Part 1

Selected Issues of T&T Competitiveness

CHAPTER 1.1

The Travel & Tourism Competitiveness Index 2011: Assessing Industry Drivers in the Wake of the Crisis

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After a difficult period, which recast much of the Travel & Tourism (T&T) industry's landscape, the sector is slowly recovering from the economic downturn, with emerging markets leading the way and Europe and North America lagging behind. Slow growth combined with austerity measures adopted by many European countries is likely to affect travel choices, and "homecations" might well continue to be the choice for many. This will have important consequences for many key destination markets, which must now look to attract new travelers, especially from the emerging markets.

On the other hand, emerging-market economies in Asia and Latin America continue to grow briskly despite the global recession. This factor, coupled with a rapidly growing middle class and a marked public-sector commitment to the importance of tourism in many countries—an example of this commitment is China's recent declaration that Travel & Tourism is "a pillar of the economy"—are stimulating the growth in T&T services and benefiting many key destinations.

With respect to travel, the air transport sector seems set for slight recovery after a disastrous 2009 and a 2010 marked by many and varied crises such as the Icelandic volcano, abundant snowfalls, and labor disruptions, especially in Europe. According to the International Air Transport Association (IATA), the industry should end 2010 with US$15.1 billion in profits.[1]

Indeed, after a contraction of 4.2 percent 2009, according to the World Tourism Organization (UNWTO), international tourist arrivals picked up again in 2010 and have returned to their pre-crisis peak level, representing a growth of 5 to 6 percent over 2009; they are expected to return to the long-term average of 4 percent in 2011. The World Travel & Tourism Council (WTTC) estimates that, from direct and indirect activities combined, the T&T sector now accounts for 9.2 percent of global GDP, 4.8 percent of world exports, and 9.2 percent of world investment, returning to the position it held before the crisis.

The T&T sector's potential to provide economic growth and development internationally led the World Economic Forum five years ago to embark on the project of assessing the T&T competitiveness of nations around the world. A growing national T&T sector contributes to employment, raises national income, and can improve the balance of payments. Thus the sector is an important driver of growth and prosperity, and, particularly within developing countries, it can also play a role in poverty reduction. This chapter presents the fourth edition of the Travel & Tourism Competitiveness Index (TTCI), launched for the first time in 2007.

Although developing the T&T sector provides many benefits, numerous obstacles at the national level continue to hinder its development. The TTCI aims to measure the many different regulatory and business-related issues that have been identified as levers for improving T&T competitiveness in countries around

the world. Through detailed analysis of each pillar and subpillar of the Index, businesses and governments can address their particular challenges to the sector's growth.

This *Report* aims to serve two purposes. First, by providing a cross-country analysis of the drivers of T&T competitiveness, we intend to provide the industry with useful comparative information and an important benchmarking tool for making decisions related to business and industry development. Second, the analysis provides an opportunity for the T&T industry to highlight for national policymakers the obstacles to T&T competitiveness that require policy attention, and to enable dialogue between the private and public sectors for improving the environment for developing the T&T industry at the national level. Indeed, since its introduction, the *Report* has become an important component in the toolkits of government ministries around the world.

The Forum is committed to publishing this *Report* every two years in an effort to ensure that it continues to provide a leading strategic tool used by both business and governments for creating blueprints for sustainable and viable T&T development.

The Travel & Tourism Competitiveness Index

The Travel & Tourism Competitiveness Index (TTCI) has been developed within the context of the World Economic Forum's Industry Partnership Programme for the Aviation, Travel & Tourism sector. The TTCI aims to measure *the factors and policies that make it attractive to develop the T&T sector in different countries.* The Index was developed in close collaboration with our Strategic Design Partner Booz & Company and our Data Partners Deloitte, IATA, the International Union for Conservation of Nature (IUCN), the World Tourism Organization (UNWTO), and WTTC. We have also received important feedback from a number of key companies that are Industry Partners in the effort, namely Airbus, Bombardier, Etihad Airways, Gulf Air, Hertz, Jet Airways, Jumeirah, Rolls-Royce, Silversea, SWISS, and Visa.

The TTCI is based on three broad categories of variables that facilitate or drive T&T competitiveness. These categories are summarized into the three subindexes of the Index: (1) the T&T regulatory framework subindex; (2) the T&T business environment and infrastructure subindex; and (3) the T&T human, cultural, and natural resources subindex. The first subindex captures those elements that are policy related and generally under the purview of the government; the second subindex captures elements of the business environment and the "hard" infrastructure of each economy; and the third subindex captures the "softer" human, cultural, and natural elements of each country's resource endowments.

Each of these three subindexes is composed in turn by a number of pillars of T&T competitiveness, of which there are 14 in all. These are:

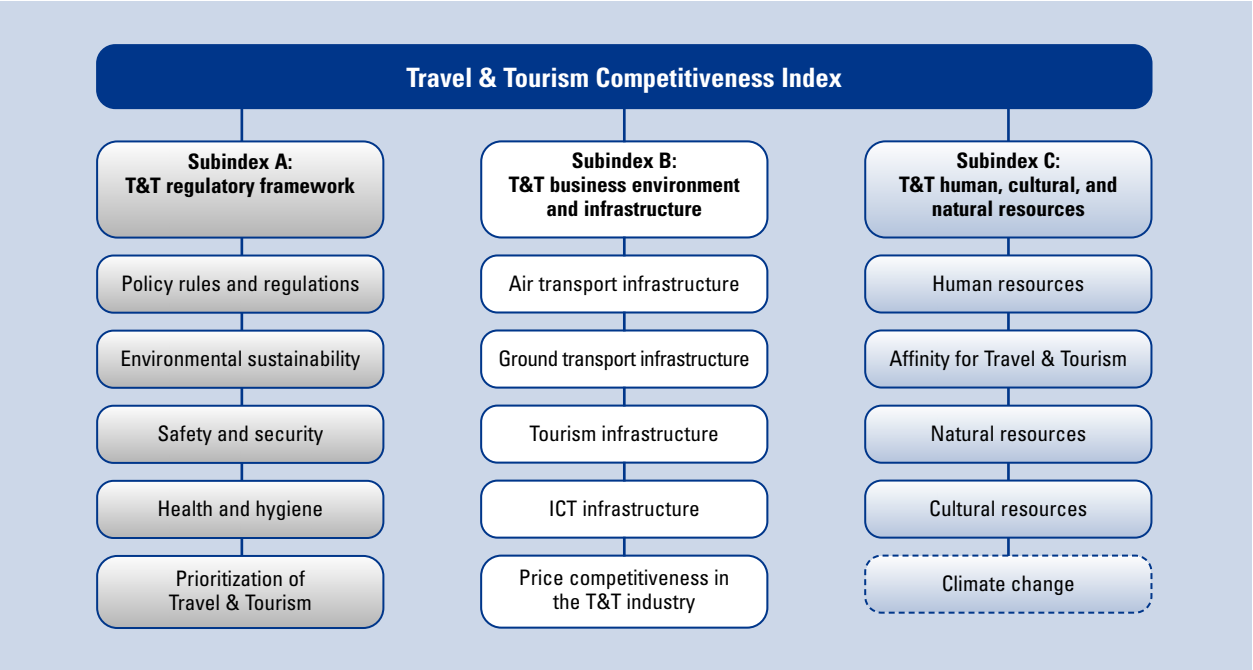
1. *Policy rules and regulations*
2. *Environmental sustainability*
3. *Safety and security*
4. *Health and hygiene*
5. *Prioritization of Travel & Tourism*
6. *Air transport infrastructure*
7. *Ground transport infrastructure*
8. *Tourism infrastructure*
9. *ICT infrastructure*
10. *Price competitiveness in the T&T industry*
11. *Human resources*
12. *Affinity for Travel & Tourism*
13. *Natural resources*
14. *Cultural resources*

Figure 1 summarizes the structure of the overall Index, showing how the 14 component pillars are allocated within the three subindexes. The figure also shows a notional 15th pillar on climate change. Although we have not yet included this concept in the calculation because of data deficiencies in measuring various aspects of climate change, given its importance to the future of the T&T sector it is our intention to integrate this pillar into the Index in the future as relevant data become available.

Each of the pillars is, in turn, made up of a number of individual variables. The dataset includes both Survey data from the World Economic Forum's annual Executive Opinion Survey (Survey), and quantitative data from publicly available sources, international organizations, and T&T institutions and experts (for example, IATA, IUCN, the UNWTO, WTTC, UNCTAD, and UNESCO). The Survey is carried out among CEOs and top business leaders in all economies covered by our research; these are the people making the investment decisions in their respective economies. The Survey provides unique data on many qualitative institutional and business environment issues, as well as specific issues related to the T&T industry and the quality of the natural environment.

The ***policy rules and regulations*** pillar captures the extent to which the policy environment is conducive to developing the T&T sector in each country. Governments can have an important impact on the attractiveness of developing this sector, depending on whether the policies that they create and perpetuate support or hinder its development. Sometimes well-intentioned policies can end up creating red tape or obstacles that have the opposite effect from that which was intended. In this pillar we take into account the extent to which foreign ownership and foreign direct investment (FDI) are welcomed and facilitated by the country, how well property rights are protected, the time and cost required for setting up a business, the extent to which visa requirements make it complicated for visitors to enter the country, and the openness of the bilateral Air Service Agreements into which the

Figure 1: Composition of the three subindexes of the TTCI



government has entered with other countries. This year we have included an additional variable measuring the commitments made within the international trade regime to opening tourism and travel services (under GATS).

The importance of the natural environment for providing an attractive location for tourism cannot be overstated, and it is clear that policies and factors enhancing ***environmental sustainability*** are crucial for ensuring that a country will continue to be an attractive destination going into the future. In this pillar we measure the stringency of the government's environmental regulations in each country as well as the extent to which they are actually enforced. Given the environmental impacts that tourism itself can sometimes bring about, we also take into account the extent to which governments prioritize the sustainable development of the T&T industry in their respective economies. In addition to policy inputs, this pillar includes some of the related environmental outputs, including carbon dioxide emissions and the percentage of endangered species in the country.

Safety and security is a critical factor determining the competitiveness of a country's T&T industry. Tourists are likely to be deterred from traveling to dangerous countries or regions, making it less attractive to develop the T&T sector in those places. Here we take into account the costliness of common crime and violence as well as terrorism, and the extent to which police services can be relied upon to provide protection from crime as well as the incidence of road traffic accidents in the country.

Health and hygiene is also essential for T&T competitiveness. The access within a country to improved drinking water and sanitation is important for the comfort and health of travelers. And in the event that tourists do become ill, the country's health sector must be able to ensure they are properly cared for, as measured by the availability of physicians and hospital beds.

The extent to which the government ***prioritizes the T&T sector*** also has an important impact on T&T competitiveness. By making clear that Travel &Tourism is a sector of primary concern, and by reflecting this in its budget priorities, the government can channel needed funds to essential development projects. It also sends a signal of its intentions, which can have positive spillover effects such as attracting further private investment into the sector. Prioritization of the sector can be reflected in a variety of other ways as well, such as government efforts to collect and make available T&T data on a timely basis and commissioning high-quality "destination-marketing" campaigns.

Quality ***air transport infrastructure*** provides ease of access to and from countries, as well as movement to destinations within countries. In this pillar we measure both the *quantity* of air transport, as measured by the available seat kilometers, the number of departures, airport density, and the number of operating airlines, as well as the *quality* of the air transport infrastructure both for domestic and international flights.

Vital for ease of movement within a country is the extensiveness and quality of its ***ground transport infrastructure.*** This takes into account the quality of roads, railroads, and ports, as well as the extent to which the national transport network as a whole offers efficient, accessible transportation to key business centers and tourist attractions.

We have also included a pillar that captures a number of aspects of the general ***tourism infrastructure*** in each country, as distinct from the general transport infrastructure. This takes into account the accommodation infrastructure (the number of hotel rooms) and the presence of major car rental companies in the country, as well as a measure of its financial infrastructure for tourists (the availability of automatic teller machines, or ATMs).

Given the increasing importance of the online environment for the modern T&T industry for planning itineraries and purchasing travel and accommodations, we also capture the quality of the ***ICT infrastructure*** in each economy. Here we measure ICT penetration rates (Internet, telephone lines, and broadband), which provide a sense of the society's online activity. We also include a specific measure of the extent to which the Internet is used by businesses in carrying out transactions in the economy, to get a sense of the extent to which these tools are in fact being used for business (including T&T) transactions.

The ***price competitiveness in the T&T industry*** is clearly an important element to take into account, with lower costs increasing the attractiveness of some countries for many travelers. To measure countries' price competitiveness, we take into account factors such as the extent to which goods and services in the country are more or less expensive than elsewhere (purchasing power parity), airfare ticket taxes and airport charges (which can make flight tickets much more expensive), fuel price levels compared with those of other countries, and taxation in the country (which can be passed through to travelers) as well as the relative cost of hotel accommodations.

Quality ***human resources*** in an economy ensure that the industry has access to the collaborators it needs to develop and grow. This pillar takes into account the health and the education and training levels in each economy, and is made up of two specific subpillars. The ***education and training*** subpillar measures educational attainment rates (primary and secondary), as well as the overall quality of the educational system in each country, as assessed by the business community. Besides the formal educational system, we also take into account private-sector involvement in upgrading human resources, including the availability of specialized training services and the extent of staff training by companies in the country. The subpillar measuring the ***availability of qualified labor*** further takes into account the extent to which hiring and firing is impeded by regulations, and whether labor regulations make it easy or difficult to hire foreign labor. The health of the workforce is also included here, as measured by the overall life expectancy in the country as well as the specific costliness of HIV/AIDS to businesses.

Also included is the ***affinity for Travel & Tourism,*** which measures the extent to which a country and society are open to tourism and foreign visitors. It is clear that the general openness of the population to travel and to foreign visitors has an important impact on T&T competitiveness. In particular, we provide a measure of the national population's attitude toward foreign travelers; a measure of the extent to which business leaders are willing to recommend leisure travel in their countries to important business contacts; and a measure of tourism openness (tourism expenditures and receipts as a percentage of GDP), which provides a sense of the importance of tourism relative to the country's overall size.

It is clear that ***natural resources*** are another important factor underlying national T&T competitiveness. Countries that are able to offer travelers access to natural assets clearly have a competitive advantage. In this pillar we include a number of environmental attractiveness measures, including the number of UNESCO natural World Heritage sites, a measure of the quality of the natural environment, the richness of the fauna in the country as measured by the total known species of animals, and the percentage of nationally protected areas.

Finally, the ***cultural resources*** at each country's disposal are also a critical driver of T&T competitiveness around the world. In this pillar we include the number of UNESCO cultural World Heritage sites, sports stadium seat capacity, and the number of international fairs and exhibitions in the country, as well as a measure of its creative industries exports, which provides an indication of cultural richness.

These 14 pillars are regrouped into the three subindexes described above, as shown in Figure 1, and the overall score for each country is derived as an unweighted average of the three subindexes. The details of the composition of the TTCI are shown in Appendix A; detailed rankings and scores of this year's Index are found in Appendix B.

Country coverage

Seven new economies have been included in the analysis this year. These include four new African countries (Angola, Cape Verde, Rwanda, and Swaziland), two Middle Eastern countries (Iran and Lebanon), and one Asian country (Timor-Leste). On the other hand, one country covered in the last *Report,* Suriname, is not covered this year because of a lack of Survey data. This has led to a net increase in country coverage for a total of 139 economies this year—six more than in the 2009 *Report*—

covering all of the world's regions and accounting for over 98 percent of world GDP.

The Travel & Tourism Competitiveness Index rankings 2011

Table 1 shows the overall rankings of the TTCI, comparing this year's rankings with those from the 2009 edition of the *Report,* showing all countries ranked together. The results are positively correlated with a number of T&T indicators. For example, Figures 2 and 3 show the correlation between the TTCI and tourist arrivals, and between the TTCI and tourism receipts, respectively (both shown in log form) in 2009. As the figures show, the Index is quite highly correlated with both the number of tourists actually traveling to various countries and the annual income generated from Travel & Tourism, with few notable outliers. This relationship has held since the Index first appeared in 2007, supporting the idea that the TTCI captures factors that are important for developing the T&T industry.

Top three performers in each pillar of the TTCI

Table 2 shows the rankings of those economies demonstrating the top three performances in each of the 14 pillars of the TTCI. The table shows that two economies are among the top three performers in four pillars (Singapore and Switzerland), and two economies are among the best in three pillars (Hong Kong and Sweden). Four countries are among the best performers in two pillars (Austria, Barbados, Iceland, and the United States). All other countries shown in the table demonstrate notable strengths in one area measured by the TTCI.

Singapore, Hong Kong, and New Zealand are top ranked for policy rules and regulations. These economies have put into place overarching policy environments that are conducive to the development of the T&T sector, including well-protected property rights, rules attracting FDI, and a minimum of red tape required in setting up new businesses. They are joined in the top 10 by two Nordic countries, Finland and Sweden, as well as Canada, among the countries shown in the table.

Sweden, Switzerland, and Denmark—three countries with a good reputation for environmental protection—hold the top three spots in the environmental sustainability pillar. These countries are characterized by environmental legislation that is both stringent and well enforced, a specific focus on developing the tourism sector in a sustainable way, and good overall environmental outcomes in terms of low levels of pollution and environmental damage. Also in the top 10 among countries shown in the table are Austria, Finland, Germany, and Norway, all with a significant focus on protecting the environment.

Safety and security is another area dominated by European countries, and the Nordics in particular, with Finland, Switzerland, and Norway holding the top three spots in this pillar. These countries do not suffer from high levels of crime and violence, and they all benefit from effective police forces. They are also not overly concerned by the threat of terrorism, as is the case in many countries today. Additionally, they gain from roads that are safe by international standards, with few deaths caused by road traffic accidents.

Hong Kong, Lithuania, and Austria are top ranked for the quality of their health and hygiene, with various strengths, such as high levels of access to clean drinking water and sanitation and good health infrastructure. They are therefore able to cater well to a major concern that tourists have when considering where to traveling abroad.

Mauritius, Singapore, and Barbados are the top performers in terms of the overall prioritization of the tourism industry. This is perhaps not surprising given the importance of the sector for their economies, and it is borne out through their high government expenditure on the sector, strong destination-marketing campaigns, and country-level presence at key international tourism fairs. They also make significant efforts to collect data measuring tourism-sector activity on a timely basis. Other countries shown in the table that are among the top 10 in this pillar are Cyprus and Iceland, which are also making great efforts to successfully develop their tourism sectors.

The air transport infrastructure pillar continues to be dominated by three English-speaking countries: Canada, the United States, and Australia. These are vast countries that are highly dependent on air transport, and indeed they are home to many airports and operating airlines, which are providing quality service and high levels of air traffic.

The best ground transport infrastructure is found in Hong Kong, Singapore, and Germany. All three have high-quality roads, railroads, and ports and also are characterized by ground transport networks that work together seamlessly. Travelers in these economies can get from one place to another without hassle or complication, increasing their attractiveness as destinations.

The tourism infrastructure pillar is also dominated at the very top by European countries, topped by Austria, Cyprus, and Italy, all tied at first place. Visitors to these countries have many hotels to choose from, excellent car rental facilities, and many ATMs for withdrawing cash. In other words, visitors have choices in how they visit, travel, and move around in these countries, and they have the necessary facilities for a comfortable stay.

The ICT infrastructure pillar is best in Sweden, Switzerland, and Iceland, with high penetration rates of ICTs and strong use of the Internet for business transactions. This situation strongly supports the T&T industries in these countries, which have become increasingly dependent on such tools for marketing and distribution.

Table 1: Travel & Tourism Competitiveness Index 2011 and 2009 comparison

Country/Economy	2011 Rank/139	2011 Score	2009 Rank/133
Switzerland	1	5.68	1
Germany	2	5.50	3
France	3	5.41	4
Austria	4	5.41	2
Sweden	5	5.34	7
United States	6	5.30	8
United Kingdom	7	5.30	11
Spain	8	5.29	6
Canada	9	5.29	5
Singapore	10	5.23	10
Iceland	11	5.19	16
Hong Kong SAR	12	5.19	12
Australia	13	5.15	9
Netherlands	14	5.13	13
Luxembourg	15	5.08	23
Denmark	16	5.05	14
Finland	17	5.02	15
Portugal	18	5.01	17
New Zealand	19	5.00	20
Norway	20	4.98	19
Ireland	21	4.98	18
Japan	22	4.94	25
Belgium	23	4.92	22
Cyprus	24	4.89	21
Estonia	25	4.88	27
Malta	26	4.88	29
Italy	27	4.87	28
Barbados	28	4.84	30
Greece	29	4.78	24
United Arab Emirates	30	4.78	33
Czech Republic	31	4.77	26
Korea, Rep.	32	4.71	31
Slovenia	33	4.64	35
Croatia	34	4.61	34
Malaysia	35	4.59	32
Montenegro	36	4.56	52
Taiwan, China	37	4.56	43
Hungary	38	4.54	38
China	39	4.47	47
Bahrain	40	4.47	41
Thailand	41	4.47	39
Qatar	42	4.45	37
Mexico	43	4.43	51
Costa Rica	44	4.43	42
Puerto Rico	45	4.42	53
Israel	46	4.41	36
Tunisia	47	4.39	44
Bulgaria	48	4.39	50
Poland	49	4.38	58
Turkey	50	4.37	56
Latvia	51	4.36	48
Brazil	52	4.36	45
Mauritius	53	4.35	40
Slovak Republic	54	4.35	46
Lithuania	55	4.34	49
Panama	56	4.30	55
Chile	57	4.27	57
Uruguay	58	4.24	63
Russian Federation	59	4.23	59
Argentina	60	4.20	65
Oman	61	4.18	68
Saudi Arabia	62	4.17	71
Romania	63	4.17	66
Jordan	64	4.14	54
Jamaica	65	4.12	60
South Africa	66	4.11	61
Brunei Darussalam	67	4.07	69
India	68	4.07	62
Peru	69	4.04	74
Lebanon	70	4.03	n/a
Albania	71	4.01	90
Dominican Republic	72	3.99	67
Georgia	73	3.98	73
Indonesia	74	3.96	81
Egypt	75	3.96	64
Macedonia, FYR	76	3.96	80
Colombia	77	3.94	72
Morocco	78	3.93	75
Trinidad and Tobago	79	3.91	84
Vietnam	80	3.90	89
Sri Lanka	81	3.87	78
Serbia	82	3.85	88
Azerbaijan	83	3.85	76
Namibia	84	3.84	82
Ukraine	85	3.83	77
Guatemala	86	3.82	70
Ecuador	87	3.79	96
Honduras	88	3.79	83
Cape Verde	89	3.77	n/a
Armenia	90	3.77	91
Botswana	91	3.74	79
Gambia, The	92	3.70	87
Kazakhstan	93	3.70	92
Philippines	94	3.69	86
Kuwait	95	3.68	95
El Salvador	96	3.68	94
Bosnia and Herzegovina	97	3.63	107
Guyana	98	3.62	102
Moldova	99	3.60	93
Nicaragua	100	3.56	103
Mongolia	101	3.56	105
Rwanda	102	3.54	n/a
Kenya	103	3.51	97
Senegal	104	3.49	101
Syria	105	3.49	85
Venezuela	106	3.46	104
Kyrgyz Republic	107	3.45	106
Ghana	108	3.44	110
Cambodia	109	3.44	108
Tanzania	110	3.42	98
Zambia	111	3.40	100
Nepal	112	3.37	118
Algeria	113	3.37	115
Iran, Islamic Rep.	114	3.37	n/a
Uganda	115	3.36	111
Swaziland	116	3.35	n/a
Bolivia	117	3.35	114
Tajikistan	118	3.34	109
Zimbabwe	119	3.31	121
Benin	120	3.30	120
Malawi	121	3.30	117
Ethiopia	122	3.26	123
Paraguay	123	3.26	122
Libya	124	3.25	112
Pakistan	125	3.24	113
Cameroon	126	3.18	125
Madagascar	127	3.18	116
Mozambique	128	3.18	124
Bangladesh	129	3.11	129
Nigeria	130	3.09	128
Côte d'Ivoire	131	3.08	130
Burkina Faso	132	3.06	126
Mali	133	3.05	119
Timor-Leste	134	2.99	n/a
Lesotho	135	2.95	132
Mauritania	136	2.85	127
Burundi	137	2.81	131
Angola	138	2.80	n/a
Chad	139	2.56	133

(Cont'd.)

Figure 2: T&T competitiveness and tourist arrivals

Figure 3: T&T competitiveness and tourism receipts

Table 2: Top three performing economies per pillar

Country/Economy	Policy rules and regulations	Environmental sustainability	Safety and security	Health and hygiene	Prioritization of Travel & Tourism	Air transport infrastructure	Ground transport infrastructure	Tourism infrastructure	ICT infrastructure	Price competitiveness in the T&T industry	Human capital	Affinity for Travel & Tourism	Natural resources	Cultural resources
Albania	46	72	44	66	55	96	97	77	71	94	57	**3**	113	83
Australia	30	59	18	58	37	**3**	51	16	24	113	20	55	4	20
Austria	28	5	10	**3**	16	26	15	**1**	25	121	25	15	43	13
Barbados	75	30	34	33	**3**	25	10	28	27	74	48	**2**	129	63
Brazil	114	29	75	73	108	42	116	76	56	114	70	97	**1**	23
Brunei Darussalam	120	136	23	70	127	41	49	91	47	**1**	47	78	38	91
Canada	4	35	24	52	40	**1**	33	21	14	105	5	52	11	18
Cyprus	79	51	26	43	6	21	20	**1**	31	109	24	11	117	47
Denmark	17	**3**	8	38	81	17	7	24	10	139	4	111	77	22
Finland	5	7	**1**	12	65	16	21	42	17	128	7	83	66	26
Gambia, The	86	44	88	103	26	82	52	127	108	**2**	107	30	106	116
Germany	20	4	9	7	83	7	**3**	15	7	125	19	81	18	4
Hong Kong SAR	**2**	109	5	**1**	12	12	**1**	70	4	67	6	8	68	40
Iceland	33	15	4	4	9	18	32	7	**3**	71	**3**	14	80	56
Italy	84	60	48	27	56	29	39	**1**	34	129	45	91	49	8
Lebanon	98	125	123	48	39	56	100	29	80	55	64	**1**	139	98
Lithuania	83	19	59	**1**	97	107	26	50	32	73	62	84	114	57
Malaysia	21	64	83	75	46	34	36	74	52	**3**	37	17	22	33
Mauritius	27	62	45	68	**1**	61	41	47	66	18	53	4	131	110
New Zealand	**3**	20	14	30	21	11	50	36	23	84	14	18	30	49
Norway	15	6	**3**	23	36	9	63	23	11	134	16	88	60	27
Singapore	**1**	41	13	55	**2**	14	**2**	33	20	29	**2**	12	96	30
Spain	85	33	36	29	11	8	13	8	30	106	46	37	35	**2**
Sweden	8	**1**	7	36	60	10	16	37	**1**	120	13	54	45	**1**
Switzerland	18	**2**	**2**	13	14	13	5	8	**2**	127	**1**	34	16	9
Tanzania	97	43	115	134	90	121	123	125	130	56	125	80	**2**	101
United Kingdom	13	11	30	46	49	5	17	19	9	135	8	86	23	**3**
United States	16	105	62	45	33	**2**	28	13	21	100	11	104	**3**	6

The price competitiveness pillar is topped by Brunei Darussalam, the Gambia, and Malaysia. All three countries benefit from low fuel costs. Brunei benefits from low ticket taxes and airport charges, and low taxation more generally, while the Gambia and Malaysia are characterized by moderate-to-low taxes, low fuel prices, and highly competitive hotel prices. When choosing a destination, these countries benefit from the interest of many visitors in getting more for their money.

Switzerland, Singapore, and Iceland hold the top three spots in the human resources pillar. These countries have strong educational systems as well as top-notch training facilities and healthy workforces. In addition, they are characterized by flexible labor markets and significant ease in hiring foreign labor, which makes it much easier to manage the seasonal hiring so critical for the T&T industry.

The countries with the top three assessments for the affinity for Travel & Tourism are Lebanon, Barbados, and Albania, with all three displaying great openness to foreign travelers and with their business communities also expressing their sense of the great value of tourism on offer in their countries.

The top three countries in the natural resources pillar span three continents: Brazil, Tanzania, and the United States. These countries each have several World Heritage natural sites and much protected land area, and boast a rich fauna as measured by the total number of known species living in them. Within the table we see that Australia is ranked 4th, also offering rich natural resources to visitors. These countries have the great fortune to be endowed with inherent attractions for tourists interested in nature tourism.

Finally, Sweden, Spain, and the United Kingdom are the top three ranked countries for their cultural resources. All three have a large number of World Heritage cultural sites, strong creative industries, many international fairs and exhibitions, and significant sports stadium capacities. These attributes come together to provide a variety of cultural attractions for visitors.

More details on the T&T competitiveness of specific countries will be discussed in the section below.

Regional rankings

This section will discuss some of the highlights of the rankings in a regional context, grouping countries into the following five regional groups: Europe, the Americas, Asia Pacific (including Central Asia), the Middle East and North Africa, and sub-Saharan Africa. For further details for each of the 139 economies included in this Index, we provide two-page profiles in Part 2 of the *Report*. The profiles show the rankings on each subindex and pillar, as well as on each of the 74 indicators included in the Index.

Europe

Table 1 shows that many countries from Europe do very well in the rankings, with all of the top 5 places taken by European countries and 14 of the top 20 countries hailing from the region. Table 3 shows the rankings just for European countries, with the first column showing the rank within the region and the second column showing the overall rank out of all 139 economies included in the Index this year. As the table shows, Switzerland is ranked 1st out of all countries in the 2011 TTCI, a position it has held since the first edition of this *Report* in 2007. Germany, France, Austria, Sweden, the United Kingdom, and Spain follow as the other countries among the top 10 overall.

Switzerland is a country rich in cultural and natural resources, including an impressive number of World Heritage cultural and natural sites for a country of its size. A large percentage of the country's land area is protected and the natural environment is assessed as being among the most pristine in the world (ranked 5th). This natural heritage is buttressed by a strong national focus on environmental sustainability: Switzerland is ranked 2nd overall on this pillar, based on strong and well-enforced environmental legislation and with a particular focus on developing the T&T sector sustainably.

Switzerland is not only an attractive leisure tourism destination, but is also an important business travel hub, with many international fairs and exhibitions held in the country each year. Staffing of the industry is facilitated by the availability of qualified labor to work in Travel & Tourism (ranked 2nd), perhaps not surprising in a country with many of the best hotel management schools. Added to these strengths is Switzerland's excellent ground transport infrastructure (ranked 5th), with top-quality roads and railroads and an excellent domestic transport network. Also well assessed is the specific tourism infrastructure (ranked 8th), with readily available hotel rooms and automated teller machines (ATMs) for cash withdrawals. Such high-quality infrastructure makes a tourist's stay in the country easy and comfortable, an experience that is reinforced by the high level of general safety and security (ranked 2nd, just behind Finland).

Germany is ranked 2nd in Europe and out of all countries in the TTCI, having moved up one place since the last assessment and overtaking Austria. The country is characterized by abundant cultural resources, ranked 6th worldwide for its 32 World Heritage cultural sites, 2nd for the number of international fairs and exhibitions held in the country, and 3rd for its creative industries. The country's infrastructure is among the best in the world, ranked 3rd for the quality of its ground transport infrastructure and 7th for its air transport infrastructure. In addition, Germany makes great efforts to develop the T&T industry in a sustainable way, with the world's most stringent and best-enforced environmental regulations and strong support of international environmental efforts, as demonstrated through its ratification of many international environmental treaties.

France moves up this year by one place to 3rd position, also overtaking Austria. France attracts tourists with its rich cultural heritage (ranked 4th for the number of World Heritage cultural sites and 7th for creative industries). The country also hosts many international fairs and exhibitions (ranked 5th), thereby attracting business travelers as well. France's ground transport infrastructure is among the best in the world (ranked 4th), with the quality of roads and railroads particularly well assessed, as well as its air transport infrastructure (ranked 6th). Ensuring that the sector is developed in a sustainable way is also a significant priority for the government, with France ranked 9th on this pillar.

Austria drops by two positions this year, although the country is still ranked a high 4th out of all 139 economies. Its ranking is attributable to its rich cultural resources, with eight World Heritage cultural sites, rich creative industries, and many fairs and exhibitions catering to business travelers. The natural environment is also well assessed, along with the country's focus on environmental sustainability (ranked 5th). In addition, Austrians are perceived as open and welcoming to foreign travelers. Austria's tourism infrastructure is assessed as second to none, with abundant car rental facilities, hotel accommodations, and ATMs. Other strengths include Austria's assessment as one of the safest countries in the world (ranked 10th) and its excellent health and hygiene levels (ranked 3rd).

Sweden joins the top five countries for the first time, having improved by two places since the 2009 T&T *Report*. The country is ranked 1st out of all countries in three key areas that span the three subindexes of the TTCI: environmental sustainability, ICT infrastructure, and cultural resources. The country's supportive policy environment (ranked 8th), excellent safety and security environment (7th), and excellent air transport infrastructure (10th) contribute to this strong result and help the country to overcome its lack of price competitiveness (ranked 120th).

The United Kingdom moves up by an impressive four positions since the last edition of the *Report* to reach 7th place this year. The country's T&T competitiveness is based on its excellent cultural resources (ranked 3rd),

Table 3: The Travel & Tourism Competitiveness Index 2011: Europe

	OVERALL INDEX			SUBINDEXES					
				T&T regulatory framework		T&T business environment and infrastructure		T&T human, cultural, and natural resources	
Country/Economy	Regional rank	Overall rank	Score	Rank	Score	Rank	Score	Rank	Score
Switzerland	1	1	5.68	1	5.99	1	5.58	2	5.48
Germany	2	2	5.50	12	5.67	2	5.57	5	5.26
France	3	3	5.41	7	5.71	8	5.35	9	5.18
Austria	4	4	5.41	3	5.89	12	5.19	10	5.13
Sweden	5	5	5.34	11	5.67	15	5.15	8	5.21
United Kingdom	6	7	5.30	21	5.35	11	5.27	3	5.28
Spain	7	8	5.29	22	5.34	10	5.32	6	5.22
Iceland	8	11	5.19	2	5.90	6	5.36	41	4.31
Netherlands	9	14	5.13	16	5.50	18	5.10	16	4.78
Luxembourg	10	15	5.08	14	5.51	7	5.35	38	4.37
Denmark	11	16	5.05	15	5.51	16	5.11	26	4.53
Finland	12	17	5.02	5	5.74	30	4.75	25	4.55
Portugal	13	18	5.01	19	5.47	24	4.84	17	4.73
Norway	14	20	4.98	8	5.71	26	4.79	32	4.45
Ireland	15	21	4.98	10	5.68	23	4.88	37	4.37
Belgium	16	23	4.92	18	5.48	35	4.66	20	4.64
Cyprus	17	24	4.89	23	5.33	14	5.15	44	4.19
Estonia	18	25	4.88	17	5.50	19	5.09	50	4.06
Malta	19	26	4.88	9	5.69	22	4.93	54	4.02
Italy	20	27	4.87	45	5.00	27	4.79	15	4.83
Greece	21	29	4.78	34	5.11	29	4.75	29	4.48
Czech Republic	22	31	4.77	26	5.26	37	4.56	31	4.48
Slovenia	23	33	4.64	29	5.19	33	4.70	53	4.03
Croatia	24	34	4.61	42	5.02	36	4.58	43	4.23
Montenegro	25	36	4.56	32	5.15	49	4.15	36	4.38
Hungary	26	38	4.54	24	5.29	45	4.28	48	4.06
Bulgaria	27	48	4.39	54	4.79	44	4.32	51	4.05
Poland	28	49	4.38	49	4.86	65	3.81	30	4.48
Turkey	29	50	4.37	66	4.58	55	4.02	28	4.50
Latvia	30	51	4.36	38	5.07	39	4.36	83	3.66
Slovak Republic	31	54	4.35	39	5.05	57	3.96	52	4.04
Lithuania	32	55	4.34	33	5.14	46	4.21	85	3.66
Russian Federation	33	59	4.23	73	4.49	53	4.07	45	4.15
Romania	34	63	4.17	51	4.85	66	3.80	66	3.84
Albania	35	71	4.01	53	4.79	91	3.30	61	3.93
Georgia	36	73	3.98	35	5.11	94	3.21	92	3.62
Macedonia, FYR	37	76	3.96	56	4.78	78	3.49	93	3.62
Serbia	38	82	3.85	67	4.57	84	3.39	94	3.60
Ukraine	39	85	3.83	64	4.63	76	3.53	118	3.33
Armenia	40	90	3.77	58	4.75	100	3.09	107	3.47
Bosnia and Herzegovina	41	97	3.63	92	4.24	97	3.14	103	3.49
Moldova	42	99	3.60	68	4.57	98	3.11	129	3.12

strong human resources (ranked 8th), and solid ICT and air transport infrastructures (ranked 9th and 5th, respectively). The country also benefits from a supportive policy environment as well as significant focus on environmental sustainability. Its rise in rank since the last assessment is driven largely by greater safety and security, a greater affinity for Travel & Tourism in the country, and more competitive prices, particularly hotel prices.

Spain is ranked behind the United Kingdom within Europe, falling two places to 8th position. The country is ranked 2nd worldwide for the richness of its cultural resources, with many World Heritage sites, a large number of international fairs and exhibitions, and a significant sports stadium capacity. Spain's tourism infrastructure is ranked 8th internationally, with many hotel rooms, car rental facilities, and ATMs; and its air transport infrastructure also gets good marks (ranked 8th). The government prioritizes the sector significantly, taking great care to collect comprehensive and timely data on the T&T sector, and the country makes strong efforts to attract tourists through solid destination-marketing campaigns and by ensuring Spain's presence at many international tourism fairs. Spain's decline in rank is driven in large part by increased concerns about

the availability of qualified labor and a comparative weakening of some aspects of the policy environment.

Italy moves up by one position to 27th overall, and is ranked 20th in Europe. As well as its cultural richness, with many World Heritage Sites, international fairs and exhibitions, and rich creative industries, Italy's strengths lie in areas such as the health and hygiene of the country (27th), its air transport infrastructure (30th), and especially its excellent tourism infrastructure (ranked 1st). However, it faces a number of challenges that bring its overall rating down. These include policy rules and regulations, where Italy ranks 84th (consistently getting worse over the past few years) because of its lack of foreign ownership (ranked 112th) and its lack of transparency in government policymaking (119th). In addition, ground transport infrastructure requires upgrading, there is insufficient focus on developing the sector in an environmentally sustainable way, and the country continues to suffer from a lack of price competitiveness.

Greece is ranked 21st in Europe and 29th overall, down by five positions since the last assessment. The country benefits from rich cultural resources (ranked 25th), excellent health and hygiene (ranked 20th overall), and a top-notch tourism infrastructure (5th). Further, there is a strong national affinity for tourism compared with many other European countries, including a generally open and positive attitude toward tourists (26th). The decline in rank can be traced to factors such as a weaker policy environment and increased concerns about safety and security, as well as a lower prioritization of Travel & Tourism within the country (perhaps not surprising given the country's recent more general economic travails).

Croatia, a country well known for its tourism industry and one that is aiming to join the European Union (EU) in the coming years, is ranked 24th in Europe and 34th overall, on a par with countries such as Malaysia and well ahead of several EU members. Croatia's performance has remained stable over the last several editions of the *Report.* It is endowed with a remarkable 15 cultural and 1 natural World Heritage sites, and is ranked 20th in terms of its overall affinity for Travel & Tourism. In addition, the country's tourism-specific infrastructure is ranked 4th out of all 139 countries. On the other hand, in order to improve the sector's competitiveness further, a goal will be to upgrade ground transport infrastructure, particularly railroads and ports as well as air transport infrastructure, and to bring policy rules and regulations in the country more in line with those that are needed for developing the sector (presently ranked 77th).

Montenegro sees one of the most impressive improvements this year out of all countries, going up by a full 16 places to 36th overall, just behind Croatia in the region. The country's policy rules and regulations for the sector have improved substantially, now ranked 10th in this area; it is also prioritizing the sector more strongly. Montenegro has a strong affinity for Travel & Tourism (ranked 7th), perhaps not surprising given the importance of the sector for the country's economy. Yet while tourism infrastructure is already well developed (ranked 25th), ground transport infrastructure (109th) and air transport infrastructure (62nd) could be further improved to reinforce the country's T&T competitiveness.

Turkey is ranked 29th in Europe and 50th in the TTCI, up six places since the last assessment. The country certainly benefits from its rich cultural heritage, with 17 World Heritage cultural sites, 2 World Heritage natural sites, several international fairs and exhibitions, and strong creative industries. In addition, the policy rules and regulations governing the sector are supportive and have improved since the 2009 T&T *Report* (ranked 34th). However, the country's overall T&T competitiveness is held back by worries about safety and security (97th), particularly related to terrorism and concerns about the ability of the police to provide protection from crime and violence. Health and hygiene is also a comparative weakness (67th), as well as ground transport infrastructure inadequacies (especially railroads and ports). In addition, further attention must be placed on protecting the country's natural resources (it is ranked 85th for environmental sustainability).

Russia is ranked 33rd in Europe and 59th overall, with a stable performance compared with the last *Report.* The country gets relatively high marks for natural resources (27th) and cultural resources (35th), due in particular to its many World Heritage sites. It also has a quite well developed air transport infrastructure (31st), an assessment that has improved somewhat since the 2009 T&T *Report.* However, ground transport infrastructure (95th) gets lower marks. Safety and security issues are also of serious concern (113th), with a high level of crime and violence, a lack of trust in the police to provide protection from crime, and many deaths caused by road traffic accidents, although this is an overall area that has seen some improvement since the last assessment. Most strikingly, Russia is assessed as having a very nonconducive policy environment (126th) due, for example, to extremely rare foreign ownership, property rights that are not well protected, and visa requirements for visitors from many countries. A lack of focus on environmental sustainability, ranked 98th, is also an area of concern. More generally, the sector is not seen to be a priority of the government, and is ranked a low 122nd.

As in past years, at the bottom of the European rankings are a number of Balkan countries (**Macedonia, Serbia,** and **Bosnia and Herzegovina**), as well as **Ukraine, Armenia,** and **Moldova.** In line with their less-advanced development, these countries will require significant investments in upgrading the infrastructure needed to support healthy and growing T&T sectors.

Table 4: The Travel & Tourism Competitiveness Index 2011: The Americas

	OVERALL INDEX			SUBINDEXES					
				T&T regulatory framework		T&T business environment and infrastructure		T&T human, cultural, and natural resources	
Country/Economy	Regional rank	Overall rank	Score	Rank	Score	Rank	Score	Rank	Score
United States	1	6	5.30	44	5.01	3	5.42	1	5.48
Canada	2	9	5.29	25	5.28	5	5.38	7	5.21
Barbados	3	28	4.84	20	5.45	21	4.99	47	4.07
Mexico	4	43	4.43	74	4.48	61	3.91	13	4.90
Costa Rica	5	44	4.43	47	4.92	58	3.95	33	4.43
Puerto Rico	6	45	4.42	40	5.05	38	4.55	88	3.65
Brazil	7	52	4.36	80	4.40	75	3.55	11	5.13
Panama	8	56	4.30	52	4.84	52	4.08	57	3.97
Chile	9	57	4.27	48	4.91	56	3.99	62	3.89
Uruguay	10	58	4.24	30	5.19	71	3.62	60	3.93
Argentina	11	60	4.20	72	4.51	70	3.66	35	4.41
Jamaica	12	65	4.12	55	4.79	59	3.93	87	3.65
Peru	13	69	4.04	87	4.30	82	3.40	34	4.42
Dominican Republic	14	72	3.99	63	4.66	69	3.66	89	3.65
Colombia	15	77	3.94	102	4.17	92	3.30	39	4.36
Trinidad and Tobago	16	79	3.91	100	4.18	51	4.13	111	3.42
Guatemala	17	86	3.82	103	4.08	81	3.40	58	3.96
Ecuador	18	87	3.79	93	4.24	93	3.26	64	3.87
Honduras	19	88	3.79	90	4.27	80	3.41	77	3.68
El Salvador	20	96	3.68	84	4.35	79	3.49	124	3.19
Guyana	21	98	3.62	91	4.25	99	3.10	102	3.50
Nicaragua	22	100	3.56	105	3.99	104	3.03	84	3.66
Venezuela	23	106	3.46	120	3.67	96	3.15	99	3.55
Bolivia	24	117	3.35	133	3.36	111	2.87	67	3.82
Paraguay	25	123	3.26	107	3.95	122	2.72	130	3.11

Note: Suriname is not covered anymore this year.

The Americas

Table 4 shows the regional rankings for the countries in the Americas. As this table shows, **the United States** is the highest-ranked country in the Americas and 6th out of all countries, up two positions from the last assessment and with a somewhat stable performance since the TTCI was conceived. The country places 3rd for its overall business environment and infrastructure and 1st for its human, cultural, and natural resources. In particular, the United States has an excellent air transport infrastructure (ranked 2nd) and high-quality tourism infrastructure. Its cultural resources are ranked 6th and its natural resources are ranked 3rd out of all countries, with many nationally protected areas and many World Heritage natural sites, although a perception exists that the environment is not being sufficiently protected (ranked 105th for environmental sustainability).

Canada falls four places this year to 9th overall and 2nd in the region. Canada's natural resources constitute a key strength, with the country's nine World Heritage natural sites placing it 4th internationally. Its cultural resources are also a strong point, with many international fairs and exhibitions in the country and strong creative industries in particular. Canada's air transport infrastructure is ranked 1st out of all countries, and it also gets good marks for its tourism and ICT infrastructure, facilitating the online T&T environment. Canada's policy environment is very conducive to the development of the sector (ranked 4th, up one place since the 2009 T&T *Report*).

Barbados is ranked 3rd in the region, at 28th overall, up two places since the last assessment. Barbados is ranked 2nd overall for the country's affinity for Travel & Tourism, with a positive attitude toward tourists and toward the value of tourism in the country. The country is prioritizing the sector to a very high degree (ranked 3rd), spending a high percentage of GDP on the sector, ensuring effective destination-marketing campaigns, and collecting relevant sector data on a timely basis. Increased efforts toward environmental sustainability would further reinforce the country's strong T&T competitiveness.

Mexico has improved by eight places and is now ranked 4th in the region and 43rd overall, overtaking Costa Rica and Brazil since the last assessment. Mexico gets impressive marks for its natural resources (ranked 10th), an area that shows an improvement since the last assessment, with many World Heritage natural sites and rich fauna. The country's cultural resources are also among the best in the world (19th), with 33 World Heritage cultural sites, several international fairs and exhibitions, and strong creative industries. These inherent strengths are reinforced by the overall prioritization of the sector in the country (30th), with effective marketing and branding campaigns for attracting tourists and

significant efforts to collect T&T sector data in a comprehensive and timely manner. Some areas requiring attention are the ground transport infrastructure (79th), insufficient heath and hygiene (ranked 64th), and safety and security concerns, ranked 128th.

