

## The Travel & Tourism Competitiveness Index: Leveling the Playing Field

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The present chapter is not a statement of UNWTO policy. It is instead a commentary on fundamental aspects of the Travel & Tourism Competitiveness Index (TTCI) and a call to adapt the processes to ensure that, going into the future, the Index more effectively

1. recognizes the differentiated competitiveness situations of developing and developed states—particularly in light of global priorities to reduce poverty; and
2. takes into account the impact of climate policies on competitiveness criteria.

As part of the network set up by the World Economic Forum to develop a Travel & Tourism Competitiveness Index (TTCI), UNWTO has provided state-of-the-art input to the process of compiling this Index.

The development of any index is an evolving process that must incorporate continuous improvements and adapt to changing external conditions and of the study subject itself.

As we have witnessed in the two short years since its start, the TTCI has in fact achieved these enhancements. A good start to further improvement has been made this year by strengthening the Index's environmental and cultural components, especially because developing countries have a comparative advantage in tradition, culture, and natural resources.

This attribute will be in itself an important factor over time in general and for developing countries in particular, as the natural assets of these countries are also crucial tourism assets. Their proper reflection in competitiveness studies and analysis will also contribute to consolidating their comparative advantages as tourism destinations. This is why, looking ahead, some fundamental issues now emerging need to be contemplated.

In considering these issues we reflected on:

- ***The Travel & Tourism Competitiveness Report***, with some 500 pages of detailed tables, data, and contributed chapters, which sets a methodological base for the Index and identifies related aspects of competition from the perspectives of partner organizations (now in its second iteration).
- **Our 2007 chapter contribution**, calling for policy and development support for enhanced competitiveness for poorer countries and highlighting the opportunities for Least Developed Countries in this area. They include mainstreaming tourism for development (at a national level and in financing institutions) as well as reinvigorating tourism in the Doha Development Round (including its Aid for Trade Package).

- **Global Poverty Summits**, in which the world community has pledged to increase the capacity of developing countries to reduce poverty levels and compete in world markets on level playing field terms. The G8 and industrialized states, as well as the United Nations family and the Breton Woods institutions—the World Bank and the International Monetary Fund (IMF) systems—are committed to implement this development agenda by 2015.
- **The Bali Climate Summit**, which has laid the foundation for a new framework for transition to a low-carbon economy with radically reduced greenhouse gas emission by 2020.

We understand that at the present time the inclusion of these elements in the TTCI is constrained by a lack of cross-country data on a number of fundamental issues. However, we expect such data to become available in coming years and it will be imperative to find a way to integrate this information into the TTCI in order to better capture these elements going into the future.

### The development structural divide

Although many developing countries do well in a number of areas measured by the TTCI (in particular, environmental sustainability, prioritization of Travel & Tourism, price competitiveness, affinity for Travel & Tourism, and natural resources, where they are indeed well represented in the top half of the rankings), we have noted that the criteria for competitiveness tends to place poor countries at a fundamental disadvantage in several fundamental areas: safety and security, health and hygiene, air transport infrastructure, ground transport infrastructure, tourism infrastructure, ICT infrastructure, and human resources.

This is not a criticism of the criteria, but rather a realistic appraisal of the structural fault line between rich and poor nations. The tables reflecting these realities underscore the inherent competitive advantages of industrialized states in the rankings. These basic infrastructural differences will take many years to change and will require a massive transfer of funds, building of infrastructure, and supply of technical know-how to developing countries generally and to African nations specifically. The fact is that until this occurs, the competitive playing field is simply not level in these areas—and consequently not in the overall rankings that are so popular with the media.

*We suggest that this aspect of the Index needs fundamental reappraisal and this reappraisal should be reflected in the presentation of results that to some extent now automatically show poor countries in a disadvantaged way in a number of areas. This is partially because results are not differentiated between developed and developing countries.*

### The climate change paradigm

In the aftermath of the Bali UN Climate Conference, states have started a process to negotiate a post-Kyoto greenhouse gas reduction regime by 2012. Ultimately this will require significant changes to all aspects of human activity—including the approach to competitiveness. Climate change is a universal challenge and the world community has agreed to respond, *in parallel with its commitments to the Millennium Development Goals*. Tourism has a special responsibility and opportunity in this regard: in the world's poorest and emerging countries, the tourism sector is one of the principal services exports with a strong comparative advantage and a proven value in the war on poverty. Responsible growth and competitiveness patterns must find ways to capitalize on this situation.

