

Executive Summary

This publication looks at global tourism trends and policies. Its main focus is on the 30 OECD member countries. The report also provides analysis and data for several non-member economies.

In 2007, OECD member countries represented 60% of international arrivals. Eight out of ten of the main tourism destinations in the world are OECD member countries. Tourism in OECD member countries accounts for between 2 and 12 per cent of GDP, between 3 and 11 per cent of employment and on average about 30% of service exports.

Tourism is also a key driver of globalisation. Its relevance to countries' economic, services and employment performance is now widely recognised. Governments are also giving increased policy consideration to this industry at national, regional and local levels.

New paradigm for international tourism policy

The globalisation process strengthens worldwide competition and stimulates structural change in the tourism industry. The steady growth of international tourism ensures that this process is not a zero-sum game. It creates new market potential for the OECD member countries, as their unique attractions increase both the willingness to pay and the expenditure of their potential visitors. Conversely, it has to be taken into account that tourism-related industries in developed countries are not only under global competitive pressures. They are also competing in factor markets (e.g. labour and capital), with other sectors that are more productive. It is necessary therefore, to promote productivity-based growth in tourism in OECD countries. Tourism-related industries must increase their competitiveness in domestic factor markets and use scarce resources in more efficient and innovative ways in order to develop and to market competitive products.

The state can stimulate this process by offering macro-economic stability, a tourism-friendly business environment, attractive public goods and an innovation-oriented tourism policy.

In response to these challenges, the OECD Tourism Committee has developed a new political agenda. A main objective for the committee is to reinforce the global coherence in public policies linked to tourism. Currently, the OECD is working on some of the major issues affecting the globalised economy in the field of tourism including: innovation, productivity and growth; economic and policy impacts of border security measures on travel and tourism; internationalisation of small and medium-sized enterprises (SMEs); economic measurement of tourism services; and, an analysis on the role of tourism and culture in making regions/areas more attractive, not only for visitors but also for residents and for investors.

*Enhancing the role of SMEs
in the Global Tourism Industry*

The effects of the increasing globalisation of the international travel and tourism industry on SMEs are important. The report looks first at the nature of the global value chains in which tourism SMEs are now obliged to operate and then comments on the desirability of greater co-operation between tourism SMEs in the specific context of local networks and clusters.

A series of national case studies carried out on this subject recently – in Australia, Austria, Germany-Jordan, Korea, Spain, Poland and Switzerland – serves to support the analysis and leads to the identification of a range of key issues that present tourism SMEs with both challenges and opportunities. It demonstrates that, for some SMEs at least, the effects of the globalisation of the tourism industry on small businesses are not fully appreciated. In some cases there is a lack of awareness of the importance of global value chains to their businesses. It also follows that many SMEs are unsure how best to tap into the new opportunities presented, either because of a lack of skills or because of a feeling that small businesses are powerless in the face of the power of multinational enterprises.

SMEs can in fact benefit from globalisation by means such as the exploitation of networks and clusters, and by the adoption of new technologies. Strength can be drawn from local clusters and networks, while at the same time SMEs can utilise the digital revolution to their advantage, notably by maximising their use of the Internet for marketing purposes and as a means of getting in touch directly with their client base. Access to the Internet is now indispensable for all tourism enterprises, not least because it has empowered the consumer as never before to do business directly with tourism service suppliers. Case studies reveal that SMEs in many tourism destinations are finding it hard to take full advantage of the power that the Internet gives them to compete on a more level playing field with the major travel companies in their sector.

There are a number of key areas in which SMEs can both benefit from, but also face challenges in exploiting global value chain opportunities. These include the need to boost the technical competence of SME staff, the need to ensure that the quality and standards provided by SMEs reach international best practice, and the ways in which SMEs can act to overcome the inherent problems of small size.

The implications for government policies reflect some of these issues and needs. Government policies can be introduced that are supportive of tourism SMEs without being intrusive. While the case studies revealed an understandable resistance on the part of SME owners and managers to too much direct government intervention in their businesses, the research also highlights a variety of indirect, policy-based interventions that can be helpful to tourism SMEs by the creation of an enabling and supportive environment.

Opportunities for constructive government interventions include taking action where market failures inhibit the ability of SMEs to respond to new market realities, ensuring that SMEs are able to receive support in areas such as training, marketing, financial support and ICT skills, and encouraging and, if necessary, educating SMEs about the advantages of clusters and networks. Governments can assist in raising awareness of the potential of global value chains among SMEs, create effective frameworks for the ICT sector, promote training and skills development, encourage a culture of innovation and establish accreditation standards and quality norms that can be met by SMEs in the tourism sector.

Services Trade Liberalisation and Tourism Development

The report analyses the role that services trade liberalisation could play in fostering tourism development in developing countries, with the aim of contributing to international services negotiations. The focus is on the importance of more liberal trade and investment policies (or lack thereof) in the variety of services and infrastructure that are needed to support tourism.

In many countries the tourism sector has suffered from a lack of political and popular support because its economic importance has often been underestimated. The Tourism Satellite Account is contributing to the rise in worldwide awareness of the role of tourism as a productive activity and its potential to generate significant direct and indirect economic benefits. Tourism is a crucial (and sometimes the leading), source of foreign exchange for many developing countries.

Tourism is also a complex industry. It can generate significant economic activity through linkages with other industries, such as agriculture, manufacturing and services. Backward linkages occur as tourism demands goods and services inputs from other sectors. Forward linkages arise since tourism can also be a supplier of goods and services to other sectors. The study undertakes linkage analysis in three developing economies – India, Brazil and Indonesia – in order to explore their extent. Results show that tourism consistently scores stronger linkages than the average services sector, suggesting that tourism may be one of the most interconnected services sectors in these three economies.

In developing tourism, strong backward linkages can be vital. Where 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. The report presents case studies from developing economies in Africa and Asia – Madagascar, Mozambique, Cambodia, India and South Africa – identifying bottlenecks that need to be addressed to strengthen backward linkages and unleash growth in the sector. Among these, the building of service capacity figures prominently.

Due consideration needs to be given to developing effective regulations to address market failure. Achieving these objectives requires strong public sector management and support. Given the cross-sectoral nature of tourism, governments need to establish a comprehensive policy framework that improves the business environment and addresses the underlying economic relationships and social and physical constraints.

The high level of commitments in the tourism sector indicates that World Trade Organisation members widely recognise the important complementing role that the GATS can play in tourism development, although the complete liberalisation of the industry is far from being achieved. Improved GATS commitments in important related services (*e.g.* telecommunications) can significantly contribute to the growth of tourism. However, multilateral progress for some services (*e.g.* energy and education) is more difficult to attain.

Tourism trends and policies

The treatment of tourism within government structures varies considerably. The growing economic and political importance of tourism is reflected by the fact that half of the OECD countries have a Ministry or a Secretariat of State in charge of Tourism. 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 are not comparable due to the different approaches to the public funding of tourism support adopted by governments. Readers are referred to the country profiles 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. National tourist offices or other public tourism organisations are also taking on more responsibility for the active promotion of tourism opportunities within their own countries to their resident population (domestic tourism).

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.

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 suppliers.

Detailed statistical profiles on OECD member countries provide up-to-date information on inbound tourism (international arrivals and tourism receipts), outbound tourism (departures and tourism expenditure), employment in tourism and tourism in the economy (*i.e.* tourism as a percentage of GDP, as percentage of total employment, as a percentage of services exports).