Costa Rica is ranked 5th in the region and 44th overall. The country gets excellent marks for its natural resources (ranked 6th), with several World Heritage sites, a high percentage of nationally protected areas, and its very diverse fauna. Given the importance of the natural environment for the country's tourism industry, it is notable that it ranks a high 25th overall for environmental sustainability, an area where it has continued to improve over the past few years. However, health and hygiene remains a concern (74th). Further, although its tourism infrastructure is relatively well developed (39th), with a strong presence of major car rental companies and abundant hotel rooms, ground transport infrastructure requires significant upgrading (93rd), particularly roads and ports, making travel in the country somewhat difficult.

Puerto Rico is ranked 6th in the region and 45th overall, up eight places since the last assessment. Puerto Rico has a number of strengths, which include a policy environment that is conducive to the development of the sector (14th) and solid efforts to ensure environmental sustainability (14th). Puerto Rico's air and ground transport infrastructure are also well assessed (ranked 31st and 19th, respectively). The quality of human resources is a comparative strength as well, particularly by regional standards, with Puerto Rico ranked 33rd on this pillar. On the other hand, its T&T competitiveness could be strengthened by upgrading its ICT infrastructure (63rd). Other areas of concern include safety and security in the territory (61st) and health and hygiene issues (69th). Areas of measurable improvement are Puerto Rico's price competitiveness and its affinity for Travel & Tourism.

Brazil is ranked 7th in the Americas and 52nd overall, declining by seven places since the last assessment but with a stable score. The country is ranked 1st out of all countries for its natural resources and 23rd for its cultural resources, with many World Heritage sites, a great proportion of protected land area, and the richest fauna in the world. This is buttressed by a focus on environmental sustainability (ranked 29th), an area that has been improving over recent years. Safety and security has also improved impressively since the last assessment. On the other hand, the ground transport network remains underdeveloped (116th), with the quality of roads, ports, and railroads requiring improvements. The country also continues to suffer from a lack of price competitiveness (114th), attributable in part to high ticket taxes and airport charges in the country, as well as high prices and high taxation more generally. Further, the overall policy environment is not particularly conducive to the development of the sector (ranked 114th), with discouraging rules on FDI, much time required for starting a business, and somewhat restrictive commitments to opening up tourism services under GATS commitments.

Chile is ranked 9th in the region and 57th overall, maintaining a very stable performance since the last assessment. It has notable cultural resources, with six World Heritage cultural sites and several international fairs and exhibitions held in the country. In addition, policy rules and regulations are conducive to the development of the T&T sector (12th), with few foreign ownership restrictions, a liberal visa regime, and open bilateral Air Service Agreements, although the time and cost for starting new businesses remains relatively high. The country also benefits from good safety and security by regional standards (27th). However, Chile's T&T competitiveness would be strengthened by upgrading both its transport and tourism infrastructures and by a greater focus on developing the industry in a more environmentally sustainable way.

Argentina is ranked 11th in the region, placing 60th overall, up five places since the last *Report*. Argentina has strong natural resources (20th), with four World Heritage sites and very diverse fauna. The country also benefits from a relatively high airport density, abundant seat kilometers, and a number of operating airlines, although the quality of air transport continues to be highlighted as a problem area (ranked 115th). A number of other weaknesses are pulling the country's overall score down. For example, several government policies—such as weak property rights and stringent rules on FDI (both ranked 134th)—are not supporting the development of the sector. Further, environmental regulation is not sufficiently stringent (ranked 119th) or well enforced (ranked 134th), which is of concern given the importance of natural resources for the country's tourism industry.

Venezuela, despite being ranked a high 9th for its natural resources (with much protected land area and diverse fauna), is ranked third from last in the region, at 106th overall. Among its significant weaknesses are a lack of safety and security (ranked 134th), a low prioritization of the tourism industry (126th), and its extremely low rank for national affinity for Travel & Tourism (138th). In addition, infrastructure is in need of upgrading, particularly ground transport infrastructure (ranked 136th). The policy environment is also not very conducive to the development of the T&T sector. Property rights are not well protected in the country, and FDI is also not encouraged (ranked 139th, last out of all countries, for both indicators).

Asia Pacific

Table 5 displays the regional rankings and data for the Asia Pacific region. As the table shows, **Singapore** is the top-ranked country in the region at 10th position, the same position it held in the last edition of the *Report*. Singapore benefits from excellent transport infrastruc-

Table 5: The Travel & Tourism Competitiveness Index 2011: Asia Pacific

	OVERALL INDEX			SUBINDEXES					
				T&T regulatory framework		T&T business environment and infrastructure		T&T human, cultural, and natural resources	
Country/Economy	Regional rank	Overall rank	Score	Rank	Score	Rank	Score	Rank	Score
Singapore	1	10	5.23	6	5.72	4	5.39	23	4.59
Hong Kong SAR	2	12	5.19	4	5.80	13	5.19	24	4.59
Australia	3	13	5.15	36	5.08	17	5.11	4	5.28
New Zealand	4	19	5.00	13	5.60	25	4.80	22	4.60
Japan	5	22	4.94	27	5.24	32	4.72	14	4.86
Korea, Rep.	6	32	4.71	50	4.86	28	4.76	27	4.53
Malaysia	7	35	4.59	60	4.71	40	4.35	18	4.72
Taiwan, China	8	37	4.56	46	4.95	31	4.73	55	4.00
China	9	39	4.47	71	4.52	64	3.84	12	5.06
Thailand	10	41	4.47	77	4.45	43	4.32	21	4.64
Brunei	11	67	4.07	96	4.20	50	4.14	63	3.87
India	12	68	4.07	114	3.84	68	3.71	19	4.65
Indonesia	13	74	3.96	94	4.21	86	3.33	40	4.35
Vietnam	14	80	3.90	89	4.28	89	3.31	46	4.12
Sri Lanka	15	81	3.87	79	4.41	83	3.40	68	3.81
Azerbaijan	16	83	3.85	59	4.72	87	3.33	105	3.49
Kazakhstan	17	93	3.70	65	4.59	88	3.32	123	3.19
Philippines	18	94	3.69	98	4.18	95	3.18	75	3.69
Mongolia	19	101	3.56	97	4.20	112	2.82	86	3.65
Kyrgyz Republic	20	107	3.45	95	4.21	132	2.59	100	3.54
Cambodia	21	109	3.44	110	3.92	118	2.73	81	3.67
Nepal	22	112	3.37	106	3.97	128	2.62	101	3.52
Tajikistan	23	118	3.34	88	4.28	130	2.60	128	3.13
Pakistan	24	125	3.24	129	3.45	102	3.06	122	3.21
Bangladesh	25	129	3.11	130	3.45	113	2.82	131	3.05
Timor-Leste	26	134	2.99	123	3.64	138	2.42	134	2.90

ture, with ground transport infrastructure and air transport infrastructure ranked 2nd and 14th, respectively. Singapore is ranked 2nd for the quality of its human resources available to work in the country. And with the country's famously well-functioning public institutions, it is perhaps not surprising that it ranks 1st out of all countries for its policy environment, with rules and regulations that are extremely conducive to the development of its T&T industries (policies facilitating foreign ownership and FDI, well-protected property rights, and few visa restrictions). Further, Singapore is among the safest countries of all assessed with regard to safety and security, and is ranked 2nd for the overall prioritization of Travel & Tourism in the country. Price competitiveness also remains an area of strength compared with many other countries at the same advanced stage of development.

Singapore is followed in the regional rankings by **Hong Kong SAR** at 12th overall, the same place it held in the last edition. Hong Kong's transport is even better assessed than Singapore's, with ground transport and air transport infrastructures ranked 1st and 12th, respectively. Hong Kong gets relatively good marks for cultural resources, with many international fairs and exhibitions held in the country and strong creative industries. Hong Kong's policy environment is rated second only to Singapore's, and the tourism sector is a clear priority (ranked 12th). Like Singapore, Hong Kong is safe from crime and violence (ranked 5th), and the country is unsurpassed for the quality of health and hygiene, where it ranks 1st.

Australia continues to decline in the rankings by four more places, and is now at 13th position overall. Australia's T&T competitiveness continues to be characterized by a number of clear strengths, including its rich natural resources: the country ranks 1st for its World Heritage natural sites, benefiting from diverse fauna and a pristine natural environment. Given the importance of the environment for much of its leisure tourism, it is notable that the stringency and enforcement of its environmental regulations are well assessed. And given the country's distance from other continents and the related importance of domestic air travel to overcome the large distances between major sites, its competitiveness is also buttressed by excellent air transport infrastructure (ranked 3rd) as well as good general tourism infrastructure (ranked 16th). The drop in rank since the last edition can be traced in large part to a perceived weakening of the focus on environmental sustainability and increased concerns about the availability of qualified labor in the country.

New Zealand is ranked 4th in the region and 19th overall, up one position since the last edition. The country benefits from its rich natural resources, with a number of World Heritage natural sites (ranked 17th) and a pristine natural environment (ranked 3rd), protected by strong and well-enforced environmental legislation. The overall policy rules and regulations in the country are conducive to the development of the sector (ranked 3rd), with very transparent policymaking and among the least time and lowest cost required to start a business internationally. Although the country's ground transport network remains somewhat underdeveloped, its air transport infrastructure gets excellent marks (ranked 11th), and both the tourism and ICT infrastructures are quite good by international standards. New Zealand also benefits from high-quality human resources (ranked 14th) and a very safe and secure environment overall (14th).

Japan is ranked 5th regionally and 22nd out of all countries in the TTCI, up three places since the last assessment. Japan benefits from its cultural resources (ranked 12th), attributable to its 29 World Heritage cultural sites, the many international fairs and exhibitions held in the country, and its rich creative industries. Its ground transport infrastructure is among the best in the world (ranked 6th), especially railroads, and Japan continues to be a leader in the area of education and training (ranked 12th). However, Japan ranks third from the bottom for the affinity of the country for Travel & Tourism (131st), and it struggles with prices that are not competitive by international standards (ranked 137th).

Korea, Rep. is ranked 32nd, just ahead of Malaysia in the regional rankings. Korea's strengths lie in its excellent ground transport and ICT infrastructure (ranked 18th and 8th, respectively) and its rich cultural resources (ranked an impressive 5th). On the other hand, its overall T&T competitiveness is held back by a weak affinity for Travel & Tourism (ranked a low 120th), low prioritization of the sector more generally (94th), and its relative costliness as a destination (ranked 96th).

Malaysia is ranked 7th regionally and 35th overall, down three positions since the 2009 T&T *Report*. Malaysia benefits from its rich natural resources (ranked 22nd) and its cultural resources (ranked 33rd). The country also benefits from excellent price competitiveness (ranked 3rd), with low comparative hotel and fuel prices, low ticket taxes and airport charges, very competitive hotel prices, and a favorable tax regime. Malaysia's policy environment is assessed as conducive to the development of the sector (ranked 21st), and the country is characterized by a strong affinity for Travel & Tourism more generally (ranked 17th). With regard to weaknesses, health and hygiene indicators lag behind those of many other countries in the region, with, in particular, a low physician density (placing the country 96th).

China, ranked 9th regionally, has continued its ascent in the rankings, moving up an additional eight places to 39th overall this year. China has been building on a number of clear strengths: it is ranked 5th for its natural resources, with many World Heritage natural sites and fauna that are among the richest in the world. It is ranked 16th for its cultural resources, with several World Heritage cultural sites, many international fairs and exhibitions held in the country, and creative industries that are unsurpassed. Moreover, the country is ranked 24th in price competitiveness. In addition, China has a relatively good air transport infrastructure (ranked 35th). However, there are some weaknesses pulling the country's ranking down. China has a policy environment that is not conducive for T&T development (ranked 80th), although this is an area that has improved somewhat since the last assessment. Furthermore, policies related to environmental sustainability, while also improving, require further attention (95th). There are also some concerns related to health and hygiene (96th). Ground transport infrastructure gets middling marks (59th), and the country's tourism infrastructure remains underdeveloped (ranked 95th), with few hotel rooms available and few ATMs.

Thailand is ranked 10th in the region and 41st overall, down two places since the last edition. It is endowed with rich natural resources and a strong affinity for Travel & Tourism (ranked 21st and 24th, respectively), with a very friendly attitude of the population toward tourists (ranked 8th). This is buttressed by the government's strong prioritization of the sector (ranked 16th), with good destination-marketing campaigns and price competitiveness. However, some weaknesses remain: despite the prioritization of the sector by the government, some aspects of the regulatory environment—such as stringent foreign ownership restrictions, visa restrictions for many travelers, and the long time required for starting a business in the country—are not particularly conducive to developing the sector (ranked 76th). In addition, given the importance of the natural environment for the country's tourism, environmental sustainability should be a greater priority (ranked 97th).

India is ranked 12th in the region and 68th overall, down six places since the last edition. As with China, India is well assessed for its natural resources (ranked 8th) and cultural resources (24th), with many World Heritage sites, both natural and cultural, rich fauna, many fairs and exhibitions, and strong creative industries. India also has quite good air transport (ranked 39th), particularly given the country's stage of development, and reasonable ground transport infrastructure (ranked 43rd). However, some aspects of its tourism infrastructure remain somewhat underdeveloped (ranked 89th), with very few hotel rooms per capita by international comparison and low ATM penetration. Another area of concern is the policy environment, which has weakened measurably since the last assessment and is now ranked 128th, with much time and cost for starting a business, bilateral Air Service Agreements that are not assessed as

open, and visas required for most visitors. Other areas requiring attention are health and hygiene standards (112th) and the country's human resources base (96th).

Indonesia is ranked 13th in the regional rankings and 74th overall, up seven places since the last edition. In terms of strengths, Indonesia places 17th for its natural resources, with several World Heritage natural sites and the richness of its fauna as measured by the known species in the country. Indonesia also has rich cultural resources (ranked 39th), with eight World Heritage cultural sites, a number of international fairs and exhibitions held in the country, and strong creative industries. Further, the country is ranked 4th overall on price competitiveness in the T&T industry because of its competitive hotel prices (ranked 6th), low ticket taxes and airport charges, and favorable fuel prices. In addition, it is ranked 15th for its national prioritization of Travel & Tourism. However, these strengths are held back by underdeveloped infrastructure in the country, including to a certain extent air transport (58th) and especially ground transport (82nd), tourism infrastructure (116th), and ICT infrastructure (96th), representing significant investment opportunities in the country. There are also some concerns related to safety and security, particularly a lack of trust of police services and the business costs of potential terrorism. In addition, the country is not ensuring the sustainable development of the tourism sector (ranked 127th), an area of particular concern given the sector's dependence on the quality of the natural environment.

Vietnam is ranked 14th in the region and 80th overall, up nine places since the last assessment. It benefits from its rich cultural resources (ranked 36th), with several World Heritage cultural sites, several international fairs and exhibitions, and strong creative industries. Another attraction is Vietnam's natural resources, ranked 24th for its World Heritage natural sites, and with very diverse fauna in the country. These attributes are reinforced by the country's price competitiveness (16th). In order to strengthen its T&T competitiveness, Vietnam must further develop its transport infrastructure and its tourism infrastructure (110th), while ensuring that the sector is developed in an environmentally sustainable way (115th).

The Philippines is ranked 18th regionally and 94th overall, down eight places since the last edition, with a weaker performance across most areas measured by the Index. Among the country's strengths are aspects of its natural resources: it is ranked 24th for the number of World Heritage natural sites and 40th for the total known species in the country. The Philippines also benefits from excellent price competitiveness (ranked 20th), with low prices overall, particularly hotel prices, and low ticket taxes and airport charges. There are also some aspects of the policy rules and regulations regime that are conducive to the development of the sector, such as few visa requirements for foreign visitors (ranked 3rd) and bilateral Air Service Agreements that are assessed as comparatively open (29th), although other areas—such as the protection of property rights, rules related to foreign investment, and the difficulty of starting a business in the country—remain a challenge. Other matters of concern are safety and security (ranked 109th); health and hygiene levels (97th); and transport, tourism, and ICT infrastructures that require upgrading.

The Middle East and North Africa

Table 6 shows the regional rankings for the Middle East and North Africa region. Note that these rankings were established prior to the political unrest experienced in North Africa in early 2011. As the table shows, the **United Arab Emirates (UAE)** continues to lead the region at 30th overall, up three places since the last assessment. While the UAE is not endowed with rich natural resources (116th), it sees a significant improvement in the assessment of its cultural resources (34th, up from 84th). In addition, the country is characterized by a strong affinity for Travel & Tourism (25th). The UAE's infrastructure also gets good marks, particularly its air transport infrastructure, which is ranked a very high 4th out of all countries assessed. The government is seen as prioritizing the sector strongly (ranked 8th) and carrying out very effective destination-marketing campaigns (ranked 1st). An area of clear improvement over recent years is in the rules and regulations, which have been adjusted to better support the sector's development, with the UAE moving up from 81st place in the 2009 *Report* to 38th place this year.

Bahrain is ranked 2nd in the region and 40th overall, up one place since the last assessment. The country benefits from good transport infrastructure, particularly ground transport infrastructure (ranked 11th), and from a well-developed tourism infrastructure (ranked 26th). Bahrain also has high-quality human resources to call on in the country (29th), along with high levels of safety and security. On the other hand, policy rules and regulations could be more supportive of the sector's development (ranked 58th), and environmental sustainability remains a particular area of concern (123rd).

Qatar is ranked 3rd in the region and 42nd overall, down five places since the 2009 T&T *Report*. Qatar benefits from a safe and secure environment (ranked 28th), high-quality human resources in the country (ranked 18th), good tourism infrastructure (34th), and excellent air transport infrastructure (21st), in line with its increasing role as an air transportation hub. In order to further improve the country's T&T competitiveness, the country should continue to improve its policy environment and also to focus on environmental sustainability (67th).

Israel is ranked 4th in the region, dropping 10 places to 46th overall. Israel benefits from its cultural attributes, including a number of World Heritage cultural sites. The country's human resources base is also well evaluated

Table 6: The Travel & Tourism Competitiveness Index 2011: The Middle East and North Africa

	OVERALL INDEX			SUBINDEXES					
				T&T regulatory framework		T&T business environment and infrastructure		T&T human, cultural, and natural resources	
Country/Economy	Regional rank	Overall rank	Score	Rank	Score	Rank	Score	Rank	Score
United Arab Emirates	1	30	4.78	57	4.77	9	5.32	42	4.24
Bahrain	2	40	4.47	62	4.66	20	5.06	78	3.68
Qatar	3	42	4.45	43	5.02	34	4.68	90	3.64
Israel	4	46	4.41	41	5.04	42	4.33	65	3.87
Tunisia	5	47	4.39	31	5.17	54	4.05	59	3.94
Oman	6	61	4.18	61	4.67	47	4.18	76	3.69
Saudi Arabia	7	62	4.17	81	4.38	41	4.35	70	3.77
Jordan	8	64	4.14	37	5.08	72	3.61	74	3.73
Lebanon	9	70	4.03	78	4.42	63	3.86	69	3.80
Egypt	10	75	3.96	70	4.53	74	3.59	71	3.77
Morocco	11	78	3.93	69	4.55	77	3.50	73	3.74
Kuwait	12	95	3.68	108	3.94	60	3.92	126	3.18
Syria	13	105	3.49	101	4.17	109	2.91	113	3.39
Algeria	14	113	3.37	112	3.87	110	2.89	116	3.35
Iran, Islamic Rep.	15	114	3.37	131	3.43	103	3.03	91	3.64
Libya	16	124	3.25	122	3.64	107	2.92	125	3.18

(31st), providing healthy and well-trained people to work in the T&T sector. Further, its ICT infrastructure is quite well developed compared with those of other countries in the region. But although Israel gets excellent marks related to health and hygiene (ranked 16th), some aspects of safety and security continue to be worriesome, primarily related to concerns about terrorism (ranked 105th). The decline in rank since the last assessment is in large part attributable to a weakening in the policy environment, and a sense that the sector is no longer being prioritized as strongly as in the past.

Tunisia is ranked 5th in the region and 47th overall, down three places since the last edition. Tunisia benefits from its strong prioritization of Travel & Tourism (8th), with high government spending on the sector, effective destination-marketing campaigns, and impressive efforts to collect tourism data in a comprehensive and timely manner. In addition, the country continues to benefit from its price competitiveness, ranked 9th, with competitive hotel prices, reasonable taxation, and low prices more generally. On the other hand, health and hygiene remains an area of concern (79th), with a relatively low physician density and a low concentration of hospital beds, and access to improved sanitation and water that could be improved. The country's ICT infrastructure also remains underdeveloped (ranked 76th). The effects of the recent political unrest in the country are not captured by the present assessment, which we expect to become apparent in the next *Report*.

Lebanon enters the Index for the first time, ranking 9th in the region and 70th overall. The country has a number of cultural attributes, such as five World Heritage cultural sites and some creative industries. Perhaps more importantly, Lebanon is ranked 1st out of all countries for its affinity for Travel & Tourism, with tourism accounting for a significant amount of economic activity, a very positive attitude toward foreign travelers, and an appreciation of the value of the country's attributes for tourism. And indeed, tourism infrastructure is well developed in the country (ranked 29th). On the other hand, in order to further improve Lebanon's T&T competitiveness, ground transport infrastructure should be further developed (ranked 100th), safety and security issues must be addressed (123rd), and policy rules and regulations should be more generally reviewed in order to better support the sector's development (98th). Looking forward, environmental sustainability will also need to be taken into account (125th).

Egypt is ranked 10th regionally, dropping 11 positions to reach 75th overall. While the effects of the recent political turmoil are not yet captured by the data discussed here, in the short term it is clear that political stability will be crucial to buttressing the country's T&T competitiveness. The TTCI points to a number of longer-term issues that must be addressed. Egypt's infrastructure needs improvement, particularly its tourism infrastructure (74th), its ground transport infrastructure (88th), and its ICT infrastructure (93rd), all areas that have weakened on a comparative basis since the last assessment. A focus on improving education and training in the country, ranked 87th, would also improve the country's overall T&T competitiveness. On

Table 7: Travel & Tourism Competitiveness Index 2011: Sub-Saharan Africa

		OVERALL INDEX		SUBINDEXES					
				T&T regulatory framework		T&T business environment and infrastructure		T&T human, cultural, and natural resources	
Country/Economy	Regional rank	Overall rank	Score	Rank	Score	Rank	Score	Rank	Score
Mauritius	1	53	4.35	28	5.24	48	4.15	79	3.67
South Africa	2	66	4.11	82	4.37	62	3.88	49	4.06
Namibia	3	84	3.84	83	4.37	67	3.71	109	3.45
Cape Verde	4	89	3.77	85	4.33	73	3.61	114	3.39
Botswana	5	91	3.74	86	4.32	85	3.34	98	3.56
Gambia, The	6	92	3.70	76	4.46	90	3.31	117	3.35
Rwanda	7	102	3.54	75	4.46	120	2.73	110	3.43
Kenya	8	103	3.51	113	3.87	106	2.93	72	3.75
Senegal	9	104	3.49	111	3.90	108	2.92	82	3.67
Ghana	10	108	3.44	115	3.82	105	3.01	104	3.49
Tanzania	11	110	3.42	121	3.67	127	2.62	56	3.97
Zambia	12	111	3.40	104	4.02	131	2.60	95	3.58
Uganda	13	115	3.36	116	3.75	125	2.65	80	3.67
Swaziland	14	116	3.35	99	4.18	101	3.07	136	2.81
Zimbabwe	15	119	3.31	118	3.71	126	2.64	96	3.57
Benin	16	120	3.30	119	3.68	117	2.75	106	3.47
Malawi	17	121	3.30	109	3.93	133	2.54	112	3.42
Ethiopia	18	122	3.26	132	3.42	114	2.81	97	3.56
Cameroon	19	126	3.18	127	3.49	129	2.61	108	3.45
Madagascar	20	127	3.18	126	3.49	116	2.76	120	3.29
Mozambique	21	128	3.18	124	3.64	119	2.73	127	3.15
Nigeria	22	130	3.09	134	3.22	115	2.76	119	3.30
Côte d'Ivoire	23	131	3.08	135	3.22	124	2.67	115	3.36
Burkina Faso	24	132	3.06	117	3.71	135	2.50	132	2.99
Mali	25	133	3.05	128	3.47	137	2.42	121	3.26
Lesotho	26	135	2.95	125	3.54	123	2.70	138	2.63
Mauritania	27	136	2.85	136	3.16	136	2.44	133	2.95
Burundi	28	137	2.81	137	3.08	134	2.52	135	2.82
Angola	29	138	2.80	138	3.07	121	2.72	139	2.61
Chad	30	139	2.56	139	2.88	139	2.09	137	2.70

a positive note, looking forward, the Index highlights the many strengths on which the country can build its T&T competitiveness. Egypt is rich in cultural heritage, with seven World Heritage cultural sites and several international fairs and exhibitions held in the country. In addition to its cultural attributes, it has been benefiting from excellent price competitiveness, ranked 5th, with competitive hotel prices, low fuel costs, and low prices more generally.

Morocco is ranked 11th in the regional rankings and 78th overall. Morocco also receives a good evaluation for aspects of its cultural resources, and is notably ranked 23rd for its many World Heritage cultural sites. In addition, the country is seen to be prioritizing the development of the sector (ranked 23rd), and is characterized by a strong affinity for Travel & Tourism more generally. Moreover, the government is seen to be making efforts to develop the T&T sector in a sustainable way. In order to improve the industry's competitiveness further, efforts should be made to improve health and hygiene levels in the country (104th) and upgrade education and training (102nd), as well as make additional improvements to the country's transport and tourism infrastructure. Safety and security also remain an area of concern.

Sub-Saharan Africa

Table 7 shows the rankings for sub-Saharan Africa. **Mauritius** remains the highest-ranked country in this region at 53rd overall, despite dropping 13 places in the rankings since the last assessment. Mauritius is ranked 1st out of all countries for the overall prioritization of the sector, with high government spending on the tourism industry (ranked 3rd), ensuring excellent destination-marketing campaigns to attract tourists (ranked 8th), and collecting tourism data in a timely fashion. Mauritius is ranked 4th for the country's overall affinity for Travel & Tourism, with the sector representing an important part of the economy and the general attitude of the population to foreign travelers being extremely welcoming. The country's tourism infrastructure is well developed by regional standards (47th), and its policy environment is supportive of the development of the sector (ranked 27th). Mauritius also

benefits from price competitiveness (ranked 18th), with relatively low prices overall and taxation that is not overly burdensome, although this would be improved through lower ticket taxes and airport charges, and more competitive hotel prices. Safety and security levels are also good by regional standards (ranked 45th). In terms of challenges, although the government is seen to be making an effort to develop the industry in a sustainable way (ranked 10th), this effort could be backed up by more stringent and well-enforced environmental regulations (ranked 60th and 55th, respectively). The drop in rank is attributable to declines across most areas measured by the Index, and particularly those measuring the quality of infrastructure, including transport, tourism, and ICT infrastructures.

South Africa is ranked 2nd in the region and 66th overall, joining Mauritius as one of the only two sub-Saharan African countries in the top half of the overall rankings. South Africa comes in at a high 14th for its natural resources and 55th for its cultural resources, based on its many World Heritage sites, its rich fauna, its creative industries, and the many international fairs and exhibitions held in the country. The 2010 FIFA World Cup has reinforced South Africa's position as a key international tourist destination. South Africa also benefits from price competitiveness (37th), with reasonably priced hotel rooms and a favorable tax regime. Infrastructure in South Africa is also well developed for the region, with air transport infrastructure ranked 43rd and a particularly good assessment of railroad quality (47th) and road quality (43rd). Overall, policy rules and regulations are conducive to the sector's development (ranked 31st); this is an area where the country has improved since the last assessment, with well-protected property rights and few visa requirements for visitors. Indeed, in 2010 the government selected tourism as one of the five priority sectors in its growth plan and has been reviewing tourism legislation in an effort to streamline it further. However, there are also some areas of weakness that have brought down the country's overall ranking. Safety and security remains of serious concern (ranked 129th), as is the level of health and hygiene, where South Africa is ranked 88th as a result of its low physician density and concerns about access to improved sanitation in particular. Related to this, health indicators are extremely worrisome. South Africa's life expectancy is low (albeit improving), at 53 years, placing the country 124th overall, a ranking related in large part to the very high rates of communicable diseases such as HIV/AIDS. Improving the health of the workforce is of urgent concern for the future of the T&T sector, as well as for all other sectors in the economy.

Namibia follows South Africa in the regional rankings, placing 84th overall. The country benefits from its rich natural resources, with rich fauna and a pristine natural environment. Indeed, environmental sustainability is prioritized in the country (ranked 22nd), which is critical given the importance of the quality of the environment for Namibia's tourism. In addition, ground transport infrastructure is well developed by regional standards (44th). In order to further develop the sector, a more conducive policy environment will be important. For example, despite efforts in recent years, it remains costly and time consuming to start a business in the country. Health and hygiene is also not up to international standards (106th): the country has few doctors and insufficient access to improved sanitation and drinking water. More generally, improving the country's human resources base through better education and training and more conducive labor laws will be critical.

Botswana is ranked 5th in the region at 91st overall, down 12 places after a significant improvement in the last edition of the Index. The country, known for its beautiful natural parks, is ranked 33rd out of all countries for its natural resources, with much nationally protected land area (ranked 6th), rich fauna, and a lack of environmental damage. The country also benefits from excellent price competitiveness, where it is ranked 8th because of low ticket taxes and airport charges, a favorable tax regime, and low prices more generally. In addition, some aspects of the policy environment are supportive of the sector's development, including well-protected property rights and few visa restrictions. However, Botswana does face some challenges that lead to its rather low ranking overall. The country's bilateral Air Service Agreements are not evaluated as open (105th), and, despite improvements, much time is still required for starting a new business (61 days, placing the country 126th). Further, Botswana's transport infrastructure is somewhat underdeveloped, as is tourism infrastructure, with a low hotel room concentration, a limited presence of international car rental companies, and relatively few ATMs. There are also some concerns in the area of health and hygiene (100th), attributable to a low physician density, limited hospital beds, and insufficient access to improved sanitation. Associated with this, the greatest comparative weakness relates to the health of the workforce, although it must be noted that the country's average life expectancy of 62 years represents a significant improvement over the situation in recent years.

Kenya, a country long famous for its tourism attributes, is ranked 8th regionally and 103rd overall. Kenya is ranked 28th for its natural resources, with its two World Heritage natural sites and its rich diversity of fauna. Tourism is a recognized priority within the country (ranked 18th on this pillar), with high government spending on the sector and effective destination-marketing campaigns. In addition, there is a strong focus on environmental sustainability in the country (ranked 26th), which is particularly important for Kenya given the sector's dependence on the natural environment. On the downside, the policy environment is not at present sufficiently conducive to the development of the sector (ranked 103rd), with bilateral Air Service Agreements

that are not open, insufficiently protected property rights, and much time and cost required for starting a business. In addition, infrastructure remains underdeveloped and health and hygiene levels require improvement. Finally, the security situation in the country remains a significant hindrance to further developing the sector (ranked 139th).

Tanzania is ranked 11th in the region and 110th overall, down 12 places since the last assessment. Tanzania places 2nd worldwide for its natural environment, with several World Heritage natural sites, rich fauna, and much protected land area. This is buttressed by some focus in the country on environmental sustainability (ranked 43rd), although there has been a weakening in this area since the last assessment. On the other hand, the country's policy environment is not sufficiently supportive of the development of the sector, and in fact is measurably less so than it was in the last edition of the Index, continuing a downward trend from previous years. Other issues of concern are security levels in the country, and a focus must be placed on improving the health of the workforce, upgrading the educational system, and improving all types of infrastructure on which the industry is dependent.

Zimbabwe is ranked 15th in the region and 119th overall, an improvement of two places since the last assessment. This continues to be a low ranking for a country that was, until recently, a popular tourist destination. Indeed, Zimbabwe is ranked a remarkable 13th for natural resources overall, with a number of World Heritage natural sites, much nationally protected land area, and rich fauna. Despite these strengths, which have attracted tourists to Zimbabwe over the years, the Index mainly highlights the country's weaknesses in other areas. After years of political mismanagement, the policy environment is among the worst in the world (ranked 136th), with extremely poor assessments for laws related to FDI and property rights, and where starting a business is extremely difficult and costly. Safety and security is also a major concern, with high crime and violence and a lack of trust in the reliability of police services to provide protection from crime (126th), reflecting the general breakdown in law and order in the country in recent years. There are also concerns related to human resources, with low enrollment rates in primary and secondary education by international standards, and among the worst health indicators in the world: while life expectancy has been increasing in many other countries in the region, it continues to decline in Zimbabwe, and is now just 42 years in the country, placing it 139th—last of all countries covered.

Conclusions

We have looked at the T&T competitiveness of 139 economies, spanning all regions of the world, based on the World Economic Forum's Travel & Tourism Competitiveness Index (TTCI). The TTCI represents our best efforts to capture the complex phenomenon of T&T competitiveness, demonstrating that a whole array of reforms and improvements in different areas are required for improving the T&T competitiveness of nations.

By highlighting success factors and obstacles to T&T competitiveness in economies around the world, the TTCI is a tool that can be used to identify the competitive strengths of individual economies as well as the barriers that impede the development of the sector. It also allows countries to track their progress over time on those indicators of interest.

We will continue to publish *The Travel & Tourism Competitiveness Report* on a biennial basis, ensuring that the TTCI can continue to be used as a platform for dialogue between the business community and national policymakers working together to improve the T&T competitiveness of their respective economies, and thus improving the growth prospects and prosperity of their citizens.

Note

1 However, IATA notes that it will be important to temper this recent optimism given that, despite a marked consolidation of the industry and good management of stock, 2011 will likely see a decrease in the sector's growth because of lingering high rates of unemployment and low consumer spending and confidence in Europe and North America. In addition, a surge of aircraft deliveries in 2011 will fuel capacity expansion. In this context, IATA estimates that profitability of the air transport industry will fall somewhat in 2011. For further details on IATA's projections, see IATA 2010.

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Appendix A: Composition of the Travel & Tourism Competitiveness Index 2011

This appendix provides details about the construction of the Travel & Tourism Competitiveness Index (TTCI).

The TTCI is composed of three subindexes: the T&T regulatory framework subindex; the T&T business environment and infrastructure subindex; and the T&T human, cultural, and natural resources subindex.

These subindexes are, in turn, composed of the 14 pillars of T&T competitiveness shown below: namely, policy rules and regulations, environmental sustainability, safety and security, health and hygiene, prioritization of Travel & Tourism, air transport infrastructure, ground transport infrastructure, tourism infrastructure, ICT infrastructure, price competitiveness in the T&T industry, human resources, affinity for Travel & Tourism, natural resources, and cultural resources. The numbering of the variables matches the numbering of the data tables. The number preceding the period indicates to which pillar the variable belongs (e.g., variable 1.01 belongs to the first pillar).

The pillars are calculated from both variables derived from the Executive Opinion Survey (Survey) and data from other sources. The Survey data comprise the responses to the World Economic Forum's Executive Opinion Survey and range from 1 to 7; other data were collected from various sources, which are described in the Technical Notes and Sources section at the end of the *Report*. These data are identified by an asterisk (*) in the following pages. To make the aggregation possible, these variables are transformed into a 1-to-7 scale in order to align them with the Survey results. We apply a min-max transformation, which preserves the order of, and the relative distance between, country scores.[1]

Each of the pillars has been calculated as an unweighted average of the individual component variables. The subindexes are then calculated as unweighted averages of the included pillars. In the case of the human resources pillar, which is itself composed of two subpillars (education and training and availability of qualified labor), the overall pillar is the unweighted average of the two subpillars.

The overall TTCI is then the unweighted average of the three subindexes. The variables of each pillar and subpillar are listed below.

Subindex A: T&T regulatory framework

Pillar 1: Policy rules and regulations

1.01 Prevalence of foreign ownership
1.02 Property rights
1.03 Business impact of rules on FDI
1.04 Visa requirements*
1.05 Openness of bilateral Air Service Agreements*
1.06 Transparency of government policymaking
1.07 Time required to start a business*
1.08 Cost to start a business*
1.09 GATS commitments restrictiveness index of T&T services*

Pillar 2: Environmental sustainability

2.01 Stringency of environmental regulation
2.02 Enforcement of environmental regulation
2.03 Sustainability of T&T industry development
2.04 Carbon dioxide emissions*
2.05 Particulate matter concentration*
2.06 Threatened species*
2.07 Environmental treaty ratification*

Pillar 3: Safety and security

3.01 Business costs of terrorism
3.02 Reliability of police services
3.03 Business costs of crime and violence
3.04 Road traffic accidents*

Pillar 4: Health and hygiene

4.01 Physician density*
4.02 Access to improved sanitation*
4.03 Access to improved drinking water*
4.04 Hospital beds*

Pillar 5: Prioritization of Travel & Tourism

5.01 Government prioritization of the T&T industry
5.02 T&T government expenditure*
5.03 Effectiveness of marketing and branding to attract tourists
5.04 Comprehensiveness of annual T&T data*[2]
5.05 Timeliness of providing monthly/quarterly T&T data*[2]

Subindex B: T&T business environment and infrastructure

Pillar 6: Air transport infrastructure

6.01 Quality of air transport infrastructure
6.02 Available seat kilometers, domestic*[3]
6.03 Available seat kilometers, international*[3]
6.04 Departures per 1,000 population*
6.05 Airport density*
6.06 Number of operating airlines*
6.07 International air transport network*

Pillar 7: Ground transport infrastructure

7.01 Quality of roads
7.02 Quality of railroad infrastructure
7.03 Quality of port infrastructure
7.04 Quality of domestic transport network
7.05 Road density*

Pillar 8: Tourism infrastructure

8.01 Hotel rooms*
8.02 Presence of major car rental companies*
8.03 ATMs accepting Visa cards*

Pillar 9: ICT infrastructure

9.01 Extent of business Internet use
9.02 Internet users*
9.03 Telephone lines*
9.04 Broadband Internet subscribers*
9.05 Mobile telephone subscribers*

Appendix A: Composition of the Travel & Tourism Competitiveness Index 2011 *(cont'd.)*

Pillar 10: Price competitiveness in the T&T industry

10.01 Ticket taxes and airport charges*
10.02 Purchasing power parity*
10.03 Extent and effect of taxation
10.04 Fuel price levels*
10.05 Hotel price index*

Subindex C: T&T human, cultural, and natural resources

Pillar 11: Human resources

Education and training

11.01 Primary education enrollment*
11.02 Secondary education enrollment*
11.03 Quality of the educational system
11.04 Local availability of specialized research and training services
11.05 Extent of staff training

Availability of qualified labor

11.06 Hiring and firing practices
11.07 Ease of hiring foreign labor
11.08 HIV prevalence*[4]
11.09 Business impact of HIV/AIDS[4]
11.10 Life expectancy*

Pillar 12: Affinity for Travel & Tourism

12.01 Tourism openness*
12.02 Attitude of population toward foreign visitors
12.03 Extension of business trips recommended

Pillar 13: Natural resources

13.01 Number of World Heritage natural sites*
13.02 Protected areas*
13.03 Quality of the natural environment
13.04 Total known species*

Pillar 14: Cultural resources

14.01 Number of World Heritage cultural sites*
14.02 Sports stadiums*
14.03 Number of international fairs and exhibitions*
14.04 Creative industries exports*

Notes

1 The standard formula for converting each variable that is not derived from the Survey to the 1-to-7 scale is

$$6 \times \left(\frac{\text{country score} - \text{sample minimum}}{\text{sample maximum} - \text{sample minimum}} \right) + 1$$

The *sample minimum* and *sample maximum* are the lowest and highest scores of the overall sample, respectively. For those variables for which a higher value indicates a worse outcome (e.g., road traffic accidents, fuel price levels), we rely on a normalization formula that, in addition to converting the series to a 1-to-7 scale, reverses it, so that 1 and 7 still correspond to the worst and best respectively:

$$-6 \times \left(\frac{\text{country score} - \text{sample minimum}}{\text{sample maximum} - \text{sample minimum}} \right) + 7$$

In some instances, adjustments were made to account for extreme outliers in the data.

2 A weight of 0.5 is applied to the variables 5.04 *Comprehensiveness of annual T&T data* and 5.05 *Timeliness of providing monthly/quarterly T&T data.* In this way we treat them as if they were one additional variable.

3 Variables 6.02 *Available seat kilometers, domestic* and 6.03 *Available seat kilometers, international* are combined to form one single variable.

4 The impact of HIV/AIDS on T&T competitiveness depends not only on its respective incidence rate, but also on how costly it is for business. Therefore, in order to estimate the impact of HIV/AIDS, we combine its incidence rate with the Survey question on its perceived cost to businesses. To combine these data we first take the ratio of each country's incidence rate relative to the highest incidence rate in the whole sample. The inverse of this ratio is then multiplied by each country's score on the related Survey question. This product is then normalized to a 1-to-7 scale.

Note that countries with zero reported incidences receive a 7, regardless of their scores on the related Survey question.

Appendix B: Travel & Tourism Competitiveness Index 2011 detailed rankings

In this appendix we present the detailed rankings and scores of the Travel & Tourism Competitiveness Index for 2011 for all 139 countries covered this year. This complements the regional rankings shown in the chapter.

Table B1: The Travel & Tourism Competitiveness Index 2011

			SUBINDEXES					
	OVERALL INDEX		T&T regulatory framework		T&T business environment and infrastructure		T&T human, cultural, and natural resources	
Country/Economy	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Albania	71	4.01	53	4.79	91	3.30	61	3.93
Algeria	113	3.37	112	3.87	110	2.89	116	3.35
Angola	138	2.80	138	3.07	121	2.72	139	2.61
Argentina	60	4.20	72	4.51	70	3.66	35	4.41
Armenia	90	3.77	58	4.75	100	3.09	107	3.47
Australia	13	5.15	36	5.08	17	5.11	4	5.28
Austria	4	5.41	3	5.89	12	5.19	10	5.13
Azerbaijan	83	3.85	59	4.72	87	3.33	105	3.49
Bahrain	40	4.47	62	4.66	20	5.06	78	3.68
Bangladesh	129	3.11	130	3.45	113	2.82	131	3.05
Barbados	28	4.84	20	5.45	21	4.99	47	4.07
Belgium	23	4.92	18	5.48	35	4.66	20	4.64
Benin	120	3.30	119	3.68	117	2.75	106	3.47
Bolivia	117	3.35	133	3.36	111	2.87	67	3.82
Bosnia and Herzegovina	97	3.63	92	4.24	97	3.14	103	3.49
Botswana	91	3.74	86	4.32	85	3.34	98	3.56
Brazil	52	4.36	80	4.40	75	3.55	11	5.13
Brunei Darussalam	67	4.07	96	4.20	50	4.14	63	3.87
Bulgaria	48	4.39	54	4.79	44	4.32	51	4.05
Burkina Faso	132	3.06	117	3.71	135	2.50	132	2.99
Burundi	137	2.81	137	3.08	134	2.52	135	2.82
Cambodia	109	3.44	110	3.92	118	2.73	81	3.67
Cameroon	126	3.18	127	3.49	129	2.61	108	3.45
Canada	9	5.29	25	5.28	5	5.38	7	5.21
Cape Verde	89	3.77	85	4.33	73	3.61	114	3.39
Chad	139	2.56	139	2.88	139	2.09	137	2.70
Chile	57	4.27	48	4.91	56	3.99	62	3.89
China	39	4.47	71	4.52	64	3.84	12	5.06
Colombia	77	3.94	102	4.17	92	3.30	39	4.36
Costa Rica	44	4.43	47	4.92	58	3.95	33	4.43
Côte d'Ivoire	131	3.08	135	3.22	124	2.67	115	3.36
Croatia	34	4.61	42	5.02	36	4.58	43	4.23
Cyprus	24	4.89	23	5.33	14	5.15	44	4.19
Czech Republic	31	4.77	26	5.26	37	4.56	31	4.48
Denmark	16	5.05	15	5.51	16	5.11	26	4.53
Dominican Republic	72	3.99	63	4.66	69	3.66	89	3.65
Ecuador	87	3.79	93	4.24	93	3.26	64	3.87
Egypt	75	3.96	70	4.53	74	3.59	71	3.77
El Salvador	96	3.68	84	4.35	79	3.49	124	3.19
Estonia	25	4.88	17	5.50	19	5.09	50	4.06
Ethiopia	122	3.26	132	3.42	114	2.81	97	3.56
Finland	17	5.02	5	5.74	30	4.75	25	4.55
France	3	5.41	7	5.71	8	5.35	9	5.18
Gambia, The	92	3.70	76	4.46	90	3.31	117	3.35
Georgia	73	3.98	35	5.11	94	3.21	92	3.62
Germany	2	5.50	12	5.67	2	5.57	5	5.26
Ghana	108	3.44	115	3.82	105	3.01	104	3.49
Greece	29	4.78	34	5.11	29	4.75	29	4.48
Guatemala	86	3.82	103	4.08	81	3.40	58	3.96
Guyana	98	3.62	91	4.25	99	3.10	102	3.50
Honduras	88	3.79	90	4.27	80	3.41	77	3.68
Hong Kong SAR	12	5.19	4	5.80	13	5.19	24	4.59
Hungary	38	4.54	24	5.29	45	4.28	48	4.06
Iceland	11	5.19	2	5.90	6	5.36	41	4.31
India	68	4.07	114	3.84	68	3.71	19	4.65
Indonesia	74	3.96	94	4.21	86	3.33	40	4.35
Iran, Islamic Rep.	114	3.37	131	3.43	103	3.03	91	3.64

Cont'd.