During 2007, the UNWTO was actively involved in helping the sector assess the climate change/tourism relationship and develop a meaningful response framework. This has included a major stakeholder forum in Davos, in partnership with UNEP and the WMO and with the support of World Economic Forum. The resultant Davos Declaration (augmented by ministerial decisions in London and Cartagena) sets out directions for change for the tourism sector and calls on stakeholders to establish a long-range low-carbon emission roadmap with immediate concrete action plans that support global response to climate change and that are coherent with the commitments to the Millennium Development Goals. The UNWTO also ensured a tourism input—alongside other economic sectors—to the Bali Summit, as well as within Secretary General Ban Ki-moon's systemwide roadmap to support adaptation, mitigation, technology, and finance.

In 2008 the UNWTO will undertake an industry-wide 12-month campaign on Responding to the Challenge of Climate Change. The focus will be on increasing awareness of the Davos Declaration framework and encouraging its implementation by all stakeholders. The Davos Declaration is included in the appendix to this chapter.

*Against this background, the UNWTO will, along with all the partners of the Travel & Tourism Competitiveness Report, strive to include over time all the criteria that will reflect a climate change paradigm—not a new element but a paradigm change of Quadruple Bottom-Line Sustainability—adding climate to the traditional economic, environmental, and social components.*

Clearly a suggested change of this magnitude will take time to evaluate and, if considered relevant, to incorporate meaningfully into an index and report that is to some extent in its incubation stage. There is also a clear interrelationship between the two issues identified here—and the more so because the global Bali/UN Framework and the Tourism Davos Declaration Framework insist that the Millennium Development Strategy and the Climate Change Strategy be pursued in

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a coherent way. There would be some logic in looking at 2012 and 2015 as timelines in a plan to integrate these elements into the TTCI.

UNWTO plans a meeting of its members in mid 2008 to advance their interest in this *Competitiveness Report*—including these issues—and would look to do this in a way that is compatible with the overall work of the partners in this project.

**Note**

- 1 The Rio and Johannesburg Earth Summits, the Monterrey Debt Summit, the Millennium Development Goals, and the emerging Doha Development Round.

## Appendix A: Tourism: Responding to the Challenge of Climate Change

The following elements provided input into the preliminary response to the challenge of climate change represented in this appendix.

- **Davos Declaration:** Second International Conference on Climate Change and Tourism, Davos, Switzerland (October 2007)
- **London Conclusion:** Ministers' Summit on Tourism and Climate Change, London, UK (November 2007)
- **Member Endorsement:** UNWTO General Assembly, Cartagena de Indias, Colombia (November 2007)
- **Technical Background:** UNWTO-UNEP-WMO Report on Climate Change and Tourism (2007)

**Tourism**—business or leisure travel and related services—is one of the biggest and most dynamically growing sectors of the world economy. It generates foreign exchange, investment and jobs for all countries in the world. It will continue to be a vital component of the global economy, an important contributor to the Millennium Development Goals, and an integral positive element in our society.

**Climate** is a key resource for tourism, and the sector is highly sensitive to the impacts of climate change including global warming. It is affected by climate change in all regions of the world—from mountains to tropical beaches, coasts, cities, and heritage sites.

But tourism is also among the causes of this global phenomenon—mainly as a result of the emissions resulting from energy use in buildings and tourism transport. It is estimated to contribute some 5 percent of greenhouse gas (GHG) emissions, which approximately parallels its contribution to world trade and the global economy. In poor countries, small island states, and touro-centric regions such as the Caribbean, the economic contribution of tourism is much higher and the GHG impact much lower. In the Least Developed Countries and Small Island Developing States tourism is the largest export and foreign exchange earner. **This is precisely why solutions to the climate change challenge must not compromise tourism's vital role in development and poverty reduction.**

For the past five years, three United Nations Agencies—the UNWTO (the World Tourism Organization), UNEP (the Environmental Program), and the WMO (the World Meteorological Organization)—have been cooperating to advance the thinking on the relationship between tourism and climate change. The general direction of this thinking was charted in a landmark declaration made in Djerba in 2003.

The Davos Conference on Climate Change and Tourism in October 2007 was a milestone event. It reunited stakeholders from across the sector to review developments and re-chart the future in the light of the rapidly evolving science, global awareness, and market-place reality. In addition, a report was commissioned from a group of leading researchers on the socioeconomic relationship between climate change and tourism.

The resultant Davos Declaration (provided at the end of the appendix) acknowledged the reality of climate change and its strong interrelationship with tourism. It also acknowledged the need for a long-term strategy for the sector to reduce its GHG emissions in line with other sectors. It called for urgent adoption of a range of policies to encourage sustainable tourism and travel patterns that reflects a “quadruple bottom line” of environmental, social, economic, and climate responsiveness.

It gave a clear commitment for action to respond to the climate change challenge in four interrelated areas:

- mitigation of GHG emissions,
- adaptation by businesses and destinations,
- technology to leapfrog to improved energy efficiency, and
- financing for poor regions and countries.

