large hotels to have their own waste water treatment plants. These can be contracted out to the private sector, including to foreign firms. This business to business activity entails much fewer regulatory risks and represents an increasingly larger share of environmental firms' operations.

Similarly, there seems to be significant scope for private education for tourism, since the sector covers various activities. People employed in many tourism-related sectors often do not need formal education, but only some skill development programmes or short-term training. In addition, as seen earlier, specialised training, in such areas as management and leadership, information technology and languages, is expanding rapidly and represents a growing international business supplementing the public education system. Availability of these services can help to develop a more efficient workforce, playing a key role in the sustainable development of tourism.

The other main rationale for the Annex on Tourism was the development of safeguards to address international anticompetitive practices in tourism and related industries (the Telecoms Reference Paper was the model for the Annex). However, the Annex proposal has subsequently largely been ignored because of the difficulties to apply disciplines to the wide range of services that are related to tourism. This includes air transport which as noted remains largely excluded from the Agreement. Perhaps a way forward in this case could be exploring the feasibility of developing disciplines on anti-competitive practices with a narrow sectoral focus covering tourism as defined in W/120. As seen in Section VI, anticompetitive behaviour is prevalent in some of these segments, such as tour operators.

Conclusion

The economic and social importance of tourism means that the industry is high on the list of development priorities of many developing countries and LDCs. This report suggests that in order to have a successful tourism export industry, effective linkages need to be established with many different sectors, most of which are services. If appropriately designed, trade and investment liberalisation at the national, regional and multilateral levels can be a means to complement national efforts to achieve these goals. At the multilateral level, in light of the importance of so many services sectors for the development of tourism, the element of the benefits to tourism in making GATS commitments could feature more prominently in the negotiations.

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Notes

1. The adoption of policies to ensure that the benefits flowing from tourism are widely shared and spread to poor communities, and adverse environmental impacts are minimised.
2. The category is divided into four sub-sectors, the first three of which have associated listings under the United Nations Provisional Central Product Classification (CPC). These sub-sectors and their respective CPC numbers are as follows: A. Hotels and restaurants (including catering) (CPC 641-643); B. Travel agencies and tour operators services (CPC 7471); C. Tourist guides services (CPC 7472); and Other. No further sub-classifications are provided for under W/120.
3. CRSs were developed by large air carriers in the 1960s for flight reservations. They then expanded to offer further airline services, *e.g.* information storage, marketing and sale of tickets, and other services supplied to tourists, such as package tours, hotels and vehicles rentals. GDSs connect the various CRSs, providing single terminals with access to all services. There are four main GDSs operating: SABRE, Amadeus, Galileo and Worldspan.
4. Bolivia, Ecuador, Nicaragua, Panama, Peru and Venezuela.
5. The proposals were from Australia, Chile, the European Communities, New Zealand, Norway and Switzerland (WTO, 2005); Brazil, Colombia, the Dominican Republic, El Salvador, India, Indonesia, Nicaragua, the Philippines and Thailand (WTO, 2004a); Canada (WTO, 2001a), Colombia (WTO, 2001b); Costa Rica (WTO, 2001c); Cuba (WTO, 2002); the EC (WTO, 2000a, and WTO, 2000b), and MERCOSUR (WTO, 2001d).
6. Such checklist of "tourism-related" sectors would be used as an aide-memoire during the negotiations of these sectors. The results would be scheduled in the relevant GATS sectors other than tourism (see WTO, 2000a and WTO, 2000c).
7. Air traffic rights are expressly excluded from the GATS. The exclusion, though, must be reviewed at least every five years with a view to consider expansion of the application of the Agreement.
8. Repair and maintenance, selling and marketing and computer reservation systems.