Appendix B: Travel & Tourism Competitiveness Index 2011 detailed rankings *(cont'd.)*

Table B1: The Travel & Tourism Competitiveness Index 2011 *(cont'd.)*

			SUBINDEXES					
	OVERALL INDEX		T&T regulatory framework		T&T business environment and infrastructure		T&T human, cultural, and natural resources	
Country/Economy	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Ireland	21	4.98	10	5.68	23	4.88	37	4.37
Israel	46	4.41	41	5.04	42	4.33	65	3.87
Italy	27	4.87	45	5.00	27	4.79	15	4.83
Jamaica	65	4.12	55	4.79	59	3.93	87	3.65
Japan	22	4.94	27	5.24	32	4.72	14	4.86
Jordan	64	4.14	37	5.08	72	3.61	74	3.73
Kazakhstan	93	3.70	65	4.59	88	3.32	123	3.19
Kenya	103	3.51	113	3.87	106	2.93	72	3.75
Korea, Rep.	32	4.71	50	4.86	28	4.76	27	4.53
Kuwait	95	3.68	108	3.94	60	3.92	126	3.18
Kyrgyz Republic	107	3.45	95	4.21	132	2.59	100	3.54
Latvia	51	4.36	38	5.07	39	4.36	83	3.66
Lebanon	70	4.03	78	4.42	63	3.86	69	3.80
Lesotho	135	2.95	125	3.54	123	2.70	138	2.63
Libya	124	3.25	122	3.64	107	2.92	125	3.18
Lithuania	55	4.34	33	5.14	46	4.21	85	3.66
Luxembourg	15	5.08	14	5.51	7	5.35	38	4.37
Macedonia, FYR	76	3.96	56	4.78	78	3.49	93	3.62
Madagascar	127	3.18	126	3.49	116	2.76	120	3.29
Malawi	121	3.30	109	3.93	133	2.54	112	3.42
Malaysia	35	4.59	60	4.71	40	4.35	18	4.72
Mali	133	3.05	128	3.47	137	2.42	121	3.26
Malta	26	4.88	9	5.69	22	4.93	54	4.02
Mauritania	136	2.85	136	3.16	136	2.44	133	2.95
Mauritius	53	4.35	28	5.24	48	4.15	79	3.67
Mexico	43	4.43	74	4.48	61	3.91	13	4.90
Moldova	99	3.60	68	4.57	98	3.11	129	3.12
Mongolia	101	3.56	97	4.20	112	2.82	86	3.65
Montenegro	36	4.56	32	5.15	49	4.15	36	4.38
Morocco	78	3.93	69	4.55	77	3.50	73	3.74
Mozambique	128	3.18	124	3.64	119	2.73	127	3.15
Namibia	84	3.84	83	4.37	67	3.71	109	3.45
Nepal	112	3.37	106	3.97	128	2.62	101	3.52
Netherlands	14	5.13	16	5.50	18	5.10	16	4.78
New Zealand	19	5.00	13	5.60	25	4.80	22	4.60
Nicaragua	100	3.56	105	3.99	104	3.03	84	3.66
Nigeria	130	3.09	134	3.22	115	2.76	119	3.30
Norway	20	4.98	8	5.71	26	4.79	32	4.45
Oman	61	4.18	61	4.67	47	4.18	76	3.69
Pakistan	125	3.24	129	3.45	102	3.06	122	3.21
Panama	56	4.30	52	4.84	52	4.08	57	3.97
Paraguay	123	3.26	107	3.95	122	2.72	130	3.11
Peru	69	4.04	87	4.30	82	3.40	34	4.42
Philippines	94	3.69	98	4.18	95	3.18	75	3.69
Poland	49	4.38	49	4.86	65	3.81	30	4.48
Portugal	18	5.01	19	5.47	24	4.84	17	4.73
Puerto Rico	45	4.42	40	5.05	38	4.55	88	3.65
Qatar	42	4.45	43	5.02	34	4.68	90	3.64
Romania	63	4.17	51	4.85	66	3.80	66	3.84
Russian Federation	59	4.23	73	4.49	53	4.07	45	4.15
Rwanda	102	3.54	75	4.46	120	2.73	110	3.43
Saudi Arabia	62	4.17	81	4.38	41	4.35	70	3.77
Senegal	104	3.49	111	3.90	108	2.92	82	3.67
Serbia	82	3.85	67	4.57	84	3.39	94	3.60
Singapore	10	5.23	6	5.72	4	5.39	23	4.59
Slovak Republic	54	4.35	39	5.05	57	3.96	52	4.04
Slovenia	33	4.64	29	5.19	33	4.70	53	4.03
South Africa	66	4.11	82	4.37	62	3.88	49	4.06
Spain	8	5.29	22	5.34	10	5.32	6	5.22
Sri Lanka	81	3.87	79	4.41	83	3.40	68	3.81
Swaziland	116	3.35	99	4.18	101	3.07	136	2.81
Sweden	5	5.34	11	5.67	15	5.15	8	5.21
Switzerland	1	5.68	1	5.99	1	5.58	2	5.48
Syria	105	3.49	101	4.17	109	2.91	113	3.39

Cont'd.

Appendix B: Travel & Tourism Competitiveness Index 2011 detailed rankings *(cont'd.)*

Table B1: The Travel & Tourism Competitiveness Index 2011 *(cont'd.)*

			SUBINDEXES					
	OVERALL INDEX		T&T regulatory framework		T&T business environment and infrastructure		T&T human, cultural, and natural resources	
Country/Economy	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Taiwan, China	37	4.56	46	4.95	31	4.73	55	4.00
Tajikistan	118	3.34	88	4.28	130	2.60	128	3.13
Tanzania	110	3.42	121	3.67	127	2.62	56	3.97
Thailand	41	4.47	77	4.45	43	4.32	21	4.64
Timor-Leste	134	2.99	123	3.64	138	2.42	134	2.90
Trinidad and Tobago	79	3.91	100	4.18	51	4.13	111	3.42
Tunisia	47	4.39	31	5.17	54	4.05	59	3.94
Turkey	50	4.37	66	4.58	55	4.02	28	4.50
Uganda	115	3.36	116	3.75	125	2.65	80	3.67
Ukraine	85	3.83	64	4.63	76	3.53	118	3.33
United Arab Emirates	30	4.78	57	4.77	9	5.32	42	4.24
United Kingdom	7	5.30	21	5.35	11	5.27	3	5.28
United States	6	5.30	44	5.01	3	5.42	1	5.48
Uruguay	58	4.24	30	5.19	71	3.62	60	3.93
Venezuela	106	3.46	120	3.67	96	3.15	99	3.55
Vietnam	80	3.90	89	4.28	89	3.31	46	4.12
Zambia	111	3.40	104	4.02	131	2.60	95	3.58
Zimbabwe	119	3.31	118	3.71	126	2.64	96	3.57

Table B2: The Travel & Tourism Competitiveness Index: Regulatory framework

	T&T REGULATORY FRAMEWORK		PILLARS									
			1. Policy rules and regulations		2. Environmental sustainability		3. Safety and security		4. Health and hygiene		5. Prioritization of Travel & Tourism	
Country/Economy	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Albania	53	4.79	46	4.65	72	4.52	44	5.27	66	4.87	55	4.67
Algeria	112	3.87	118	3.68	120	4.00	95	4.38	84	4.21	130	3.07
Angola	138	3.07	137	2.83	119	4.02	111	4.05	129	1.81	136	2.64
Argentina	72	4.51	89	4.17	130	3.84	77	4.62	40	5.71	92	4.23
Armenia	58	4.75	92	4.12	111	4.12	51	5.18	37	5.88	76	4.46
Australia	36	5.08	30	4.87	59	4.70	18	5.76	58	5.13	37	4.95
Austria	3	5.89	28	4.95	5	5.78	10	6.14	3	6.92	16	5.67
Azerbaijan	59	4.72	74	4.37	92	4.22	57	5.10	54	5.22	54	4.68
Bahrain	62	4.66	58	4.53	123	3.96	32	5.47	60	5.00	84	4.35
Bangladesh	130	3.45	116	3.70	135	3.65	105	4.17	114	2.63	131	3.07
Barbados	20	5.45	75	4.36	30	5.06	34	5.46	33	5.95	3	6.41
Belgium	18	5.48	26	5.00	13	5.53	15	5.87	14	6.55	77	4.44
Benin	119	3.68	117	3.68	39	4.92	101	4.22	128	1.85	113	3.73
Bolivia	133	3.36	138	2.81	128	3.90	112	4.02	110	2.74	124	3.34
Bosnia and Herzegovina	92	4.24	129	3.55	108	4.14	40	5.37	61	4.99	128	3.18
Botswana	86	4.32	64	4.45	58	4.71	87	4.46	100	3.54	73	4.47
Brazil	80	4.40	114	3.72	29	5.06	75	4.67	73	4.61	108	3.95
Brunei Darussalam	96	4.20	120	3.65	136	3.56	23	5.73	70	4.73	127	3.31
Bulgaria	54	4.79	94	4.10	99	4.18	81	4.55	10	6.65	71	4.48
Burkina Faso	117	3.71	104	3.82	80	4.36	93	4.39	127	1.96	104	4.01
Burundi	137	3.08	133	3.09	91	4.23	132	3.40	120	2.21	138	2.48
Cambodia	110	3.92	132	3.42	82	4.34	79	4.57	133	1.47	13	5.83
Cameroon	127	3.49	125	3.60	96	4.20	99	4.25	116	2.51	135	2.88
Canada	25	5.28	4	5.40	35	4.98	24	5.73	52	5.38	40	4.91
Cape Verde	85	4.33	73	4.37	56	4.72	85	4.47	105	3.22	45	4.85
Chad	139	2.88	139	2.69	89	4.24	136	3.33	138	1.07	129	3.08
Chile	48	4.91	12	5.20	73	4.49	27	5.70	71	4.65	66	4.53
China	71	4.52	80	4.33	95	4.21	58	5.09	96	3.89	35	5.08
Colombia	102	4.17	60	4.50	77	4.41	126	3.74	95	3.93	89	4.28
Costa Rica	47	4.92	66	4.43	25	5.14	63	4.94	74	4.55	19	5.52
Côte d'Ivoire	135	3.22	122	3.62	104	4.16	122	3.83	126	2.01	139	2.47
Croatia	42	5.02	77	4.33	46	4.87	33	5.47	32	5.97	72	4.47
Cyprus	23	5.33	79	4.33	51	4.81	26	5.71	43	5.59	6	6.19
Czech Republic	26	5.26	52	4.60	28	5.06	41	5.36	6	6.81	74	4.47
Denmark	15	5.51	17	5.16	3	5.88	8	6.22	38	5.87	81	4.40
Dominican Republic	63	4.66	32	4.84	93	4.22	116	3.95	86	4.13	7	6.15
Ecuador	93	4.24	124	3.60	75	4.47	90	4.41	82	4.31	82	4.40
Egypt	70	4.53	49	4.62	113	4.09	135	3.35	56	5.17	22	5.45
El Salvador	84	4.35	39	4.74	63	4.63	118	3.93	92	3.95	67	4.51
Estonia	17	5.50	25	5.00	24	5.19	25	5.72	24	6.20	25	5.38
Ethiopia	132	3.42	93	4.12	87	4.26	102	4.20	139	1.03	119	3.52
Finland	5	5.74	5	5.39	7	5.69	1	6.48	12	6.60	65	4.53
France	7	5.71	22	5.03	9	5.66	20	5.76	5	6.84	28	5.26
Gambia, The	76	4.46	86	4.30	44	4.88	88	4.44	103	3.31	26	5.36
Georgia	35	5.11	54	4.58	69	4.54	47	5.26	31	5.99	31	5.16
Germany	12	5.67	20	5.09	4	5.84	9	6.19	7	6.80	83	4.39
Ghana	115	3.82	72	4.37	47	4.87	98	4.30	123	2.16	123	3.41
Greece	34	5.11	82	4.32	68	4.54	73	4.70	20	6.41	17	5.57
Guatemala	103	4.08	57	4.54	118	4.03	131	3.47	94	3.93	78	4.44
Guyana	91	4.25	99	3.89	34	4.98	110	4.07	91	3.98	86	4.31
Honduras	90	4.27	50	4.61	66	4.56	106	4.10	101	3.33	51	4.72
Hong Kong SAR	4	5.80	2	5.69	109	4.13	5	6.32	1	7.00	12	5.85
Hungary	24	5.29	29	4.90	31	5.04	43	5.32	18	6.46	53	4.71
Iceland	2	5.90	33	4.83	15	5.42	4	6.34	4	6.91	9	6.00
India	114	3.84	128	3.56	107	4.15	78	4.62	112	2.64	91	4.24
Indonesia	94	4.21	88	4.18	127	3.90	72	4.70	115	2.59	15	5.68
Iran, Islamic Rep.	131	3.43	112	3.74	83	4.33	121	3.86	121	2.19	133	3.05
Ireland	10	5.68	7	5.33	12	5.53	12	6.10	25	6.19	29	5.26
Israel	41	5.04	62	4.47	74	4.49	46	5.26	16	6.52	75	4.46
Italy	45	5.00	84	4.31	60	4.69	48	5.23	27	6.16	56	4.62
Jamaica	55	4.79	11	5.22	116	4.07	104	4.18	87	4.12	4	6.36
Japan	27	5.24	51	4.61	52	4.79	19	5.76	22	6.29	50	4.75
Jordan	37	5.08	47	4.63	54	4.78	64	4.92	57	5.14	10	5.91
Kazakhstan	65	4.59	95	4.02	129	3.89	108	4.08	9	6.74	93	4.22
Kenya	113	3.87	103	3.83	26	5.12	139	3.17	130	1.64	18	5.56
Korea, Rep.	50	4.86	53	4.59	81	4.35	60	5.05	28	6.08	94	4.22
Kuwait	108	3.94	127	3.56	139	2.95	31	5.59	62	4.99	137	2.61
Kyrgyz Republic	95	4.21	96	3.99	100	4.18	120	3.90	51	5.43	118	3.53
Latvia	38	5.07	59	4.51	21	5.20	53	5.16	26	6.17	87	4.30

(Cont'd.)

Appendix B: Travel & Tourism Competitiveness Index 2011 detailed rankings *(cont'd.)*

Table B2: The Travel & Tourism Competitiveness Index: Regulatory framework *(cont'd.)*

	T&T REGULATORY FRAMEWORK		PILLARS									
			1. Policy rules and regulations		2. Environmental sustainability		3. Safety and security		4. Health and hygiene		5. Prioritization of Travel & Tourism	
Country/Economy	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Lebanon	78	4.42	98	3.91	125	3.93	123	3.82	48	5.52	39	4.91
Lesotho	125	3.54	121	3.63	106	4.15	114	4.01	118	2.39	120	3.49
Libya	122	3.64	135	2.98	134	3.69	100	4.22	83	4.27	132	3.07
Lithuania	33	5.14	83	4.32	19	5.22	59	5.06	1	7.00	97	4.09
Luxembourg	14	5.51	6	5.37	16	5.40	11	6.14	21	6.32	85	4.32
Macedonia, FYR	56	4.78	78	4.33	65	4.58	42	5.36	42	5.65	106	3.99
Madagascar	126	3.49	101	3.88	103	4.16	137	3.26	135	1.24	41	4.91
Malawi	109	3.93	102	3.84	42	4.89	74	4.67	111	2.73	117	3.54
Malaysia	60	4.71	21	5.07	64	4.61	83	4.50	75	4.53	46	4.85
Mali	128	3.47	130	3.48	102	4.17	107	4.08	132	1.53	100	4.07
Malta	9	5.69	69	4.39	53	4.79	6	6.27	8	6.76	5	6.24
Mauritania	136	3.16	113	3.74	110	4.13	130	3.50	137	1.13	125	3.32
Mauritius	28	5.24	27	4.99	62	4.64	45	5.27	68	4.83	1	6.44
Mexico	74	4.48	56	4.56	114	4.08	128	3.60	64	4.93	30	5.24
Moldova	68	4.57	81	4.32	78	4.39	65	4.91	49	5.50	115	3.72
Mongolia	97	4.20	87	4.21	138	3.29	67	4.85	76	4.46	96	4.17
Montenegro	32	5.15	10	5.25	45	4.87	37	5.40	53	5.32	42	4.89
Morocco	69	4.55	48	4.62	36	4.95	84	4.50	104	3.22	23	5.44
Mozambique	124	3.64	109	3.76	32	4.99	125	3.76	136	1.15	63	4.55
Namibia	83	4.37	55	4.56	22	5.20	86	4.47	106	3.06	62	4.56
Nepal	106	3.97	115	3.71	84	4.32	127	3.61	102	3.33	43	4.89
Netherlands	16	5.50	19	5.11	10	5.62	16	5.86	19	6.42	68	4.50
New Zealand	13	5.60	3	5.40	20	5.21	14	5.88	30	6.03	21	5.46
Nicaragua	105	3.99	105	3.80	55	4.76	92	4.41	109	2.89	99	4.08
Nigeria	134	3.22	131	3.46	61	4.69	133	3.38	131	1.61	134	2.98
Norway	8	5.71	15	5.18	6	5.70	3	6.39	23	6.23	36	5.04
Oman	61	4.67	41	4.72	76	4.46	17	5.78	78	4.45	109	3.94
Pakistan	129	3.45	106	3.80	133	3.79	138	3.19	107	2.99	121	3.49
Panama	52	4.84	24	5.01	38	4.94	71	4.70	85	4.16	24	5.39
Paraguay	107	3.95	110	3.75	121	3.99	124	3.78	99	3.64	57	4.61
Peru	87	4.30	45	4.67	79	4.38	119	3.91	98	3.70	47	4.84
Philippines	98	4.18	70	4.38	94	4.21	109	4.07	97	3.76	70	4.49
Poland	49	4.86	61	4.48	37	4.94	50	5.21	44	5.59	98	4.09
Portugal	19	5.47	35	4.79	17	5.36	22	5.74	34	5.95	20	5.49
Puerto Rico	40	5.05	14	5.19	14	5.43	61	5.05	69	4.74	48	4.83
Qatar	43	5.02	37	4.75	67	4.55	28	5.69	47	5.52	58	4.61
Romania	51	4.85	63	4.46	50	4.82	35	5.45	59	5.10	80	4.43
Russian Federation	73	4.49	126	3.57	98	4.18	113	4.01	11	6.62	102	4.04
Rwanda	75	4.46	40	4.72	8	5.68	39	5.37	119	2.36	95	4.19
Saudi Arabia	81	4.38	43	4.70	131	3.82	52	5.17	93	3.94	88	4.29
Senegal	111	3.90	108	3.77	86	4.30	70	4.71	124	2.15	59	4.58
Serbia	67	4.57	68	4.39	124	3.95	66	4.85	41	5.65	105	4.01
Singapore	6	5.72	1	6.00	41	4.90	13	6.10	55	5.19	2	6.42
Slovak Republic	39	5.05	36	4.78	27	5.09	49	5.23	15	6.53	116	3.64
Slovenia	29	5.19	65	4.44	23	5.19	29	5.65	39	5.81	44	4.88
South Africa	82	4.37	31	4.85	48	4.86	129	3.52	88	4.10	64	4.53
Spain	22	5.34	85	4.30	33	4.99	36	5.44	29	6.08	11	5.90
Sri Lanka	79	4.41	91	4.14	117	4.06	91	4.41	81	4.33	32	5.12
Swaziland	99	4.18	90	4.17	57	4.71	76	4.67	113	2.63	52	4.72
Sweden	11	5.67	8	5.31	1	6.26	7	6.27	36	5.93	60	4.58
Switzerland	1	5.99	18	5.11	2	6.06	2	6.42	13	6.58	14	5.80
Syria	101	4.17	123	3.61	126	3.92	69	4.83	90	4.07	79	4.44
Taiwan, China	46	4.95	9	5.29	112	4.11	38	5.39	50	5.48	69	4.49
Tajikistan	88	4.28	119	3.67	90	4.23	55	5.13	63	4.95	122	3.43
Tanzania	121	3.67	97	3.92	43	4.89	115	4.00	134	1.28	90	4.26
Thailand	77	4.45	76	4.35	97	4.19	94	4.39	80	4.40	38	4.93
Timor-Leste	123	3.64	111	3.74	132	3.80	89	4.44	117	2.47	112	3.76
Trinidad and Tobago	100	4.18	42	4.70	137	3.34	103	4.19	72	4.63	103	4.04
Tunisia	31	5.17	23	5.01	18	5.31	56	5.11	79	4.41	8	6.02
Turkey	66	4.58	34	4.80	85	4.30	97	4.37	67	4.86	61	4.58
Uganda	116	3.75	100	3.89	40	4.90	117	3.93	125	2.07	110	3.94
Ukraine	64	4.63	107	3.78	88	4.24	82	4.54	17	6.51	101	4.06
United Arab Emirates	57	4.77	38	4.74	122	3.98	54	5.13	65	4.88	34	5.09
United Kingdom	21	5.35	13	5.19	11	5.54	30	5.63	46	5.57	49	4.81
United States	44	5.01	16	5.18	105	4.15	62	5.01	45	5.58	33	5.11
Uruguay	30	5.19	71	4.38	70	4.52	21	5.75	35	5.94	27	5.34
Venezuela	120	3.67	134	3.07	101	4.17	134	3.36	77	4.46	126	3.31
Vietnam	89	4.28	67	4.41	115	4.07	68	4.84	89	4.07	107	3.98
Zambia	104	4.02	44	4.70	49	4.84	80	4.56	122	2.16	111	3.81
Zimbabwe	118	3.71	136	2.93	71	4.52	96	4.38	108	2.98	114	3.72

Appendix B: Travel & Tourism Competitiveness Index 2011 detailed rankings *(cont'd.)*

Table B3: The Travel & Tourism Competitiveness Index: Business environment and infrastructure

	T&T BUSINESS ENVIRONMENT AND INFRASTRUCTURE		PILLARS									
			6. Air transport infrastructure		7. Ground transport infrastructure		8. Tourism infrastructure		9. ICT infrastructure		10. Price competitiveness in T&T industry	
Country/Economy	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Albania	91	3.30	96	2.52	97	3.08	77	3.35	71	3.20	94	4.33
Algeria	110	2.89	103	2.44	105	2.96	122	1.72	107	2.30	35	5.02
Angola	121	2.72	126	2.14	139	2.03	103	2.33	126	1.86	13	5.24
Argentina	70	3.66	73	2.90	107	2.91	55	4.35	53	3.62	70	4.51
Armenia	100	3.09	95	2.59	106	2.96	92	2.77	97	2.52	61	4.61
Australia	17	5.11	3	5.84	51	4.22	16	6.31	24	5.08	113	4.07
Austria	12	5.19	26	4.37	15	5.64	1	7.00	25	5.03	121	3.93
Azerbaijan	87	3.33	83	2.73	58	4.08	96	2.61	88	2.76	76	4.48
Bahrain	20	5.06	28	4.36	11	5.78	26	5.61	37	4.39	21	5.18
Bangladesh	113	2.82	120	2.23	62	3.92	132	1.31	129	1.80	50	4.83
Barbados	21	4.99	25	4.40	10	5.92	28	5.18	27	4.96	74	4.49
Belgium	35	4.66	32	4.30	9	6.03	60	4.24	16	5.26	136	3.45
Benin	117	2.75	124	2.16	99	3.07	112	2.05	118	1.96	68	4.52
Bolivia	111	2.87	100	2.47	134	2.38	109	2.09	102	2.35	33	5.05
Bosnia and Herzegovina	97	3.14	134	1.87	137	2.27	62	4.12	70	3.22	103	4.22
Botswana	85	3.34	91	2.61	73	3.43	90	2.85	104	2.33	8	5.45
Brazil	75	3.55	42	3.91	116	2.80	76	3.49	56	3.49	114	4.07
Brunei Darussalam	50	4.14	41	4.00	49	4.22	91	2.84	47	3.87	1	5.75
Bulgaria	44	4.32	89	2.66	90	3.15	6	6.82	43	4.12	46	4.85
Burkina Faso	135	2.50	135	1.85	110	2.87	120	1.91	134	1.74	112	4.13
Burundi	134	2.52	129	2.06	84	3.21	134	1.29	137	1.60	78	4.46
Cambodia	118	2.73	113	2.30	103	3.01	131	1.36	123	1.92	31	5.07
Cameroon	129	2.61	130	2.06	111	2.86	114	2.02	121	1.95	110	4.16
Canada	5	5.38	1	6.68	33	4.77	21	5.89	14	5.38	105	4.19
Cape Verde	73	3.61	48	3.66	64	3.83	63	4.11	90	2.70	126	3.75
Chad	139	2.09	137	1.76	132	2.39	133	1.30	139	1.53	133	3.49
Chile	56	3.99	52	3.50	55	4.11	68	3.84	54	3.61	41	4.91
China	64	3.84	35	4.24	59	4.05	95	2.62	73	3.15	24	5.12
Colombia	92	3.30	70	2.99	120	2.73	83	3.05	64	3.34	88	4.37
Costa Rica	58	3.95	44	3.85	93	3.12	39	4.98	72	3.19	62	4.60
Côte d'Ivoire	124	2.67	114	2.29	80	3.28	106	2.23	117	1.97	131	3.55
Croatia	36	4.58	66	3.09	54	4.12	4	6.96	35	4.47	101	4.24
Cyprus	14	5.15	21	4.69	20	5.26	1	7.00	31	4.63	109	4.17
Czech Republic	37	4.56	50	3.59	22	5.15	27	5.30	40	4.29	77	4.48
Denmark	16	5.11	17	4.93	7	6.13	24	5.73	10	5.66	139	3.10
Dominican Republic	69	3.66	49	3.63	81	3.26	61	4.12	83	2.80	72	4.50
Ecuador	93	3.26	76	2.84	118	2.75	86	2.93	86	2.79	36	4.97
Egypt	74	3.59	55	3.47	76	3.37	88	2.87	93	2.66	5	5.59
El Salvador	79	3.49	79	2.80	70	3.55	79	3.14	77	2.92	34	5.02
Estonia	19	5.09	54	3.47	29	4.96	11	6.69	13	5.45	44	4.86
Ethiopia	114	2.81	87	2.70	98	3.07	128	1.59	138	1.54	23	5.14
Finland	30	4.75	16	4.94	21	5.19	42	4.81	17	5.20	128	3.62
France	8	5.35	6	5.50	4	6.45	18	6.19	12	5.46	138	3.15
Gambia, The	90	3.31	82	2.75	52	4.22	127	1.63	108	2.27	2	5.66
Georgia	94	3.21	105	2.40	69	3.57	87	2.89	82	2.81	91	4.36
Germany	2	5.57	7	5.48	3	6.52	15	6.33	7	5.72	125	3.80
Ghana	105	3.01	101	2.46	94	3.10	102	2.34	114	2.05	26	5.10
Greece	29	4.75	19	4.76	61	4.00	5	6.89	39	4.29	123	3.82
Guatemala	81	3.40	71	2.97	102	3.05	85	2.99	78	2.91	27	5.09
Guyana	99	3.10	115	2.29	104	2.97	97	2.61	87	2.79	43	4.86
Honduras	80	3.41	69	3.01	85	3.20	80	3.13	92	2.66	32	5.07
Hong Kong SAR	13	5.19	12	5.10	1	6.74	70	3.68	4	5.90	67	4.53
Hungary	45	4.28	75	2.86	37	4.63	30	5.15	38	4.35	87	4.40
Iceland	6	5.36	18	4.87	32	4.79	7	6.72	3	5.93	71	4.50
India	68	3.71	39	4.11	43	4.30	89	2.86	111	2.16	28	5.09
Indonesia	86	3.33	58	3.35	82	3.22	116	1.96	96	2.54	4	5.59
Iran, Islamic Rep.	103	3.03	94	2.59	86	3.18	136	1.11	89	2.73	7	5.53
Ireland	23	4.88	24	4.42	38	4.56	10	6.71	29	4.89	122	3.84
Israel	42	4.33	51	3.59	47	4.25	44	4.57	22	5.15	115	4.07
Italy	27	4.79	29	4.35	39	4.54	1	7.00	34	4.47	129	3.59
Jamaica	59	3.93	64	3.23	23	5.14	75	3.53	60	3.37	90	4.36
Japan	32	4.72	22	4.61	6	6.14	48	4.53	28	4.90	137	3.40
Jordan	72	3.61	60	3.30	75	3.41	64	4.01	85	2.79	65	4.55
Kazakhstan	88	3.32	86	2.71	96	3.08	81	3.11	61	3.35	92	4.34
Kenya	106	2.93	72	2.94	87	3.18	111	2.05	112	2.14	93	4.33
Korea, Rep.	28	4.76	40	4.00	18	5.49	56	4.30	8	5.70	96	4.32
Kuwait	60	3.92	67	3.08	57	4.09	65	3.96	69	3.23	12	5.25
Kyrgyz Republic	132	2.59	132	1.96	129	2.55	135	1.16	91	2.70	64	4.58
Latvia	39	4.36	63	3.25	42	4.31	35	5.07	36	4.40	53	4.78

(Cont'd.)

Table B3: The Travel & Tourism Competitiveness Index: Business environment and infrastructure *(cont'd.)*

			PILLARS									
	T&T BUSINESS ENVIRONMENT AND INFRASTRUCTURE		6. Air transport infrastructure		7. Ground transport infrastructure		8. Tourism infrastructure		9. ICT infrastructure		10. Price competitiveness in T&T industry	
Country/Economy	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Lebanon	63	3.86	56	3.46	100	3.06	29	5.15	80	2.88	55	4.76
Lesotho	123	2.70	139	1.70	112	2.86	113	2.03	132	1.74	22	5.17
Libya	107	2.92	99	2.50	127	2.59	107	2.19	101	2.39	39	4.93
Lithuania	46	4.21	107	2.38	26	5.03	50	4.51	32	4.63	73	4.50
Luxembourg	7	5.35	36	4.18	12	5.77	12	6.55	5	5.86	86	4.40
Macedonia, FYR	78	3.49	127	2.11	88	3.17	69	3.82	55	3.53	49	4.83
Madagascar	116	2.76	106	2.39	126	2.62	100	2.53	131	1.80	79	4.46
Malawi	133	2.54	133	1.94	91	3.14	129	1.50	128	1.81	95	4.32
Malaysia	40	4.35	34	4.25	36	4.65	74	3.58	52	3.68	3	5.60
Mali	137	2.42	131	2.04	113	2.84	117	1.93	135	1.73	130	3.56
Malta	22	4.93	27	4.37	30	4.87	20	6.09	19	5.18	111	4.16
Mauritania	136	2.44	138	1.74	125	2.62	124	1.69	119	1.96	107	4.17
Mauritius	48	4.15	61	3.27	41	4.49	47	4.54	66	3.27	18	5.20
Mexico	61	3.91	47	3.72	79	3.28	43	4.62	75	3.09	45	4.85
Moldova	98	3.11	128	2.10	124	2.65	93	2.73	65	3.30	54	4.78
Mongolia	112	2.82	77	2.83	133	2.39	121	1.75	99	2.44	59	4.69
Montenegro	49	4.15	62	3.26	109	2.88	25	5.67	42	4.13	48	4.84
Morocco	77	3.50	68	3.02	72	3.46	71	3.68	79	2.89	83	4.43
Mozambique	119	2.73	112	2.30	128	2.57	99	2.57	127	1.85	89	4.37
Namibia	67	3.71	59	3.34	44	4.29	67	3.85	109	2.21	47	4.84
Nepal	128	2.62	116	2.28	135	2.35	130	1.43	133	1.74	10	5.28
Netherlands	18	5.10	15	4.99	8	6.09	31	5.13	6	5.76	132	3.53
New Zealand	25	4.80	11	5.17	50	4.22	36	5.05	23	5.14	84	4.42
Nicaragua	104	3.03	108	2.33	122	2.70	84	3.03	116	1.97	25	5.11
Nigeria	115	2.76	102	2.45	131	2.45	105	2.27	105	2.32	98	4.31
Norway	26	4.79	9	5.25	63	3.91	23	5.78	11	5.53	134	3.49
Oman	47	4.18	53	3.47	40	4.51	59	4.24	58	3.47	19	5.20
Pakistan	102	3.06	98	2.52	71	3.47	119	1.92	113	2.10	11	5.27
Panama	52	4.08	33	4.29	68	3.65	66	3.92	57	3.48	30	5.08
Paraguay	122	2.72	136	1.79	138	2.19	101	2.37	100	2.43	52	4.80
Peru	82	3.40	78	2.81	121	2.70	58	4.24	84	2.80	81	4.46
Philippines	95	3.18	80	2.79	114	2.83	98	2.59	98	2.52	20	5.19
Poland	65	3.81	88	2.67	78	3.30	52	4.47	44	4.07	66	4.54
Portugal	24	4.84	38	4.15	24	5.11	14	6.34	33	4.61	116	4.00
Puerto Rico	38	4.55	31	4.30	19	5.48	32	5.12	63	3.34	69	4.51
Qatar	34	4.68	20	4.70	35	4.66	34	5.10	45	3.99	38	4.93
Romania	66	3.80	81	2.76	101	3.06	38	4.99	49	3.75	80	4.46
Russian Federation	53	4.07	30	4.32	95	3.09	45	4.57	46	3.87	75	4.48
Rwanda	120	2.73	109	2.32	67	3.72	139	1.05	120	1.95	63	4.59
Saudi Arabia	41	4.35	45	3.77	53	4.18	46	4.55	51	3.68	6	5.56
Senegal	108	2.92	92	2.60	89	3.16	94	2.65	103	2.35	124	3.81
Serbia	84	3.39	111	2.31	115	2.82	49	4.51	62	3.35	118	3.96
Singapore	4	5.39	14	5.01	2	6.56	33	5.12	20	5.16	29	5.09
Slovak Republic	57	3.96	122	2.17	45	4.27	41	4.89	41	4.23	102	4.23
Slovenia	33	4.70	74	2.90	25	5.08	17	6.27	26	4.96	99	4.28
South Africa	62	3.88	43	3.89	66	3.73	57	4.27	95	2.59	37	4.94
Spain	10	5.32	8	5.28	13	5.72	8	6.71	30	4.70	106	4.18
Sri Lanka	83	3.40	90	2.62	34	4.76	104	2.28	94	2.64	60	4.68
Swaziland	101	3.07	123	2.16	65	3.81	108	2.10	115	2.02	14	5.24
Sweden	15	5.15	10	5.23	16	5.58	37	5.01	1	5.99	120	3.94
Switzerland	1	5.58	13	5.08	5	6.45	8	6.71	2	5.96	127	3.68
Syria	109	2.91	110	2.31	92	3.13	115	1.99	106	2.31	51	4.82
Taiwan, China	31	4.73	46	3.75	14	5.64	72	3.66	15	5.38	17	5.21
Tajikistan	130	2.60	117	2.27	117	2.80	138	1.08	110	2.17	58	4.70
Tanzania	127	2.62	121	2.19	123	2.69	125	1.68	130	1.80	56	4.75
Thailand	43	4.32	23	4.49	56	4.09	40	4.94	81	2.88	15	5.21
Timor-Leste	138	2.42	104	2.42	130	2.49	137	1.10	136	1.66	85	4.41
Trinidad and Tobago	51	4.13	57	3.40	27	5.02	73	3.61	50	3.75	42	4.90
Tunisia	54	4.05	65	3.17	48	4.24	51	4.48	76	3.05	9	5.30
Turkey	55	4.02	37	4.16	60	4.03	54	4.38	59	3.38	108	4.17
Uganda	125	2.65	119	2.25	119	2.73	126	1.66	125	1.90	57	4.71
Ukraine	76	3.53	93	2.60	74	3.41	53	4.43	68	3.25	119	3.95
United Arab Emirates	9	5.32	4	5.83	31	4.86	22	5.79	18	5.18	40	4.93
United Kingdom	11	5.27	5	5.51	17	5.54	19	6.16	9	5.70	135	3.46
United States	3	5.42	2	6.17	28	4.97	13	6.54	21	5.16	100	4.25
Uruguay	71	3.62	97	2.52	46	4.26	82	3.10	48	3.75	82	4.45
Venezuela	96	3.15	84	2.72	136	2.33	78	3.25	74	3.13	97	4.31
Vietnam	89	3.31	85	2.72	77	3.31	110	2.07	67	3.25	16	5.21
Zambia	131	2.60	118	2.26	108	2.88	123	1.71	122	1.95	104	4.19
Zimbabwe	126	2.64	125	2.16	83	3.21	118	1.93	124	1.92	117	3.99

Table B4: The Travel & Tourism Competitiveness Index: Human, cultural, and natural resources

			PILLARS							
	T&T HUMAN, CULTURAL, AND NATURAL RESOURCES		11. Human capital		12. Affinity for Travel & Tourism		13. Natural resources		14. Cultural resources	
Country/Economy	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Albania	61	3.93	57	5.00	3	6.33	113	2.38	83	1.99
Algeria	116	3.35	91	4.62	129	3.98	99	2.59	72	2.21
Angola	139	2.61	138	3.09	139	2.90	58	3.41	135	1.04
Argentina	35	4.41	61	4.95	72	4.56	20	4.63	38	3.51
Armenia	107	3.47	81	4.77	38	4.94	124	2.21	85	1.94
Australia	4	5.28	20	5.54	55	4.76	4	5.56	20	5.25
Austria	10	5.13	25	5.47	15	5.42	43	3.87	13	5.76
Azerbaijan	105	3.49	49	5.07	98	4.37	109	2.46	81	2.05
Bahrain	78	3.68	29	5.27	44	4.86	133	1.93	61	2.67
Bangladesh	131	3.05	116	4.15	133	3.88	93	2.70	114	1.50
Barbados	47	4.07	48	5.11	2	6.53	129	2.11	63	2.54
Belgium	20	4.64	15	5.59	63	4.67	125	2.19	7	6.09
Benin	106	3.47	104	4.42	61	4.70	62	3.36	122	1.42
Bolivia	67	3.82	103	4.43	134	3.87	24	4.51	68	2.45
Bosnia and Herzegovina	103	3.49	77	4.81	58	4.74	121	2.25	75	2.17
Botswana	98	3.56	119	3.92	85	4.49	33	4.22	106	1.61
Brazil	11	5.13	70	4.88	97	4.40	1	6.35	23	4.88
Brunei Darussalam	63	3.87	47	5.11	78	4.51	38	4.05	91	1.83
Bulgaria	51	4.05	71	4.88	51	4.80	78	2.98	37	3.52
Burkina Faso	132	2.99	133	3.44	77	4.52	91	2.71	128	1.26
Burundi	135	2.82	131	3.60	103	4.33	118	2.33	138	1.03
Cambodia	81	3.67	109	4.31	21	5.30	53	3.50	111	1.57
Cameroon	108	3.45	112	4.24	82	4.49	42	3.91	131	1.17
Canada	7	5.21	5	5.84	52	4.80	11	4.86	18	5.36
Cape Verde	114	3.39	98	4.55	5	6.03	136	1.84	133	1.13
Chad	137	2.70	136	3.22	125	4.05	105	2.51	136	1.04
Chile	62	3.89	41	5.15	89	4.47	76	2.99	51	2.97
China	12	5.06	39	5.18	124	4.05	5	5.48	16	5.53
Colombia	39	4.36	65	4.91	93	4.43	12	4.81	43	3.30
Costa Rica	33	4.43	21	5.53	26	5.23	6	5.11	90	1.84
Côte d'Ivoire	115	3.36	127	3.73	114	4.25	32	4.23	130	1.21
Croatia	43	4.23	83	4.73	20	5.30	75	3.00	31	3.90
Cyprus	44	4.19	24	5.49	11	5.74	117	2.34	47	3.18
Czech Republic	31	4.48	36	5.20	105	4.30	87	2.84	15	5.56
Denmark	26	4.53	4	5.93	111	4.26	77	2.99	22	4.93
Dominican Republic	89	3.65	92	4.62	28	5.15	79	2.98	92	1.83
Ecuador	64	3.87	102	4.48	109	4.29	25	4.51	73	2.21
Egypt	71	3.77	93	4.61	29	5.11	85	2.87	65	2.48
El Salvador	124	3.19	67	4.89	115	4.23	130	2.10	113	1.53
Estonia	50	4.06	32	5.22	31	5.09	59	3.40	64	2.52
Ethiopia	97	3.56	123	3.88	107	4.30	37	4.11	84	1.95
Finland	25	4.55	7	5.75	83	4.49	66	3.33	26	4.65
France	9	5.18	26	5.44	40	4.90	31	4.34	10	6.02
Gambia, The	117	3.35	107	4.33	30	5.10	106	2.49	116	1.48
Georgia	92	3.62	30	5.25	46	4.86	120	2.30	80	2.07
Germany	5	5.26	19	5.54	81	4.50	18	4.68	4	6.34
Ghana	104	3.49	114	4.20	45	4.86	57	3.42	115	1.49
Greece	29	4.48	59	4.98	47	4.85	61	3.38	25	4.73
Guatemala	58	3.96	88	4.63	67	4.62	26	4.46	79	2.14
Guyana	102	3.50	52	5.04	108	4.29	63	3.35	127	1.32
Honduras	77	3.68	94	4.61	64	4.66	50	3.67	94	1.80
Hong Kong SAR	24	4.59	6	5.76	8	5.89	68	3.30	40	3.40
Hungary	48	4.06	44	5.13	100	4.35	98	2.60	29	4.17
Iceland	41	4.31	3	6.01	14	5.46	80	2.93	56	2.85
India	19	4.65	96	4.58	116	4.23	8	4.94	24	4.86
Indonesia	40	4.35	51	5.04	121	4.17	17	4.70	39	3.50
Iran, Islamic Rep.	91	3.64	95	4.60	130	3.94	72	3.05	52	2.96
Ireland	37	4.37	10	5.67	32	5.08	112	2.39	28	4.32
Israel	65	3.87	31	5.24	56	4.75	74	3.03	67	2.47
Italy	15	4.83	45	5.13	91	4.43	49	3.69	8	6.06
Jamaica	87	3.65	89	4.63	6	5.96	110	2.40	105	1.62
Japan	14	4.86	22	5.51	131	3.92	36	4.15	12	5.88
Jordan	74	3.73	79	4.77	10	5.83	102	2.57	96	1.75
Kazakhstan	123	3.19	80	4.77	126	4.03	107	2.49	118	1.47
Kenya	72	3.75	106	4.35	70	4.61	28	4.42	107	1.61
Korea, Rep.	27	4.53	38	5.19	120	4.17	103	2.55	5	6.18
Kuwait	126	3.18	55	5.01	127	4.02	138	1.80	87	1.87
Kyrgyz Republic	100	3.54	101	4.49	16	5.41	97	2.62	103	1.65
Latvia	83	3.66	60	4.98	112	4.26	73	3.03	70	2.39

Cont'd.

Table B4: The Travel & Tourism Competitiveness Index: Human, cultural, and natural resources *(cont'd.)*

			PILLARS							
	T&T HUMAN, CULTURAL, AND NATURAL RESOURCES		11. Human capital		12. Affinity for Travel & Tourism		13. Natural resources		14. Cultural resources	
Country/Economy	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Lebanon	69	3.80	64	4.92	1	6.79	139	1.76	98	1.75
Lesotho	138	2.63	137	3.19	106	4.30	135	1.88	132	1.14
Libya	125	3.18	115	4.19	122	4.16	134	1.92	66	2.47
Lithuania	85	3.66	62	4.94	84	4.49	114	2.37	57	2.83
Luxembourg	38	4.37	17	5.57	13	5.60	65	3.33	50	2.97
Macedonia, FYR	93	3.62	75	4.82	53	4.77	92	2.70	74	2.18
Madagascar	120	3.29	110	4.30	62	4.68	82	2.88	126	1.32
Malawi	112	3.42	121	3.89	92	4.43	46	3.80	112	1.55
Malaysia	18	4.72	37	5.20	17	5.39	22	4.53	33	3.75
Mali	121	3.26	130	3.65	59	4.72	104	2.52	78	2.15
Malta	54	4.02	28	5.32	9	5.84	137	1.82	48	3.09
Mauritania	133	2.95	132	3.54	76	4.52	108	2.48	129	1.25
Mauritius	79	3.67	53	5.03	4	6.11	131	1.97	110	1.59
Mexico	13	4.90	73	4.86	73	4.56	10	4.89	19	5.31
Moldova	129	3.12	97	4.57	75	4.53	132	1.96	121	1.42
Mongolia	86	3.65	99	4.52	36	4.99	84	2.88	71	2.23
Montenegro	36	4.38	35	5.21	7	5.92	71	3.23	46	3.18
Morocco	73	3.74	90	4.63	22	5.27	126	2.15	54	2.90
Mozambique	127	3.15	135	3.24	94	4.42	55	3.47	117	1.47
Namibia	109	3.45	124	3.83	50	4.81	47	3.78	123	1.36
Nepal	101	3.52	129	3.71	48	4.84	34	4.20	124	1.36
Netherlands	16	4.78	9	5.69	79	4.50	67	3.32	14	5.59
New Zealand	22	4.60	14	5.64	18	5.38	30	4.36	49	3.02
Nicaragua	84	3.66	85	4.70	101	4.34	39	4.00	108	1.61
Nigeria	119	3.30	126	3.78	123	4.06	52	3.52	89	1.84
Norway	32	4.45	16	5.57	88	4.48	60	3.40	27	4.34
Oman	76	3.69	84	4.72	71	4.58	69	3.28	77	2.16
Pakistan	122	3.21	122	3.89	137	3.48	83	2.88	62	2.58
Panama	57	3.97	87	4.69	42	4.89	19	4.67	104	1.64
Paraguay	130	3.11	105	4.40	135	3.69	89	2.73	109	1.60
Peru	34	4.42	66	4.89	74	4.55	7	4.95	44	3.29
Philippines	75	3.69	86	4.69	65	4.64	70	3.26	76	2.17
Poland	30	4.48	43	5.14	132	3.89	54	3.49	17	5.41
Portugal	17	4.73	40	5.16	33	5.02	86	2.85	11	5.89
Puerto Rico	88	3.65	33	5.21	27	5.16	111	2.40	93	1.81
Qatar	90	3.64	18	5.55	118	4.21	127	2.14	60	2.68
Romania	66	3.84	63	4.93	95	4.42	94	2.69	41	3.33
Russian Federation	45	4.15	78	4.78	136	3.65	27	4.44	35	3.72
Rwanda	110	3.43	100	4.50	60	4.72	56	3.42	134	1.06
Saudi Arabia	70	3.77	34	5.21	102	4.34	48	3.77	97	1.75
Senegal	82	3.67	117	4.02	39	4.94	40	3.96	95	1.75
Serbia	94	3.60	76	4.81	66	4.62	123	2.23	59	2.72
Singapore	23	4.59	2	6.13	12	5.68	96	2.64	30	3.91
Slovak Republic	52	4.04	50	5.04	110	4.27	41	3.93	53	2.92
Slovenia	53	4.03	42	5.14	49	4.83	64	3.34	58	2.82
South Africa	49	4.06	128	3.73	43	4.87	14	4.76	55	2.89
Spain	6	5.22	46	5.11	37	4.99	35	4.19	2	6.58
Sri Lanka	68	3.81	54	5.02	99	4.37	44	3.84	82	2.00
Swaziland	136	2.81	139	2.89	69	4.61	90	2.72	137	1.03
Sweden	8	5.21	13	5.64	54	4.77	45	3.81	1	6.63
Switzerland	2	5.48	1	6.17	34	5.00	16	4.70	9	6.03
Syria	113	3.39	108	4.32	23	5.27	128	2.11	88	1.85
Taiwan, China	55	4.00	23	5.51	68	4.61	100	2.57	42	3.33
Tajikistan	128	3.13	82	4.73	128	3.99	115	2.35	120	1.43
Tanzania	56	3.97	125	3.83	80	4.50	2	5.86	101	1.70
Thailand	21	4.64	74	4.82	24	5.26	21	4.59	32	3.86
Timor-Leste	134	2.90	118	3.96	96	4.41	122	2.24	139	1.01
Trinidad and Tobago	111	3.42	58	4.98	119	4.18	88	2.79	100	1.74
Tunisia	59	3.94	27	5.39	19	5.30	95	2.64	69	2.44
Turkey	28	4.50	69	4.88	35	5.00	81	2.91	21	5.23
Uganda	80	3.67	113	4.22	57	4.75	29	4.38	125	1.35
Ukraine	118	3.33	68	4.88	117	4.23	119	2.31	86	1.90
United Arab Emirates	42	4.24	12	5.65	25	5.25	116	2.35	34	3.73
United Kingdom	3	5.28	8	5.70	86	4.48	23	4.51	3	6.42
United States	1	5.48	11	5.66	104	4.31	3	5.81	6	6.15
Uruguay	60	3.93	56	5.01	41	4.89	101	2.57	45	3.25
Venezuela	99	3.55	111	4.29	138	3.25	9	4.91	99	1.75
Vietnam	46	4.12	72	4.86	87	4.48	51	3.57	36	3.57
Zambia	95	3.58	120	3.89	113	4.25	15	4.73	119	1.46
Zimbabwe	96	3.57	134	3.38	90	4.46	13	4.77	102	1.68

CHAPTER 1.2

Crisis Aftermath: Pathways to a More Resilient Travel & Tourism Sector

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Over the past two decades, Travel & Tourism (T&T) has become one of the world's leading exported commodities with airlines, hotels, restaurants, and other tourism-related businesses driving a multibillion-dollar global industry. During the economic downturn of 2008–09 it came as no surprise that this sector could not escape the impact of the most significant economic collapse since the Great Depression. Even so, tourism officials and market observers were astonished by the pace and intensity with which major tourism destinations and economies tumbled into recession after years of continuous growth. The number of international tourist arrivals dropped by 4.2 percent from 2008 to 2009—the sharpest decline in history.