It identified concrete initiatives from governments, industry, consumers, research, and communications networks to build awareness, data, education, collaboration, and a changed culture of priority climate response. Subsequent to the Davos meeting, at a tourism ministerial meeting in London and the General Assembly of the UNWTO in Colombia, the following points of emphasis were underscored:

- The importance for the tourism sector to identify consensus measures to address climate change without losing sight of all other priorities, especially poverty alleviation and tourism's contribution to the Millennium Development Goals.
- The urgent need for the tourism sector to adapt to climate change conditions; to mitigate greenhouse emissions in line with the principle of common but differentiated responsibilities included in the United Nations Framework Conventions on Climate Change (UNFCCC); and to help to transfer new technologies, especially through the clean development mechanism, and to make efforts to secure financial resources to assist developing countries that are especially vulnerable to climate change.

- There should be no discrimination against developing countries by creating obstacles to their economic development; this is particularly important for those developing countries located far from tourist-generating markets. Special consideration should be given to Least Developed Countries and Small Island Developing States in the provision of financial, technical, and training support to tourism destinations and operators—particularly in the context of contributions to the UNFCCC LDC Trust Fund.
- Policy responses should be balanced and comprehensive and focus on measures that are economically efficient. The entire tourism industry—including the private sector—must play a strong role as part of a broader response to climate change; however, it should not be disadvantaged through the imposition of a disproportionate burden either on tourism as a whole or on vital components such as aviation.

These continuing initiatives in the Tourism sector are part of the overall UN effort to develop a common framework in tackling the climate change challenge. This process is possible thanks to the close collaboration between the World Tourism Organization, the United Nations Environment Programme, and the World Meteorological Organization. The three agencies have joined forces with the aim of ensuring an effective response to the challenges ahead, in the true spirit of the “ONE UN” initiative.

## CLIMATE CHANGE AND TOURISM

### DAVOS DECLARATION

#### Climate Change and Tourism Responding to Global Challenges

Davos, Switzerland, 3 October 2007

The international community is taking concerted action against climate change around a commonly agreed framework led by the United Nations. This UN framework will seek to establish a long term post-Kyoto roadmap with rapid deployment and targeted milestones. The tourism sector has an important place in that framework, given its global economic and social value, its role in sustainable development and its strong relationships with climate.

To support this action the UN World Tourism Organization (UNWTO), jointly with the United Nations Environment Programme (UNEP) and the World Meteorological Organization (WMO), with the support of the World Economic Forum (WEF) and the Swiss Government, convened the Second International Conference on Climate Change and Tourism, in Davos, Switzerland, from 1 to 3 October 2007. This event, building on the results of the First International Conference organised on this topic in Djerba, Tunisia in 2003, gathered 450 participants from over 80 countries and 22 international organizations, private sector organizations and companies, research institutions, NGOs and the media, with the aim of responding in a timely and balanced way to climate change imperatives in the tourism sector. In preparation of this Conference the organizers commissioned a report to provide an extensive review of current impacts and analyse options for possible actions.

The Conference agreed that:

- Climate is a key resource for tourism and the sector is highly sensitive to the impacts of climate change and global warming, many elements of which are already being felt. It is estimated to contribute some 5% of global CO<sub>2</sub> emissions.
- Tourism—business and leisure—will continue to be a vital component of the global economy, an important contributor to the Millennium Development Goals and an integral, positive element in our society.
- Given tourism’s importance in the global challenges of climate change and poverty reduction, there is a need to urgently adopt a range of policies which encourages truly sustainable tourism that reflects a “quadruple bottom line” of environmental, social, economic and **climate** responsiveness.
- The tourism sector must rapidly respond to climate change, within the evolving UN framework and progressively reduce its Greenhouse Gas (GHG) contribution if it is to grow in a sustainable manner. This will require action to:
  - **mitigate** its GHG emissions, derived especially from transport and accommodation activities;
  - **adapt** tourism businesses and destinations to changing climate conditions;
  - apply existing and new **technology** to improve energy efficiency;
  - secure **financial** resources to help poor regions and countries.