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ANNEX 2.A2

Tourism Constraints, Policy Responses and Results in the Five Case Study Countries

	Constraint	Policy response	Results
Cambodia	No tourism policy.	Tourism Law proposed to lead to national and regional tourism development plan.	In progress.
	Lack of infrastructure; high-priced and inadequate electricity supply.	Japanese-funded master plan for Siem Riep to tackle infrastructure, environmental and utility issues.	In progress.
	Limited financial system. Insufficient marketing. Limited education and training services. Over-concentration of tourists at Siem Reap. Few backward linkages.	In all these areas, Cambodia is developing policy responses and exploring the possibilities for wider private sector involvement. Developments are at an early stage, however, given wider economic development concerns.	
India	Restrictive air transport policies and limited air transport capacity.	Air transport liberalisation in progress.	New domestic carriers in operation, reducing fares and raising passenger numbers. Open skies agreements with USA and Australia.
	Poor infrastructure, notably airports.	Public/private partnerships introduced in airport management.	No information.
	Inadequate accommodation capacity.	Improvements in land availability in progress, and fiscal incentives introduced for hotel development.	No information.
	Limited access to capital.	Reserve Bank of India reforms to raise activity levels of foreign banks.	More competitive financial sector.
	Under-developed marketing and promotion.	Promotional expenditure increased.	Strong growth in demand.
	Deficient education and training.	Strengthened Advisory Board on tourism training – training and craft centres established.	
Madagascar	Limited competition in air transport services and airports.	Air liberalisation commenced in 1997; airport management reforms.	International and domestic air traffic increased; scope for further action.
	Inadequate hotel accommodation and standards.	Privatisation of government-owned hotels.	No information.
	Lack of effective marketing and promotion.	Comprehensive tourism policy framework under development.	Awaiting policy implementation.
	Inadequate and high-cost telecommunications.	Competition introduced in telecommunications.	Better telecommunications and wider spread of mobile telephones and Internet access.
	Inadequate training and education.	Comprehensive tourism policy framework under development.	Awaiting policy implementation.

	Constraint	Policy response	Results
Mozambique	Poor air access and limited international services; no provision for charter flights.	Move to privatise national airline, and liberalise the industry.	Reforms not yet implemented.
	Inadequate domestic air transport network.	Domestic air liberalisation initiatives.	Some improvement in services.
	Unreliable and high-cost utilities.	Telecommunications reform; private sector able to produce and sell energy.	Improved connectivity and mobile telephone services; Improved supplies and lower costs.
	Inadequate tourism marketing. Poor network of local ground tour operators. Urgent need for tourism education and training.	Ministry of Tourism created in 2000; National Tourism Policy issued in 2003; Strategic Tourism Development Plan issued 2004.	These issues part of the on-going development process.
South Africa	Inadequate supply of trained staff.	Involvement of private sector in training programmes; public/private partnership increased funds for training.	No information.
	More scope for air transport liberalisation.	Policy environment encouraged new entrants and more open international skies.	Sharp increase in passenger volumes where new carriers/competition increased.
	Inadequate rural transportation services.	Service gaps persist in road transport.	Further investment required.
	Tourism marketing inadequately co-ordinated across all provinces.	Involvement of private sector and all nine provinces in improved marketing; public/private partnership increased funds to training.	Tourism numbers increasing rapidly, but further improvements required.
	Tourism security inadequate.	Steps taken to improve security.	Further reductions in tourist crimes and violence still required.

Synthesis

The following chapter presents summary details of the tourism sector in 32 countries, 30 of which are OECD members, in addition to Romania and South Africa. Each country section is set out under five main headings:

- Tourism in the economy.
- Tourism organisation.
- Tourism budget.
- Tourism related policies and programmes.
- Statistical profile

For further information, a synopsis table in Annex 3.A1 indicates the main websites for national tourism administrations, national tourism organisations and other important Tourism related organisations.

This chapter focuses mainly on international tourism (inbound and outbound). It also includes some partial data on domestic tourism based on Tourism Satellite Account sources or on national surveys. The measurement of domestic tourism, in terms of the number of tourist trips taken each year, is not generally provided by most countries on a consistent basis and does not readily lend itself to aggregations and international comparisons.