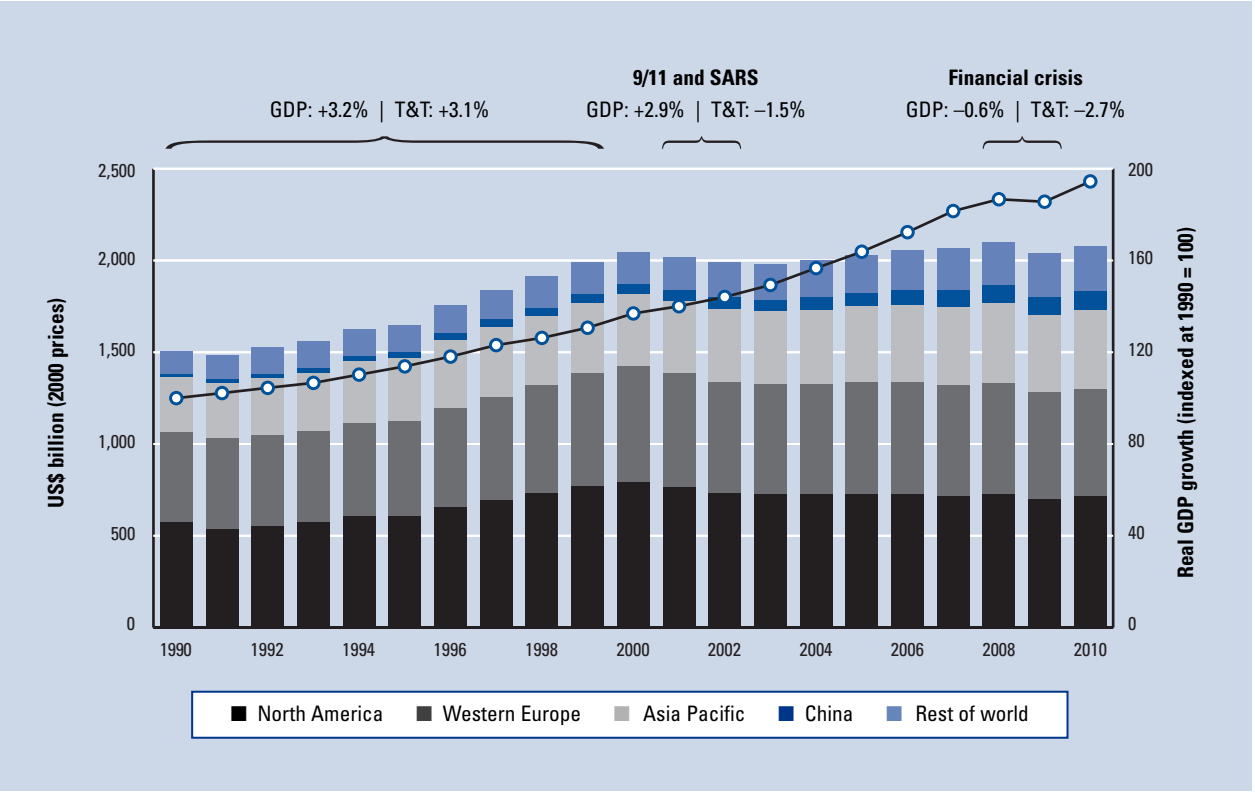
Despite increasing numbers of international tourist arrivals in the last decade prior to the setback of this crisis, global spending on personal Travel & Tourism has stagnated since 2000 when measured in real terms, with an average annual growth of just 0.1 percent, and has not followed the general economic growth (compound annual growth rate, or CAGR, of 3.6 percent) experienced in the decade of 1990 to 2000, as shown in Figure 1.

Travel spending from major source markets such as Western Europe and North America still fueled the overall sector's growth in the 1990s, but this has declined slightly in the past decade in North America (with a CAGR of 1.0 percent) and Western Europe (CAGR –0.7 percent), while China has maintained impressive momentum with 7.2 percent per annum. These developments highlight the point that structural change is already underway and has been amplified, but not initiated, by the current economic downturn.

The T&T sector has always been sensitive to external shocks, although the most recent crisis has caused a stronger dip than previous downturns. For example, in the aftermath of 9/11, travelers avoided flying for a couple of months but quickly picked up their usual travel behavior thereafter. This led to a drop of 1.5 percent in travel spending from 2001 to 2002, while overall GDP growth was unaffected (+2.9 percent). The recent economic crisis led more people to change their travel plans more significantly because of their worsened economic situation, reflected in a 0.6 percent drop in real GDP growth from 2008 to 2009.

Consequently, the economic crisis left travelers from the western hemisphere insecure about their future economic well-being and for a short time in late 2008 and early 2009 made distant travel look like what it was just a few decades ago: a luxury affordable to only a lucky few. However, from 2009 to 2010, spending on personal Travel & Tourism is expected to have recovered somewhat, with an increase of 1.6 percent. This increase still, however, lags significantly behind global GDP recovery which is 4.7 percent, according to the International Monetary Fund (IMF) October 2010 *World Economic Outlook*.

Figure 1: Personal spending on Travel & Tourism (US$ billion in 2000 prices) vs. global GDP (real growth rate)



Sources: WTTC; IMF, 2010; Booz & Company analysis.
Note: *GDP* refers to the indexed real growth rates; *T&T* refers to personal spending on Travel & Tourism.

Even if the short-term outlook for the global T&T sector is considered promising, tourism destinations will continue to face increasing volatility of traveler demand caused by short-term shocks such as economic downturns, oil price spikes, carbon cost/environmental regulation, currency fluctuations, pandemic outbreaks, terror attacks, and political upheaval.

Tourism nations are also exposed to longer-term structural shifts that challenge tourism development strategies and range from destination marketing to product offerings and infrastructure planning. Overarching forces set to shape the future of the T&T sector include:

1. a continental drift of economic gravity to the East,
2. lack of growth in western hemisphere markets, and
3. shifting travel patterns to more regional/domestic travel.

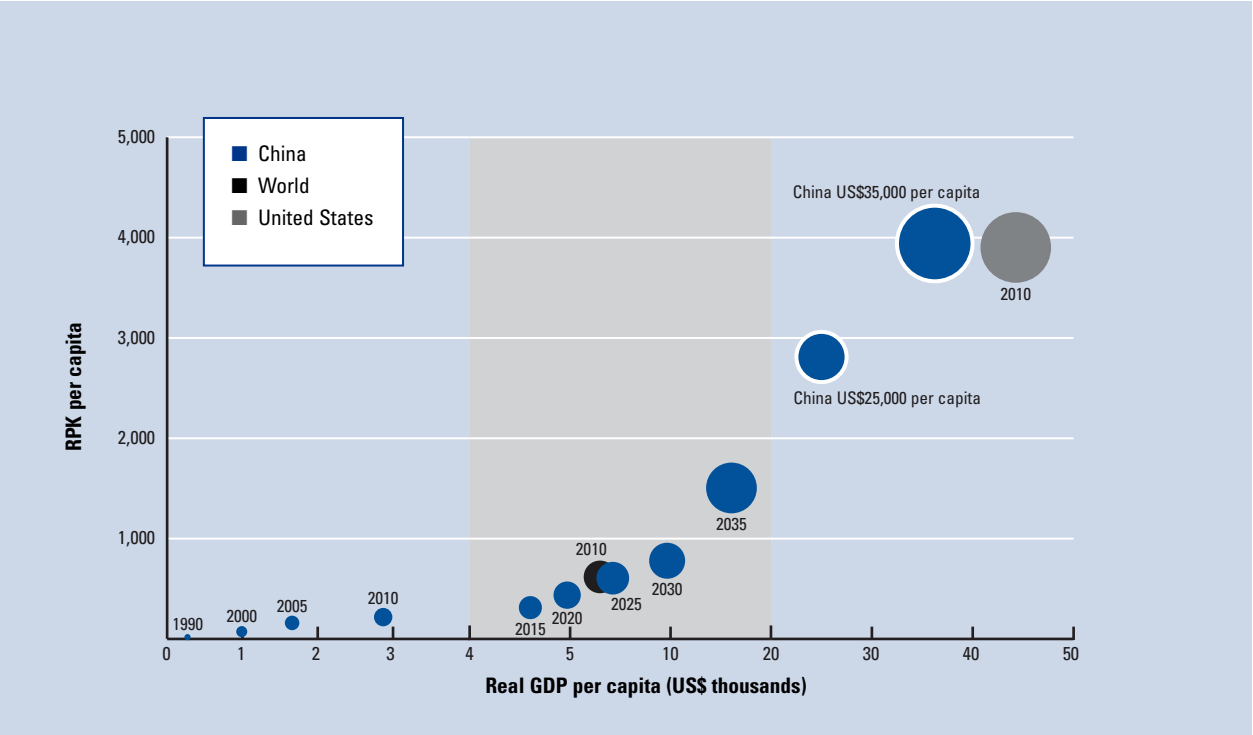
Both short-term and long-term factors will urge policymakers to develop new answers to looming new realities. The interplay of short-term demand shocks and long-term structural drift is slowly but surely changing the global T&T landscape, demanding quick-response capacity combined with strategic foresight from policymakers to enable national T&T sectors to continue to create economic benefit.

This chapter discusses the major driving forces that continue to influence the T&T sector throughout and after the crisis period of 2008–09. We also analyze which countries have felt the pain from the downturn and which have managed to grow throughout the crisis, and discuss reasons and change factors using individual country examples. Finally, from these cases, we outline implications for policymakers and map out potential pathways for managing downturn periods tactically while simultaneously developing consistent strategies for turning structural market drifts into opportunities. When these efforts are successful, the T&T economy will experience more crisis-resilient growth and show a consistent advantage over competing tourism destinations.

Trend 1: A continental drift of economic gravity to the East

Nascent middle classes from emerging outbound markets in China and other regions continue to move up but have not yet reached the critical volumes needed to fully replace the western hemisphere as the global T&T growth driver. However, BRIC countries (Brazil, Russia, India, and China) alone represent 42 percent of today's world population, which makes tourism officials dream

Figure 2: Propensity to travel vs. GDP per capita: China, world average, and the United States



Sources: UN Population Department; IHS Global Insight, 2010; FAA, 2010; National Bureau of Statistics of China, 2009; Booz & Company analysis.
Notes: GDP per capita is shown in constant 2005 prices. Bubble size indicates RPK per capita in respective year. Bubbles outlined in white indicate estimated RPK per capita based on assumed values for GDP per capita. The projection for China's theoretical RPK per capita on assumed values for GDP per capita of US$25,000 and US$35,000 is calculated based on the correlation of GDP and RPK 1975–2010 (linear progression with $R^2 = 0.98$).

of an enormous demand waiting to be unleashed as increasing prosperity enables people to travel abroad.

Outbound travel from China has proven resilient to the economic downturn. It has continued to grow by 4 percent in trips and 4 percent in spending from 2008 to 2009, whereas global Travel & Tourism contracted sharply by 4.2 percent and 5.7, respectively. Sixty-one percent of all Chinese travel activity in the past 15 years has been undertaken since 2005, showing swift growth. Notably, 90 percent of Chinese travelers prefer to stay in Asia for their holidays, and a large portion of the population is able to afford only domestic travel.

The downturn following the meltdown of financial markets in 2008 has not altered the fundamentals of the T&T industry because the propensity to travel increases with disposable personal income available for discretionary spending, as shown in Figure 2. China's travel activity—measured in revenue passenger kilometers (RPK) per capita—is well below the world average for 2010 and is not expected to reach that average before 2025. Thus even by 2025 there will still be a huge gap between air travel activity in China and that in developed economies.

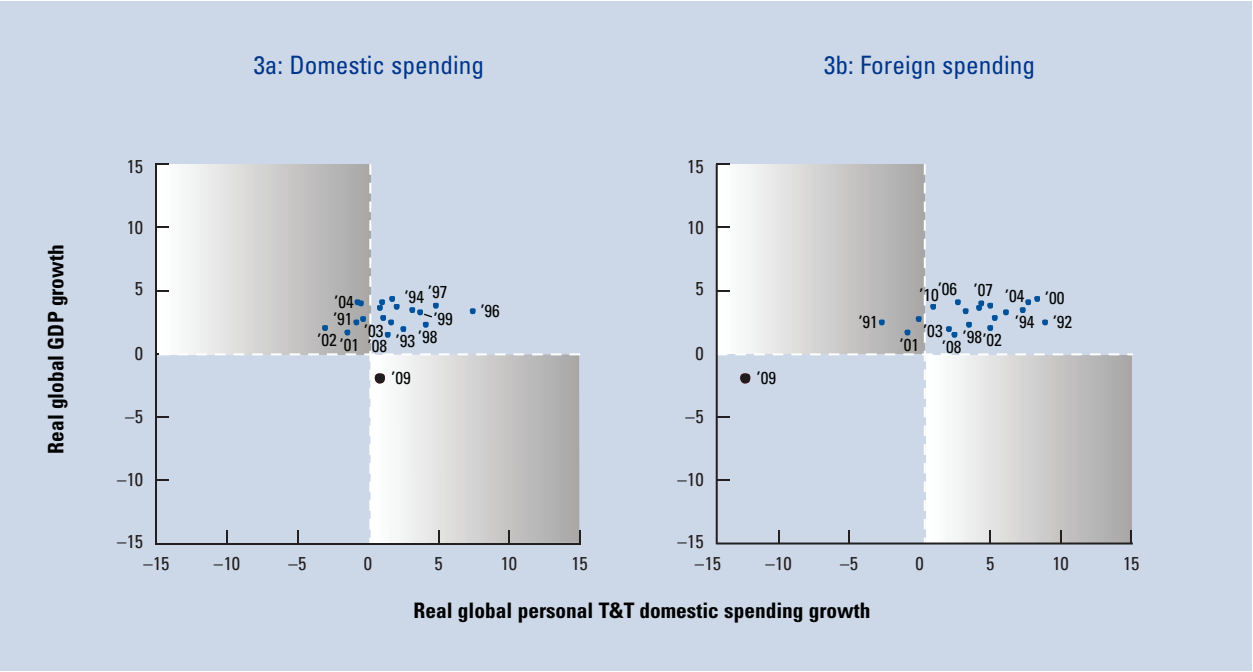
Ultimately, the growth of new source regions is going to push the economic center of gravity from the western hemisphere eastward. To cater to the needs of tourists from BRIC countries bears enormous potential for both traditional tourist destinations as well as emerging touristic hot spots that compete for visitor shares. To tap into these emerging tourist segments, destination managers must develop a clear value proposition for this group of travelers and reduce access barriers in terms of regulations, tour packages, and—last but not least—cultural and language issues.

Trend 2: No growth in western hemisphere markets

Western Europe and North America represented 70 percent of total global personal spending on Travel & Tourism in 2000, but this share decreased to 62 percent by 2010—an average annual decline of 1 percent (North America) and 0.7 percent (Western Europe) based on real terms. This trend has been accelerated by the greater price sensitivity of travelers who get used to seeking the best bargain when it comes to private consumption of any kind. The travel industry has been experiencing price competition for a long time, forcing the sector to take advantage of new distribution channels such as online and to establish new business models such as low-cost carriers. This has resulted in improved efficiencies along the tourism value chain that offset price pressure.

During the downturn, travelers became less engaged with the traditional sun-and-beach destination brands and looked instead for the best value in a two-hour flight range. This has fueled growth along the cheaper

Figure 3: Sensitivity of personal T&T spending to GDP growth by year (in real terms, 1991– 2010)



Sources: WTTC, 2010; IHS Global Insight, 2010; and Booz & Company analysis.

Mediterranean countries and left euro zone countries such as Spain, Greece, and Portugal coping with declining tourism traffic. For example, in the summer of 2009, UK travelers cut trips to Portugal (–28 percent), the Canary Islands (–21 percent), and the Baleares (–13 percent) over the summer of 2008. They opted instead for Egypt (+34 percent) or Tunisia (+21 percent), which offer similar experiences at more favorable cost. Notably, exchange rate fluctuations as a side effect of the crisis have played an important role as price drivers in choosing where to go. Exchange rate fluctuations can be expected to become even more eminent with future currency volatilities on the horizon.

Mass markets in European destinations are likely to remain under the influence of consumer austerity and demand volatility. Prospects can be expected to lighten up with the baby boomer generation reaching pension age in the western hemisphere in the mid term. However, the demographics of this group of affluent travelers will differ from today's mass markets. Tourism destinations will need to fulfill the needs of well-traveled sophisticates with diversified and high-quality travel experiences rather than mass market products.

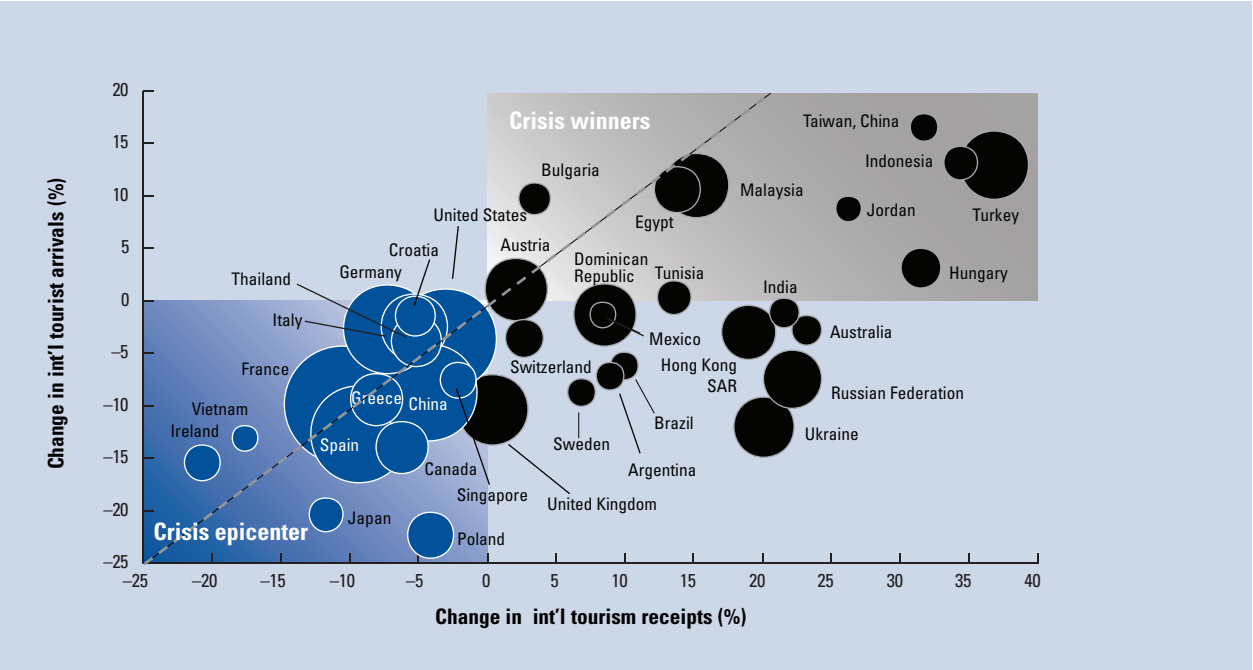
Trend 3: Travel patterns shifting to more regional and domestic travel

In emerging nations, domestic and regional travel represents a highly promising tourism market in its nascent stage, even if long-haul travel has not yet reached significant volume because of low average levels of disposable income. However, domestic travel can mean a massive volume of touristic activity. The Chinese people alone undertake an estimated 1.5 billion domestic trips per annum nearly twice the number of all international tourist arrivals globally.

Underlying consumer trends in the western hemisphere see a shift from the classical annual holiday abroad to more frequent, shorter trips enabled by the proliferation of low-cost air travel and more flexible work-life arrangements. Domestic travel represents massive shares in overall travel spending in some large countries, such as Germany, Scandinavia, and the United States. In Germany, for example, income from foreign visitors has been estimated at €59.9 billion in 2009, compared with €63.3 billion expenditures by residents on vacation in Germany. Although hotel overnight accommodation of foreign visitors in the country fell by 3 percent from 2008 to 2009, inland numbers remained stable (+0.3 percent), helping to stabilize the sector from demand drops.

The economic crisis has prompted even more travelers in predominant source markets to visit domestic destinations, saving on expensive long-haul air transport and leading to countercyclical effects in offsetting fewer international receipts by more domestic spending. External risks such as terrorist attacks or unfavorable exchange rate fluctuations in preferred destinations are likely to drive the propensity for traveling domestically.

Figure 4: Impact of the economic crisis on major tourism destinations (2007–09)



Sources: UNWTO, 2010; Booz & Company analysis.
Notes: Bubble size indicates international tourist arrivals in 2009. International tourist receipts were based on local currency units applying an annual average exchange rate of each currency versus current values in US dollars.

Spending on domestic tourism has proven to be more crisis-resilient than travel money being spent abroad, as shown in Figure 3. It is important to note that, from a policymaker's point of view, domestic spending directly supports the home economy because it originates from residents who would have otherwise spent their money abroad. In the longer run, domestic tourism may gain even more importance because regional travelers will aim to avoid the increasing cost of long-haul travel and benefit from lower transport costs to domestic destinations.[1]

In this respect, regionally focused and domestic tourism is playing an increasingly important role in traditional and emerging tourism economies because residents of emerging nations tend to explore neighboring regions before taking long-haul trips, and Europeans and Americans redirect parts of their travel activity to inland destinations to save money. It will be important for policymakers to put regional and domestic tourism on their T&T development agenda when looking at the sector as a whole.

Crisis winners and losers: Lessons learned

The period from 2007 to 2009 highlights the direct impact the financial crisis has had on tourism economies. The overall performance as a T&T destination is determined by international tourist arrivals as an approximation of demand, and the change of international tourism receipts is an indicator of the sector's overall economic well-being in terms of money inflow.

Most major destination economies clearly suffered during the crisis, but some have managed to weather the downturn successfully and have grown in spite of the global contraction of the travel market. Winning destinations—such as Malaysia, Taiwan, and Indonesia—had already experienced some increasing demand from emerging outbound travel activity out of China. Others—such as Turkey, Bulgaria, and North African countries—gained throughout the crisis by attracting price-sensitive travelers from crisis-struck outbound regions in Western Europe.

Economies losing both on tourist arrivals and international tourism receipts are considered to represent the crisis epicenter, as shown in Figure 4. These are the major European and North American destinations that suffered from weakened long-haul or regional source markets. Most of them—France and Spain being among the most visited countries worldwide—also lost significantly on tourism receipts, hinting at less revenue per visitor and, thus, price pressure. Recovery was already visible during the second half of 2009 and the first half of 2010, but it remains to be seen what long-term effect the crisis might have on price levels in these economies.

Countries that were slow to adapt to changing demand patterns—such as Vietnam—and that bet on continuing growth from Western European and North

American source markets lost significantly during the crisis.

Some countries have managed to maintain growth in tourist arrivals during the downturn by enjoying an increase caused by fortunate events or circumstances. An example of such growth is Taiwan, which attracted large volumes of travelers from the Chinese mainland after direct flights were resumed in July 2008. Bulgaria has kept its growth momentum partly because (and not despite) of the crisis attracting budget-orientated tourists from Western Europe seeking low-cost alternatives to traditional sun-and-beach destinations in the euro zone. More than 75 percent of Hungary's inbound travelers in 2009 were same-day visitors from neighboring countries who were drawn in by the favorable exchange rate of the Hungarian currency.[2]

Winners of the crisis managed to increase international tourist arrivals and value creation in terms of more receipts, thus demonstrating favorable long-term T&T prospects. For example, Turkey has turned the economic crisis into an opportunity for its travel sector by offering attractive prices on sun-and-beach products similar to those of competitors in the Mediterranean such as Spain, Italy, and Greece. At the same time, Turkey started to direct its destination-marketing efforts toward more diversified travel segments such as winter sports, cultural experience, health tourism, and sailing tourism.

As another example of a T&T winner throughout the downturn, Malaysia has harvested the fruits of its long-standing tourism promotion strategy during the economic crisis, driven by dedicated development policy fostering close collaboration between the private and public sectors. Destination marketing has been focused on crisis-resilient demand from regional sources such as China as well as long-haul markets with a clear focus on high-yield segments such as nature adventure (including ecotourism), cultural diversity, family fun, affordable luxury, and MICE (Meetings, Incentives, Conventions, and Exhibitions). Malaysia has also established innovative vacation formats, such as its homestay program, which allows tourists to experience "real life" in resident families while discovering the country by rail. It also encourages high-net-worth individuals to choose the country as a permanent secondary residence ("Malaysia My Second Home").

Countries in the winning zone fall broadly into two categories:

Destinations benefitting from China as an emerging and crisis-resilient outbound market—such as Malaysia, Taiwan, and Indonesia—have done well. And countries such as the Dominican Republic, which anticipated the looming decline in its traditional source markets in the United States and Europe, quickly adapted to grim short-term outlooks by redirecting destination-marketing efforts to alternative source markets with similar spending and travel habits, such as Canada. These countries have managed to keep international tourism receipts above the downward trend by focusing on crisis-resilient source markets.

Providing a low-cost alternative to traditional destinations has been the recipe for success for markets within the reach of Western Europe—such as Turkey, Tunisia, and Egypt—which have enjoyed steady growth while their direct competitors from the euro zone suffered. However, it will be important to consider a sensible balance of tourist arrivals and tourism receipts growth to drive the long-term development agenda of the T&T sector. Tourism nations need to ensure their long-term competitiveness with a consistent sustainability perspective. This includes the expansion of touristic services from mass market to additional high-yield segments. Considering environmental regulation and respective customer preferences for more eco-friendly travel in this respect will become a key differentiator in the future.[3]

Government agenda: Paths to a more crisis-resilient T&T sector

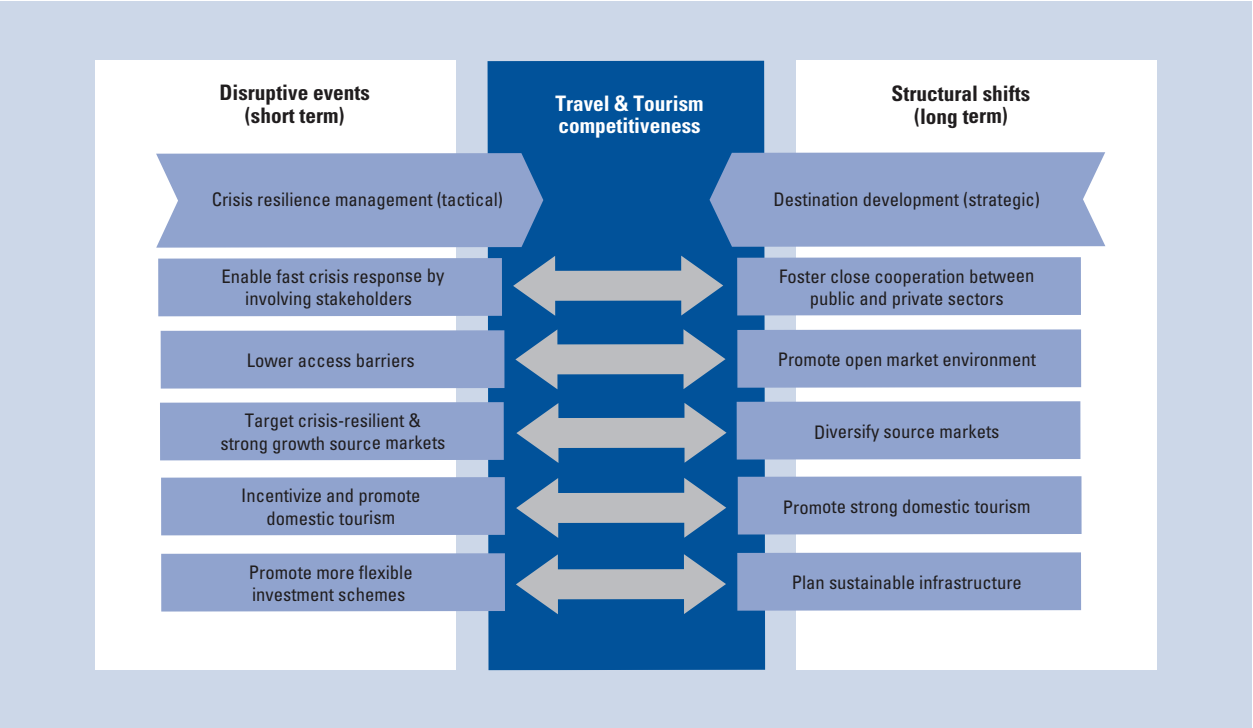
Overall, the T&T sector has navigated stormy waters after the financial crisis, with almost all major destinations having seen a significant decline in visitor numbers and receipts while overarching trends have continued to reshape the sector as a whole. The economic downturn of 2008–09 has left lasting uncertainty on the long-term growth prospects of the sector, which had become accustomed to high growth rates year over year.

Looking ahead, destination countries are increasingly facing risks and uncertainties that have the power to severely impact their T&T economy on very short notice: economic downturn, currency fluctuations, terror attacks, outbreaks of diseases, and so forth. Alarmingly, these risks are less and less under the control of governmental policy and precautionary actions are becoming nearly impossible, as the most recent examples of the upheavals in Tunisia and Egypt demonstrated. To navigate future turbulences more effectively, policymakers should aim to make their T&T sector more crisis-resilient going forward by broadening the foundation on which it is built (Figure 5).

Policymakers should aim to manage downturn periods by linking consistent short-term crisis responses with their broader T&T development agenda to build the resilience of their tourism sector and to find paths to future growth.

1. **Build up fast crisis-response capability based on close cooperation between the public and private sectors.** Reacting quickly to deteriorating demand conditions is key when making the T&T sector more robust against future market shocks in the short term. Countries need to establish resilience management and

Figure 5: Measures addressing disruptive events and structural shifts



Source: Booz & Company analysis.

controlling functions within their sector governance. Close source-market monitoring and detailed understanding of demand dynamics must be established to anticipate market movements up front. A fast-track communication and decision-making framework must be defined between public- and private-sector stakeholders to enable consistent rebound of short-term crisis impacts. It is important to create a single platform, potentially on the national level, that orchestrates local and regional efforts and initiatives. However, even in developed major tourist destinations, tourism-sector governance institutions often lack effective and consistent resilience management and controlling capabilities. Effective collaboration is vital when trying to cope with higher levels of uncertainty in the market environment and higher complexities on the T&T operating side, not only in crisis mode. Ultimately, close and consistent cooperation between the public and private sectors will benefit the whole sector in a variety of ways, including destination marketing, product offering and differentiation, and capacity and infrastructure development.

2. **Reduce access barriers and implement an open market environment.** In times of plummeting visitor numbers, a set of short-term measures such as reducing taxes or visa regulations can help to stabilize declining inbound traffic. In the longer run, a destination needs to make sure that it participates in the proliferation of the internationally most competitive private service offerings. For example, deregulation of the local airline market and the pursuit of open sky policies will ensure a destination's connectivity and accessibility, while open market conditions support development at the local level. Also, factors such as attracting international hotel investors, a world-class telecommunications infrastructure, and comfortable land transport options (e.g., taxi, bus, rail system) increase the competitiveness of tourist destinations.

3. **Redirect destination marketing to diversify source markets.** Apart from focusing on international inbound tourism from traditional source markets, an increased focus on emerging regional markets may help to turn volatile demand into a more robust inflow of tourists during downturn periods and thereafter. To leverage shifting demand and travel patterns, countries should aim to overcome national boundaries in developing their common T&T sector. For example, multi-destination tour packages targeted at important source markets can be supported only when countries consistently establish close cooperation among their T&T industries. For example, the European

Travel Commission (ETC) launched an integrated website (www.visiteurope.com) in 2009 presenting Europe to foreign visitors as a one-stop platform. New customer segments can be exploited by offering ecotourism, upmarket/luxury experiences, health tourism, or voluntourism. These travel formats empower local communities to actively participate in the tourism sector and, thus, drive economic development.

4. **Foster local initiatives and entrepreneurship to promote domestic tourism.** Domestic tourism is a powerful market on its own. In developed countries, it represents huge spending and traffic volumes; in developing nations, it serves as a strong catalyst for internal development as personal income levels allow for more discretionary activities. The increasing cost of long-haul travel and changing demographics will drive more demand for short-distance trips in developed regions. In countries with a focus on long-haul inbound tourism, it has the potential to establish a broader foundation for the T&T sector as a whole. Fostering a vibrant domestic tourism sector helps to steer tourists, and thus investment, into underdeveloped areas. Destination development and marketing needs to reflect this sector by segmenting residents along their domestic travel potential and conclusively cater to their needs to build a strong domestic tourism demand that drives the T&T sector as well as overall economic growth.

5. **Introduce more flexible investment schemes to create sustainable growth.** Flexible, demand-based investment planning helps to avoid accumulating overcapacity. Such adaptability helps to cope with rapidly changing mass markets and mitigates global risk factors that temporarily drive down tourism demand. Because infrastructure investments typically require long lead times, long-term sustainability should be reflected at very early stages in the planning process and should involve stakeholders at all levels. It will become key for policymakers to offer incentives for sustainable development in order to support the long-term prospects of the T&T sector instead of seeking short-term profits.

These years of global downturn have demonstrated that, although the crisis hurt traditional source markets, some emerging tourism destinations have been able to grow not only because of the weakness of competing destinations but also by leveraging the crisis to pave the way for future growth. Any crisis reveals the weak spots of each destination's positioning toward global, regional, or domestic tourism demand. These weak spots must be carefully assessed when formulating and implementing an appropriate policy response. The impacts of a crisis should be leveraged to turn tactical crisis management into strategic opportunities for development that ultimately drive a destination's attractiveness and competitiveness.

Notes

1 See Ringbeck et al. 2009.

2 HKU 2010.

3 Ringbeck and Gross 2008.

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CHAPTER 1.3

Tourism Development in Advanced and Emerging Economies: What Does the Travel & Tourism Competitiveness Index Tell Us?

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When reviewing the four editions of the Travel & Tourism Competitiveness Index (TTCI) compiled so far alongside recent trends in tourism development, it might seem incongruous that the top ranks of the Index are invariably dominated by advanced economies,[1] while tourism growth over recent years has largely been driven by emerging economies. Many destinations in the emerging and developing regions of the world have managed to fruitfully develop and exploit their tourism potential to attract and cater to visitors from both domestic and international markets, though the focus in this chapter will be on international tourism.

In this contribution we try to shed some light on how emerging economies are comparatively evaluated by the Index by exploring the following three questions:

1. Do the four editions of the TTCI reflect the progress that emerging destinations have been making in tourism development? Have they been bridging the gap that exists within the TTCI and improved their rankings?

2. How do emerging economies and advanced economies compare within each of the 14 pillars of the Index?

3. How do economies rank on the TTCI relative to their level of development?

Long-term trends in the development of international tourism

Over the past six decades, tourism has experienced continuous expansion and diversification to become one of the largest and fastest-growing economic sectors in the world. In spite of occasional shocks, international tourist arrivals have shown virtually uninterrupted growth—from a mere 25 million in 1950 to 277 million in 1980, 435 million in 1990, 675 million in 2000, and, finally, 935 million in 2010. Many new destinations have found their place in the sun alongside the traditional tourism destinations of North America and Northern, Western, and Southern Europe. While, in 1950, almost all (97 percent) of international arrivals were concentrated in only 15 destination countries, this share had fallen to 56 percent by 2009. Currently there are close to 100 countries receiving over 1 million arrivals a year. Among them are many emerging economies that have successfully been reaping the benefits of tourism to boost their economic and social development. This is reflected in the list of the top 15 receiving countries, which has been dominated by advanced economies since the 1950s but which has been increasingly populated by emerging economies—China, Turkey, Malaysia, Mexico, Ukraine, and the Russian Federation—over the past decades.

Table 1: Comparison of advanced and emerging economies: The Travel & Tourism Competitiveness Index over time

Rank	2007	2008	2009	2011
ADVANCED ECONOMIES (33)				
Average rank	18.6	18.2	18.2	18.5
Highest rank	1	1	1	1
Lowest rank	44	51	46	52
EMERGING ECONOMIES (89)				
Average rank	77.4	77.6	77.6	77.4
Highest rank	18	26	27	25
Lowest rank	122	122	122	122

Note: The table considers only those 122 economies that are present in all four editions of the Index.

International tourism in the first decade of the 21st century

In 2010, international tourism rebounded more strongly than expected from the shock caused by the economic turbulence of late 2008 and 2009. According to preliminary data presented in the Advance Release of the *UNWTO World Tourism Barometer* of January 2011, international tourist arrivals worldwide were up by 6.7 percent, and reached 935 million in 2010. The increase more than offsets the exceptional 4 percent decline in 2009, with an additional 22 million arrivals over the former peak year 2008.

Looking back on the impact that the financial crisis and economic recession have had on tourism, a month-by-month analysis shows a near-perfect V-shape of 15 consecutive months of negative growth in international tourist arrivals, from August 2008 to October 2009, with the biggest decline in March 2009 (–12 percent). This was followed by a rebound in the shape of a mirror image of high growth on a seriously depressed base.

Emerging economies weathered the storm much better than the advanced ones. A year-over-year comparison shows that, while advanced economies had already suffered a small decline of 0.3 percent for the full 2008 year, emerging economies recorded a growth of 5.0 percent. In 2009, advanced economies declined by 4.3 percent and emerging economies by 3.5 percent; in 2010, they enjoyed increases of 5.3 percent and 8.2 percent, respectively. As a result of this two-speed recovery, emerging economies improved on their pre-crisis peak year 2008 with 20 million additional arrivals in 2010, while advanced economies were only 2 million arrivals above their pre-crisis peak year 2007.

For international tourism, the decade 2000–10 was particularly mixed, with five years of growth above the long-term average annual growth rate of 4 percent and another five seriously troubled years. The "bust" year 2009 and the rebound of 2010 were preceded by four "boom" years that followed the dismal period marked by the terrorist attack of September 11, 2001, and the SARS outbreak in 2003.

Over the whole decade, emerging destinations performed very dynamically, growing at an average rate of almost four percentage points higher than advanced ones. Between 2000 and 2010, emerging economies increased their international tourist arrivals from 259 million to 442 million, corresponding to an average annual growth rate of 5.5 percent a year. In the same period, arrivals in advanced countries grew on average by 1.7 percent a year, from 416 million to 493 million. As a result, emerging destinations gained nine percentage points in terms of share of worldwide arrivals, increasing from 38 percent in 2000 to 47 percent in 2010, while advanced destinations fell back from 62 to 53 percent. At the current rate, it is likely that emerging destinations will attract more international arrivals than advanced ones over the next five years. Vibrant economic growth in emerging source markets, coupled with the appropriate proactive policies to develop tourism and ensure substantial investments in infrastructure and marketing in emerging destinations, were and will be the primary drivers of this performance.

The Travel & Tourism Competitiveness Index 2011

The strong growth of tourism in emerging destinations has been possible only when the appropriate conditions and business environment to develop these destinations are in place. The aim of the Travel & Tourism Competitiveness Index (TTCI) is to measure "the factors and policies that make it attractive to develop the Travel & Tourism (T&T) sector in different countries." It does this by comparing destinations according to a comprehensive set of indicators in a number of relevant areas or pillars. Destinations can identify and assess their strengths and weaknesses vis-à-vis other destinations and over time, by comparing how they rank against others overall, by individual pillar, or by each separate indicator.

As in previous editions, the top ranks in the 2011 edition of the Index are secured by the 33 advanced economies. Emerging and developing economies start to enter the mix only from rank 25: the top 24 ranks are all taken by advanced economies. The first emerging economy, Estonia, ranks 25; the second, Barbados, 28; and the third, the United Arab Emirates, 30. The last of the advanced economies, the Slovak Republic, ranks 54. Ranks 55 to 139 are all taken by emerging economies.

Table 2: Comparison of advanced and emerging economies: The Travel & Tourism Competitiveness Index 2011 by pillar

			Advanced economies (33)			Emerging economies (106)		
			Average rank	Highest	Lowest	Average rank	Highest	Lowest
Subindex	**Pillar number**	**Pillar title**	**18.6**	**1**	**54**	**86.0**	**25**	**139**
B	9	ICT infrastructure	18.9	1	41	85.9	13	139
C	11	Human resources	21.7	1	59	85.0	12	139
A	3	Safety and security	23.5	1	73	84.5	17	139
B	7	Ground transport infrastructure	23.6	1	63	84.4	10	139
B	6	Air transport infrastructure	25.0	1	122	84.0	4	139
C	14	Cultural resources	25.0	1	67	84.0	16	139
A	4	Health and hygiene	25.6	1	58	83.8	1	139
B	8	Tourism infrastructure	25.8	1	72	83.7	4	139
A	1	Policy rules and regulations	32.0	1	85	81.8	10	139
A	2	Environmental sustainability	35.2	1	112	80.8	8	139
A	5	Prioritization of Travel & Tourism	44.9	2	116	77.8	1	139
C	12	Affinity for Travel & Tourism	57.8	8	131	73.8	1	139
C	13	Natural resources	61.5	3	137	72.6	1	139
B	10	Price competitiveness in the T&T industry	107.5	17	139	58.3	1	133

Have emerging countries been reducing the gap in the TTCI?

In order to determine whether emerging and advanced countries have moved closer together over the past few years, Table 1 compares average ranks for both groups of countries, along with the highest and lowest ranks achieved. These figures are based on the 122 economies that have been covered in all four editions of the TTCI.

Table 1 shows that there is hardly any variation over time, with an average rank for advanced economies of just over 18 and, for emerging economies, of just over 77 for all four years. Because the Index has evolved over time and indicators included have varied somewhat, it is not possible, from the very small differences shown, to draw any conclusions as to whether emerging countries have been bridging the gap. They may have been able to improve their T&T competitiveness, but not at a faster rate than advanced economies. The failure to close the gap could be due to the fact that the advanced countries are so concentrated at the top, and also because the series of Index values covers a limited time span.

Comparative advantage for emerging economies: Travel & Tourism Competitiveness Index pillars

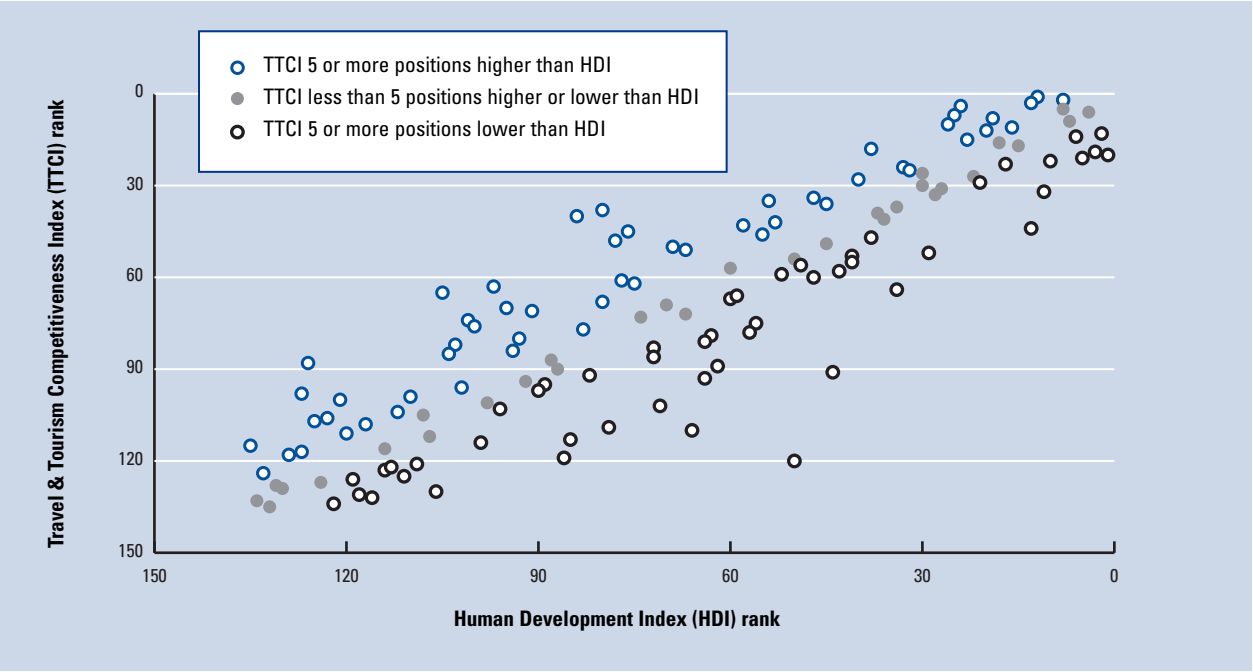
When analyzing 2011 rankings for advanced and emerging economies by pillar, a number of interesting observations can be made. On all but one pillar, advanced economies rank on average significantly higher, while only for the pillar *Price competitiveness in the T&T industry* do emerging economies outperform advanced ones (Table 2).

The highest rankings of the *ICT infrastructure* pillar includes almost exclusively the advanced economies, with all 33 of them ranking among the top 41. Also, the *Human resources, Safety and security, Ground transport infrastructure, Air transport infrastructure, Cultural resources, Health and hygiene,* and *Tourism infrastructure* pillars are predominantly the domain of advanced economies, with the average ranking of each group showing a difference equal to or higher than 58. For the *Policy rules and regulations, Environmental sustainability, Prioritization of Travel & Tourism, Affinity for Travel & Tourism,* and *Natural resources* pillars, the gap is somewhat smaller but still significant.

On the opposite side of the spectrum is the *Price competitiveness in the T&T industry* pillar, the only one on which emerging countries rank considerably higher on average (with an average rank of 58) than the advanced ones (with an average of 108). In this case, the first advanced economy (Taiwan, China) enters the rankings only in 17th place.

In six other pillars, emerging economies rank among the top five positions: *Natural resources* (Brazil 1, Tanzania 2, China 5); *Affinity for Travel & Tourism* (Lebanon 1, Barbados 2, Albania 3, Mauritius 4, Cape Verde 5); *Prioritization of Travel & Tourism* (Mauritius 1, Barbados 3, Jamaica 4); *Tourism infrastructure* (Croatia 4); *Health and hygiene* (Lithuania and Hong Kong tied, at 1); and *Air transport infrastructure* (United Arab Emirates 4).

Figure 1: Travel & Tourism competitiveness relative to development stage



Source: Compiled by UNWTO, based on World Economic Forum and UNDP 2010 data.
Note: See Table 3 for data series.