## Appendix A: Tourism: Responding to the Challenge of Climate Change (cont'd.)

**The Conference** calls for the following actions:

### 1) Governments and International Organizations:

- Incorporate tourism in the implementation of existing commitments under the United Nations Framework Convention on Climate Change (UNFCCC) and its Kyoto Protocol, and respond to the call by the United Nations Secretary-General for launching, at the 13th session of the UNFCCC Conference of the Parties in Bali, December 2007, an effective and comprehensive climate change framework for the post-2012 period.
- Implement concrete, simultaneous actions for mitigation, adaptation, technology and financing, consistent with the Millennium Development Goals.
- Provide financial, technical and training support to tourism destinations and operators in developing countries (especially in the least developed countries and Small Island Developing States) to ensure that they can participate in the global climate response framework, through established initiatives, such as the Clean Development Mechanism.
- Promote, at all levels, interdisciplinary partnerships, networks and information exchange systems essential to sustainable development of the sector.
- Collaborate in international strategies, policies and action plans to reduce GHG emissions in the transport (in cooperation with ICAO and other aviation organizations), accommodation and related tourism activities.
- Introduce education and awareness programs for all tourism stakeholders—public and private sector—as well as consumers.
- Develop regional and local climate information services tailored to the tourism sector and promote their use among tourism stakeholders. Build capacities for interpretation and application of this information, strengthening collaboration with WMO's National Meteorological Services.
- Implement policy, regulatory, financial, managerial, educational, behavioural, diversification, research and monitoring measures, for effective adaptation and mitigation.

### 2) Tourism Industry and Destinations:

- Take leadership in implementing concrete measures (such as incentives) in order to mitigate climate change throughout the tourism value chain and to reduce risk to travellers, operators and infrastructure due to dynamic climate variability and shift. Establish targets and indicators to monitor progress.
- Promote and undertake investments in energy-efficiency tourism programmes and use of renewable energy resources, with the aim of reducing the carbon footprint of the entire tourism sector.
- Integrate tourism in the formulation and implementation of regional, national and local level adaptation and mitigation strategies and implementation plans. The Nairobi Work Programme on Impacts, Vulnerability and Adaptation to Climate Change, coordinated by UNFCCC, represents an important opportunity for the tourism sector to enhance knowledge, increase capacities and stimulate action.
- Strive to conserve biodiversity, natural ecosystems and landscapes in ways which strengthen resilience to climate change and ensure a long-term sustainable use of the environmental resource base of tourism—in particular those that serve as “earth lungs” (carbon sinks), sequestering GHGs through forest management and other biological programmes, or that protect coastlines (e.g. mangroves and coral reefs).
- Seek to achieve increasingly carbon free environments by diminishing pollution through design, operations and market responsive mechanisms.
- Implement climate-focused product diversification, to reposition destinations and support systems, as well as to foster all-season supply and demand.
- Raise awareness among customers and staff on climate change impacts and engage them in response processes.

### 3) Consumers:

- In their choices for travel and destination, tourists should be encouraged to consider the climate, economic, societal and environmental impacts of their options before making a decision and, where possible to reduce their carbon footprint, or offset emissions that cannot be reduced directly.

- In their choices of activities at the destination, tourists should also be encouraged to opt for environmentally-friendly activities that reduce their carbon footprint as well as contribute to the preservation of the natural environment and cultural heritage.

#### 4) Research and Communications Networks:

- Encourage targeted, multi-disciplinary research on impacts of climate change in order to address regional gaps in current knowledge, develop tools for risk assessment and cost-benefit analyses with which to gauge the feasibility of various responses.
- Include environmental and climate specific subjects in the study curricula of tourism training programmes and extend these to broader educational systems.
- Promote responsible travel that supports “quadruple bottom line” sustainable tourism, incorporating climate, environmental, social and economic considerations.
- Raise awareness on tourism’s economic role as a tool for development, and present information on causes and effects of climate change based on sound science, in a fair, balanced and user-friendly manner.

#### The Conference:

- sets out a range of specific actions to be taken by all stakeholders in the sector to immediately begin to establish and implement a long range carbon-neutral roadmap;
- invites governments and international organizations; the tourism industry; consumers; research and communications networks to implement these recommendations, with concrete commitments and action plans, and to use the UNWTO on-line Climate Change and Tourism Information Exchange Service as a platform, for committed stakeholders to register their pledges and activities toward adaptation and mitigation on an on-going basis;
- stresses the need that UNWTO, in collaboration with UNEP and WMO, continue to lead this process, and to consider convening a Third Conference on Climate Change and Tourism, at an appropriate time in the future, to review progress, to maintain response levels and to identify further needs and actions;

- urges action by the entire tourism sector to face climate change as one of the greatest challenges to sustainable development, and to the Millennium Development Goals in the 21st Century.

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**The Davos Declaration and results of this conference provided the basis for the UNWTO Minister’s Summit on Tourism and Climate Change, held at the World Travel Market, London, UK, November 13, 2007. It was submitted for adoption at the UNWTO General Assembly in Cartagena deIndias, Colombia, November 23–29, 2007, and also was presented at the United Nations Climate Change Conference in Bali, Indonesia, in December 2007.**