International tourist arrivals, however, are recorded for almost all countries. Data for 2005, the latest year for which complete data are available, show that globally there were 802 million international tourist arrivals (World Tourism Organisation). In the OECD member countries, international tourist arrivals in that year totalled 481.5 million, and thus these countries account for 60.0% of all international tourism by this measure (Figure 3.1).

Eight out of the top ten international tourism destinations are included in this chapter, the exceptions being China and Russia. These eight – France, Spain, USA, Italy, UK, Germany, Mexico and Austria – together accounted for 308.9 million arrivals in 2005, 38.5% of the global total.

Tourism in the economy

The importance of the tourism sector in the economies of these 32 countries varies widely. To generalise however, tourism accounts for an important share of Gross Domestic Product (GDP) and of services exports in many countries (see Chapter 1, *New Paradigm for International Tourism Policy*), and also generates a substantial share of total employment. Although data coverage of these measures is variable (see individual sections for country details), an idea of tourism's economic importance is given in the Figure 3.2.

Figure 3.1. **International tourist arrivals, world, 2005**

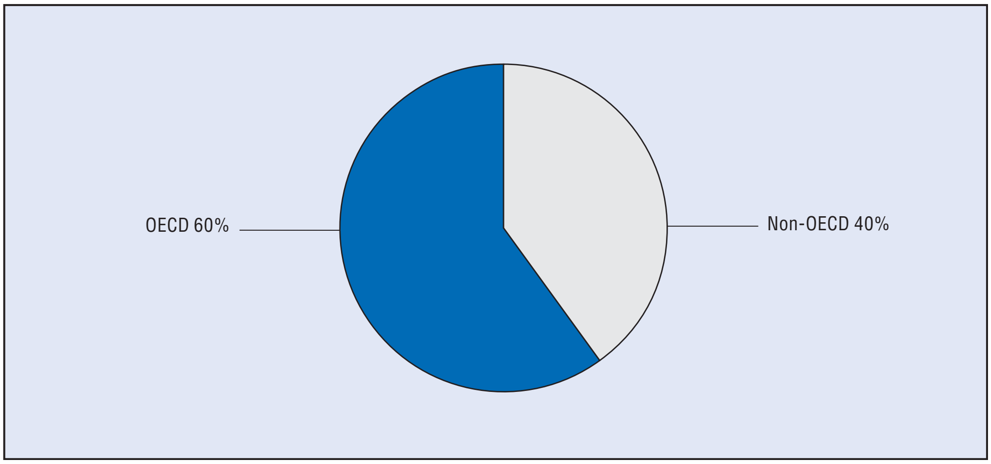

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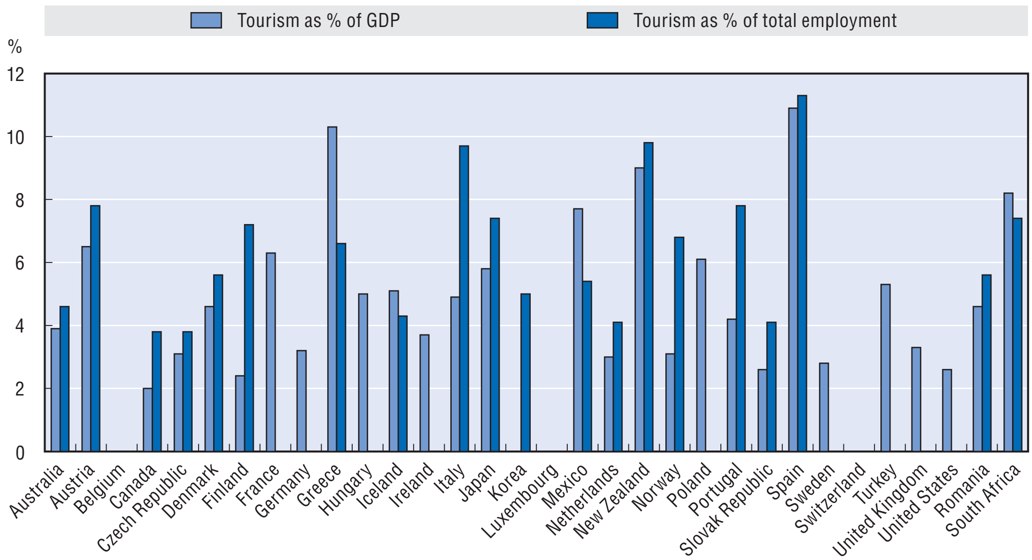
Figure 3.2. **Tourism in the economy, 2006**