Travel & Tourism competitiveness relative to level of development

The analysis above emphasizes the fact that where a country places in the Index is highly related to its level of development. Advanced economies started earlier with their overall development, as well as with their tourism development, and have thus been wealthier over a longer time. They have had more time and more resources available to resolve basic issues, such as rules and regulation, safety and security, and health and hygiene; and to build infrastructure, to provide necessary services, and invest in the quality of their human capital. As a result, given that the TTCI measures the overall "stock" of T&T competitiveness rather than improvements over time (the "flow"), advanced economies rank higher on the TTCI, accurately reflecting their advantage in these areas.

Jürgen Ringbeck and Stephan Gross of Booz Allen Hamilton, in their contribution to the first *Travel & Tourism Competitiveness Report 2007,* pointed to the close correlation between the TTCI and the stage of development of a country, using gross national income (GNI) per capita as an indicator for the latter. They identify best practice examples in each of the defined peer groups for an internal benchmarking analysis, looking in detail at the T&T competitiveness of each country.

The last piece of analysis presented here also focuses on T&T competitiveness relative to the overall level of development of each economy. Our objective, however, is to try to control for the influence of the stage of development. What we want to see is how economies are doing compared with what one would expect based on their respective stages of development, which countries are doing better or worse, and why.

The indicator used for the country's level of development is the Human Development Index (HDI), as developed and compiled by the United Nations Development Programme (UNDP). The HDI is conceptually broader than income measures since, besides living standard as indicated by per capita income, it also takes into account life expectancy and education, better reflecting the quality of people's lives and countries' achievements. Both indexes are compared not according to their absolute values but on their rankings, which has the advantage that they would have the same value when perfectly positively correlated (overall, their correlation is high at $r = 0.89$).

As Table 3 shows, of the 135 economies with data available for both indexes, 27 countries (20 percent) rank 15 or more positions higher on the TTCI than would be expected based on their rank on the HDI; another 27 countries (20 percent) rank between 5 and 14 positions higher. For 26 countries (19 percent), the difference between the indexes is less than 5 positions higher or lower.

Thailand leads this alternative list with a noteworthy difference of 44 positions, as it ranks 84 on the HDI and 40 on the TTCI. China and India follow, with differences of 42 and 40 ranks, respectively, between the indexes, though it is interesting to note that China has an advantage over India of some 25 ranks on both

indexes. Furthermore, countries that rank 20 positions higher on the TTCI are the Gambia, South Africa, Tunisia, Turkey, Rwanda, Morocco, Indonesia, Vietnam, Senegal, Guatemala, Zimbabwe, Egypt, and—the first two among the advanced economies—Portugal and Austria.

At the bottom end of the table, countries are found that rank rather more poorly on the TTCI than would be expected according to their level of development as indicated by their HDI ranking. For 31 countries (23 percent), the TTCI rank is between 5 and 14 positions lower than the HDI rank; for another 24 countries (18 percent), the TTCI is 15 or more positions lower. Countries with a difference of 30 or more in their ranks on the two indexes are: Libya, Kuwait, the Islamic Republic of Iran, Paraguay, Israel, Venezuela, Brunei Darussalam, and Algeria.

It is interesting to note that many emerging economies that feature at the top end of this alternative ranking are successful tourism destinations, while at the bottom end are many countries that have not yet been able to fully realize their tourism potential.

The scatter plot in Figure 1 illustrates the close overall correlation between the HDI and the TTCI. For the group of 31 economies around the diagonal (marked with a solid gray circle), the development of the tourism sector is broadly in line with what one would expect given the general level of development, as the difference between a country's positions on each Index is less than 5 positions. For the group above the line, the TTCI rank is higher than the HDI rank; and for the group below, vice versa. Outliers on the top left-hand side represent countries where TTCI consistently exceeds HDI, such as Thailand, China, India, the Gambia, and South Africa, while those at the bottom right-hand side of the graph represent countries where conditions for tourism development have not kept pace with overall development (e.g., Libya and Kuwait).

Conclusions

The overall analysis confirms that the TTCI, as a matter of course, tends to rank advanced economies higher than countries at lower stages of development. In a way, this is inevitable because it reflects the better overall conditions in those economies. Comparing rankings relative to stages of development shows that, given comparable resources, some economies are able to create rather better conditions for tourism development than others.

Nevertheless, the impression remains that the TTCI favors advanced economies and insufficiently reflects the progress made by many emerging and developing economies. To do justice to the rising stars of world tourism among the emerging economies, it might be necessary to make changes to the way these countries are perceived alongside the established destinations.

In this respect, with regard to future editions of the TTCI, it might be worthwhile taking the following into account:

- It is vital to continue reviewing the Index, its pillars, and its indicators with a critical eye, in order to see whether the model needs adjustment or whether the indicators need to be revised. Of course, the availability of suitable indicators is always a constraint, but that challenge should not be avoided.

- It is essential to study successful emerging destinations in greater depth to determine whether there are specific factors that can explain their progress. Until now, advanced economies have been very much taken as the model of development that should be replicated. For emerging destinations, additional or alternative factors might play a key role.

- The Index might have to be supplemented with indicators that show the improvement of an existing situation. This would mean, in addition to absolute indicators (stock), including more relative indicators (flow) that reflect the progress made in certain areas. For instance, in the case of infrastructure, as well as including the absolute volumes (i.e., operating airlines, telephone lines, hotel rooms), the Index might also include the increase in these respective volumes over a specific period (i.e., the number of additional airlines, telephone lines, and hotel rooms).

- The weighting of pillars might be reconsidered. Currently, all pillars are weighted equally within their respective subindexes, yet one could question whether it is appropriate to treat *Price competitiveness in the T&T industry* and *ICT infrastructure,* for instance, on an equal footing, since the first might be much more decisive in determining T&T competitiveness than the latter.

Even though there is always room for improvement, the current Index is still a very valuable and useful tool for different countries to assess their strengths and weaknesses and to give some indication about what they should focus their efforts on. The importance of comparing countries with their relevant peers should not be underestimated. It is possible to make a valid evaluation of one's own relative position only by comparing oneself with destinations at a comparable stage of development. Countries at a more advanced stage of development should not be taken as the norm for one's own ranking (it is less useful to compare one's performance with that of Switzerland if resources in the two countries are very different). However, higher-ranking countries can always serve as a reference for pointing out

Table 3: The Travel & Tourism Competitiveness Index relative to the Human Development Index

Country/Economy	Rank by difference	Stage of development	Human Development Index		T&T Competitiveness Index		Difference in rank (number of positions)
			Score	Rank	Score	Rank	
Thailand	1	E	0.654	84	4.47	40	44
China	2	E	0.663	80	4.47	38	42
India	3	E	0.519	105	4.07	65	40
Gambia, The	4	E	0.390	126	3.70	88	38
South Africa	5	E	0.597	97	4.11	63	34
Tunisia	6	E	0.683	76	4.39	45	31
Turkey	7	E	0.679	78	4.37	48	30
Rwanda	8	E	0.385	127	3.54	98	29
Morocco	9	E	0.567	101	3.93	74	27
Indonesia	10	E	0.600	95	3.96	70	25
Vietnam	11	E	0.572	100	3.90	76	24
Senegal	12	E	0.411	121	3.49	100	21
Guatemala	13	E	0.560	103	3.82	82	21
Zimbabwe	14	E	0.140	135	3.31	115	20
Egypt	15	E	0.620	91	3.96	71	20
Portugal	16	A	0.795	38	5.01	18	20
Austria	17	A	0.851	24	5.41	4	20
Cape Verde	18	E	0.534	104	3.77	85	19
Brazil	19	E	0.699	69	4.36	50	19
Malaysia	20	E	0.744	54	4.59	35	19
Zambia	21	E	0.395	125	3.40	107	18
United Kingdom	22	A	0.849	25	5.30	7	18
Tanzania	23	E	0.398	123	3.42	106	17
Jordan	24	E	0.681	77	4.14	61	16
Mauritius	25	E	0.701	67	4.35	51	16
Singapore	26	A	0.846	26	5.23	10	16
Costa Rica	27	E	0.725	58	4.43	43	15
Namibia	28	E	0.606	93	3.84	80	13
Jamaica	29	E	0.688	75	4.12	62	13
Croatia	30	E	0.767	47	4.61	34	13
Dominican Republic	31	E	0.663	80	3.99	68	12
Barbados	32	E	0.788	40	4.84	28	12
Ethiopia	33	E	0.328	129	3.26	118	11
Kenya	34	E	0.470	110	3.51	99	11
Mexico	35	E	0.750	53	4.43	42	11
Spain	36	A	0.863	19	5.29	8	11
Switzerland	37	A	0.874	12	5.68	1	11
Malawi	38	E	0.385	127	3.30	117	10
Honduras	39	E	0.604	94	3.79	84	10
France	40	A	0.872	13	5.41	3	10
Mozambique	41	E	0.284	133	3.18	124	9
Uganda	42	E	0.422	120	3.36	111	9
Nepal	43	E	0.428	117	3.37	108	9
Bulgaria	44	E	0.743	55	4.39	46	9
Montenegro	45	E	0.769	45	4.56	36	9
Cyprus	46	A	0.810	33	4.89	24	9
Ghana	47	E	0.467	112	3.44	104	8
Luxembourg	48	A	0.852	23	5.08	15	8
Hong Kong SAR	49	A	0.862	20	5.19	12	8
Estonia	50	E	0.812	32	4.88	25	7
Nicaragua	51	E	0.565	102	3.56	96	6
Sri Lanka	52	E	0.658	83	3.87	77	6
Germany	53	A	0.885	8	5.50	2	6
Iceland	54	A	0.869	16	5.19	11	5
Malta	55	A	0.815	30	4.88	26	4
Burkina Faso	56	E	0.305	131	3.06	128	3
Cambodia	57	E	0.494	108	3.44	105	3
Russian Federation	58	E	0.719	60	4.23	57	3
Sweden	59	A	0.885	8	5.34	5	3
Denmark	60	A	0.866	18	5.05	16	2
Burundi	61	E	0.282	134	2.81	133	1
Mali	62	E	0.309	130	3.05	129	1
Botswana	63	E	0.633	88	3.74	87	1
Colombia	64	E	0.689	74	3.94	73	1
Georgia	65	E	0.698	70	3.98	69	1
United Arab Emirates	66	E	0.815	30	4.78	30	0
Benin	67	E	0.435	114	3.30	116	–2
Guyana	68	E	0.611	92	3.62	94	–2
Bahrain	69	E	0.801	37	4.47	39	–2

Cont'd.

Table 3: The Travel & Tourism Competitiveness Index relative to the Human Development Index

Country/Economy	Rank by difference	Stage of development	Human Development Index		T&T Competitiveness Index		Difference in rank (number of positions)
			Score	Rank	Score	Rank	
Finland	70	A	0.871	15	5.02	17	–2
Canada	71	A	0.888	7	5.29	9	–2
United States	72	A	0.902	4	5.30	6	–2
Chad	73	E	0.295	132	2.56	135	–3
Côte d'Ivoire	74	E	0.397	124	3.08	127	–3
Syria	75	E	0.589	98	3.49	101	–3
Philippines	76	E	0.638	87	3.69	90	–3
Hungary	77	E	0.805	34	4.54	37	–3
Panama	78	E	0.755	50	4.30	54	–4
Latvia	79	E	0.769	45	4.36	49	–4
Czech Republic	80	A	0.841	27	4.77	31	–4
Swaziland	81	E	0.498	107	3.35	112	–5
Macedonia, FYR	82	E	0.701	67	3.96	72	–5
Qatar	83	E	0.803	36	4.45	41	–5
Slovenia	84	A	0.828	28	4.64	33	–5
Italy	85	A	0.854	22	4.87	27	–5
Moldova	86	E	0.623	89	3.60	95	–6
Belgium	87	A	0.867	17	4.92	23	–6
Nigeria	88	E	0.423	119	3.09	126	–7
Kyrgyz Republic	89	E	0.598	96	3.45	103	–7
Mongolia	90	E	0.622	90	3.56	97	–7
Albania	91	E	0.719	60	4.01	67	–7
Peru	92	E	0.723	59	4.04	66	–7
Saudi Arabia	93	E	0.752	52	4.17	59	–7
Uruguay	94	E	0.765	49	4.24	56	–7
Greece	95	A	0.855	21	4.78	29	–8
Netherlands	96	A	0.890	6	5.13	14	–8
Madagascar	97	E	0.435	114	3.18	123	–9
Cameroon	98	E	0.460	113	3.18	122	–9
Poland	99	E	0.795	38	4.38	47	–9
El Salvador	100	E	0.659	82	3.68	92	–10
Ecuador	101	E	0.695	72	3.79	83	–11
Australia	102	A	0.937	2	5.15	13	–11
Angola	103	E	0.403	122	2.80	134	–12
Pakistan	104	E	0.490	109	3.24	121	–12
Lithuania	105	E	0.783	41	4.34	53	–12
Japan	106	A	0.884	10	4.94	22	–12
Lesotho	107	E	0.427	118	2.95	131	–13
Romania	108	E	0.767	47	4.17	60	–13
Bangladesh	109	E	0.469	111	3.11	125	–14
Armenia	110	E	0.695	72	3.77	86	–14
Chile	111	E	0.783	41	4.27	55	–14
Tajikistan	112	E	0.580	99	3.34	114	–15
Argentina	113	E	0.775	43	4.20	58	–15
Mauritania	114	E	0.433	116	2.85	132	–16
Azerbaijan	115	E	0.713	63	3.85	79	–16
Ireland	116	A	0.895	5	4.98	21	–16
New Zealand	117	A	0.907	3	5.00	19	–16
Ukraine	118	E	0.710	64	3.83	81	–17
Trinidad and Tobago	119	E	0.736	56	3.91	75	–19
Norway	120	A	0.938	1	4.98	20	–19
Serbia	121	E	0.735	57	3.85	78	–21
Korea, Rep.	122	A	0.877	11	4.71	32	–21
Slovak Republic	123	A	0.818	29	4.35	52	–23
Timor–Leste	124	E	0.502	106	2.99	130	–24
Kazakhstan	125	E	0.714	62	3.70	89	–27
Bolivia	126	E	0.643	85	3.35	113	–28
Bosnia and Herzegovina	127	E	0.710	64	3.63	93	–29
Algeria	128	E	0.677	79	3.37	109	–30
Brunei Darussalam	129	E	0.805	34	4.07	64	–30
Venezuela	130	E	0.696	71	3.46	102	–31
Israel	131	A	0.872	13	4.41	44	–31
Paraguay	132	E	0.640	86	3.26	119	–33
Iran, Islamic Rep.	133	E	0.702	66	3.37	110	–44
Kuwait	134	E	0.771	44	3.68	91	–47
Libya	135	E	0.755	50	3.25	120	–70

Source: Compiled by UNWTO, based on World Economic Forum and UNDP 2010 data.
Notes: Rankings in this table are based on the 135 economies that appear in both indexes. The HDI provides scores for a value from 0 to 1, to three decimal places. The TTCI provides scores for a value of 1 to 7, to two decimal places. This table provides the scores as they appear in their respective indexes. *E* indicates emerging economy; *A* indicates advanced economy.

possible next steps to take in order to improve a country's competitiveness. At the same time, they can be used to identify new ideas and best practices.

Note

1 As defined by the International Monetary Fund (IMF), see further the Statistical Annex of the IMF *World Economic Outlook* of October 2010 at page 169. The 33 advanced economies are (by UNWTO region) in the Americas: Canada, United States; in Asia and the Pacific: Australia, Hong Kong SAR, Japan, Republic of Korea, New Zealand, Singapore, Taiwan (pr. of China); in Europe: Austria, Belgium, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Israel, Italy, Luxembourg, Malta, Netherlands, Norway, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, and the United Kingdom.

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CHAPTER 1.4

Premium Air Travel: An Important Market Segment

SELIM ACH

BRIAN PEARCE

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The premium (first and business class) travel segment is an important market, particularly for hotels and network airlines, but also for others in the Travel & Tourism (T&T) value chain. For example, international air passengers traveling on premium seats represent 8 percent of traffic but 26 percent of passenger revenue.[1]

Premium travel by air is closely related to business activities, such as the international trade of goods and services and foreign direct investment (FDI), because an important way in which people build and maintain business relationships is through face-to-face meetings.[2] A previous survey showed that around 70 percent of passengers on premium seats are traveling to do business.[3] Consequently, the size and potential of premium travel markets between country pairs will reflect the size and potential for flows of international trade, investment, finance, and other business activities. This chapter reports on research that quantified the relative impact of the most important business travel drivers determining the size of premium travel markets between country pairs.

In the first part of the chapter, we will identify and then quantify, through an econometric model, various factors related to the number of premium passengers; the second part focuses on how successfully these particular drivers explain differences between country pairs. In the last part, we will explore how changes in aspects of a country's attractiveness to business travelers—measured by different pillars of the World Economic Forum's Travel & Tourism Competitiveness Index (TTCI)—could boost business and premium travel to a country.

Drivers of premium-class passengers

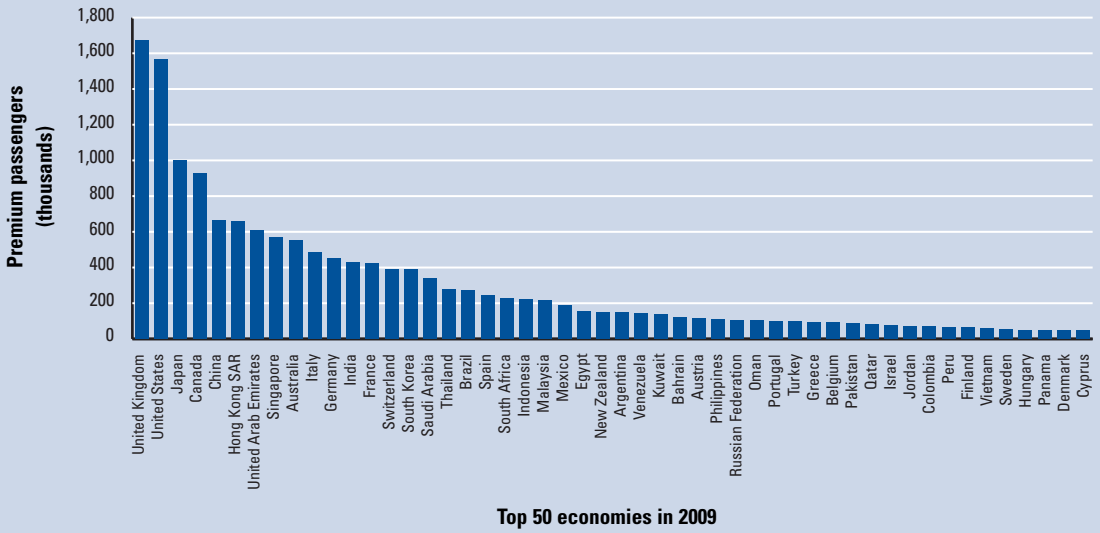
Figure 1 shows the number of passengers traveling on premium seats for the top 50 countries. In 2009, the United Kingdom was the country with the greatest number of premium travelers, followed by United States and Japan.

There is a wide range of experiences across countries, but the figure shows that the top 10 countries in terms of premium passengers, except the United Arab Emirates, are large economies.

Figure 2 confirms that there is a positive relationship between the number of premium passengers traveling between the countries in a pair and the size of the economies at either end of the flow. This figure suggests that there are some interesting country-pair outliers to the estimated relationship between the size of the economies involved and the number of premium passengers. These outliers can be classified as:

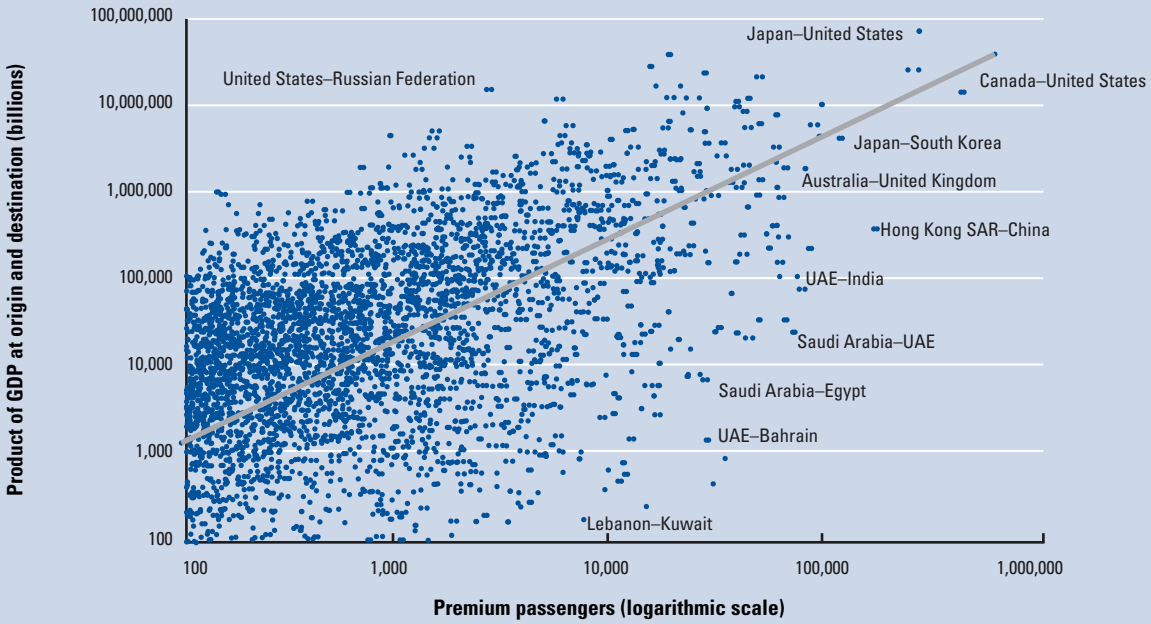
- those country pairs (at the top left of the figure) with a relatively small number of premium passengers but large economies at both origin and destination (such as the United States–Russian Federation pair), and

Figure 1: Premium international arrivals, top 50 economies (2009)



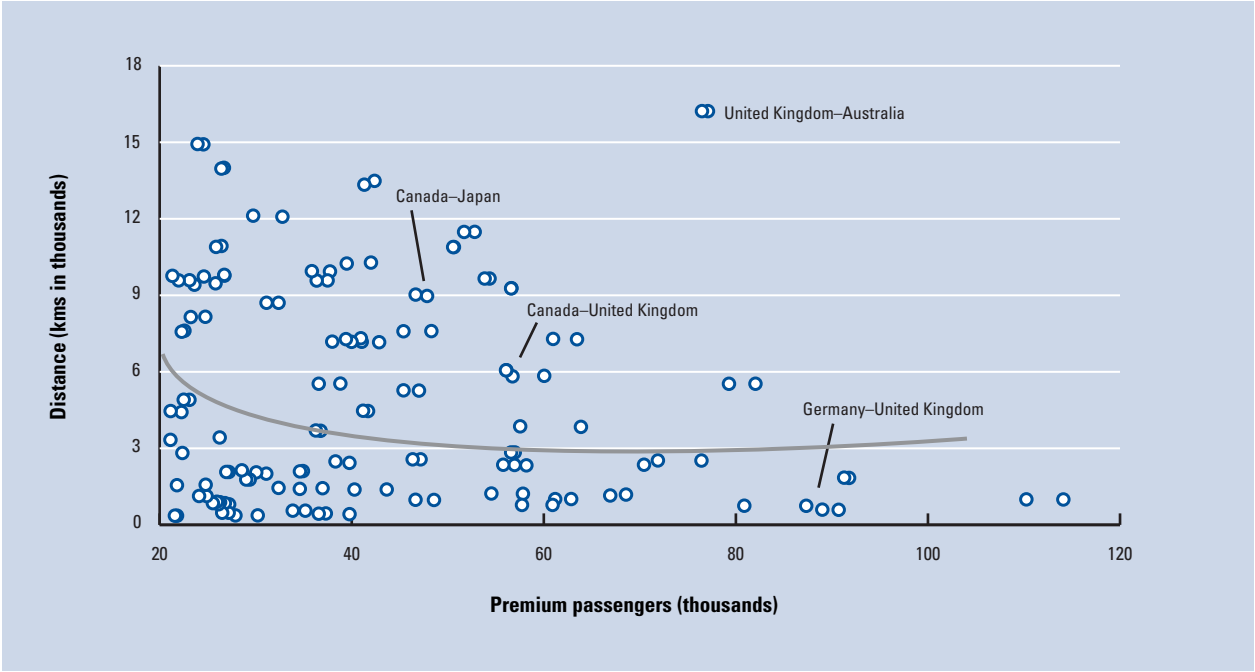
Source: IATA PaxIS.

Figure 2: GDP and premium passengers by country pairs



Source: IATA PaxIS.

Figure 3: Distance between country pairs vs. number of premium passengers



Source: IATA PaxIS.

- those pairs (at the bottom of the figure) with a relatively high number of premium travelers but small economies (such as the United Arab Emirates–Bahrain pair).

Figure 2 shows several examples where economic size, at both origin and destination, is not the only factor that drives premium passengers. For example, the number of premium travelers between Canada and the United States is about twice the number of business passengers between Japan and the United States, despite Japan being a bigger economy than Canada in terms of GDP. Another example is the market between Hong Kong and China, which is about half of the size of the one between Canada and the United States in terms of business passenger numbers, but represents only 3 percent of the US-Canadian economies. These examples demonstrate that there are factors other than economy size that need to be taken into account when explaining differences in the number of premium passengers. In particular, the relationship between travel and distance is one of them.

Travel cost will rise with distance in both time and money terms. Consequently, trade and business travel will, all other things being equal, diminish with distance, as shown by Figure 3. For country pairs of similar size in terms of GDP, such as Germany–United Kingdom and Canada-Japan, the figure shows that the number of passengers traveling between Germany and the United Kingdom is higher than it is for the route between Canada and Japan, as the distance on the first market is shorter.

One clear outlier to the estimated relationship with distance is the premium travel market between the United Kingdom and Australia, with 80,000 travelers—about three times larger than the Singapore–United States market. The distance between countries for both markets is similar, and consequently travel cost is similar, suggesting that travel to Australia is, among other factors, related to the country's historical relationship with the United Kingdom.

Besides economic size and the distance between countries, the TTCI allows a closer analysis of the other factors associated with the size of the premium travel market. However, the TTCI score, which is composed of 14 pillars, captures a wide range of factors and policies, some of which might be less crucial than others to international business travelers. Indeed, business travelers and holidaymakers have different perspectives when planning to invest in or visit countries. For example, the pillars that consider health and hygiene, tourism infrastructure, the prioritization of Travel & Tourism, and natural and cultural resources may not be as relevant to business travelers as the others. Therefore we analyze the relationship of premium travel to only those pillars directly associated with business activities and premium travel.

One interesting indicator from an investor's point of view is the regulatory framework of a country, which is captured through the first pillar. This pillar includes some

essential factors, such as how well property rights are protected and the cost of setting up a business. Additionally, it captures the extent to which the policy environment is favorable to the development of the T&T industry. Those factors will also influence the development of business activities such as trade in goods or services and FDI relative to the size of the economy.

Another relevant factor for investors is how easily and quickly business deals can be made in a country. Given the increasing importance of the online environment and electronic transactions, it is important for investors to assess the quality of the information communication and technologies (ICT) infrastructure. This is captured by a specific pillar that measures, among other factors, the extent to which online tools are used for business transactions. This is a catalyst for investors and therefore an important aspect of analyzing the premium travel market.

Price competitiveness is the third important element to take into account when planning to visit or invest in a given country, as it captures some of the costs of doing business. It measures factors such as the extent to which goods and services in the country are more or less expensive than they are in another destination (purchasing power parity), airfare ticket taxes, and taxation levels in the country.

Figure 2 shows examples of where these pillars appear to be strongly related to the number of passengers traveling on premium seats. Middle Eastern destinations, such as the United Arab Emirates or Saudi Arabia, have shown a consistently good business environment in terms of regulatory framework, ICT infrastructure, and price competitiveness. As such, business traffic between Saudi Arabia and the United Arab Emirates has been 35 percent stronger than the traffic between Saudi Arabia and Egypt. Both distance and size of economies is comparable in these two markets. The difference in the number of premium passengers is associated, among other factors, with the ICT infrastructure, which is more developed in Saudi Arabia (with a score of 4.4 out of 7) than in Egypt (with a score of 2.4).

The implication of these outlying country-pair markets is that it is possible for countries to succeed in boosting or failing to realize the potential of premium travel, over and above the flows implied by economic size and distance. But to be useful, that insight requires quantification. For this purpose, we developed an econometric gravity-type model. The model shows that all three do indeed play an important role.[4]

Economic size at both origin and destination is the most significant factor in explaining differences between country pairs. All other things being equal, the model suggests that a 10 percent rise in GDP would lead to a 6 percent increase in the number of business passengers. Any 10 percent improvement in policy rules and regulations, ICT infrastructure, and price competitiveness would lead to an increase of 4.5 percent, 2.2 percent, and 13.8 percent, respectively, in the number of travelers. For every 10 percent increase in distance between economies, the model suggests premium travel markets, all other things being equal, will be 9 percent smaller.

As shown in Figure 1, premium travel to the United Kingdom was the biggest market, with more than 1.6 million premium passengers. According to the model, this market is strongly related to both economic conditions (55 percent) and a good regulatory framework and ICT infrastructure (20 percent).

Figure 4 shows the top 30 biggest markets in 2009, representing about 18 percent of the total traffic flows of the year. The number of passengers traveling on premium seats between the United States and Canada was the largest market, with more than 400,000 passengers. According to the model, economic size explains about 76 percent of the traffic flow between these two countries. Similarly, economic size explains premium traffic between the United States and Japan and between the United States and the United Kingdom by more than 80 percent.

As expected from the graphical analysis in the first part of this chapter, a greater distance between countries has a negative effect on the number of business passengers. All the pillars selected—the policy rules and regulation (A01), ICT infrastructure (B09), and the price competitiveness in the T&T industry (B10) have a positive relationship with the number of passengers traveling on premium seats.[5]

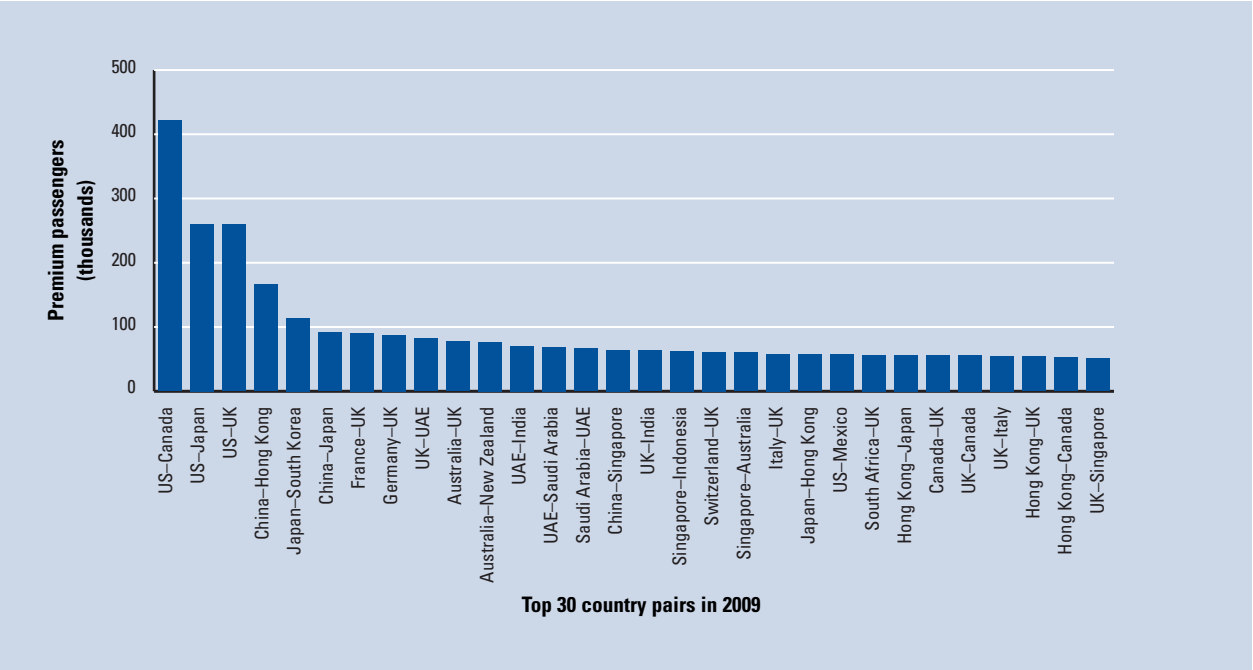
Looking at the fourth-largest market, premium travel market between China and Hong Kong is explained to some extent by both short distances between these two countries (13 percent) and also by the size of both economies (56 percent).

According to the model, premium travel to Middle Eastern destinations, such as the United Arab Emirates and Saudi Arabia, is related to some extent (30 percent) to a favorable regulatory framework, a well-developed ICT infrastructure, and a relatively low cost of doing business. However, economic size explains to a greater extent (60 percent) the travel market between the United Kingdom and the United Arab Emirates.

Another example shows that economic size could be as important as the business environment of the destination country. Premium travel between Lebanon and Kuwait (see Figure 2) is explained almost equally by the favorable environment (33 percent) and economic conditions (35 percent).

Traffic flows between the United Kingdom and Singapore and between Thailand and the United Kingdom also illustrate the extent to which pillars—that is, factors apart from economic size and distance—are related to premium passenger numbers. For the United Kingdom–Singapore pair, the average score for the three pillars is high, coming in at 5.5 (compared with a regional average of 4.5), suggesting that these economies are attractive for business travel. Economies and distance are

Figure 4: Number of premium passengers by country pairs, 2009



Source: IATA PaxIS.

comparable between these two country pairs; however, the first market, at 51,000 business passengers, is more than twice the size of the second one. According to the model, the performance of the first market is associated with its excellent infrastructure, which explains about 50 percent of the size of premium travel flows between these two countries.

Boosting premium travel by improving T&T competitiveness

Many countries have a great potential to increase the number of business travelers by improving one or several of these drivers. Using the model developed, we assess the degree to which changes to the drivers of the premium travelers could boost the size of the premium travel markets over and above the flows determined by economic size and distance.

In Asia, India is among the countries that showed a weak position in 2009 in terms of ICT infrastructure (2.0 out of 7) and also in terms of the regulatory framework (3.7), as both scores are below the regional average of 4.5. The premium travel market from the United Arab Emirates is one of the biggest markets serving India, and serves about 70,000 travelers a year. This number could be improved by 30 percent if India could manage to raise its infrastructure and regulatory frameworks to the regional average, assuming all other factors remain unchanged. Alternatively, all else being equal, the number of premium passengers on this market could rise by 0.6 percent if India's GDP improves by 1 percent.

European economies have low scores for the price competitiveness of the T&T industry. In 2009, countries such as the United Kingdom and France show the relatively low scores of 2.8 and 2.9, respectively, compared with the regional average of 3.9. Even if this pillar explains only a small proportion of the difference in number of premium passengers (12 percent), bringing the value of this pillar up to the sample average of 4.5 would increase the number of inbound business between the United Arab Emirates and the United Kingdom by about 60 percent, assuming all other factors remain unchanged. Similarly, the number of business passengers from Italy—which is one of the largest markets for France, with more than 25,000 passengers during 2009—would increase by 50 percent if France improved its price competitiveness from a score of 2.9 to 4.5.

Another example in Europe is the travel market between the United States and Russia, which had about 3,000 premium passengers in 2009. Russia shows relatively low scores on the regulatory framework and ICT infrastructure (3.5 and 3.4, respectively) compared with the European average (4.8 and 4.3). The number of premium passengers traveling from the United States to Russia has the potential to increase by some 23 percent if Russia were to raise its policy rules and regulation and ICT infrastructure to the European average.

Conclusion

This chapter shows that the number of passengers in premium seats is not driven only by economic activities between countries, but depends also on other factors. For particular country pairs, factors captured by the T&T pillars—such as policy rules and regulations, ICT infrastructure, and price competitiveness in the T&T industry—explain to some extent (30 percent) the number of premium passengers. The model demonstrates that any effort to improve one of the drivers will boost the size of this travel market. The analysis identified some outliers, such as the traffic flow between the United Kingdom and Australia, which seem to be driven by other factors—such as historical relationship—that are not captured through the model. The premium travel market to some Middle Eastern countries, such as the United Arab Emirates, is another group of outliers because those countries provide a favorable business environment and infrastructure.

Notes

1 These figures come from the IATA Origin-Destination database, which shows the number of passengers traveling by seat class and its associated revenue.

2 US Travel Association and Destination & Travel Foundation 2008.

3 Civil Aviation Authority 2009.

4 All three of the pillars identified explain a large proportion of the variation of the data (68 percent) and are statistically significant within a 95 percent confidence interval. For sake of completeness, all other pillars included in the TTCI have been tested and are not statistically significant within a 95 percent confidence interval, and therefore are not included in this particular model.

5 *A01* refers to pillar 1 of subindex A, *B09* refers to pillar 9 of subindex B, and *B10* refers to pillar 10 of subindex B.

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Appendix A: Specification of the model

We have used a gravity model to capture the business and structural effect of the change in the number of passengers traveling on premium seats. The time range of the model covers the period 2007 through 2009. The total number of cross-sections (country pairs) included is 12,953. The total number of observations is 36,707. Data on number of passenger traveling on premium seats are from the IATA PaxIS database.

The dependant variable of the model is the number of passengers traveling on business seats. Explanatory variables include the following T&T pillars A01: Policy rules and regulations; B09: ICT infrastructure; and B10: Price competitiveness in the T&T industry.[1] The other variables are GDP (in real terms) of origin and destination economies and the distance between each country of the country pairs.

The formal description of a panel data model is

$$Y_{ijt} = \alpha + (X'_{ijt}, \beta)\ \delta_{ijt} + \epsilon_{ijt},$$

where Y is the dependant variable—the number of business passengers traveling between country i and country j, through the time period t.

X is a matrix of regressors, including GDP of country i, GDP of country j, distance between countries i and j, the value of the 1st pillar (A01), the value of the 9th pillar (B09), and the value of the 10th pillar (B10).

α is the overall constant of the model,
δ is the fixed cross-section specific effects between country i and country j,
ϵ_{ijt} is the error term between country i and country j, and
t is the time period covering 2007, 2008, and 2009.

We estimate the model in (natural) logarithm terms using a panel data technique, including fixed effects representing drivers specific to the individual country:

$$\begin{aligned}\log (Passengers)_{ijt} = {} & C_1 + C_2 * \log (\mathrm{GDP}_i * \mathrm{GDP}_j)_t \\ & + C_3 * \log (Dist)_{ijt} + C_4 * \log (\mathrm{A01}) \\ & + C_5 * \log (\mathrm{B09}) + C_6 * \log (\mathrm{B10}) \\ & + \epsilon_{ijt} + (CX = F)\end{aligned}$$

The estimation of the model is broadly in line with our expectations. All drivers identified above are statistically significant, and the model explains a large proportion of the variation of the data with an R^2 value of 68 percent.

The product of GDP at both origin and destination is highly significant; a greater distance between countries has a negative effect on the number of business passengers. All the pillars selected—that is, the policy rules and regulation pillar (A01), the ICT infrastructure pillar (B09), and the price competitiveness in the T&T industry pillar (B10)—have a positive impact on the number of passengers traveling for business.

Table 1: Estimation of the coefficients

		Coefficients	*t* statistics
C_1	Constant	3.79	17.41
C_2	Real GDP_i x Real GDP_i	0.60	123.54
C_3	Dist: Distance	–0.92	–61.49
C_4	A01: Policy rules and regulations	0.45	4.30
C_5	B09: ICT infrastructure	0.22	4.26
C_6	B10: Price competitiveness in the T&T industry	1.38	14.19

Notes: Coefficients are in log form assuming cross-section fixed effect (rounded to two decimal places).
All the coefficients are statistically significant, with the correct sign and estimated with standard errors that are robust to serial correlation.

Note

1 *A01* refers to pillar 1 of subindex A, *B09* refers to pillar 9 of subindex B, and *B10* refers to pillar 10 of subindex B.

CHAPTER 1.5

Hospitality: Emerging from the Crisis

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The year 2011 sees the hospitality sector across the world emerging from a period of significant challenge and considerable change. This has impacted different regions of the world in a variety of ways. Some are already seeing a strong recovery, as demonstrated by Asia, while others continue to lag some way behind, as is the case in Europe.

The year 2007 was a record year for the sector, with world tourist arrivals reaching 900 million and healthy double-digit revenue per available room (revPAR) growth across the globe. The global economic crisis, the absence of credit, and the fragile recovery in Europe now evident has resulted in some markets continuing to struggle while others resurge. In contrast to 2007, in 2010, Asia Pacific leads the pack in revPAR growth at 21.3 percent, exceeding Europe's absolute revPAR for the first time. When we compared 2010 performance to that of 2007, only one region—Central and South America—is ahead of its 2007 peak, by $12. While Asia Pacific is on par with its 2007 performance, Europe is $18 short of its own top performance in 2007.

This chapter takes a look back to hospitality performance across the globe before and during the crisis, and then reviews where the industry is today as it emerges from the crisis (Figure 1).

2007: Tourism before the world economic crisis

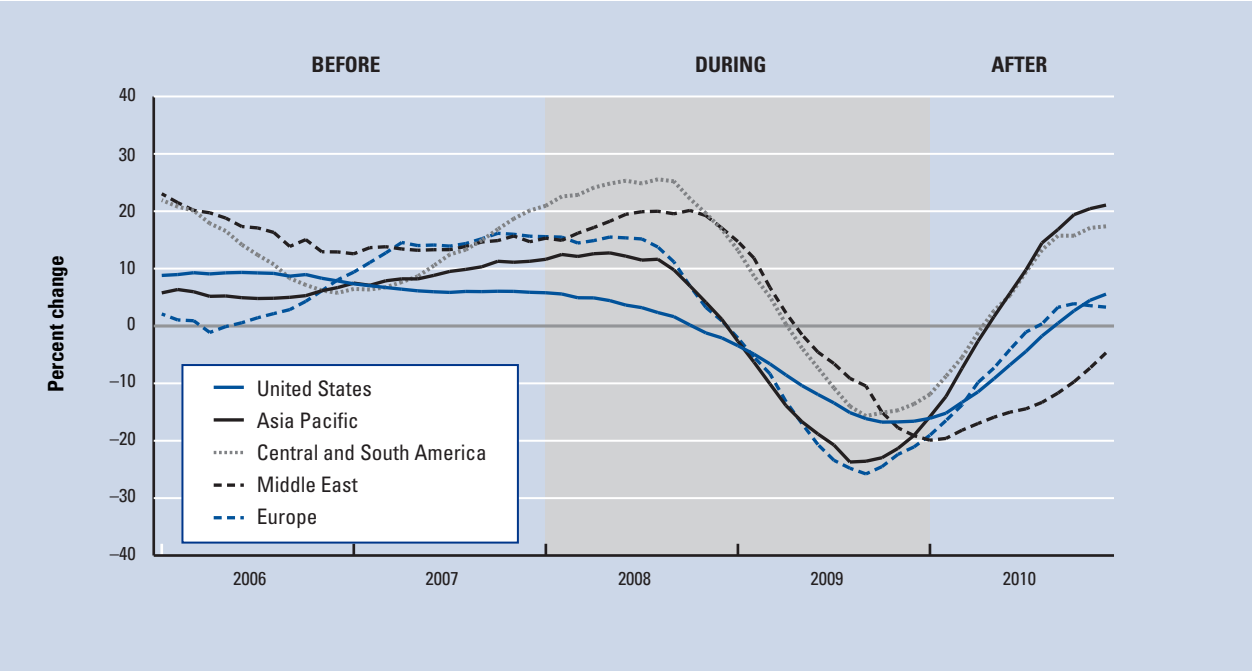
World tourist arrivals passed another milestone in 2007 to reach 900 million, overtaking tourism forecasts for the fourth successive year. This 6 percent year-on-year increase was even more remarkable given that the worldwide figure had hit the 800 million mark just two years previously.

There were around 52 million more international travelers than the previous year, confirming how eager people were to take advantage of cheaper airfares and easier access to emerging markets. Strong economies across most regions, but particularly in China and India, where more people had more disposable income than ever before, were an important factor in this increase.

Aviation was also experiencing a major shake-up. The inaugural flight of the A380 double-decker airbus from Singapore to Sydney in October 2007 was an important milestone, with Airbus predicting massive growth in the number of passengers worldwide. The introduction of this supersize aircraft was expected to generate increased demand at a time when the United States and the European Union (EU) had finally agreed to liberalize the transatlantic air travel market. From March 2008, European and American airlines would be able to fly to any destination in Europe and the United States, ending years of restrictions and leading to more flights and lower fares.

Note: All hotel performance data have been sourced from STR Global Limited and Smith Travel Research, Inc. All tourist arrival statistics have been sourced from the World Tourism Organization (UNWTO).

Figure 1: Global revPAR performance, before, during, and emerging from the crisis



Source: STR Global and Smith Travel Research Inc.

With so many more people traveling, it is no wonder that 2007 was a year of double celebrations for hoteliers and a double first for the hospitality industry (Box 1). Asia Pacific, Central and South America, Europe, and the Middle East not only celebrated double-digit growth in revPAR but also in average room rates.

Best performers were hotels in Central and South America with a revPAR growth of 19.4 percent, followed closely by the Middle East at 16.9 percent. Europe came in third place with 15.8 percent, but was still the revPAR king in terms of absolute revPAR, which stood at $114. At the back of the pack was Asia Pacific, with 12.5 percent.

The impact of the world economic crisis

2008: Entering the crisis

Although an extremely positive year worldwide for travel, 2007 was the last year to see such growth before the global economic crisis reached the industry. Across the globe, 2008 presented a challenge; it was only a matter of time before the tourism industry fell victim to the economic slowdown. The industry did make headlines for many positive reasons during 2008, including the Open Skies agreement in March, the 2008 Beijing Olympic and Paralympic Games, and the long-awaited opening of the $1.5 billion Atlantis Hotel in Dubai. Just beneath the surface, however, hotel performance was starting to struggle. With plunging global economies and unprecedented bailouts by governments around the world, it was only a question of time before tourism experienced the same troubles.

During the first half of 2008, when the full extent of the financial crisis was still some way off, the number of international tourists was still growing, and was up 5 percent above 2007 figures. Most world regions were reporting double-digit growth in hotel performance until mid way through the year. Then the deepening recession took its toll, with many world regions seeing performance take a nose dive in the final quarter of the year.

As business travelers and tourists started to think twice about trips away, there was a significant slowdown in revPAR. North America ended the year with a 1.6 percent decline, while Asia Pacific and Europe saw growth of less than 2 percent. Central and South America and the Middle East, however, went on to turn in double-digit revPAR growth, up 14.5 percent and 18.3 percent, respectively, confirming that, even though the market was difficult, it was not uniformly so around the world.

Adding up the total number of travelers, the UNWTO said that figures started to fall in the second half of the year, with year-on-year performance running at –1 percent, bringing down the net growth for 2008 to 2 percent. This was an obvious slowdown from the 7 percent growth recorded in 2007, but it still meant that an additional 16 million people had traveled around the world, taking the number of tourist arrivals to a record high of 924 million.

If we look at performance country by country, it is easy to see the correlation between sports and politics on hotel performance. The Beijing 2008 Olympic and

Box 1: 2007 regional review

Asia Pacific

More than 185 million international tourists visited the Asia Pacific region in 2007—an increase of 10 percent over the previous year. Several factors were behind this growth, including the phenomenal expansion of low-cost airlines. These companies were transporting a new wave of travelers from China and India and opening up new source markets, such as Russia. Fierce competition among the low-cost carriers was also bringing down the cost of travel, making it an affordable option for many more people and subsequently pushing up the demand for hotel rooms.

The two countries that made the biggest impact on the region's tourism during 2007—and on its economy as a whole—were China and India. While the dragon limbered up for the 2008 Olympics, China was enjoying excellent GDP growth and attracting a massive amount of foreign investment. Its newly rich population was keen to explore life beyond their national borders, and eager to spend their money on vacation. India, too, was booming, and attracting many more tourists—tourist arrivals to India were up 13 percent in 2007—while its emerging middle classes were anxious to spread their wings. By 2007 the impact of these two economic powerhouses was being strongly felt in their own backyards—the greater Asia Pacific region—and worldwide.

Central and South America

Tourist arrivals to Central and South America were up 11.1 percent and 8.1 percent, respectively, during 2007. An important factor was the weak US dollar, which kept US travelers—keen to get good value for money—closer to home.

Another driver was the decision made by 12 countries across South America to allow their citizens to travel among them without a passport. Those signed up to the pact are Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay, and Venezuela; tourism figures suggest this strategy is working.

The region also received a massive global accolade in 2007, when more than 100 million voters worldwide placed three of the region's most famous attractions—Mexico's Chichen Itza pyramid, Brazil's statue of Christ the Redeemer, and Peru's Machu Picchu—on the list of the New Seven Wonders of the World. The others—the Taj Mahal palace in India, the Great Wall of China, Petra in Jordan, and the Coliseum in Rome—are geographically spread, but the concentration of "wonders" in Central and South America will enhance the region as a preferred destination.

Hoteliers in this region had already achieved the world's best growth in revPAR in 2007, which was up 19.4 percent to $74, with average room rates increasing by 17.2 percent.

Europe

In 2007, Europe remained the favorite destination of more than half of the world's travelers. Even though the sports and culture calendar for 2007 was not as busy as it had been the previous year, the region remained on top of the world when it came to revPAR performance—up 15.8 percent to $114. Generally, a strong economy drove both corporate and leisure business, and several key cities, including Paris and London, had high-profile events such as the Tour de France Grand Départ in London, the biennial Paris Air Show, and the Rugby World Cup.

Europe's share of the global tourism market topped 480 million in 2007—up 19 million over the previous year—and seven of the world's top 10 tourism destinations were in Europe. France took pole position, with Spain, Italy, the United Kingdom, Germany, Austria, and Russia completing the list.

One of the main drivers behind increased tourism in Europe was the growth of low-cost air travel. In September 2007, the low-cost players provided almost 22 million seats on 133,000 flights with companies extending their networks rapidly.

The Middle East

The Middle East increased revPAR by 16.9 percent to $108 in 2007, exceeding growth in both Europe and Asia for the fourth consecutive year. That year also marked the fourth of double-digit growth in the region. As in previous years, average room rates were the main driver, up 11.3 percent to $150, while occupancy increased 5 percent to 71.6 percent.

Hotels in the Middle East during 2007 had the kind of business growth rates that hoteliers in other parts of the world could only dream about. While Dubai, the hothouse of the region, took the largest share of the limelight in recent years, its neighbors started getting in on the act.

However, the Middle East remained a politically volatile region, and some countries can only watch this dynamic growth with envy. Iraq and Lebanon, for example, faced uncertain futures. But despite concerns over safety and security, the Middle East attracted 46 million international tourists in 2007—up 5 million over the previous year—with Saudi Arabia and Egypt increasing visitor numbers rapidly.

The United States

The United States saw revPAR rise a modest 6.1 percent in 2007, to $67. Growth was driven primarily by average room rates, which ended the year at $104, while occupancy dipped slightly to 64.2 percent. The weakness of the dollar made the United States an attractive destination for international travelers during the year, and it made staying at home an attractive option for Americans otherwise interested in traveling abroad. Despite an increase in activity from overseas, the US economy started to slow in 2007. Housing prices were down roughly 20 percent compared with their 2006 peak, commodity prices were high, and consumers started to feel the pressure on spending.

Paralympic Games, for instance, allowed the city's hotels to push up room rates by more than 450 percent on the opening night of the Games. Formula 1 racing in Singapore and the European Football Championships in Switzerland and Austria had a similar—though not as spectacular—impact on hotel room prices.

Outbreaks of political unrest in Thailand, the war in Gaza, and the bombings in India all had the expected impact on tourism in the affected countries. And fluctuating oil prices took their toll on some airlines.

When record highs of $147 a barrel hit in July, many airlines went into liquidation—including long-haul low-cost carriers Oasis Hong Kong and Zoom Airlines Inc., as well as European budget carrier XL Leisure Group. Other operators cut schedules and altered their timetables to cope with falling demand. Many of the enablers of the growth seen in 2007 were starting not just to weaken but to be removed.

At the end of 2008, the outlook for 2009 was naturally cautious, with the UNWTO predicting either a stagnation or a slight decline in international tourist arrivals, forecasting a drop of between 1 and 2 percent. Meanwhile, most economists were expecting the recession to hold down employment as well as housing and equity markets for some time to come. Unlike specific, individual events that have knocked the tourism industry, 9/11 and SARS for instance, the economic gloom was considered likely to keep consumer confidence—and therefore spending on travel—down for a much longer time.

2009: Global tourism plummets

Entering 2009, many hoteliers foresaw the time as one that would determine survival of the fittest. Most economists expected the global slowdown to last into 2010, with the inevitable loss of jobs during the year ahead. The strategy for the tourism industry in 2009 was to focus on survival, and for hotels in particular this meant providing value for money. Concentrating on what they do best, what differentiates them from others, and providing the essentials of good hospitality would help them to maintain their brand strengths as hoteliers competed to fill their rooms.

Tempting as it is to slash room rates to bring in business, this is not a long-term solution, as it takes average room rates much longer to recover than it takes occupancy levels. Reductions in airfares because of low oil prices—$35 a barrel in February 2009 compared with $147 in July 2008—helped to keep hotel rooms partially booked.

Hotel performance around the world remained weak at the half-way point in 2009. Europe was the most affected region, as revPAR there fell 31.3 percent, followed by Asia Pacific and the Americas. The Middle East continued to be the least affected region, witnessing a revPAR decline of 17.5 percent.

As the swine flu pandemic escalated and more cases and deaths were reported around the world, the tourism industry looked at ways to stop the spread of the virus. News stories reported that some airlines and cruise companies took extra precautions and refused to carry passengers who were showing symptoms. What the overall impact this pandemic would have on hoteliers at this time was still uncertain, but at a time when consumers and businesses were already cutting back on travel, this was a further contrary factor in the generation of room night demand.

In the second quarter of 2009, however, the first economies started to emerge from the recession and hoteliers hoped for increased consumer and business confidence to drive the recovery. Germany, France, Singapore, and Thailand were among the first to emerge from the recession, although it would still be some time before hoteliers saw a positive impact on performance. In July, the hotel industry suffered from terrorism once more when the JW Marriott and Ritz Carlton hotels in Jakarta were targeted by a suicide bomber. The A (H1N1) influenza also continued to spread around the globe, but it did not seem to cripple tourism demand in the affected areas in the same way SARS had in mid 2003.

Hotels in Central and South America saw revPAR fall 14.0 percent to reach $67 in 2009, the least severe declines of all global regions. North America took second place, behind Central and South America, reporting declines of 17.0 percent to arrive at $54. This decline was a result of occupancy falling 8.7 percent to 52.2 percent and $10 being stripped off average room rates to settle at $98. These results put North America at the bottom of the global league table in all three performance indicators. RevPAR in the Middle East fell 18.3 percent, to land at $124. Despite this, the region continued to post the highest occupancy, average room rates, and revPAR in the world. RevPAR in Asia Pacific fell 19.4 percent to $73 during 2009. Despite the full year double-digit declines in the region, hotel performance picked up during the latter part of 2009, with occupancy increasing 9.8 percent in December alone to attain 62.1 percent. This was good news for the region and confirmed that Asia Pacific was on the road to recovery, supported by improving economic conditions. Europe remained the worst performer in 2009, with revPAR dropping 21.2 percent to $81.

Emerging from the world economic crisis: Asia leads the way

The year 2010 marked more than just a new decade: it marked the beginning of the recovery process in many of the world's economies and an upturn in hotel performance (Box 2). The last two years have proved that not all regions are created equally, and shown a dramatic difference between the top- and bottom-performing regions in terms of hotel performance.

How have the regions fared compared with their performances in 2007? Are any of them close to their 2007 peak? In terms of revPAR growth, Asia Pacific

Box 2: 2010 regional review

Asia Pacific

Asia Pacific was the frontrunner in terms of recovery in 2010, getting off to a strong start in January with revPAR growth in excess of 20 percent. China performed particularly well in 2010, with revPAR up 30.9 percent, and its prospects for the future look good. The World Tourism Organization predicted that China would overtake France to become the world's largest tourist destination by 2015. The World Expo 2010 in Shanghai also helped the recovery process in Asia, boosting performance in the city.

The region's hospitality sector is recovering well from the economic crisis and, as at 2010 year-end, has come out on top. The fundamentals of strong economic growth, an increasing middle class, and increasingly available air travel will continue to support the strong performance of the hospitality industry in Asia.

Central and South America

Central and South America took the second spot in terms of revPAR growth during 2010, rising 17.4 percent to attain $78. Many countries in the region are experiencing strong economic growth, which is boosting the area's domestic travel. However, on the flip side, the region's strong exchange rates are discouraging international inbound travel. Brazil is a prime example of this trend, which has seen revPAR rise 32.8 percent, driven principally by regional travel. The region suffered a number of setbacks in 2010, including the devastating earthquake in Chile in February, the floods in the Cusco region of Peru that trapped tourists at the famous Inca ruin Machu Picchu in April, and landslides in Mexico in September. Past experience has taught us that natural disasters do not generally impact tourism over the long term, however, and the effects of these disasters are not expected to override the recovering growth rate overall.

Europe

The Icelandic volcanic ash cloud caused widespread chaos over much of Europe during April 2010, closing European air space and grounding all flights in and out of the region. A number of European countries, including Greece and Ireland, sought emergency bailout packages during the course of the year, putting extra pressure on the region's economy and consumer confidence. This pressure has been softened in part by the weak euro making Europe more affordable for American tourists.

The year 2010 saw modest revPAR growth of 3.3 percent in Europe. The market is underperforming all of the regions in absolute revPAR terms, aside from Central and South America, which—with revPAR growth of 17.4 percent—is likely to overtake Europe shortly. RevPAR in Europe is currently sitting at levels not seen since 2006 and is $19 off the region's peak in 2008.

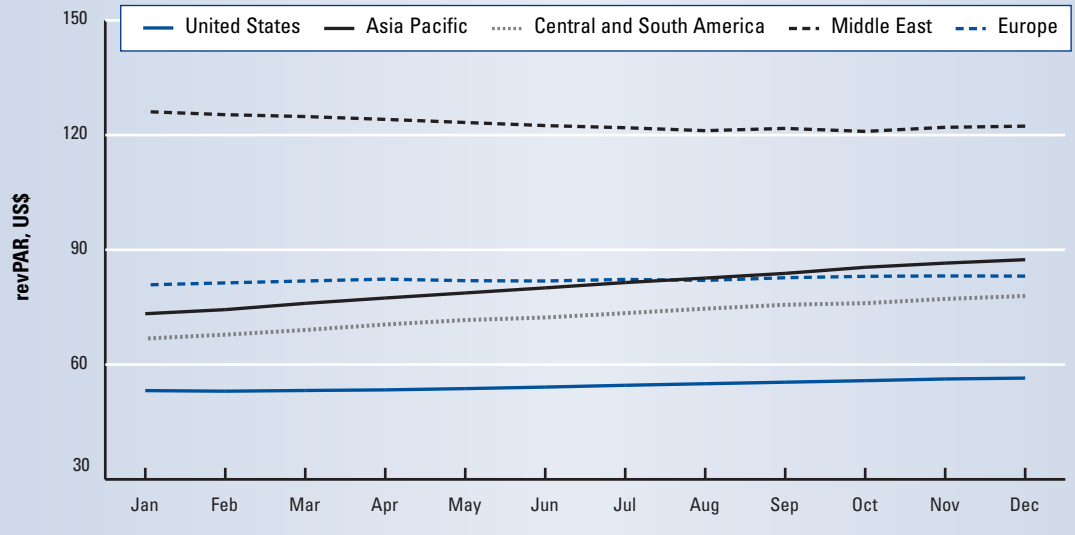
Europe's hospitality sector is likely to continue to experience challenging markets in to 2011. With rising travel costs, reductions in low-cost airline supply, and slow underlying economic growth, the region will continue to lose ground to Asia. While difficult to prove, the economic crisis may well have accelerated the shift of hospitality growth from Europe to Asia.

The Middle East

Hotel performance in the Middle East at the end of 2010 was down 4.4 percent to $123, the only region to remain in negative growth. Over the past few years, hotels in the Middle East experienced fast and strong growth due to a supply shortage combined with increased interest in tourism in its burgeoning destinations. Now that supply has filled the gap, it is only natural that hotel performance is experiencing an adjustment. Although the timing of the global economic crises exacerbated

Cont'd.

Global absolute revPAR performance, 2010



Source: IMF, 2008.

Box 2: 2010: regional review *(cont'd)*

the decline, hotels across the Middle East still achieve the strongest average room rates ($201) and revPAR globally at $123, as can be seen in the figure. This revPAR is $35 higher than in Asia Pacific, the next best performing region.

The Middle East's geographical position as the crossroads between West and East, coupled with its well-developed infrastructure, particularly for aviation, will see it fare well in the future with continuing visitor growth forecast. According to year-to-November 2010 results from STR Global, the Middle East saw a 9.2 percent increase in hotel supply (higher than any other world region), an increase that will continue to put pressure on hotel performance in the region as the supply pipeline remains substantial.

The United States

The United States reported a modest 5.6 percent growth in revPAR during 2010, to reach $56. March 2010 was the first month of positive revPAR growth in the country, after 19 consecutive months of decline, and has been strengthening each month: November posted the strongest monthly growth in 2010 of 11.8 percent. The US economy made a slow but steady recovery during the year. Unemployment in the United States hit a seven-month high in November 2010 and started to raise concerns about the strength of recovery. In the same month, the Federal Reserve announced that it would be pumping $600 billion into the economy to help stimulate growth—the second major stimulus package the Fed has introduced to try kick-start recovery. However, the high unemployment rates and the weak housing market in particular are hampering growth. The oil spill off the Gulf of Mexico also threatened the tourism industry along the Gulf Coast. When a BP Deepwater Horizon oil rig caught fire and eventually sank, spewing thousands of barrels of oil a day into the Gulf of Mexico, tourism destinations along the coast suffered in its wake. Many coastal resorts and beaches along the Gulf Coast suffered serious losses as a result.

Table 1: Global hotel performance, 2010 vs. 2007

	2007 revPAR	2010 revPAR	Percent change
United States	66	56	–15.2
Asia Pacific	88	88	0.0
Middle East	136	123	–9.6
Central and South America	66	78	18.2
Europe	101	83	–17.8

Source: STR Global and Smith Travel Research Inc.

came out the clear winner, with revPAR up 21.8 percent over 2009, as highlighted in Figure 2. In comparison with its 2007 performance, revPAR in the region is now the same as 2007 at $88, as can be seen in Table 1. The next best performing region in terms of revPAR growth was Central and South America, up 17.7 percent in the year. It can proudly boast that it is the only region that has surpassed its 2007 performance, with revPAR now at $78—some $12 higher (18 percent more) than 2007. All other regions fell into single-digit growth during 2010, apart from the Middle East, which is still experiencing revPAR declines of 5.8 percent for the year.

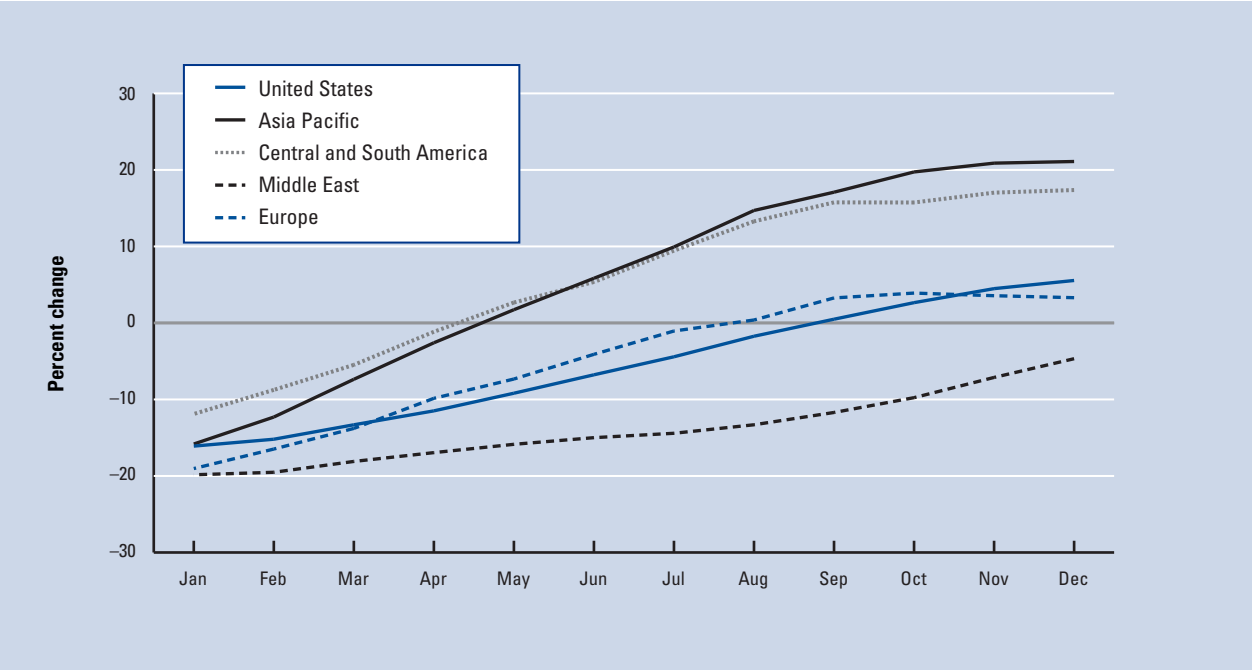
The crisis has been very different for each region. Europe has been hit the hardest and has the most to lose in the structural shift that may have been accelerated with the move to the East. With 51 percent of global travel to Europe in 2007, the stakes were high. With low growth envisaged for some time in Europe and the dramatic decline it experienced in the last three years, it may now be that Asia Pacific is signaling it is time for Europe to move over as it takes the lead—the first signs are there. As shown in Table 2, Asia Pacific has seen the lowest percentage decrease in travel during the period and has surpassed 2007 levels.

A recent Deloitte report, "Hospitality 2015," focused on seven areas, illustrated in Figure 3, that will be critical to the development of the hospitality sector through to 2015. The report highlighted the argument that, as consumer demand recovers, it will be reshaped by two key demographic trends. In established markets such as those of the United Kingdom and the United States, the rise of the affluent, time-rich, and travel-hungry baby boomer generation—aged 45 to 64—will evolve and grow. By 2015 in the United States alone, boomers are expected to control 60 percent of the nation's wealth and account for 40 percent of spending. With more time for leisure as they approach retirement, spending can be expected to be more focused around travel.

In emerging markets such as India and China, however, there will be a significant rise of the middle classes, generating an increase in demand for both business and leisure travel. GDP per capita in China is forecast to more than double between 2010 and 2015, providing the population with greater disposable income to spend on hospitality; India is forecast to have 50 million outbound tourists by the end of the decade. Each is a potentially huge feeder market. While much of the development until recently has focused on the upscale and luxury market, the greatest potential in these markets lies in the growth of branded mid-market and budget product aimed primarily at the domestic traveler.

Indeed, the Indian government has identified a shortage of 150,000 hotel rooms, with most of the undersupply in the budget sector. Understanding the desires and motivations of the Chinese and Indian traveler will be fundamental to success in these markets.

Figure 2: Global revPAR performance, percent change (2010)



Source: STR Global and Smith Travel Research Inc.

Table 2: World tourist arrivals, millions

							PERCENT CHANGE		
	2005	2006	2007	2008	2009	2010	2008–07	2009–08	2010–09
World	802	846	901	919	880	935	2.0	–4.2	6.7
North America	89.9	90.6	95.3	97.7	92.1	99.2	2.6	–5.7	7.8
Asia Pacific	153.6	166.0	182.0	184.0	181.6	203.8	1.1	–1.3	12.6
Middle East	37.8	40.9	46.9	56.0	53.2	60.0	19.3	–4.9	13.9
Europe	441.0	463.9	485.4	487.6	460.0	471.5	0.5	–5.7	3.2

Source: UNWTO.

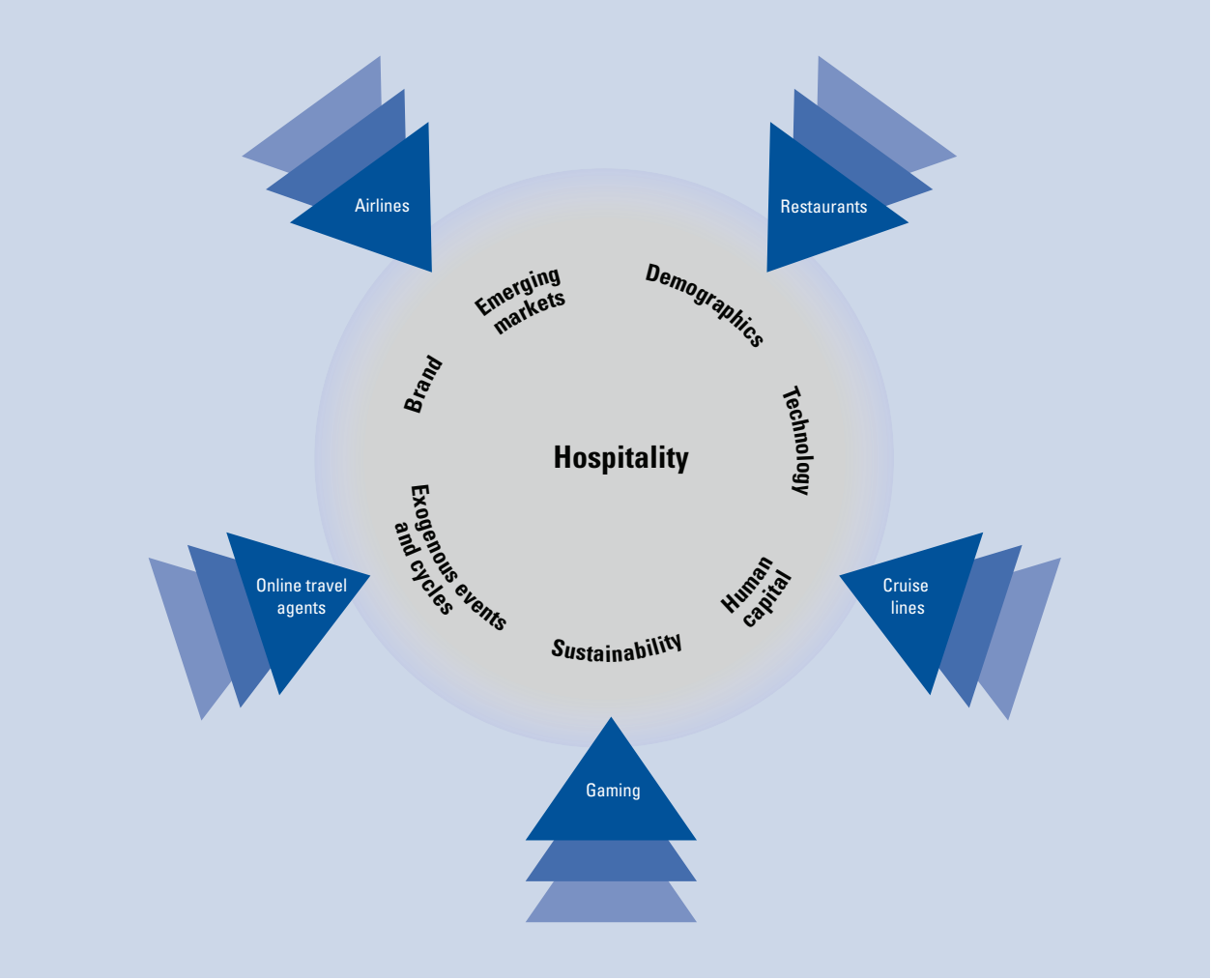
While the growth in these emerging markets is significant, it should not distract from the absolute size of the mature markets. It is forecast that the share of global tourism GDP will shift by less than 5 percent from mature hospitality markets to emerging markets by 2015.

The travel and hospitality industries are expanding rapidly in a number of emerging economies across the globe. Countries with a forecasted average annual industry growth rate from 2009 to 2015 of 5 percent or more include the BRIC nations—Brazil, Russia, India, and China—and certain countries in South East Asia, the Gulf States, North Africa, and the West African coastline.

This growth compares with forecasted growth rates of around 2 to 3 percent in more mature markets (the United States, the United Kingdom, France, and Japan). However, with the key exceptions of China and India, these emerging markets are unlikely to become truly significant on a global scale, despite the fact that their hospitality industries show rapid relative growth. By 2015, China and India will each have absolute year-on-year industry growth comparable to or greater than the United Kingdom, France, and Japan. By 2019, Chinese absolute industry growth is forecast to exceed that of the United States.

Emerging markets present hospitality groups with significant opportunities, but they also offer unique challenges. This is particularly the case in India, where hospitality is lagging behind the Chinese market, which opened up earlier and presents fewer hurdles for new entrants. Despite this, many brands that have already begun their expansion into China are now assessing

Figure 3: Seven key areas needed for development of the hospitality industry to 2015



Source: Deloitte, 2010.

"where next" and are reinforcing their long-term commitment to the Indian market.

The economic crisis has undoubtedly impacted regions in differing ways for the hospitality sector, yet its most significant impact may have been to accelerate the shift East. While the mature markets of Europe and the United States remain large in absolute terms, their continued growth is likely to be significantly outstripped by Asia Pacific, which is already proving its strength in the speed of its recovery in 2010.

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CHAPTER 1.6

Investment: A Key Indicator of Competitiveness in Travel & Tourism

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The World Travel & Tourism Council (WTTC) and Oxford Economics have long recognized the importance of Travel & Tourism (T&T) investment, an appreciation that has been reflected in annual research spanning more than a decade. In 2011, we are enhancing this research—and making it more user friendly—by aligning our analysis of the direct industry contribution of Travel & Tourism even more closely with that of the UN Statistics Division–approved *Recommended Methodological Framework for Tourism Satellite Accounting (TSA: RMF 2008).*

At the same time, however, we will continue to draw attention to the fact that the approach of the recommended TSA framework understates the full economic impact of Travel & Tourism, since it ignores the indirect and induced effects of the sector. A prime example of these consequences is T&T investment, which is not a component of the direct economic impact of the industry but is an important aspect of the broader indirect impacts, as well as a critical element for determining future capacity and competitiveness.

The importance of investment in Travel & Tourism

This chapter addresses the importance of T&T investment for the industry's performance and outlook, and considers the implications of recent investment trends for its future prospects.

Investment in T&T products and infrastructure is not only essential for destinations to maintain and expand capacity, but it also allows for and encourages improvements in quality, competitiveness, and productivity. Historical data and our joint research over the past decade confirm that both new capital projects and major refurbishments—both of which are classified as investment—are integral to current and future destination performance.

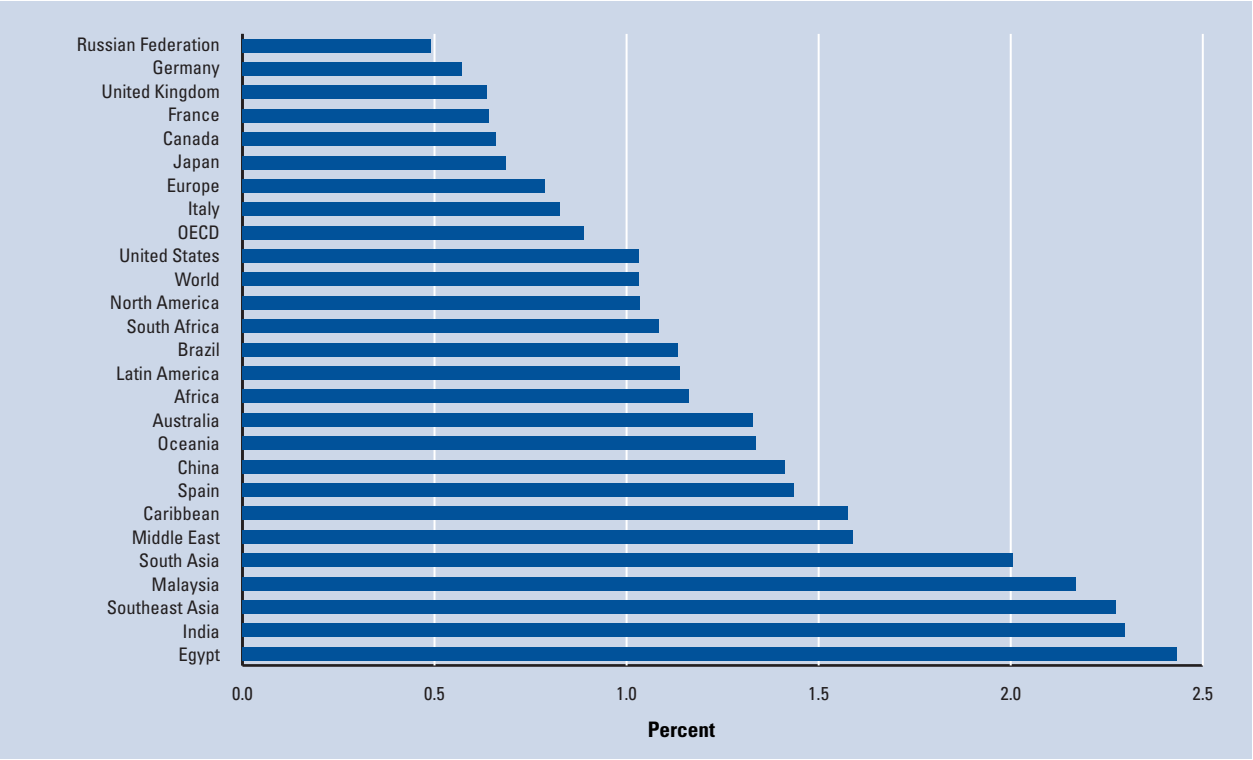
Proposed capital projects may remain constrained by limited access to finance, however, even in locations where demand is growing strongly. In contrast, there is also evidence of overinvestment in some destinations despite the clear upturn in industry performance, now that the global economy has emerged from recession.

Nevertheless, even in destinations where existing T&T infrastructure is sufficient for the current volume of demand, and even where there is excess capacity, the industry's capacity is not necessarily directly aligned to evolving consumer preferences. Visitors from emerging source markets often distinctly prefer more mature destinations, and all markets tend to be unpredictable: their tastes evolve over time in line with their individual definitions of both basic home comforts and luxury goods. This means that T&T investment remains important at every stage of the global business cycle.

Why investment in the T&T industry matters

From a national accounts perspective, investment includes expenditure on goods that are expected to be used for

Figure 1: T&T investment spending as a percentage of GDP, selected countries and regions (2006–10 average)



Source: Oxford Economics research for WTTC.

an extended period of time, as well as expenditures that change the value of previous investments still in use, such as major refurbishments and upgrades. At an economy-wide level, investment is typically split into three component parts: machinery and equipment used for commercial or industrial purposes; residential investment, which includes owner-occupied and rental housing (highly relevant for segments of the T&T industry such as the holiday home market, guesthouses, etc.); and nonresidential investment, including buildings for commercial or industrial purposes (such as hotels).

T&T investment fits within the above definition and includes capital investment spending by tourism-characteristic industries as well as spending on specific tourism assets by other industries. Some of the most important T&T investments are:

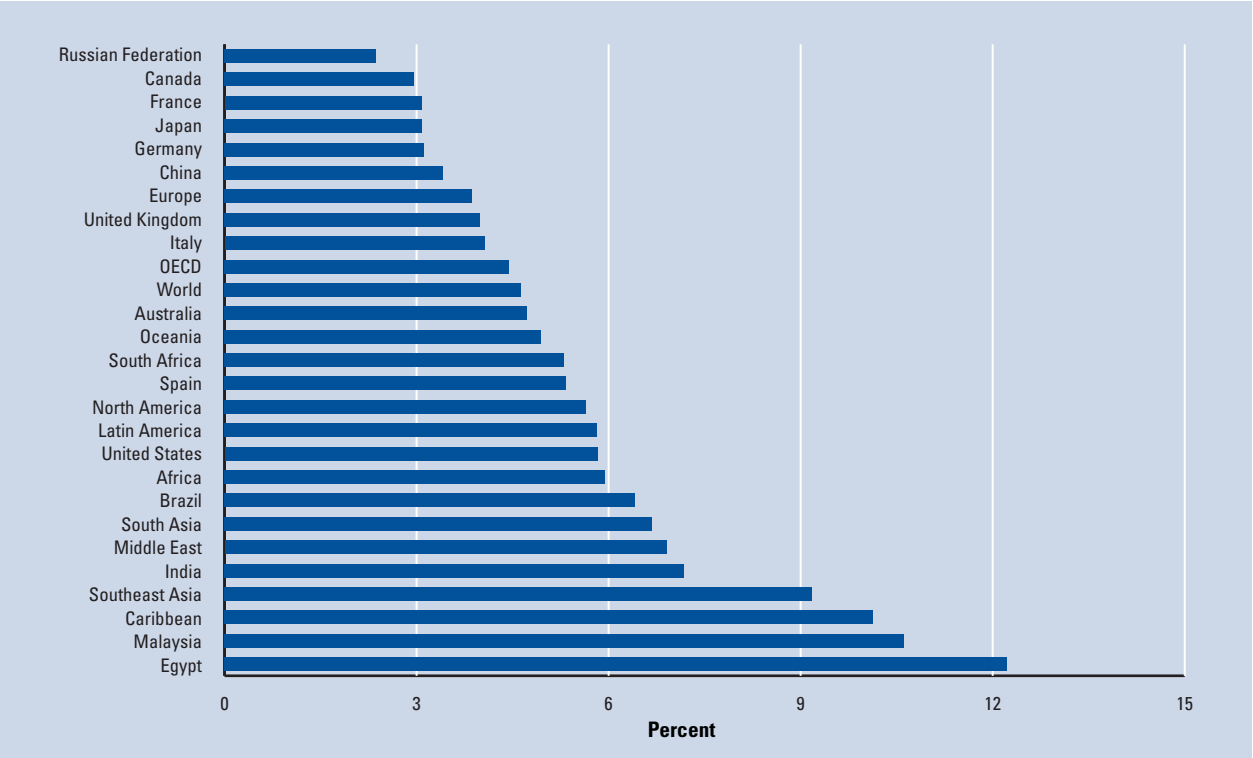
- accommodation development and major maintenance, including new building structures, and furniture and equipment to "fit out" hotels and so on, as well as holiday homes;
- passenger transportation, such as aircraft and cruise ships, for specific tourism use;
- capital projects and refurbishments designed to attract visitors; and
- "green" investments within the industry, such as solar and retrofit schemes to enhance energy efficiency.

Other forms of related investment, such as spending on transport infrastructure (e.g., road and rail construction and improvement), should not be exclusively assigned to T&T investment spending. Passenger transport infrastructure is included in this category only if it has been put in place specifically, or primarily, for use by visitors; examples include access routes or water supplies to serve new resorts or attractions, according to the recommended TSA framework.

All these forms of investment are important for the future of Travel & Tourism for the following reasons (note also that some of these apply to different industries across the economy, although some are primarily relevant for Travel & Tourism):

- Investment increases the sector's capacity to support a greater volume of travelers and visitors. An obvious example is increasing the number of hotel beds or conference facilities to accommodate more visitors. Insufficient supply capacity acts as a bottleneck to growth, which could mean diverting business to other destinations and/or lead to upward pressure on prices, which affects competitiveness.
- The motivation for investment, however, is not always about volumes of demand and capacity. Investment can also be for maintaining current capacity and standards through major refurbishments, enhancing the quality of the industry's product (e.g., upgrading a hotel's star rating), improving

Figure 2: T&T investment spending as a percentage of total economy investment spending, selected countries and regions (2006–10 average)



Source: Oxford Economics research for WTTC.

productivity and efficiency (e.g., adopting new technology), or improving environmental sustainability (e.g., green investments).

- Capital projects that attract visitors are a different case. For these, the motivation is likely to be to stimulate additional demand and to gain or retain market share. Indeed, investment that enhances the quality of the industry's product offering, whether for visitor attractions or accommodations, may also generate additional domestic and international tourism.

Global T&T investment closely tracked global tourism spending from the late 1980s to the mid 2000s, although it is likely that there was some dual causality over this period. The growth in spending would not have been possible without the increased capacity brought about by investment growth. This is clear from even a quick look at the growth in airline fleet sizes or hotel room supply over this period, as there was no significant drop in occupancy rates. However, the immediate year-to-year cyclical movement of investment may lag total spending. For example, investment continued to grow in 2001 when the spending cycle had already turned. This phenomenon is partly due to the nature of many capital investment projects, such as hotel or resort construction, which can take several years to plan and implement.

In contrast, T&T investment over the period 2005–08 is estimated to have grown significantly faster than global tourism expenditure, rising by 37 percent compared with an increase of only 11 percent in global tourism spending. This period coincided with the wider boom in the global economy and global investment, supported by relatively cheap, easy-to-access finance.

However, as the global economy entered recession for the first time since World War II and the global financial system cut back dramatically on lending and raised the cost of borrowing (despite historically low central bank interest rates), investment in Travel & Tourism fell back sharply. Indeed, T&T investment corrected much more harshly than the drop in global tourism spending.

Strong growth in hotel investment was sustained during the early part of the downturn because of the length of time projects take to reach completion, although this activity has now fallen back. Many developers still sought to complete projects in order to recoup some of their investment outlay, rather than scrapping projects completely midway through construction. Furthermore, in some cases, hotel projects were completed ahead of schedule and at a lower-than-budgeted cost. This situation has been helped by the wider downturn in construction and greater global availability of construction labor.

Figures 1 and 2 present a comparison, for selected countries and regions, of the importance of T&T investment in terms of overall economy GDP (Figure 1) and overall investment in the economy (Figure 2). The comparison demonstrates that, typically, fast-growing emerging economies have a higher investment rate (as a percentage of GDP) than more mature economies. This is because they are at a different stage of economic development,

but it says little about the actual importance of T&T investment to overall investment in the economy.

By way of example, between 2006 and 2010, on average, Spain, Singapore, and China are each estimated to have had higher ratios of T&T investment to GDP than the Caribbean region.

However, T&T investment makes a much greater contribution to the Caribbean economy overall—between 20 and 25 percent of total investment in the region is attributed to Travel & Tourism—compared with China, for example, where T&T investment accounts for less than 10 percent.

To understand the differences in T&T investment to GDP ratios across countries and regions, two factors are key: the relative importance of the industry to the economy in each country and the relative stage of development of each economy, with emerging economies generally needing to invest more to catch up with more mature economies.

For the different types of markets, there is a correlation between the two measures of investment intensity. Looking first at the developed markets, at one end of the spectrum are mature economies, such as Germany, where—given the size of other industries—the direct contribution of Travel & Tourism to GDP is low. It therefore comes as no surprise that T&T investment as a share of GDP in Germany is among the lowest across the list of countries and regions considered. By contrast, T&T investment, as a share of GDP, is much higher in Spain because tourism itself matters much more to the Spanish economy. But it is also important to note that investment as a share of GDP is especially high for Spain for the period in question, since it coincided with a wider investment boom that, with the benefit of hindsight, was clearly unsustainable.

Turning to emerging economies, some markets of interest have significantly higher T&T investment–to-GDP ratios than would be expected given just the current size of their T&T industries. This applies to economies such as Russia, which has a particularly small T&T industry. Similarly, T&T investment in China and Singapore as a share of total investment is three times lower than it is in Spain, yet as a share of GDP it has been marginally higher than in Spain over the last five years. The upper left portion of Figure 3 shows economies that exhibit a lower-than-average T&T contribution to GDP, but a much-higher-than-average investment intensity.

For emerging economies, T&T investment will help to expand capacity and potentially generate increased demand to allow future growth in Travel & Tourism, thus generating a larger contribution to total GDP.

Measuring investment in the T&T industry

WTTC, in conjunction with Oxford Economics, produces annual research into the economic contribution of Travel & Tourism to the global economy, including the contribution of investment. As already indicated, beginning in 2011, this will incorporate a new methodology that follows closely the conceptual structure of the recommended TSA framework of 2008! This new research will not only align concepts and methodology with the TSA framework, but will also be aligned exactly with any specific country results created by national statistical agencies—assuming these countries do have Tourism Satellite Accounts (TSAs) of their own. This approach will continue to allow direct comparison across countries and regions while at the same time providing interim results for those countries lacking the resources to undertake a full and costly TSA.

The direct contribution of Travel & Tourism to GDP reflects the "internal" spending (total spending within the particular country) on Travel & Tourism by residents and non-residents for business and leisure purposes, as well as government individual spending—individual government T&T spending that is directly linked to visitors, such as cultural (e.g., museums) or recreational (e.g., national parks) services provided by government. This is calculated to be consistent with the output of tourism-characteristic sectors such as hotels, airlines, airports, travel agents, and leisure and recreation services that deal directly with tourists.

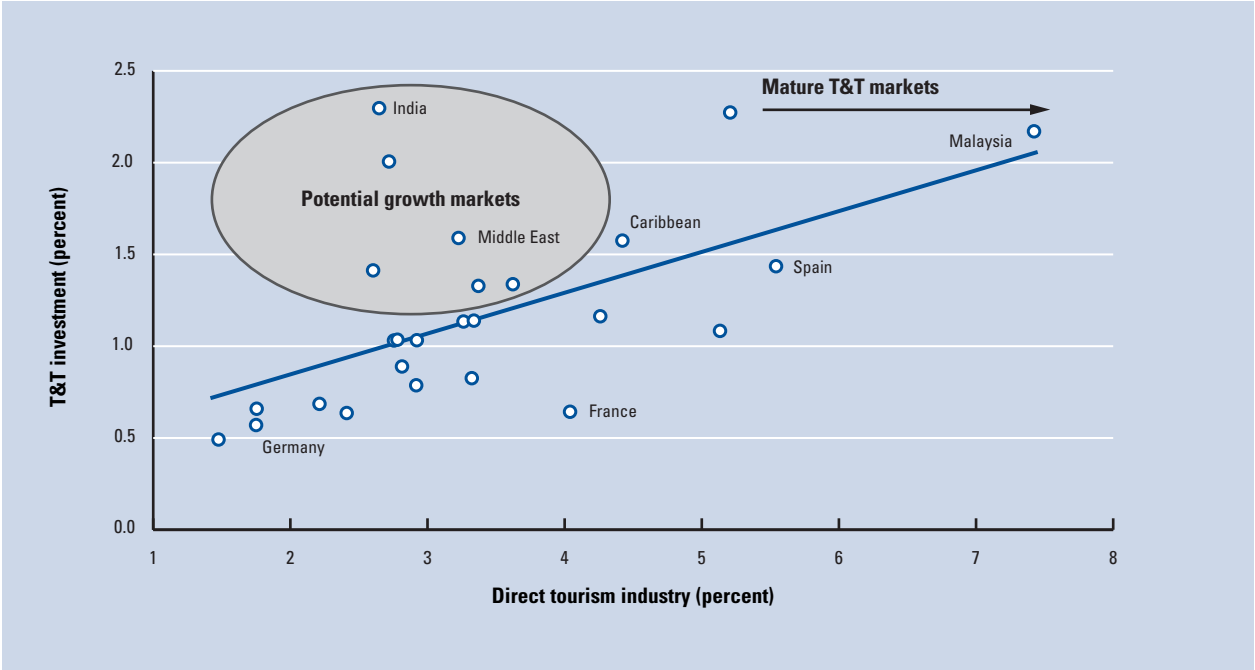
Direct T&T GDP is calculated from total internal spending by "netting out" the purchases made by tourism sectors. In reference to the UN Statistics Commission–approved TSA methodology, the calculation is consistent with calculations in Tables 1 through 6 of the TSA framework.

However, to fully calculate the total contribution of Travel & Tourism to GDP, wider effects, including capital investment, must be considered as well. T&T capital investment is calculated as the sum of spending on:

- accommodation for visitors, comprising: *hotels; vacation/holiday homes; and other non-residential building primarily dealing with tourists, including restaurants, airports, and recreation and cultural services, as well as land improvement for tourism purposes;*
- passenger transportation equipment, primarily including two key components: *aircraft and cruise ships*; and
- other machinery and equipment specific to tourism-characteristic products, as well as investments specific to tourism-characteristic industries.

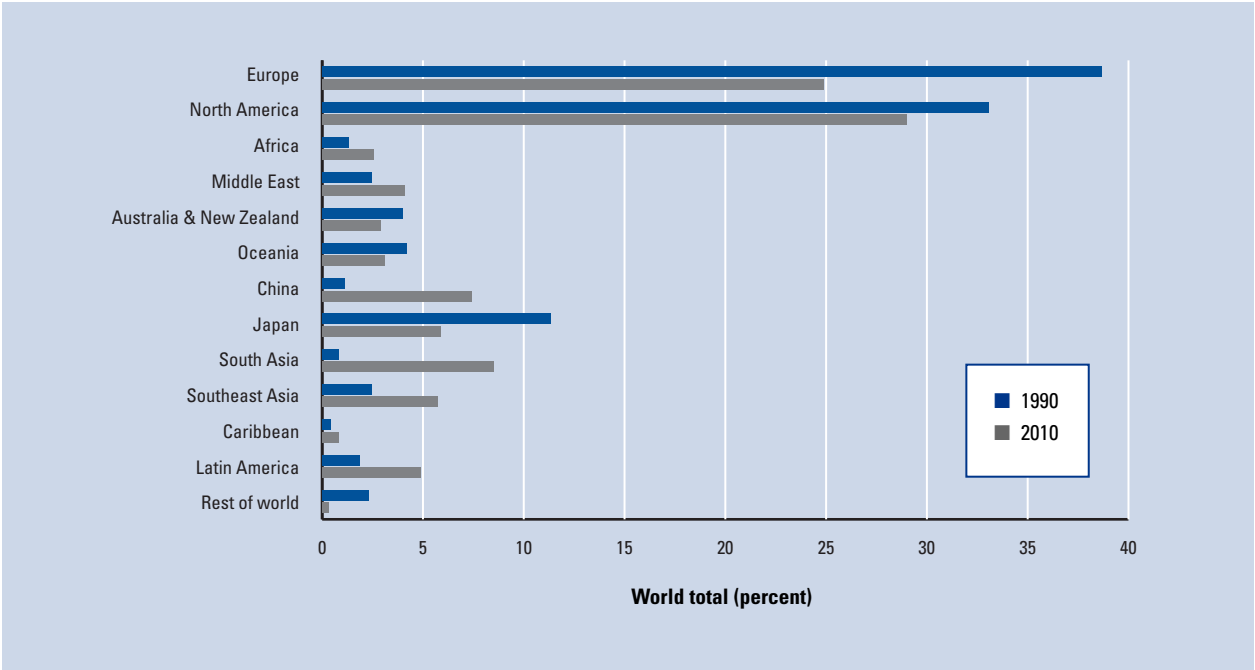
Not surprisingly, T&T investment is correlated with broader investment activity in the economy as a whole and is clearly influenced by similar factors such as the availability of credit. However, it is not a fixed share of total economy investment, as Figure 4 shows. At both the global and the country levels, the share varies over

Figure 3: Direct T&T industry and investment spending as a percentage of GDP, selected countries and regions (2006–10 average)



Source: Oxford Economics.