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Clearly tourism is an important economic force in many of the countries covered here. For some of the world's major tourism destinations, tourism plays a crucial role in sustaining employment and in earning foreign currency receipts.

Tourism organisation

The treatment of the tourism sector within the government structures of the countries covered in this chapter varies considerably. Moreover, due to variations in government structures it is difficult to be precise about which portfolio includes tourism. However, the growing economic and political importance of tourism is reflected by the fact that 15 OECD countries have a Ministry or a Secretariat of State with Tourism named in their title.

Several countries have their own dedicated tourism ministries (Greece, Mexico and New Zealand), however in most cases, the tourism portfolio is attached to Economy, Industry, Trade or SME ministries (Australia, Austria, Canada, Denmark, Finland, France, Germany, Netherlands, Norway, Portugal, Romania, Slovak Republic, Spain, Sweden, Switzerland and United States). For a few others, the tourism portfolio is linked to Regional Development (Czech Republic and Hungary), Culture and Sports (Ireland, Korea, Poland, Turkey and United Kingdom), Environment (South Africa) or Transportation (Japan).

Tourism budgets

A comparison of tourism budgets is complicated by issues of exchange rates and, especially, of the different approaches to the public funding of tourism support adopted by governments. Readers are referred to the country sections for details.

As a generalisation, however, the largest item in public budgetary support for tourism tends to be the marketing budgets granted to national tourist offices or their equivalents for international marketing purposes. Again as a generalisation, it is typically the national tourist office that is responsible for marketing the country as a tourism destination to foreign visitors. Regions or specific destinations within countries are then responsible for their own promotion within the country concerned, but generally national governments discourage regions from direct (and usually costly) international marketing themselves. In some countries, such as the United States for example, where it is felt that the country's international profile is inherently high, international marketing budgets are limited.

For domestic tourism, countries are becoming increasingly aware of the economic benefits to be gained from encouraging nationals to take their holidays in their own countries, both in terms of balance of payments benefits (by avoiding expenditure on holidays abroad) and in terms of the economic stimulation that a vigorous domestic tourism sector can generate. As a result, national tourist offices or other public tourism organisations are taking on more responsibility for the active promotion of tourism opportunities within their own countries to their resident population.

Tourism related policies and programmes

Public investment in tourism is again highly varied across countries, and the reader is referred to the country sections for detailed information.

As an economic activity with the potential to create jobs, add value and earn foreign exchange, tourism is increasingly being seen as a sector in which public investment can be justified, in a number of areas. The most common are:

- Investment programmes in infrastructure which can contribute to facilitating access to the tourism industry for nationals and foreigners alike.
- Programmes supporting the small business sector which, in terms of the number of enterprises engaged, is dominated by SMEs; programmes to enhance quality in tourism most commonly through action of training.
- Programmes aimed at the quality of tourism facilities and services (these often involve the introduction and maintenance of national quality standards and quality accreditation schemes).
- Licensing schemes for personnel engaged in tourism (*e.g.* the licensing of tourism guides).
- The creation of a business and investment climate that is supportive of the tourism sector and which encourages the participation of the private sector as prime investors.