Figure 4: Share of world T&T investment



Source: Oxford Economic research for WTTC.

Table 1: Change in T&T investment spending, selected countries (US$ billions, 2000 prices)

Country/Region	1995–2001	2001–03	2003–08	2008–10	1995–2010
United States	54	–27	65	–34	58
India	–1	1	20	15	37
China	4	0	30	–9	24
Australia	1	5	–1	2	7
Germany	6	–7	11	–4	6
Brazil	5	–4	8	–3	6
Italy	5	2	2	–4	5
United Kingdom	11	–5	0	–2	4
Canada	3	0	3	–1	4
Egypt	0	0	2	–1	2
Russian Federation	–1	0	3	–1	1
South Africa	1	0	1	0	1
Japan	–6	4	4	–2	1
Spain	–3	3	4	–3	0
Malaysia	–1	0	0	1	0
France	1	–7	7	–3	–2
Rest of world	28	–1	44	–14	57
World total	**109**	**–35**	**205**	**–61**	**218**

Source: Oxford Economic research for WTTC.

time. In fact, Travel & Tourism's share of global investment had been gradually rising until the onset of the global recession, despite major residential and office property booms.

Trends in T&T investment and industry implications in 2011

Global T&T investment closely tracked global tourism spending from the late 1980s to the mid-2000s along a stable upward trend path. Over the period 2005–08, global T&T investment growth began to significantly outpace global tourism spending growth. More recently, between 2008 and 2010, as the global economy entered recession and easy access to finance dried up, investment in Travel & Tourism fell back sharply and corrected much more severely than the drop in global tourism spending.

Table 1 presents estimates of the change in Travel & Tourism investment by major countries over key selected periods. The period 1995–2001 represents the period of steady growth in global T&T investment and spending. Data for 2001–03 reflect challenges for global Travel & Tourism, as both 9/11 and SARS adversely affected activity, while several key economies (including that of the United States) entered recession. In 2003–08, T&T investment growth began to significantly outpace global tourism spending growth. And, finally, 2008–10 spans the global recession.

Over the entire period 1995–2010, global T&T investment increased by approximately US$218 billion (measured in 2000 prices); over half of this increase is attributable to China and the United States alone. As expected, given China's long unbroken period of economic growth, T&T investment continued to expand in 2001–03 while investment in the rest of the world declined.

The growing importance of Chinese T&T investment is evident in Figure 4. Its share of global T&T investment has risen significantly over the last 20 years, mainly at the expense of Europe and Japan. Other regions have also increased their share—notably Africa, the Middle East, and South Asia—but even their combined increase is smaller than China's.

Of course, one critical concern is whether China has overinvested in Travel & Tourism. This concern is based on the estimated slower growth in T&T spending over the same period during which investment has expanded rapidly. Clearly, China has been investing for the future, since a rapidly expanding middle class and international business travel market will sustain strong growth in T&T spending in the years ahead. But there is still a risk of underutilized capacity and low returns on investment.

By contrast, in Europe, where T&T investment expansion was much more aligned to actual demand trends, which fell back sharply during the world recession, there is the opposite risk of underinvestment. This could have implications for future capacity, productivity, and competitiveness. A lack of geographical competition and alternative destinations could allow prices to rise excessively, which would be detrimental to price competitiveness in long-haul markets. However, the

effect on non-price competitiveness in terms of quality and alignment with evolving market preferences is of greater concern.

Conclusions

Investment in T&T products and infrastructure is essential to enable destinations to maintain and expand capacity for future growth and to improve quality, competitiveness, productivity, and sustainability.

Since the late 1980s, T&T investment has shown good growth, especially between 2003 and 2008. But this has arguably occurred too quickly in some destinations. The world recession and the end of relatively cheap, easily accessible finance have corrected some of this excess. Conversely, and potentially of great concern, is that underinvestment in some markets, even at this early stage of recovery, may result in insufficient capacity and a future lack of competitiveness.

As the global economy moves on from the important crossroads it has now reached, the implications of potential over- and underinvestment in different destinations will start to be felt. Even in destinations where existing T&T infrastructure is sufficient, or where there is excess capacity, changing consumer preferences and aging products mean there will be a continual need for investment.

WTTC and Oxford Economics will continue to track T&T investment across individual countries and regions as a key component of the total contribution of Travel & Tourism to the global economy, while remaining consistent with the recommended TSA framework.

Note

1 See UNSD / EUROSTAT / OECD / UNWTO 2008.

Reference

UNSD / EUROSTAT / OECD / UNWTO (United Nations Statistics Division / Statistical Office of the European Communities / Organisation for Economic Co-operation and Development / World Tourism Organization). 2008. *2008 Tourism Satellite Account: Recommended Methodological Framework (TSA: RMF 2008).* Statistical Commission, February 26–29, Item 3 (f) of the provisional agenda, "Tourism statistics." Available at http://unstats.un.org/unsd/statcom/doc08/BG-TSA.pdf.

CHAPTER 1.7

Green Growth, Travelism, and the Pursuit of Happiness

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Green Growth

In the past two years, since the last issue of this *Report,* the shift toward a "green economy" has accelerated significantly. The international community has increasingly recognized the need to deal coherently with today's global challenges of extreme poverty, massive economic volatility, and climate change while at the same time preparing for tomorrow's anticipated food, water, and energy crises—all of which are compounded by a dramatically increasing world population.[2]

The broad-scale response is to seek to limit global temperature increase to no more than 2 degrees Celsius above pre-industrial levels; to reduce dependence on fossil fuels while massively increasing use of renewables and linking energy technology with information technology; and to ensure inclusionary growth through technology, finance support, and capacity building while conserving essential biodiversity and ecosystem integrity. Achieving these goals over the next 40 years will require the decarbonization of consumption and production—essentially decoupling economic growth from carbon emissions.[3]

At a global level, the UN system, the Bretton Woods institutions, and the G-20 have all reiterated their commitment to green growth, thus intensifying research and implementation programs. Regional and other cooperative institutions, such as the Association of Southeast Asian Nations (ASEAN), the Asia-Pacific Economic Cooperation organization (APEC), the African Union (AU), the Organisation for Economic Co-operation and Development (OECD), and the European Union (EU), have fully embraced this concept. Most importantly, national governments and their industry stakeholders are enthusiastically integrating the principles, practices, and enabling programs into policy actions.[4]

Travel & Tourism (*Travelism* for short) as a major economic and lifestyle driver will be an integral part of this process at global, regional, and local levels. However, because of its structural and institutional fragmentation, its engagement is less evident than that of other sectors, its impact is often undervalued, and its potential underexploited.

Travelism could play a bigger transformational role than it now does. The sector *directly* represents some 5 percent of the global economy, with another 5 percent represented indirectly through its supply chain. In tourism-centric areas such as the Caribbean and the Indian Ocean, the share is dramatically higher. It represents a massive component of domestic demand in industrialized and emerging economies, as well as the largest service sector for developing countries generally and for Africa specifically. It engages billions of consumers, touches billions more through its marketing, and is a major lifestyle aspiration of people everywhere across the social, demographic, and geographic spectrum. And it creates jobs like no other sector—rapidly, in every

country, in rural communities as well as cities, and across the employment spectrum.

Given the volume of tourism activity in developing and emerging market destinations, Travelism also presents an opportunity for more equitable global economic growth, thereby promoting social inclusion. In general, developing countries are more dependent on tourism services exports, and to the degree that they have a competitive advantage in eco-tourism, it is a green services export.

The UN World Tourism Organization (UNWTO) has been highlighting this point in its Roadmap for Recovery initiative. So too have the T.20 Tourism Ministers.[5]

Travelism

But an equally important point is that, to fully capitalize on the sector's potential, it has to break out of its historic inclination toward siloed sectoral goals, policies, and institutional frameworks that in turn limit its value in green-growth decision making.

Simply put, in economic impact and operational terms, all travelers use booking systems that integrate transport, hotels, restaurants, travel services, and retail outlets. And they all require the same human resources, investment, and infrastructure. In terms of consumption and production, every journey uses a wide range of public and private suppliers, with combinations of the activities of the subsectors. Globalization and the Internet makes this joint product delivery and supplier cross-fertilization increasingly easy and increasingly integrated. A key issue is how to get multilateral institutions, public sectors, corporations, and trade bodies to rise above their important but nevertheless partial vision and see the value of a clear cross-sectoral approach to the jobs, development, trade, taxation, and climate response priorities.

The tourism and aviation sectors are dependent on each other as well as on global conditions for their prosperity. They are equally affected by archaic global legal frameworks that govern the air space and ownership of airlines, and are vulnerable to terrorism, pandemics (such as H1N1), natural disasters (such as the 2010 Ash Cloud), global exchange rate volatility, rising oil prices, and external economic shocks. They are also mutually enabling. Without aviation, many hotels would be virtually empty; and without tourism, many airlines would face unprofitable load factors.

The key point is that, because of their interconnectivity and mutual dependence, Travelism and its constituting industries need greater convergence and closer collaboration. Key policies will have to be consolidated and/or aligned to ensure that the twin objectives of sustainable mobility and sustainable destinations are met. Convergence will enable the entire sector to coherently pursue a common agenda on issues of shared impact and concern. This will be crucial in advancing the sector's relationship with governments; in multilateral forums or vis-à-vis other industries—for example, through non-tariff trade barriers such as visas and travel advisories; in regulatory reform; in global environmental governance; in safety and security issues; and so on. The mainstreaming of Travelism as a strategic-change sector at a global and national policy level could also assist to consolidate strategic green-growth initiatives within and outside the sector (e.g., with government departments responsible for economy, energy, finance, security, health, environment, climate change, and information communication technology).

Travelism could and should be compatible with a low carbon development trajectory and a key sector driving the shift to a green economy. It is more than compliance to avoid costly economic measures designed to punish untransformed industries in a carbon-constrained world in decades to come; it is also about market leadership, consumer satisfaction, and competitiveness. To quote Marthinus van Schalkwyk, Minister of Tourism of South Africa, "Industry would have to change the way it does business in a carbon-constrained world. I believe that, in far less than a decade, a low-carbon value chain for the tourism sector will be an increasingly important driver of competitiveness. Not only will industry in the near future be faced with changing preferences of consumers who want to travel responsibly, as well as increased shareholder activism, but, from the side of Government, they can also expect a much tighter regulatory framework on issues of the green economy."[6]

Once we accept the realities, we see that our opportunities far outweigh the challenges. The realities fall into three broad areas:

- First, the sector will need to mitigate its environmental impacts, as other sectors do. Ideally global emissions must peak and begin to decline within 10 to 15 years. Climate change holds the potential to disrupt tourism destinations at a macro-level, to affect the seasonality patterns at a local level, and hence to seriously influence competitiveness. Many small island states that depend heavily on tourism receipts do not have the capacity or resources to respond and are particularly exposed.

- Second, Travelism will need to adapt to unmitigated climate change in a way that reduces vulnerability—and in that process, green jobs could be created. Adaptation priorities include dealing with the effects of climate change on key environmental assets, especially on the ecosystems and conservation areas and marine resources that are most threatened, as well as on other ecosystem goods and services that support so many livelihoods.

- Third, Travelism must be at the forefont of the global climate response drive. The sector's overall carbon footprint—of some 5 percent of total global emissions—is far smaller than its overall socioeconomic contribution; it is also far smaller than that of many other sectors.[7] Analysis has shown that the progressive reductions that governments are committing to, both domestically and internationally, are possible. Travelism's most visible component—air transport—has, through the International Air Transport Association (IATA) and the International Civil Aviation Organization (ICAO), made groundbreaking commitments to reduce its emissions progressively until 2020, to seek carbon-neutral growth thereafter, and to aim for ambitious absolute reductions by 2050.[8] Air transport is critical for global commerce and for the economies of the most vulnerable states. In this context, unfair discriminatory taxes imposed unilaterally are especially problematic—particularly those that pretend to support a needed response to climate change but are actually simply another means of collecting revenue for general budgets.

Opportunities will emerge as a result of incentive-supported innovation, technology deployment, and new market offerings that flow from climate change adaptation and mitigation policies and measures. These will include green entrepreneurship; job creation; and, very significantly, the green investment in tourism-related infrastructure in hotels, land transport, airports, parks, and conservation areas.

Huge indirect opportunities for Travelism will also be uncovered in the *general* push for sustainable low carbon cities, green building design, and green transport. Further opportunities will be found *specifically* in the energy efficiency retrofitting of accommodation establishments and other hospitality infrastructure, the scaling up of renewable energy sources, and improved waste management. Similarly, there will be increasing investment in green tourism product offerings and nature-based tourism, and in biodiversity-based businesses and the maintenance of ecological infrastructure, including parks, wetlands, and coastal preservation. These opportunities will increase as Travelism engages in carbon offsetting and trading schemes.

Along with these increased opportunities, and because of the multiplier effect that cascades through interrelated value chains in the economy—including the 80 percent of the sector that is composed of small, medium, and micro enterprises—a green revolution in the Travelism sector could be a catalyst for green growth and transformation in the broader economy.

Gross national happiness

That transformational role may be even more significant as a result of the work of the Stiglitz Commission, launched by President Sarkozy of France in 2008 to look beyond GDP as a measurement of socioeconomic well-being.[9] The Commission's report suggests the importance of also considering "quality of life" and "sustainability" in broader balance sheets of the common good.

Stiglitz suggests that we can learn much from the Kingdom of Bhutan, where the metrics for prosperity include gross national happiness—a measure that looks beyond the material to the spiritual and other nonquantifiable values. These include "values that are not traded in markets and not captured by monetary measures such as cognitive evaluations of one's life, happiness and satisfaction, that cannot be considered as resources with imputable prices, even if individuals do make trade-offs among them."[10]

It is not difficult to see how an activity such as Travelism could be a high-value-added sector in this kind of new measurement approach.

At one level, the sector adds to its well-established wealth and jobs creation impact with the social good it creates through people-to-people understanding, as well as the community well-being it creates, particularly in poor and emerging markets.

At another level, its environmental sustainability also has a huge untapped potential. Unlike manufacturing or extractive sectors, many of Travelism's negative impacts can be fixed with quite simple shifts in operator, consumer, or host destination processes. Moreover, tourism's well-known conservation contribution is already significant and could be easily ramped up—particularly with incentives from climate, trade, or development funds.

Finally, in this context of contributing to a country's gross national happiness, Travelism is at the heart of trade and leisure, which are arguably two of mankind's most fundamental vehicles for creating well-being and happiness. Travelism is the primary vehicle of delivery of leisure, and an important driver of inclusive and shared economic growth and social development.

Capitalizing on the new paradigm

It is clear that a careful balancing act will be required as the world moves down the green growth path, when new factors such as human happiness/well-being and sustainability begin to be reflected in public- and private-sector policy decisions, and as Travelism is coherently engaged.

It is also clear that, in this evolution, the classic "triple bottom line" of economic, social, and environmental balance is evolving to become a "quadruple bottom line" in order to fully reflect the green growth paradigm, particularly the game-changing climate dimension. This is the dimension that Maurice Strong, the father of the

sustainable development movement, has called "the potential Armageddon if we don't face it down."[11]

This is why we must progressively accelerate our attack on Travelism's carbon footprint—to optimize carbon abatement without compromising growth, poverty alleviation, and sustainable development; to internalize all costs; and to remove market distortions. We need to transform "classic tourism" dominated by considerations of growth and market share into "smart tourism" that is also inclusive, clean, green, ethical, and customer- and quality-orientated. This in turn will ensure that the sector becomes a market leader in the green growth paradigm and its related green jobs, investment, trade, and development.

Notes

1 Views expressed in this chapter are those of the author and do not necessarily reflect those of his institutional affiliation.

2 Since 2008, the idea of a "Green New Deal" to place the global economy on a lower carbon growth trajectory, to increase the share of green sectors in global GDP, to create green jobs and decent work through new investment in game-changing technologies/natural infrastructure and, at the same time, to address multiple challenges by accelerating the fight against climate change, environmental degradation, and poverty has gained much traction (UNEP 2009a, b).

3 See Friedman 2008.

4 The 2010 G-20 Seoul Summit committed "to undertake green growth and innovation oriented policy measures to find new sources of growth and promote sustainable development." They also committed to support "country-led green growth policies that promote environmentally sustainable global growth along with employment creation while ensuring energy access for the poor" and recognize the importance of investment in energy efficiency, clean energy technologies, resource efficiency, green cities, and low carbon transport as part of the transformation to a "sustainable green growth." See G20 2010.

5 ". . . growing an economically, environmentally as well as socially sustainable travel and tourism sector on an ethical basis can play a meaningful role to stimulate growth, create jobs, develop infrastructure and rural economies, promote trade, alleviate poverty, and particularly facilitate development in the least developed and emerging economies." T.20 Tourism Ministers 2010.

6 Van Schalkwyk 2010.

7 OECD 2010; IPCC 1999; UNWTO/UNEP/WMO 2008.

8 ICAO 2010a, b; IATA 2009, 2010a, b, c.

9 Stiglitz et al. 2009. The aim of this report was to identify the limits of GDP as an indicator of economic performance and social progress, to consider additional information required for the production of a more relevant picture, to discuss how to present this information in the most appropriate way, and to check the feasibility of measurement tools proposed by the Commission. The output is designed to provide a template for every interested country or group of countries.

10 Stiglitz, et al. 2009, pp. 16, 144.

11 Strong 2009.

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CHAPTER 1.8

A New Big Plan for Nature: Opportunities for Travel & Tourism

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The year 2010 was a landmark year for charting the way forward for how we value, protect, and respect nature. Designated the International Year of Biodiversity (IYB) by the United Nations, 2010 provided an important opportunity for raising awareness about biodiversity loss and ecosystem degradation but also for understanding the immense value of our natural capital.

Yet despite our growing understanding of the vital role biodiversity plays in supporting human well-being, nature is in crisis: one in five of the world's vertebrate species is facing extinction and many ecosystems are on the verge of collapse. Furthermore, human-induced climate change will magnify existing environmental stresses and contribute to food insecurity, conflict over resources, and loss of livelihood for millions of people.

Thanks to the landmark study *The Economics of Ecosystems and Biodiversity* (TEEB), also launched in 2010, we are beginning to realize the full economic impacts of biodiversity loss and the significant business value of conserving nature.

The attention brought to biodiversity and ecosystems by IYB, together with increased awareness and support for nature conservation from government and business leaders as well as the general public, has generated momentum to take action for safeguarding nature. A new "Big Plan" for nature, with 20 biodiversity targets for 2020, was adopted by the world's governments at the end of 2010; more formally known as the Strategic Plan 2011–2020 of the Convention on Biological Diversity, this document aims to steer public and private decision-making in the next decade.

As one of the world's largest and fastest-growing industries and one that is directly dependent upon healthy ecosystems, Travel & Tourism (T&T) has an important role to play in mainstreaming biodiversity-friendly practices and nature-based solutions, and stands much to gain from capturing these values. Ecotourism, for instance, is a burgeoning section of the fast-growing T&T sector that has a huge potential to act as a catalyst for business, biodiversity, and local development. It is therefore essential for the T&T public and private sectors to work together to ensure that conservation and the sustainable use of biodiversity and ecosystems are part and parcel of their operations.

This chapter describes the state of biodiversity and explains the importance of healthy ecosystems for the prosperity of the T&T industry. It then goes on to outline how recent developments in the biodiversity-policy sphere will affect the T&T sector. The value of nature and the necessity to internalize this value into products and services is also discussed.

The state of nature

Biodiversity—the variety of genes, species, and ecosystems that constitute life on Earth—is essential for human well-being and provides society with many

Box 1: Ecosystem services

The 2005 Millennium Ecosystem Assessment describes four basic types of ecosystem services:

- **Provisioning services:** These are the tangible products that biodiversity provides, including food, fresh water, fuel, and materials such as wood for furniture and construction and fiber for clothing as well as genetic resources for medicines and crop security.
- **Regulating services:** These are the services that keep major ecological processes in balance, such as climate regulation, flood control, disease regulation, and water purification.
- **Supporting services:** These are the services that are necessary for the production of all other ecosystem services, including biomass production, soil formation, nutrient cycling, and provision of habitats.
- **Cultural services:** These are the non-material values that humans derive from nature, including aesthetic, spiritual, educational, and recreational benefits.

important benefits and services: for instance, insects pollinate crops; birds disperse seeds; and fungi, worms, and micro-organisms produce nutrients and fertile soils. Interactions between organisms and the physical environment influence climate, water supplies, and air quality, and help protect from natural disasters. These benefits are collectively known as *ecosystem services* (see Box 1).

Although biodiversity provides society with vital products and services, and despite the the fact that the UN Convention on Biological Diversity is one of the most widely ratified treaties in the world, human activities are increasingly causing damage to ecosystems and species around the world. The third edition of the *Global Biodiversity Outlook* demonstrates that the target agreed by the world's governments in 2002, "to achieve by 2010 a significant reduction of the current rate of biodiversity loss at the global, regional and national level as a contribution to poverty alleviation and to the benefit of all life on Earth," has not been met.[1] In fact, the report shows that biodiversity loss is continuing at unprecedented rates, with many species moving toward extinction, with natural habitats becoming increasingly fragmented and degraded, and with genetic diversity continuing to decline in agricultural systems.

According to the International Union for Conservation of Nature (IUCN) Red List of Threatened Species™, the world's most authoritative and objective source of information on the conservation status of species, one in three amphibians, one in three coral species, one in four mammals, and one in eight birds are threatened with extinction. Another major study, based on the IUCN Red List, concluded that one-fifth of the world's vertebrate species—nature's "backbone"—are facing extinction. At the same time, the rate of biodiversity loss is now at least 20 percent less than it would have been without global environmental efforts—showing that targeted conservation action works.

Tourism and nature: A double-edged sword

Tourism and nature are intimately related. In fact, the prosperity of the tourism industry is directly dependent on healthy ecosystems and the many services they provide—whether these are related to ecotourism, beach holidays, skiing, or visiting national parks. These recreational values offered by ecosystems have been recognized as one of the main cultural services that nature provides to humankind, along with spiritual, aesthetic, and educational values. However, from the nature conservation perspective, tourism development represents a double-edged sword. Often acclaimed for its ability to reconcile conservation and development goals, it can rapidly get out of control and become the driving force for ecosystem degradation and biodiversity loss.

Tourism has major negative impacts on biodiversity and the natural environment. These result from:

- the loss of habitat to tourism developments, including new resorts and tourism facilities;
- disturbance and damage to wildlife and habitats caused by tourism activities, such as scuba diving;
- high levels of the use of non-renewable energy and water supplies;
- the disposal of solid and liquid wastes from accommodation, bars, and restaurants;
- the use of unsustainable sources for food supplies, including of fish, seafood, and agricultural products;
- the sale of souvenirs produced from threatened or protected plant and animal species; and
- the production of an estimated 5 percent of global CO_2 emissions, for which tourism is responsible.

At the same time, tourism also has the potential to make positive contributions to conservation, by:

- providing an economic incentive to governments and communities to protect biodiversity and natural environments that attract tourists and provide high-quality ecosystem services for tourism;

- raising awareness about biodiversity and conservation among tourists; and

- supporting conservation activities, through access and use fees for biodiversity-based activities, such as scuba diving or wildlife watching in protected areas, and through voluntary financial contributions from tourism companies and tourists.

In order to capitalize on the positive contributions made by T&T to biodiversity, it is important to fully include this sector in the conservation agenda. It is also essential that the industry strive to reduce its impact on nature through the integration of the value of biodiversity into its products and services.

A new "Big Plan" for nature

As part of the International Year of Biodiversity, numerous events drawing attention to biodiversity and ecosystems were organized on all continents, culminating with a special session of the United Nations General Assembly dedicated to biodiversity and the 10th meeting of the Conference of the Parties to the Convention on Biological Diversity (CBD COP10) in Nagoya, Aichi Prefecture, Japan.

During the CBD COP10, nearly 200 governments adopted a new Strategic Plan for 2011–20. The 20 Aichi Biodiversity Targets, which are part of the Strategic Plan, will help shape the conservation agenda going forward with an emphasis on integrating biodiversity into all sectors. The 20 biodiversity targets, which are split into five strategic goals, set out a roadmap for reducing pressures on biodiversity and restoring ecosystems as well as informing and enhancing national and international policymaking on biodiversity and ecosystems (see Table 1). The Strategic Plan's vision is that:

> By 2050 biodiversity is valued, conserved, restored and widely used, maintaining ecosystem services, sustaining a healthy planet and delivering benefits essential for all people.[2]

Collective action to conserve biodiversity and implement the global vision and targets is a shared responsibility of governments, the private sector, and civil society. The T&T industry has an important role to play in implementing the CBD Strategic Plan. The T&T public sector can create an enabling policy framework that, among other things, provides incentives for biodiversity-friendly practices in the sector. At the same time, the T&T private sector can bring to the table perspectives that are complementary to those of governments. In particular, knowledge of markets and management experience can be valuable assets when applied to conservation.

Capturing the value of nature

The failure to include the value of the services provided by ecosystems and biodiversity into economic and other decision-making processes is believed to be one of the principal factors leading to the overuse and degradation of such services. The TEEB study, launched in 2010, applies economic thinking to the use of biodiversity and ecosystem services in order to correct this failure. The aim of TEEB is to catalyze the development of a new economy "in which the values of natural capital, and the ecosystems services which this capital supplies are fully reflected in the mainstream public and private decision-making."[3] TEEB is explained in more detail in Box 2.

TEEB is probably the most comprehensive review of the value of biodiversity and ecosystems to society. It appeals for systematic appraisal of the contribution of nature for human well-being and makes a number of recommendations that will bring us closer to the CBD's 2050 vision for biodiversity. TEEB also outlines opportunities for capturing the value of nature and simultaneously finding nature-based solutions to current challenges. Because T&T is a biodiversity-dependent industry, the opportunities outlined in TEEB are perhaps the most apparent and easily realized. A summary of T&T-related TEEB findings is found in Box 3.

Biodiversity conservation as a competitive advantage for Travel & Tourism

There is a growing demand for responsible tourism products and services, and such products and services will be rewarded by increased market differentiation and competitiveness. Biodiversity-friendly goods and services will also begin to penetrate into new markets as well as to secure a premium for their offer. *The Time for Biodiversity Business* study carried out by IUCN in 2009 demonstrated that there are numerous possibilities for creating biodiversity businesses linked to tourism and that these can be good for business and good for nature conservation. Those destinations and businesses setting the trend will most certainly gain a competitive advantage.

In the past, much work has been carried out by nature conservation organizations, industry associations, and UN agencies on sustainable tourism and nature conservation, including:

- strategies and tools for the integration of sustainability/conservation in public policy/decision-making processes;

- guidelines for tourism development and operations in sensitive and protected areas (mountain, desert, coastal areas, wildlife watching in protected areas, etc.);

Table 1: The Aichi Biodiversity Targets

Strategic Goal A: Address the underlying causes of biodiversity loss by mainstreaming biodiversity across government and society.	
Target 1	By 2020, at the latest, people are aware of the values of biodiversity and the steps they can take to conserve and use it sustainably.
Target 2*	By 2020, at the latest, biodiversity values have been integrated into national and local development and poverty reduction strategies and planning processes and are being incorporated into nation accounting, as appropriate, and reporting systems.
Target 3*	By 2020, at the latest, incentives, including subsidies, harmful to biodiversity are eliminated, phased out or reformed in order to minimize or avoid negative impacts and positive incentives for the conservation and sustainable use of biodiversity are developed and applied, consistent and in harmony with the Convention and other relevant international obligations, taking into account national socioeconomic conditions.
Target 4*	By 2020, at the latest, governments, business, and stakeholders at all levels have taken steps to achieve or have implemented plans for sustainable production and consumption and have kept the impacts of use of natural resources well within safe ecological limits.
Strategic Goal B: Reduce the direct pressures on biodiversity and promote sustainable use.	
Target 5*	By 2020, the rate of loss of all natural habitats, including forests, is at least halved and where feasible brought close to zero, and degradation and fragmentation is significantly reduced.
Target 6	By 2020, all fish and invertebrate stocks and aquatic plants are managed and harvested sustainably, legally and applying ecosystem based approaches, so that overfishing is avoided, recovery plans and measures are in place for all depleted species, fisheries have no significant adverse impacts on threatened species and vulnerable ecosystems and the impacts of fisheries on stocks, species and ecosystems are within safe ecological limits.
Target 7	By 2020, areas under agriculture, aquaculture and forestry are managed sustainably, ensuring conservation of biodiversity.
Target 8*	By 2020, pollution, including from excess nutrients, has been brought to levels that are not detrimental to ecosystem function and biodiversity.
Target 9	By 2020, invasive alien species and pathways are identified and prioritized, priority species are controlled or eradicated and measures are in place to manage pathways to prevent their introduction and establishment.
Target 10*	By 2015, the multiple anthropogenic pressures on coral reefs, and other vulnerable ecosystems impacted by climate change or ocean acidification are minimized, so as to maintain their integrity and functioning.
Strategic Goal C: To improve the status of biodiversity by safeguarding ecosystems, species and genetic diversity.	
Target 11*	By 2020, at least 17 percent of terrestrial and inland-water areas and 10 percent of coastal and marine areas, especially areas of particular importance for biodiversity and ecosystem services, are conserved through effectively and equitably managed, ecologically representative and well-connected systems of protected areas and other effective area-based conservation measures, and integrated into the wider landscape and seascape.
Target 12	By 2020, the extinction of known threatened species has been prevented and their conservation status, particularly of those most in decline, has been improved and sustained.
Target 13	By 2020, the genetic diversity of cultivated plants and farmed and domesticated animals and of wild relatives, including other socioeconomically as well as culturally valuable species is maintained and strategies have been developed and implemented for minimizing genetic erosion and safeguarding their genetic diversity.
Strategic Goal D: Enhance the benefits to all from biodiversity and ecosystem services.	
Target 14	By 2020, ecosystems that provide essential services, including services related to water, and contribute to health, livelihoods and well-being, are restored and safeguarded, taking into account the needs of women, indigenous and local communities and the poor and vulnerable.
Target 15*	By 2020, ecosystem resilience and the contribution of biodiversity to carbon stocks has been enhanced, through conservation and restoration, including restoration of at least 15 percent of degraded ecosystems, thereby contributing to climate change mitigation and adaptation and to combating desertification.
Target 16	By 2015, the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization is in force and operational, consistent with national legislation.
Strategic Goal E: Enhance implementation through participatory planning, knowledge management and capacity-building.	
Target 17	By 2015, each Party has developed, adopted as a policy instrument, and has commenced implementing, an effective, participatory and updated national biodiversity strategy and action plan.
Target 18	By 2020, the traditional knowledge, innovations and practices of indigenous and local communities relevant for the conservation and sustainable use of biodiversity, and their customary use of biological resources, are respected, subject to national legislation and relevant international obligations, and fully integrated and reflected in the implementation of the Convention with the full and effective participation of indigenous and local communities, at all relevant levels.
Target 19	By 2020, knowledge, the science base and technologies relating to biodiversity, its values, functioning, status and trends, and the consequences of its loss, are improved, widely shared and transferred, and applied.
Target 20*	By 2020, at the latest, the mobilization of financial resources for effectively implementing the Strategic Plan for Biodiversity 2011–2020 from all sources and in accordance with the consolidated and agreed process in the Strategy for Resource Mobilization should increase substantially from the current levels. This target will be subject to changes contingent to resources needs assessments to be developed and reported by Parties.

Source: CBD, 2010b.
Note: These targets are part of the CBD's Strategic Plan and were adopted during CBD COP10.
* Targets that are most relevant for the tourism industry.

Box 2: The Economics of Ecosystems and Biodiversity

The Economics of Ecosystems and Biodiversity (TEEB) study was an international initiative bringing together science, economics, and policy. The aim of the study was to analyze and assess the economic, societal, and human value of biodiversity, promoting a better understanding of the true economic value of ecosystem services and offering practical economic tools that take proper account of this value. By highlighting the costs and benefits of biodiversity and ecosystems, the study offers solutions to rebuild traditional market mechanisms and shows how to improve them.

TEEB delivered five major studies from 2009 to 2010, as follows:

- **Ecological and Economical Foundation (D0):** The core science component of TEEB includes a state-of-the-art synthesis of theory and methods for valuing biodiversity and ecosystem services.
- **TEEB for Policymakers (D1):** A key focus of TEEB is to support policies that stem biodiversity loss and encourage conservation, including the reform of harmful subsidies, development of payments for ecosystem services, stronger environmental liability, and increased financing for protected areas.
- **TEEB for local and regional policy (D2):** Biodiversity conservation requires strong support for rural communities and local governments, to help them manage their resources and confront external threats. This component will provide practical tools for local administrators.
- **TEEB for business (D3):** This component identifies business opportunities linked to the conservation and sustainable use of biological resources, and promotes new tools for measuring and reporting the biodiversity impacts of business.
- **TEEB for citizens (D4):** This component aims to find novel ways of communicating the economics of ecosystems and biodiversity to a mass audience around the world.

Box 3: Summary of Travel & Tourism–related findings of the TEEB study

- The global tourism industry generated about US$5.7 trillion of value-added in 2010 (over 9 percent of global GDP) and employs around 235 million people directly or indirectly.
- Tourism is a key export for 83 percent of developing countries: for the world's 40 poorest countries, it is the second most important source of foreign exchange after oil.
- Many tourism businesses are fully or partially dependent on biodiversity and ecosystem services.
- In 2004, the nature and ecotourism market grew three times faster than the tourism industry as a whole.
- Several biodiversity hotspots are experiencing rapid tourism growth: 23 hotspots have seen growth in tourist visits of over 100 percent in the last decade.
- Whale watching alone was estimated to generate US$2.1 billion per year in 2008, with over 13 million people undertaking the activity in 119 countries.
- Revenues from dive tourism in the Caribbean (which account for almost 20 percent of total tourism receipts) are predicted to fall by up to US$300 million per year because of coral reef loss.
- In the Maldives, single gray reef sharks were valued at US$3,300/year to the tourism industry in contrast to US$32 for a single catch.
- In the United States in 2006, private spending on wildlife-related recreational activities (e.g., hunting, fishing, and observing wildlife) amounted to US$122 billion, or just under 1 percent of GDP.

- certification and accreditation schemes;
- development of partnerships, networks, and initiatives; and
- on-the-ground projects for the management and development of tourism.

Building on this previous work and the momentum generated in 2010, the T&T sector is now in a unique position to become a leading industry in mainstreaming biodiversity-friendly practices and nature-based solutions. In order to achieve this, it would be important to focus on four key areas: (1) adoption and integration of biodiversity-friendly operating practices in T&T supply chains; (2) destination stewardship; (3) capacity building and market creation for "biodiversity businesses";[4] and (4) emerging businesses and markets based on biodiversity-friendly goods and services.

In terms of the adoption and integration of biodiversity-friendly operating practices in T&T supply chains, examples include following good practice guidelines for siting and designing tourism facilities and developments to avoid damage to biodiversity; ensuring that food supplies and other natural resource products come from sustainably harvested and/or sustainably produced sources; and raising the awareness of tourists about the biodiversity of the places they visit and the actions they can take to help protect it.

With regard to destination stewardship, a holistic approach is needed to integrate biodiversity and ecosystems into tourism products and services at the destination or landscape level. Achieving significant and lasting improvements in biodiversity and the quality of a destination's environment requires coordinated action by all parts of the tourism supply chain and the involvement of all stakeholders.

In particular, it is essential that the public sector creates an enabling environment that rewards biodiversity-friendly practices; the private sector can respond by raising the bar within their operations, but also by raising awareness of their consumers and within their supply chains. Partnerships are central to the implementation of destination stewardship, and need to be built through dialogue and the mobilization of key stakeholders in the destination. Often it is easiest to start with local business leaders and public authorities, but it is also important to broaden partnerships to include small- and medium-sized enterprises in the destination by working through their local business networks, which are generally different from those of large enterprises and may be informal.

In terms of emerging markets, there are numerous opportunities to establish payments for ecosystem services schemes in the tourism sector as well as to support the restoration of coral reefs and other ecosystems for tourism and to support protection against the effects of climate change. There is also the opportunity to support mechanisms for supply chain management by methods that include certification and standard development. This should, of course, be backed by capacity building to ensure that local businesses implement the standards of sustainable tourism and improve their business skills. Finally, the development and marketing of biodiversity-based tourism products is paramount in ensuring the success and proliferation of these businesses.

The way forward

The year 2010 represented a milestone in terms of increasing public awareness of biodiversity loss and ecosystem degradation, but also in furthering global efforts on biodiversity conservation. During the year, important decisions were taken to safeguard biodiversity and a global plan of action was agreed upon by the world's governments. This plan requires its adoption and implementation by all sectors of society, including governments, businesses, and civil society. The T&T sector, as the largest and fastest-growing sector in the world, can have considerable influence in ensuring that the targets are met and that biodiversity is protected for future generations.

Biodiversity is vital for T&T, as many tourism products and services owe their attractiveness to surrounding natural environments. Yet the value of the natural assets used by the industry is often not internalized, leading to serious biodiversity impacts. If T&T is to support global biodiversity goals, threats to nature must be minimized through the integration of biodiversity considerations into tourism management systems. On the other hand, there are many opportunities for the industry to reap the rewards of being biodiversity-friendly, including market differentiation and increased competitiveness, the development of premium products and services, and new business propositions as well as emerging markets.

Beyond 2010, there needs to be increased focus on not only integrating biodiversity into policymaking but also on creating the enabling conditions for such policies to be implemented, with an emphasis on recognizing and internalizing the value of biodiversity. IUCN sees tourism as a priority sector in achieving this because, if it is well planned and managed, it has considerable potential to support biodiversity conservation and ecosystem service restoration. IUCN has been involved with and has supported the development of most of the key processes and documents outlined in this chapter. As such, IUCN is in an unmatched position to provide guidance for the industry and craft a way forward for Travel & Tourism to help implement the Big Plan for nature.

Notes

1 SCBD 2010, p. 3.

2 CBD 2010a.

3 TEEB 2010.

4 *Biodiversity businesses,* as defined by a 2008 IUCN report entitled *Building Biodiversity Business,* are "commercial enterprises that generate profits via activities which conserve biodiversity, use biological resources sustainably and share the benefits arising from this use equitably."

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CHAPTER 1.9

Assessing the Openness of Borders

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Traditionally, travel and trade facilitation have been considered fairly separate disciplines. The governing institutions, ministries, and interested parties from the private sector are often separate for each sector. Nonetheless, they share common areas of interest—both trade across national borders and are affected by its physical and administrative manifestations.

For some years the World Economic Forum has organized ministerial-level dialogues around the world on facilitating both travel and trade, supported by national rankings devised by the private sector. More recently these dialogue series have been combined in the hope of identifying common priorities, thereby bolstering the case for action by national administrations.

Although the dialogue series have been combined, the Indexes for the two sectors (the Enabling Trade Index and the Travel & Tourism Competitiveness Index) so far remain distinct because academic research and data are still, for the most part, compartmentalized. In this short chapter, however, we attempt to pull together those elements of the data that overlap to produce a common view on the openness of borders both from a travel perspective and from a trade one. The intent is to heighten awareness of the impact borders can have in hindering both travel and trade, and reveal how that hindrance can be minimized. We aim to help bring about a mindset change, and thus to encourage mutual support between the travel and trade communities.

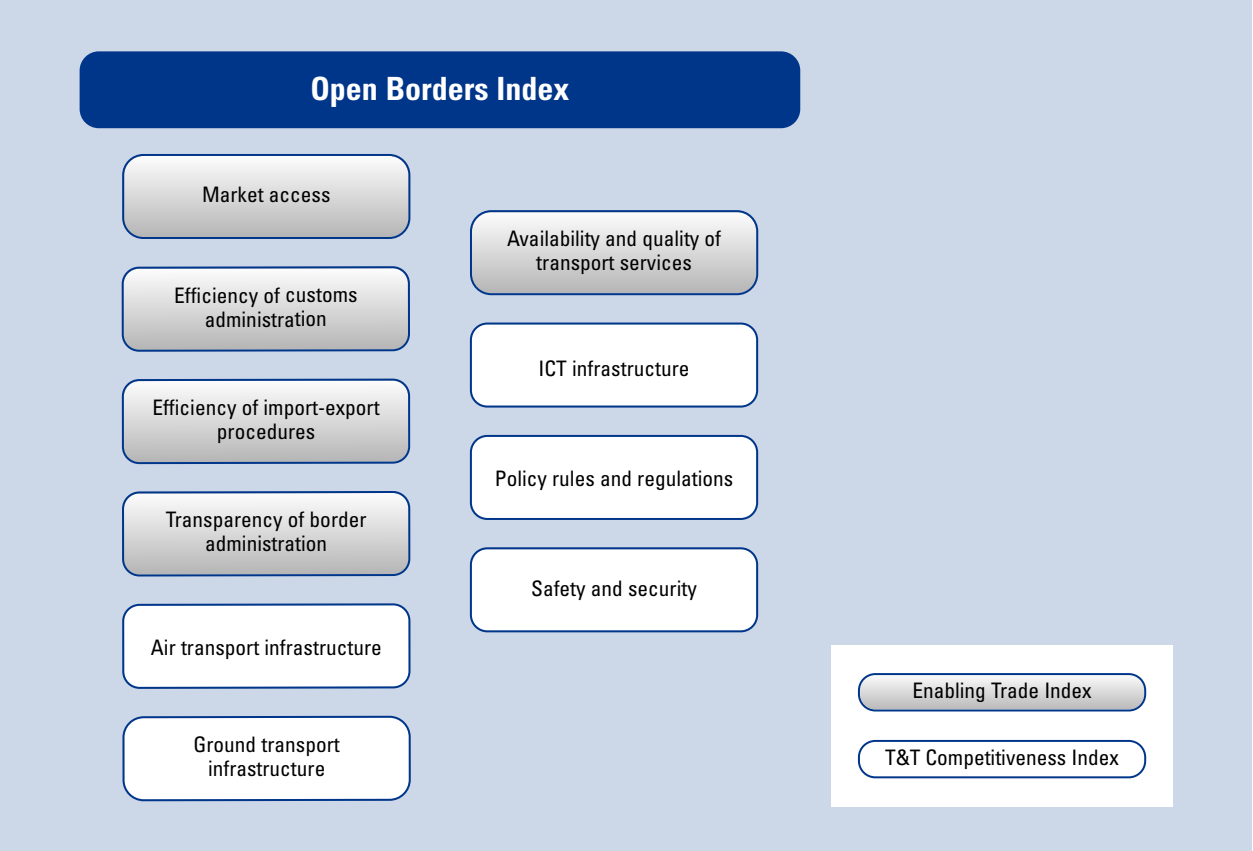
Both travel and trade are enabled by factors that extend far beyond the physical and administrative borders, and include elements such as the general business environment or infrastructure. We try to take these into account by looking at the continued servicing of the traveler or goods to their final destinations, currently restricting our examination to these elements in view of creating the Open Borders Index (OBI).

A potential factor in our approach concerns migration, to which borders are a central barrier. Though this is tremendously important, for this review we have concentrated on short-term leisure and business travel. By taking a time-limited perspective, we can view these two aspects of travel as a kind of parallel to imported goods, and do not here address the long-term questions of migration and production investment, in which the importance of the border crossing dwindles.

Description of the Open Borders Index

As outlined above, this approach aims to identify common areas across the Travel & Tourism Competitiveness and Enabling Trade Indexes, with the aim of capturing those elements that determine whether a country's borders are open. As shown in Figure 1, we have selected five pillars from each of the Indexes for inclusion into the OBI. Appendix A shows the detailed structure of the Index; Appendix B provides descriptions and sources for variables from the ETI. The details of indicators from

Figure 1: Composition of the Open Borders Index



the TTCI are to be found in the Technical Notes and Sources at the end of this *Report*. The rationale for selecting these pillars was based on the common areas identified above, which resulted in the following 10 pillars:

1. *Market access*
2. *Efficiency of customs administration*
3. *Efficiency of import-export procedures*
4. *Transparency of border administration*
5. *Air transport infrastructure*
6. *Ground transport infrastructure*
7. *Availability and quality of transport services*
8. *ICT infrastructure*
9. *Policy rules and regulations*
10. *Safety and security*

The **market access pillar** measures the level of protection of a country's markets, the quality of its trade regime, and the level of protection that a country's exporters face in their target markets. The measures taken into account include not only tariffs and non-tariff measures imposed by a country on all imported goods, but also the share of goods imported duty-free, the variance of tariffs, the frequency of tariff peaks, the number of distinct tariffs, and the like. Protection in foreign markets is captured by tariffs faced, and also by the margin of preference in target markets negotiated through bilateral or regional agreements.

The **efficiency of customs administration pillar** measures the efficiency of customs procedures as perceived by the private sector, as well as the extent of services provided by customs authorities and related agencies.

The **efficiency of import-export procedures pillar** extends beyond the customs administration and assesses the effectiveness and efficiency of clearance processes by customs as well as related border control agencies, the number of days and documents required to import and export goods, and the total official cost associated with importing as well as exporting, excluding tariffs and trade taxes.

Given the significant hindrance that corruption can impose on moving goods or people across borders, the **transparency of border administration pillar** assesses the pervasiveness of undocumented extra payments or bribes connected with imports and exports, as well as the overall perceived degree of corruption in each country.

Quality air transport infrastructure provides ease of access to and from countries, as well as movement to destinations within countries. In the **air transport infrastructure pillar** we gauge both the quantity of air transport—as measured by the available seat kilometers, the number of departures, airport density, and the

number of operating airlines—and the quality of the its infrastructure both for domestic and international flights.

Vital for ease of movement within the country is the extensiveness and quality of the country's **ground transport infrastructure.** This pillar takes into account the quality of roads, railroads, and ports, as well as the extent to which the national transport network as a whole offers efficient, accessible transportation to key business centers and tourist attractions within the country.

The **availability and quality of transport services pillar** complements the assessment of infrastructure by taking into account the amount and the quality of services available for shipment, including the quantity of services provided by liner companies, the ability to track and trace international shipments, the timeliness of shipments in reaching destination, general postal efficiency, and the overall competence of the local logistics industry (e.g., transport operators, customs brokers). This pillar also considers the degree of openness of the transport-related sectors as measured by economies' commitments to the General Agreement on Trade in Services (GATS).