Governments are also increasingly conscious of their role in facilitating international access for visitors to their countries by means of the pursuit of increasingly liberal air transport policies. In the area of environmental policy and conservation, governments are also becoming more directly involved in the promotion of ecologically-friendly policies aimed at minimising the adverse impact of tourism on the physical environment and maximising the sustainability of their tourism sectors.

The concept of public-private partnerships in tourism is being pursued actively by a number of countries, both in the financing of national tourist offices and the development of tourism networks such as those providing information to tourists at a local level, as well as investment programmes geared to leveraging private investment in the tourism sector by means of public pump-priming money.

Policy advice and enabling measures are also increasing, led by national governments, to assist tourism industries and especially small businesses to meet the fast-growing competition in global tourism. A notable emphasis is now being seen on maximising the use of on-line technologies to enable tourism businesses to benefit from and cope with the rapid globalisation of tourism marketplaces and of tourism marketing. Information and reservation systems are at the heart of many of these initiatives, as the direct linkages via the Internet between the tourist and the tourism service supplier strengthen and disintermediation (the elimination of the need for the use of travel intermediaries such as travel agents) increases.

Finally, in addition to the pursuit of national policies and programmes and the promotion of tourism clusters and networks, governments are becoming increasingly aware of the potential benefits to be gained from international co-operation in tourism marketing and promotion and generally take the lead in developing tourism linkages with other, often contiguous, states.

Summary

To summarise, tourism is gaining in importance in the eyes of governments as an economic activity which justifies serious consideration at the level of national policy. Tourism in many countries has already surpassed in economic importance some of the more traditional sectors such as agriculture which historically have commanded greater political attention at national government level. Governments are becoming more aware of the benefits and of the potential pitfalls of the tourism sector in national economic development terms. Closer study of this chapter will illustrate the many initiatives taken by governments in the tourism field and will assist the reader in comparing their own national experience with international best practice.

Basic methodological references

The following definitions are based on UN and UNWTO (1994), International Recommendations on Tourism Statistics (IRTS), UN, Madrid and New York.

Inbound tourism

Arrivals associated to inbound tourism correspond to those arrivals by international (or non-resident) *visitors* within the economic territory of the country of reference.

Visitors include: *a) Tourists (overnight visitors):* "a visitor who stays at least one night in a collective or private accommodation in the country visited"; *b) Same-day visitors:* "a visitor who does not spend the night in a collective or private accommodation in the country visited".

When a person visits the same country several times a year, an equal number of arrivals is recorded. Likewise, if a person visits several countries during the course of a single trip, his/her arrival in each country is recorded separately. Consequently, *arrivals* cannot be assumed to be equal to the number of persons travelling.

Tourism receipts data are obtained from the item "travel, credits" of the Balance of Payments of each country and corresponds to the "expenditure of non-resident visitors (tourists and same-day visitors)" within the economic territory of the country of reference.

Fare receipts data are obtained from the item "transportation, passenger services, credits" of the Balance of Payments of each country and corresponds to the "fare expenditure of non-resident visitors (tourists and same-day visitors)" within the economic territory of the country of reference.

Outbound tourism

Departures associated to outbound tourism correspond to the departures of resident visitors outside the economic territory of the country of reference.

Tourism expenditure data in other countries are obtained from the item "travel, debits" of the Balance of Payment of each country and corresponds to the "expenditure of resident visitors (tourists and same-day visitor)" outside the economic territory of the country of reference.

Fare expenditure data in other countries are obtained from the item "transportation, passenger services, debits" of the Balance of Payment of each country and corresponds to the "fare expenditure of resident visitors (tourists and same-day visitor)" outside the economic territory of the country of reference.

Symbols and abbreviations used

.. Not available

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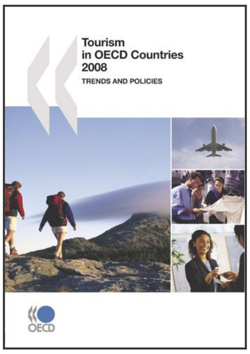

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