Given the increasing importance of the online environment for travel and trade—for planning itineraries, purchasing travel and accommodations, establishing contacts with potential clients, marketing measures, and utilizing the full potential of information and communication technologies (ICT) for facilitating border procedures—we also capture the quality of the **ICT infrastructure** in each economy. In this pillar we measure ICT penetration rates (Internet, telephone lines, and broadband), which provide a sense of the society's online activity. We also include a specific measure of the extent to which the Internet is used in carrying out transactions in the economy, to get a sense of the extent to which these tools are in fact being used by businesses.

The **policy rules and regulations pillar** captures the extent to which the policy environment is conducive to business in each country. Governments can have an important impact on the development of sectors of the economy, depending on whether the policies that they create and perpetuate support or hinder that development. Sometimes well-intentioned policies can end up creating red tape or obstacles that have the opposite effect from the one intended. In this pillar we take into account the extent to which foreign ownership and foreign direct investment (FDI) are welcomed and facilitated by the country, how well property rights are protected, the time and cost required for setting up a business, the extent to which visa requirements make it complicated for visitors to enter the country, and the openness of the bilateral Air Service Agreements into which the government has entered with other countries.

Safety and security is a critical factor when measuring the ease of movement of goods and people. Tourists are likely to be deterred from traveling to dangerous countries or regions, and a lack of physical security imposes significant costs on trading. In this pillar we take into account the costliness of common crime and violence as well as terrorism, and the extent to which police services can be relied on to provide protection from crime as well as the incidence of road traffic accidents in the country.

Based on these 10 pillars, the final OBI score is calculated as a simple average of the scores for each country.

Coverage is limited to the 125 economies covered by the Enabling Trade Index in 2010, so 14 countries covered by the Travel & Tourism Competitiveness Index are not included. These are Angola, Barbados, Brunei Darussalam, Cape Verde, the Islamic Republic of Iran, Lebanon, Libya, Malta, Moldova, Puerto Rico, Rwanda, Swaziland, Timor-Leste, and Trinidad and Tobago.

Results

The results of the OBI and its pillars are presented in Table 1. **Singapore** tops the rankings for openness of borders, ahead of second-placed **Hong Kong SAR** by a sizeable margin. Both economies are strongly geared toward the international economy and consequently perform very well across all 10 pillars of the OBI.

The **top 20** ranks of the OBI are dominated by European countries, with Nordic economies such as Denmark and Sweden occupying top positions. Other than Singapore and Hong Kong, the only non-European countries in the top 20 include **Canada** at 8th, **New Zealand** at 14th, the **United States** at 15th, **Australia** at 16th, and **Japan** at 19th. Most European countries, in particular the members of the European Union (EU), have efficient border procedures in place, boast well-developed infrastructure transport services, and have safe and enterprise-friendly business environments. At the same time, in many EU member states, market access remains constrained. Despite the region's overall openness to trade and the movement of people, some economies lag behind. Weakest performers **Bosnia and Herzegovina** and **Ukraine** occupy the 86th and the 88th positions out of 125 economies.

Given the diversity of the region, it is not surprising that the results of **Asian** economies spread almost across the entire rankings, ranging from top-ranked Singapore and Hong Kong to **Tajikistan** at 114th and **Nepal** at 118th positions. Japan, the **Republic of Korea** (25th), and **Taiwan, China** (27th) occupy places in the top 30, while **Malaysia** comes in at a good 35th position. **China**'s ranking of 43 reflects the country's fairly efficient border procedures and air transport infrastructure on the one hand and fairly protected markets and a somewhat difficult policies and regulations on the other. **India,** ranked 67th, shows a profile similar to China's.

Chile tops the rankings among the **Latin American and Caribbean economies** at 29th, outperforming the rest of the region by a significant margin.

Table 1: The Open Borders Index 2011

Country/Economy	OPEN BORDERS INDEX 2011		Pillar 1: Market access		Pillar 2: Efficiency of customs administration		Pillar 3: Efficiency of import-export procedures		Pillar 4: Transparency of border administration		Pillar 5: Air transport infrastructure	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Singapore	1	6.03	1	5.97	1	6.69	1	6.45	2	6.53	14	5.01
Hong Kong SAR	2	5.81	16	5.12	13	5.69	2	6.24	14	5.94	12	5.10
Sweden	3	5.65	96	3.75	2	6.33	3	6.18	3	6.53	10	5.23
Switzerland	4	5.57	58	4.23	10	5.77	32	5.29	7	6.21	13	5.08
Denmark	5	5.56	95	3.76	4	5.98	4	6.16	4	6.52	17	4.93
Germany	6	5.55	101	3.74	20	5.37	12	5.92	18	5.72	7	5.48
Netherlands	7	5.55	85	3.79	5	5.96	11	5.93	8	6.19	15	4.99
Canada	8	5.43	25	4.85	19	5.37	30	5.37	11	6.10	1	6.68
United Kingdom	9	5.40	91	3.77	8	5.82	16	5.73	19	5.53	5	5.51
France	10	5.36	97	3.75	24	5.18	10	5.95	28	5.11	6	5.50
Finland	11	5.34	90	3.78	30	4.96	5	6.13	5	6.40	16	4.94
Luxembourg	12	5.32	73	3.91	35	4.75	23	5.51	12	6.09	36	4.18
Austria	13	5.28	94	3.77	3	6.01	21	5.56	16	5.75	27	4.37
New Zealand	14	5.27	37	4.65	7	5.88	24	5.50	1	6.67	11	5.17
United States	15	5.25	62	4.17	11	5.72	17	5.68	22	5.39	2	6.17
Australia	16	5.24	63	4.17	18	5.48	25	5.46	10	6.13	3	5.84
Iceland	17	5.21	14	5.14	29	4.96	57	4.77	6	6.35	18	4.87
Norway	18	5.21	33	4.66	42	4.56	8	6.05	9	6.19	9	5.25
Japan	19	5.19	121	3.20	17	5.49	18	5.67	15	5.79	23	4.61
Ireland	20	5.14	109	3.67	6	5.92	19	5.66	13	5.99	25	4.42
United Arab Emirates	21	5.13	81	3.85	12	5.70	9	6.02	21	5.40	4	5.83
Belgium	22	5.09	99	3.74	41	4.59	36	5.25	23	5.33	32	4.30
Estonia	23	4.99	83	3.83	9	5.81	7	6.10	24	5.30	54	3.47
Spain	24	4.96	102	3.72	22	5.36	45	5.06	32	4.84	8	5.28
Korea, Rep.	25	4.91	111	3.63	26	5.08	6	6.11	37	4.54	40	4.00
Bahrain	26	4.89	29	4.77	15	5.55	35	5.25	30	4.88	29	4.36
Taiwan, China	27	4.84	106	3.70	51	4.34	31	5.32	33	4.84	46	3.75
Cyprus	28	4.79	86	3.79	43	4.52	22	5.54	27	5.17	22	4.69
Chile	29	4.75	2	5.65	21	5.36	47	5.02	20	5.49	52	3.50
Portugal	30	4.73	77	3.89	72	3.92	20	5.57	31	4.86	38	4.15
Israel	31	4.70	43	4.51	33	4.79	15	5.76	26	5.18	51	3.59
Slovenia	32	4.65	88	3.78	14	5.62	67	4.62	25	5.23	74	2.90
Czech Republic	33	4.59	105	3.71	23	5.36	41	5.11	45	4.15	50	3.59
Qatar	34	4.56	72	3.93	84	3.62	46	5.04	17	5.72	21	4.70
Malaysia	35	4.56	31	4.71	48	4.37	29	5.37	52	3.96	34	4.25
Hungary	36	4.47	108	3.68	16	5.49	53	4.83	44	4.16	75	2.86
Italy	37	4.46	78	3.87	68	3.96	39	5.20	55	3.73	30	4.35
Saudi Arabia	38	4.45	54	4.32	27	4.97	26	5.44	39	4.31	45	3.77
Oman	39	4.44	34	4.65	52	4.31	82	4.32	29	4.98	53	3.47
Mauritius	40	4.40	8	5.36	47	4.42	28	5.40	41	4.25	61	3.27
Lithuania	41	4.37	70	3.97	39	4.67	34	5.28	40	4.26	107	2.38
Latvia	42	4.35	80	3.87	45	4.45	27	5.43	50	4.02	63	3.25
China	43	4.33	79	3.87	40	4.60	33	5.29	56	3.71	35	4.24
Slovak Republic	44	4.29	103	3.72	25	5.14	81	4.33	49	4.04	122	2.17
Croatia	45	4.27	28	4.77	54	4.25	74	4.49	59	3.57	66	3.09
Georgia	46	4.22	5	5.43	31	4.95	38	5.21	42	4.18	105	2.40
Tunisia	47	4.22	35	4.65	57	4.22	43	5.09	43	4.17	65	3.17
Thailand	48	4.21	113	3.48	36	4.74	14	5.81	71	3.28	24	4.49
Greece	49	4.21	75	3.91	88	3.50	63	4.70	61	3.54	19	4.76
Costa Rica	50	4.19	7	5.38	34	4.76	51	4.83	47	4.06	44	3.85
Panama	51	4.18	69	3.97	79	3.81	13	5.85	64	3.49	33	4.29
Poland	52	4.16	93	3.77	58	4.20	37	5.23	38	4.38	88	2.67
Montenegro	53	4.15	24	4.86	74	3.89	49	4.94	54	3.74	62	3.26
Turkey	54	4.14	47	4.42	69	3.95	52	4.83	62	3.53	37	4.16
Romania	55	4.12	82	3.85	32	4.82	48	4.95	51	4.01	81	2.76
Uruguay	56	4.11	36	4.65	75	3.88	91	4.05	34	4.71	97	2.52
Jordan	57	4.11	51	4.40	50	4.35	61	4.74	36	4.58	60	3.30
Jamaica	58	4.03	59	4.22	53	4.26	88	4.18	90	2.87	64	3.23
Albania	59	3.97	21	4.96	49	4.36	62	4.71	73	3.27	96	2.52
Dominican Republic	60	3.91	46	4.44	73	3.91	42	5.10	76	3.21	49	3.63
El Salvador	61	3.91	3	5.55	61	4.20	50	4.86	65	3.49	79	2.80
South Africa	62	3.90	87	3.78	28	4.96	99	3.68	46	4.12	43	3.89
Mexico	63	3.88	22	4.90	65	4.12	71	4.59	70	3.28	47	3.72

Country/Economy	Pillar 6: Ground transport infrastructure		Pillar 7: Availability and quality of transport services		Pillar 8: ICT infrastructure		Pillar 9: Policy rules and regulations		Pillar 10: Safety and security	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Singapore	2	6.56	1	5.81	20	5.16	1	6.00	13	6.10
Hong Kong SAR	1	6.74	9	5.40	4	5.90	2	5.69	5	6.32
Sweden	16	5.58	12	5.32	1	5.99	8	5.31	7	6.27
Switzerland	5	6.45	13	5.16	2	5.96	18	5.11	2	6.42
Denmark	7	6.13	15	5.04	10	5.66	17	5.16	8	6.22
Germany	3	6.52	3	5.78	7	5.72	20	5.09	9	6.19
Netherlands	8	6.09	2	5.80	6	5.76	19	5.11	16	5.86
Canada	33	4.77	25	4.66	14	5.38	4	5.40	24	5.73
United Kingdom	17	5.54	6	5.59	9	5.70	13	5.19	30	5.63
France	4	6.45	10	5.37	12	5.46	22	5.03	20	5.76
Finland	21	5.19	22	4.90	17	5.20	5	5.39	1	6.48
Luxembourg	12	5.77	5	5.66	5	5.86	6	5.37	11	6.14
Austria	15	5.64	8	5.53	25	5.03	28	4.95	10	6.14
New Zealand	50	4.22	39	4.20	23	5.14	3	5.40	14	5.88
United States	28	4.97	16	5.03	21	5.16	16	5.18	62	5.01
Australia	51	4.22	11	5.34	24	5.08	30	4.87	18	5.76
Iceland	32	4.79	43	4.11	3	5.93	33	4.83	4	6.34
Norway	63	3.91	33	4.36	11	5.53	15	5.18	3	6.39
Japan	6	6.14	4	5.77	28	4.90	51	4.61	19	5.76
Ireland	38	4.56	23	4.85	29	4.89	7	5.33	12	6.10
United Arab Emirates	31	4.86	29	4.58	18	5.18	38	4.74	54	5.13
Belgium	9	6.03	7	5.56	16	5.26	26	5.00	15	5.87
Estonia	29	4.96	37	4.25	13	5.45	25	5.00	25	5.72
Spain	13	5.72	14	5.15	30	4.70	85	4.30	36	5.44
Korea, Rep.	18	5.49	21	4.93	8	5.70	53	4.59	60	5.05
Bahrain	11	5.78	54	3.96	37	4.39	58	4.53	32	5.47
Taiwan, China	14	5.64	24	4.79	15	5.38	9	5.29	38	5.39
Cyprus	20	5.26	35	4.29	31	4.63	79	4.33	26	5.71
Chile	55	4.11	64	3.80	54	3.61	12	5.20	27	5.70
Portugal	24	5.11	28	4.61	33	4.61	35	4.79	22	5.74
Israel	47	4.25	49	4.04	22	5.15	62	4.47	46	5.26
Slovenia	25	5.08	41	4.18	26	4.96	65	4.44	29	5.65
Czech Republic	22	5.15	27	4.61	40	4.29	52	4.60	41	5.36
Qatar	35	4.66	76	3.54	45	3.99	37	4.75	28	5.69
Malaysia	36	4.65	17	5.03	52	3.68	21	5.07	83	4.50
Hungary	37	4.63	30	4.43	38	4.35	29	4.90	43	5.32
Italy	39	4.54	19	4.98	34	4.47	84	4.31	48	5.23
Saudi Arabia	53	4.18	51	4.00	51	3.68	43	4.70	52	5.17
Oman	40	4.51	40	4.18	58	3.47	41	4.72	17	5.78
Mauritius	41	4.49	86	3.31	66	3.27	27	4.99	45	5.27
Lithuania	26	5.03	44	4.10	32	4.63	83	4.32	59	5.06
Latvia	42	4.31	45	4.10	36	4.40	59	4.51	53	5.16
China	59	4.05	18	5.00	73	3.15	80	4.33	58	5.09
Slovak Republic	45	4.27	20	4.96	41	4.23	36	4.78	49	5.23
Croatia	54	4.12	48	4.09	35	4.47	77	4.33	33	5.47
Georgia	69	3.57	65	3.79	82	2.81	54	4.58	47	5.26
Tunisia	48	4.24	79	3.47	76	3.05	23	5.01	56	5.11
Thailand	56	4.09	26	4.62	81	2.88	76	4.35	94	4.39
Greece	61	4.00	32	4.36	39	4.29	82	4.32	73	4.70
Costa Rica	93	3.12	87	3.31	72	3.19	66	4.43	63	4.94
Panama	68	3.65	74	3.57	57	3.48	24	5.01	71	4.70
Poland	78	3.30	34	4.31	44	4.07	61	4.48	50	5.21
Montenegro	109	2.88	96	3.16	42	4.13	10	5.25	37	5.40
Turkey	60	4.03	57	3.95	59	3.38	34	4.80	97	4.37
Romania	101	3.06	46	4.10	49	3.75	63	4.46	35	5.45
Uruguay	46	4.26	97	3.16	48	3.75	71	4.38	21	5.75
Jordan	75	3.41	53	3.98	85	2.79	47	4.63	64	4.92
Jamaica	23	5.14	71	3.62	60	3.37	11	5.22	104	4.18
Albania	97	3.08	69	3.64	71	3.20	46	4.65	44	5.27
Dominican Republic	81	3.26	50	4.01	83	2.80	32	4.84	116	3.95
El Salvador	70	3.55	101	3.08	77	2.92	39	4.74	118	3.93
South Africa	66	3.73	60	3.87	95	2.59	31	4.85	129	3.52
Mexico	79	3.28	67	3.70	75	3.09	56	4.56	128	3.60

Cont'd.

Table 1: The Open Borders Index 2011 *(cont'd.)*

Country/Economy	OPEN BORDERS INDEX 2011 Rank	OPEN BORDERS INDEX 2011 Score	Pillar 1: Market access Rank	Pillar 1: Market access Score	Pillar 2: Efficiency of customs administration Rank	Pillar 2: Efficiency of customs administration Score	Pillar 3: Efficiency of import-export procedures Rank	Pillar 3: Efficiency of import-export procedures Score	Pillar 4: Transparency of border administration Rank	Pillar 4: Transparency of border administration Score	Pillar 5: Air transport infrastructure Rank	Pillar 5: Air transport infrastructure Score
Macedonia, FYR	64	3.84	38	4.62	108	2.87	59	4.76	58	3.68	127	2.11
Serbia	65	3.84	42	4.53	64	4.12	68	4.62	68	3.44	111	2.31
Morocco	66	3.81	112	3.61	44	4.49	64	4.69	72	3.28	68	3.02
India	67	3.80	115	3.42	62	4.15	72	4.58	75	3.21	39	4.11
Bulgaria	68	3.80	76	3.90	63	4.15	83	4.30	77	3.19	89	2.66
Kuwait	69	3.78	71	3.94	115	2.75	75	4.45	57	3.71	67	3.08
Guatemala	70	3.78	13	5.19	37	4.72	95	4.04	63	3.52	71	2.97
Indonesia	71	3.78	60	4.21	67	4.00	44	5.07	88	2.89	58	3.35
Vietnam	72	3.77	50	4.41	107	2.88	54	4.83	104	2.68	85	2.72
Brazil	73	3.76	104	3.72	94	3.29	78	4.34	67	3.47	42	3.91
Peru	74	3.76	15	5.13	70	3.94	70	4.59	53	3.82	78	2.81
Armenia	75	3.75	9	5.33	76	3.86	89	4.11	109	2.60	95	2.59
Botswana	76	3.70	32	4.69	46	4.43	111	2.83	35	4.61	91	2.61
Honduras	77	3.68	4	5.45	93	3.33	85	4.25	85	2.95	69	3.01
Egypt	78	3.67	114	3.44	80	3.81	40	5.12	80	3.05	55	3.47
Azerbaijan	79	3.66	61	4.20	38	4.69	123	1.78	87	2.92	83	2.73
Namibia	80	3.65	41	4.58	95	3.18	105	3.14	48	4.06	59	3.34
Philippines	81	3.64	64	4.13	56	4.25	55	4.82	119	2.40	80	2.79
Sri Lanka	82	3.64	107	3.68	90	3.40	60	4.74	82	2.99	90	2.62
Gambia, The	83	3.61	119	3.29	78	3.82	66	4.67	69	3.44	82	2.75
Argentina	84	3.61	98	3.74	87	3.55	86	4.19	96	2.79	73	2.90
Colombia	85	3.60	57	4.24	91	3.40	84	4.26	66	3.48	70	2.99
Bosnia and Herzegovina	86	3.50	44	4.50	106	2.90	58	4.77	108	2.60	134	1.87
Senegal	87	3.50	117	3.35	86	3.58	56	4.79	94	2.86	92	2.60
Ukraine	88	3.49	30	4.76	110	2.86	98	3.78	102	2.72	93	2.60
Ecuador	89	3.49	27	4.77	83	3.66	92	4.05	116	2.49	76	2.84
Nicaragua	90	3.42	11	5.23	92	3.35	76	4.36	84	2.96	108	2.33
Russian Federation	91	3.41	125	2.68	85	3.61	110	2.87	115	2.50	31	4.32
Ghana	92	3.40	67	4.04	102	2.99	73	4.57	74	3.22	101	2.46
Zambia	93	3.37	17	5.11	66	4.06	117	2.17	78	3.18	118	2.26
Pakistan	94	3.31	120	3.24	60	4.20	69	4.60	100	2.76	98	2.52
Kazakhstan	95	3.31	53	4.35	103	2.97	125	1.37	81	3.03	86	2.71
Malawi	96	3.30	19	5.01	82	3.70	115	2.36	60	3.55	133	1.94
Guyana	97	3.30	84	3.79	109	2.86	65	4.67	107	2.65	115	2.29
Uganda	98	3.29	10	5.31	71	3.94	106	3.08	111	2.55	119	2.25
Bangladesh	99	3.28	52	4.37	104	2.95	79	4.34	122	2.33	120	2.23
Ethiopia	100	3.28	68	4.03	59	4.20	114	2.43	83	2.97	87	2.70
Cambodia	101	3.26	40	4.62	89	3.44	96	3.97	120	2.39	113	2.30
Bolivia	102	3.24	18	5.05	77	3.83	93	4.05	110	2.56	100	2.47
Benin	103	3.24	92	3.77	112	2.83	94	4.05	91	2.87	124	2.16
Madagascar	104	3.22	6	5.39	121	2.66	80	4.33	86	2.93	106	2.39
Mozambique	105	3.21	12	5.23	98	3.12	97	3.95	93	2.86	112	2.30
Syria	106	3.20	116	3.35	125	1.96	87	4.19	103	2.69	110	2.31
Kenya	107	3.17	26	4.78	122	2.56	104	3.24	112	2.53	72	2.94
Kyrgyz Republic	108	3.17	20	5.00	81	3.79	116	2.19	123	2.29	132	1.96
Mongolia	109	3.17	110	3.63	97	3.12	113	2.54	105	2.66	77	2.83
Tanzania	110	3.17	55	4.31	123	2.55	77	4.34	95	2.85	121	2.19
Paraguay	111	3.16	39	4.62	55	4.25	101	3.46	113	2.52	136	1.79
Algeria	112	3.12	124	2.69	105	2.92	90	4.08	101	2.74	103	2.44
Lesotho	113	3.10	23	4.90	111	2.85	103	3.35	92	2.87	139	1.70
Tajikistan	114	3.08	66	4.12	114	2.77	124	1.57	89	2.89	117	2.27
Cameroon	115	3.08	65	4.12	99	3.11	102	3.43	117	2.46	130	2.06
Burkina Faso	116	3.03	48	4.42	96	3.16	121	1.92	79	3.17	135	1.85
Mali	117	2.98	45	4.47	119	2.69	112	2.75	98	2.77	131	2.04
Nepal	118	2.93	49	4.42	120	2.68	107	2.94	114	2.50	116	2.28
Nigeria	119	2.91	123	2.83	117	2.74	100	3.54	106	2.65	102	2.45
Mauritania	120	2.91	74	3.91	118	2.72	108	2.92	97	2.78	138	1.74
Côte d'Ivoire	121	2.90	122	2.90	116	2.74	109	2.87	118	2.40	114	2.29
Venezuela	122	2.87	100	3.74	101	2.99	120	1.93	124	2.12	84	2.72
Zimbabwe	123	2.84	118	3.35	100	3.01	119	1.94	99	2.77	125	2.16
Burundi	124	2.68	89	3.78	113	2.83	122	1.79	121	2.36	129	2.06
Chad	125	2.54	56	4.25	124	2.32	118	2.03	125	2.04	137	1.76

Country/Economy	Pillar 6: Ground transport infrastructure		Pillar 7: Availability and quality of transport services		Pillar 8: ICT infrastructure		Pillar 9: Policy rules and regulations		Pillar 10: Safety and security	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Macedonia, FYR	88	3.17	55	3.96	55	3.53	78	4.33	42	5.36
Serbia	115	2.82	58	3.93	62	3.35	68	4.39	66	4.85
Morocco	72	3.46	77	3.52	79	2.89	48	4.62	84	4.50
India	43	4.30	59	3.93	111	2.16	128	3.56	78	4.62
Bulgaria	90	3.15	62	3.81	43	4.12	94	4.10	81	4.55
Kuwait	57	4.09	81	3.40	69	3.23	127	3.56	31	5.59
Guatemala	102	3.05	82	3.38	78	2.91	57	4.54	131	3.47
Indonesia	82	3.22	73	3.59	96	2.54	88	4.18	72	4.70
Vietnam	77	3.31	31	4.40	67	3.25	67	4.41	68	4.84
Brazil	116	2.80	42	4.14	56	3.49	114	3.72	75	4.67
Peru	121	2.70	94	3.19	84	2.80	45	4.67	119	3.91
Armenia	106	2.96	36	4.25	97	2.52	92	4.12	51	5.18
Botswana	73	3.43	99	3.13	104	2.33	64	4.45	87	4.46
Honduras	85	3.20	92	3.24	92	2.66	50	4.61	106	4.10
Egypt	76	3.37	61	3.85	93	2.66	49	4.62	135	3.35
Azerbaijan	58	4.08	52	3.99	88	2.76	74	4.37	57	5.10
Namibia	44	4.29	125	2.62	109	2.21	55	4.56	86	4.47
Philippines	114	2.83	38	4.23	98	2.52	70	4.38	109	4.07
Sri Lanka	34	4.76	109	3.01	94	2.64	91	4.14	91	4.41
Gambia, The	52	4.22	115	2.93	108	2.27	86	4.30	88	4.44
Argentina	107	2.91	72	3.61	53	3.62	89	4.17	77	4.62
Colombia	120	2.73	88	3.29	64	3.34	60	4.50	126	3.74
Bosnia and Herzegovina	137	2.27	56	3.95	70	3.22	129	3.55	40	5.37
Senegal	89	3.16	63	3.81	103	2.35	108	3.77	70	4.71
Ukraine	74	3.41	93	3.22	68	3.25	107	3.78	82	4.54
Ecuador	118	2.75	78	3.52	86	2.79	124	3.60	90	4.41
Nicaragua	122	2.70	98	3.14	116	1.97	105	3.80	92	4.41
Russian Federation	95	3.09	70	3.62	46	3.87	126	3.57	113	4.01
Ghana	94	3.10	120	2.86	114	2.05	72	4.37	98	4.30
Zambia	108	2.88	118	2.88	122	1.95	44	4.70	80	4.56
Pakistan	71	3.47	91	3.24	113	2.10	106	3.80	138	3.19
Kazakhstan	96	3.08	47	4.09	61	3.35	95	4.02	108	4.08
Malawi	91	3.14	106	3.02	128	1.81	102	3.84	74	4.67
Guyana	104	2.97	111	2.98	87	2.79	99	3.89	110	4.07
Uganda	119	2.73	85	3.32	125	1.90	100	3.89	117	3.93
Bangladesh	62	3.92	105	3.03	129	1.80	116	3.70	105	4.17
Ethiopia	98	3.07	75	3.56	138	1.54	93	4.12	102	4.20
Cambodia	103	3.01	112	2.96	123	1.92	132	3.42	79	4.57
Bolivia	134	2.38	119	2.88	102	2.35	138	2.81	112	4.02
Benin	99	3.07	66	3.76	118	1.96	117	3.68	101	4.22
Madagascar	126	2.62	114	2.95	131	1.80	101	3.88	137	3.26
Mozambique	128	2.57	124	2.66	127	1.85	109	3.76	125	3.76
Syria	92	3.13	68	3.65	106	2.31	123	3.61	69	4.83
Kenya	87	3.18	83	3.37	112	2.14	103	3.83	139	3.17
Kyrgyz Republic	129	2.55	84	3.35	91	2.70	96	3.99	120	3.90
Mongolia	133	2.39	108	3.01	99	2.44	87	4.21	67	4.85
Tanzania	123	2.69	107	3.01	130	1.80	97	3.92	115	4.00
Paraguay	138	2.19	121	2.82	100	2.43	110	3.75	124	3.78
Algeria	105	2.96	110	2.99	107	2.30	118	3.68	95	4.38
Lesotho	112	2.86	103	3.04	132	1.74	121	3.63	114	4.01
Tajikistan	117	2.80	80	3.42	110	2.17	119	3.67	55	5.13
Cameroon	111	2.86	116	2.92	121	1.95	125	3.60	99	4.25
Burkina Faso	110	2.87	113	2.95	134	1.74	104	3.82	93	4.39
Mali	113	2.84	117	2.91	135	1.73	130	3.48	107	4.08
Nepal	135	2.35	100	3.12	133	1.74	115	3.71	127	3.61
Nigeria	131	2.45	89	3.27	105	2.32	131	3.46	133	3.38
Mauritania	125	2.62	95	3.17	119	1.96	113	3.74	130	3.50
Côte d'Ivoire	80	3.28	102	3.05	117	1.97	122	3.62	122	3.83
Venezuela	136	2.33	90	3.25	74	3.13	134	3.07	134	3.36
Zimbabwe	83	3.21	122	2.74	124	1.92	136	2.93	96	4.38
Burundi	84	3.21	123	2.71	137	1.60	133	3.09	132	3.40
Chad	132	2.39	104	3.04	139	1.53	139	2.69	136	3.33

Indeed, the second-best placed country in that group, **Costa Rica,** achieves only 50th position, followed by **Panama** at 51st and **Uruguay** at 56th. The region's most sizeable country, **Brazil,** places 73rd, behind **Mexico** at 63rd and ahead of **Colombia** at 85th. Efforts to make border agencies more efficient and to further liberalize market access would allow Brazil to benefit from its solid air transport infrastructure and its well-developed transport services. The regional ranking closes with **Venezuela** at 122nd place.

The best-performing country in **sub-Saharan Africa** is **Mauritius** at 40th, significantly outperforming **South Africa** at 62nd. Mauritius' strengths include free market access, a business-friendly environment, and fairly efficient import export procedures. South Africa, on the other hand, suffers from inefficient border procedures and low levels of physical security. The vast majority of countries from the region place in the lower half of the league table: **Botswana** ranks 76th, **Senegal** 87th, and **Nigeria** 119th.

Led by the **United Arab Emirates** (UAE) at 21st, the rankings for the **Middle East and North Africa** also reflect the region's diversity. The UAE has very successfully developed into a key logistics hub and an attractive destination for Travel & Tourism, with excellent infrastructure and efficient borders, yet some room for improvement remains with respect to market access and policy rules and regulations. The UAE is followed by **Bahrain** at 26th, **Israel** at 31st, and **Qatar** at 34th. The best-performing country from North Africa is **Tunisia,** at 47th place. Some of the larger economies in the region attain much lower rankings, such as **Egypt** at 78th or **Algeria** at 112th, mainly because of concerns related to market access.

Conclusions and the way forward

Though this is obviously a cursory look at the synergies between the two areas, the concept that the promotion of Travel & Tourism has a symbiotic relationship with the facilitation of trade seems important. This is particularly critical in an era when security and economic concerns threaten to slow—or even, in some cases, reverse—progress in opening borders.

Through joint ministerial-level meetings at World Economic Forum summits around the world, enlivened by a short open borders video, we hope to at least highlight common areas where both sectors could collaborate. In parallel, the logistics and Travel & Tourism industries are working with governments on securing transport and increasing resilience to risk—while at the same time trying to balance this growing concern for safety with ensuring the everyday access and smooth movement of people and goods.

Of course, the lens chosen here reveals only part of broader themes, among which the efforts to further liberalize services under the World Trade Organization's Doha Round are certainly key. Whereas much trade liberalization has been achieved with respect to goods trade, significant barriers still impede trade in services. Going forward, the approach underlying the OBI and the related dialogue series could be widened to include a fuller set of factors that impede or enable trade in services, of which Travel & Tourism is only one sector. Further research and more complete data will be necessary to identify those factors that could enable the flow of services across national borders. Deeper research and cooperation among the public and private sectors as well as academia on this broader issue can potentially be facilitated by the work of the World Economic Forum in this area at a later stage.

Reference

World Economic Forum. 2010. *The Global Enabling Trade Report 2010.* Geneva: World Economic Forum.

Appendix A: Open Borders Index structure

The following table lists the variables that enter the selected pillars from the Travel & Tourism Competitiveness Index (TTCI) and the Enabling Trade Index (ETI) that are used in the calculation of the Open Borders Index.

For details about the data sources for the TTCI, see the Technical Notes and Sources at the end of this *Report*. For details of data sources for the ETI, please see Appendix B.

FROM THE TRAVEL & TOURISM COMPETITIVENESS INDEX[a]

Policy rules and regulations (OBI pillar 9)

1.01 Prevalence of foreign ownership, 1–7 (best)
1.02 Property rights, 1–7 (best)
1.03 Business impact of rules on FDI, 1–7 (best)
1.04 Visa requirements,* average number of countries entirely or partially exempt from visa requirements
1.05 Openness of bilateral Air Service Agreements,* index
1.06 Transparency of government policymaking, 1–7 (best)
1.07 Time required to start a business,* number of days
1.08 Cost to start a business,* % GNI per capita
1.09 GATS commitments restrictiveness of T&T services,* index 0–100 (best)

Safety and security (OBI pillar 10)

3.01 Business costs of terrorism, 1–7 (best)
3.02 Reliability of police services, 1–7 (best)
3.03 Business costs of crime and violence, 1–7 (best)
3.04 Road traffic accidents,* deaths/100,000 population

Air transport infrastructure (OBI pillar 5)

6.01 Quality of air transport infrastructure, 1–7 (best)
6.02[b] Available seat kilometers, domestic,* millions per week
6.03[b] Available seat kilometers, international,* millions per week
6.04 Departures per 1,000 population*
6.05 Airport density,* number airports/million population
6.06 Number of operating airlines,* number
6.07 International air transport network, 1–7 (best)

Ground transport infrastructure (OBI pillar 6)

7.01 Quality of roads, 1–7 (best)
7.02 Quality of railroad infrastructure, 1–7 (best)
7.03 Quality of port infrastructure, 1–7 (best)
7.04 Quality of domestic transport network, 1–7 (best)
7.05 Road density,* km roads/100 square km of land

ICT infrastructure (OBI pillar 8)

9.01 Extent of business Internet use, 1–7 (best)
9.02 Internet users,* number/100 population
9.03 Telephone lines,* number/100 population
9.04 Broadband Internet subscribers,* number/100 population
9.05 Mobile telephone subscribers,* number/100 population

FROM THE ENABLING TRADE INDEX[a]

Market access (OBI pillar 1)

1.01 Tariff rate,* %
1.02 Non-tariff measures,* index 0–100 (best)
1.03 Complexity of tariffs,* index 1–7 (best)
- 1.03a Tariff dispersion, standard deviation
- 1.03b Tariff peaks, %
- 1.03c Specific tariffs, %
- 1.03d Distinct tariffs, number

1.04 Share of duty-free imports,* %
1.05 Tariffs faced,* %
1.06 Margin of preference in destination mkts,* index 0–100 (best)

Efficiency of customs administration (OBI pillar 2)

2.01 Burden of customs procedures, 1–7 (best)
2.02 Customs services index,* 0–12 (best)

Efficiency of import-export procedures (OBI pillar 3)

3.01 Efficiency of the clearance process,* 1–5 (best)
3.02 Time to import,* days
3.03 Documents to import,* number
3.04 Cost to import,* US$ per container
3.05 Time to export,* days
3.06 Documents to export,* number
3.07 Cost to export,* US$ per container

Transparency of border administration (OBI pillar 4)

4.01 Irregular payments in exports and imports, 1–7 (best)
4.02 Corruption Perceptions Index,* 0–10 (best)

Availability and quality of transport services (OBI pillar 7)

6.01 Liner Shipping Connectivity Index,* 0–132.5 (best)
6.02 Ease and affordability of shipment,* 1–5 (best)
6.03 Logistics competence,* 1–5 (best)
6.04 Tracking and tracing ability,* 1–5 (best)
6.05 Timeliness of shipments in reaching destination,* 1–5 (best)
6.06 Postal services efficiency, 1–7 (best)
6.07 GATS commitments in the transport sector,* index 0–1 (best)

Notes: Quantitative measures from sources other than the Executive Opinion Survey are indicated with an asterisk (*).
[a] The number for each variable refers to the number according to the TTCI and the ETI.
[b] Variables 6.02 and 6.03 from the TTCI enter the OBI Index calculation as an average (one variable).

Appendix B: Technical notes and sources for selected indicators from the Enabling Trade Index

Pillar 1: Domestic and foreign market access

1.01 Tariff rate

Trade-weighted average tariff rate | 2009, 2008 or most recent year available

This indicator is calculated as the average of the applied tariff rates, including preferential rates that a country applies to the rest of the world. The trade pattern of the importing country's reference group (2008 data) is used as a weighting.

Source: International Trade Centre

1.02 Non-tariff measures

Index of non-tariff measures (NTMs) | 2009 or most recent year available

This index is constructed as the average of two NTM-related variables. The variables included are the percentage of trade affected by non-tariff measures (NTMs) and the average number of notifications for products affected by NTMs, for products with imports larger than 0. Politically motivated NTMs, such as embargos, have been excluded.

Source: International Trade Centre; authors' calculations

1.03 Complexity of tariffs

Index of the complexity of tariffs | 2009 or most recent year available

This variable is calculated as the average of the tariff dispersion, tariff peaks, specific tariffs, and number of distinct tariffs (see descriptions below).

Tariff dispersion

Square root of the variance of tariff rates | 2009 or most recent year available

The variance is calculated at the 6-digit level of the Harmonized Schedule.

Source: International Trade Centre

Tariff peaks

Share of tariff lines with domestic peaks (percentage) | 2009 or most recent year available

This indicator reflects the total share of tariff lines in the country's most favored nation (MFN) tariff schedule for which the value is 3 times above the simple average tariff. The score is expressed as a percentage of total tariff lines.

Source: International Trade Centre

Specific tariffs

Share of tariff lines with specific tariffs (percentage) | 2009 or most recent year available

This indicator reflects the number of Harmonized Schedule (HS) tariff lines with at least one specific tariff as a percentage share of the total number of HS tariff lines.

Source: International Trade Centre

Number of distinct tariffs

Number of distinct tariffs for all sectors | 2009 or most recent year available

This indicator reflects the number of distinct tariff rates applied by a country on imports.

Source: International Trade Centre

1.04 Share of duty-free imports

Duty-free imports as a share of total imports | 2009, 2008 or most recent year available

Share of trade, excluding petroleum, that is imported free of tariff duties, taking into account most-favored nation tariffs and preferential agreements. Tariff data are from 2009 or most recent year available, and imports data are from 2008.

Source: International Trade Centre

1.05 Tariffs faced

Trade-weighted average tariff faced in destination markets | 2009, 2008 or most recent year available

This indicator is calculated as the average of the applied tariff rates, including preferential rates that the rest of the world applies to each country.

Source: International Trade Centre

1.06 Margin of preference in destination markets

Index of margin of preference in destination markets | 2009, 2008 or most recent year available

This indicator is constructed as the trade-weighted average difference between the most favored nation (MFN) tariff and the most advantageous preferential duty. It is calculated as the simple average of the absolute preference margin and the preference margin as share of MFN tariff rates.

Source: International Trade Centre

Pillar 2: Efficiency of customs administration

2.01 Burden of customs procedures

How would you rate the level of efficiency of customs procedures (related to the entry and exit of merchandise) in your country? (1 = extremely inefficient; 7 = extremely efficient) | 2008, 2009

Source: World Economic Forum, Executive Opinion Survey 2008, 2009

2.02 Customs services index

Extent of services provided by customs authorities and related agencies (0 = minimum; 12 = maximum) | 2009

This variable is based on the 15 questions in the Global Express Association (GEA)'s survey that capture different aspects of the services offered by customs and related agencies. The services included are the following: clearance of shipments via electronic data interchange; separation of physical release of goods from the fiscal control; full-time (24 hours / 7 days a week) automated processing; customs working hours adapted to commercial needs; fee for services in normal service hours; inspection and release of goods arriving by air by the operator's facility; automated risk assessment as primary basis for physical examination of shipments; multiple inspections (inspections by agencies other than customs), and the promptness of those inspections; exemptions from full customs formalities for shipments of minimal value; exemptions from duties and taxes for shipments of minimal value; clearance of shipments by a third party; appeal of customs decisions to a higher level or an independent tribunal; and use of reference prices or arbitrary uplifts to invoice values. The maximum score an economy can obtain is 12.

Source: Global Express Association

Appendix B: Technical notes and sources for selected indicators from the Enabling Trade Index *(cont'd.)*

Pillar 3: Efficiency of import-export procedures

3.01 Efficiency of the clearance process

Efficiency of the clearance process by customs and border control agencies (1 = very low; 5 = very high) | 2010

This variable assesses the effectiveness and efficiency of the clearance process by customs and other border control agencies in the eight major trading partners of each country. Respondents to the Logistics Performance Index survey were asked to evaluate the effectiveness and efficiency of clearance in the country in which they work, based on their experience in international logistics, on a 1–5 scale (1 for the lowest score, 5 for the highest) compared with generally accepted industry standards or practices.

Source: The World Bank, *Logistics Performance Index 2010*

3.02 Time to import goods

Number of days necessary to comply with all procedures required to import goods | 2009

The time calculation for a procedure starts from the moment it is initiated and runs until it is completed. If a procedure can be accelerated for an additional cost, the fastest legal procedure is chosen. It is assumed that neither the exporter nor the importer wastes time and that each commits to completing each remaining procedure without delay. Procedures that can be completed in parallel are measured as simultaneous. The waiting time between procedures—for example, during unloading of the cargo—is included in the measure.

Source: The World Bank, *Doing Business 2010*

3.03 Documents to import goods

Number of all documents required to import goods | 2009

This variable takes into account all documents required to import the goods. It is assumed that the contract has already been agreed upon and signed by both parties. Documents include bank documents, customs declaration and clearance documents, port filing documents, import licenses, and other official documents exchanged between the concerned parties. Documents filed simultaneously are considered different documents but with the same time frame for completion.

Source: The World Bank, *Doing Business 2010*

3.04 Cost to import goods

Cost (US$ per container) associated with all the procedures required to import goods | 2009

This variable measures the fees levied on a 20-foot container in US dollars. All the fees associated with completing the procedures to export or import the goods are included. These include costs for documents, administrative fees for customs clearance and technical control, terminal handling charges, and inland transport. The cost measure does not include tariffs or trade taxes. Only official costs are recorded.

Source: The World Bank, *Doing Business 2010*

3.05 Time to export goods

Number of days necessary to comply with all procedures required to export goods | 2009

The time calculation for a procedure starts from the moment it is initiated and runs until it is completed. If a procedure can be accelerated for an additional cost, the fastest legal procedure is chosen. It is assumed that neither the exporter nor the importer wastes time and that each commits to completing each remaining procedure without delay. Procedures that can be completed in parallel are measured as simultaneous. The waiting time between procedures—for example, during loading of the cargo—is included in the measure.

Source: The World Bank, *Doing Business 2010*

3.06 Documents to export goods

Number of documents required to export goods | 2009

This variable takes into account all documents required to export goods. It is assumed that the contract has already been agreed upon and signed by both parties. Documents include bank documents, customs declaration and clearance documents, port filing documents, import licenses, and other official documents exchanged between the concerned parties. Documents filed simultaneously are considered different documents but with the same time frame for completion.

Source: The World Bank, *Doing Business 2010*

3.07 Cost to export goods

Cost (US$ per container) associated with all the procedures required to export goods | 2009

This variable measures the fees levied on a 20-foot container in US dollars. All the fees associated with completing the procedures to export or import the goods are included. These include costs for documents, administrative fees for customs clearance and technical control, terminal handling charges, and inland transport. The cost measure does not include tariffs or trade taxes. Only official costs are recorded.

Source: The World Bank, *Doing Business 2010*

Pillar 4: Transparency of border administration

4.01 Irregular payments in exports and imports

In your country, how common is it for firms to make undocumented extra payments or bribes connected with imports and exports? (1 = common; 7 = never occurs) | 2008, 2009

Source: World Economic Forum, Executive Opinion Survey 2008, 2009

4.02 Corruption Perceptions Index

Index of the perceived level of public-sector corruption (0 = very high; 10 = very low) | 2009

The Corruption Perceptions Index score relates to perceptions of the degree of public-sector corruption as seen by business people and country analysts and ranges between 0 (high) and 10 (low).

Source: Transparency International

Pillar 6: Availability and quality of transport services

6.01 Liner Shipping Connectivity Index

Quantity of services provided by liner companies | 2009

The Liner Shipping Connectivity Index is an indicator of liner shipping connectivity, based on indicators of service supply per country. The index is comprised of a list of quantitative indicators for service parameters available in each country. The variables included in this index are: number of ships, liner companies, liner services, twenty-foot equivalent unit (TEU) capacity, and maximum ship size.

Source: UNCTAD, Transport Section, Trade Logistics Branch,

Cont'd.

Appendix B: Technical notes and sources for selected indicators from the Enabling Trade Index *(cont'd.)*

6.02 Ease and affordability of shipment

Ease of arranging competitively priced international shipments (1 = very low; 5 = very high) | 2010

This variable assesses the ease and affordability associated with arranging international shipments. Respondents to the LPI survey were asked to evaluate the ease and affordability associated with arranging international shipments to or from eight countries (major trading partners) with which they conduct business. Performance was evaluated using a scale from 1 to 5 (1 for the lowest score, 5 for the highest), based on their experience in international logistics and in accordance with generally accepted industry standards or practices.

Source: The World Bank, *Logistics Performance Index 2010*

6.03 Logistics competence

Competence and quality of logistics services (e.g., transport operators, customs brokers) (1 = very low; 5 = very high) | 2010

This variable evaluates the competence of the local logistics industry. Respondents to the LPI survey were asked to evaluate the competence of the local logistics industry in the eight countries (major trading partners) with which they conduct business. Performance was evaluated using a scale from 1 to 5 (1 for the lowest score, 5 for the highest), based on their experience in international logistics and in accordance with generally accepted industry standards or practices.

Source: The World Bank, *Logistics Performance Index 2010*

6.04 Tracking and tracing ability

Ability to track and trace consignments (1 = very low; 5 = very high) | 2010

This variable assesses the ability to track and trace international shipments (consignments). Respondents to the LPI survey were asked to evaluate the ability to track and trace international shipments (consignments) when shipping to or from eight countries (major trading partners) with which they conduct business. Performance was evaluated using a scale from 1 to 5 (1 for the lowest score, 5 for the highest), based on their experience in international logistics and in accordance with generally accepted industry standards or practices.

Source: The World Bank, *Logistics Performance Index 2010*

6.05 Timeliness of shipments in reaching destination

Frequency of shipments reaching the consignee within the scheduled delivery (1 = very low; 5 = very high) | 2010

This variable assesses how often shipments reach the consignee within the scheduled delivery time. Respondents to the LPI survey were asked to evaluate the timeliness of shipments in reaching destination when arranging shipments to eight countries (major trading partners) with which they conduct business. Performance was evaluated using a scale from 1 to 5 (1 for the lowest score, 5 for the highest), based on their experience in international logistics and in accordance with generally accepted industry standards or practices.

Source: The World Bank, *Logistics Perception Index 2010*

6.06 Postal services efficiency

To what extent do you trust your country's postal system to have a friend mail a small package worth US$100 to you? (1 = do not trust at all; 7 = trust completely) | 2008, 2009

Source: World Economic Forum, Executive Opinion Survey 2008, 2009

6.07 GATS commitments in the transport sector

Index of commitments in the transport sector under the General Agreement on Trade in Services (GATS) | 2009

The indicator measures the extent of commitments for trade-related services in the transportation sector under the General Agreement on Trade in Services (GATS). It covers the following sectors: air transport services, maritime transport services (only for non-landlocked countries), rail transport services, road transport services, and services auxiliary to all modes of transport. Passenger transport has been excluded across all sectors. Only subsectors where commitments to opening up completely have been taken into account and the results have been weighted by 2007 global trade data.

Source: International Trade Centre and authors' calculations