

Asian Economies Resume Upward Curve...

Strong signs are emerging from various sectors that the Asian economic crisis has turned the corner, and that better days lie ahead. That is always good news for the travel and tourism industry which, as the next story in this month's issue reports, is also recovering.

Here are 10 recent developments that point to a regional economic turnaround:

A Reuters survey of 130 economists across Asia has found "mighty hikes" in the outlooks for Korea (ROK) and Indonesia and, to a lesser extent, Hong Kong, China and Malaysia, suggesting that the regional slowdown is finishing sooner rather than later. Korea (ROK) is seen as the star. The Thai economy, too, is expected to rise all through this year.

Japan's Gross Domestic Product surged 7.9 percent in January-March 1999, up 1.9 percent over the previous quarter. Officials have said there is clearly light at the end of the tunnel and the situation will get better as the government's economy-stimulating budget takes hold to encourage corporate restructuring and cushion the loss of jobs. Tokyo shares soared 3 percent when the news was announced.

The Indian stock market has had a bull-run that began in late April and turned into a rampage early in the second half of this year. Fund managers and analysts quoted by the Asian Wall Street Journal say the run-up will be sustained thanks to signs of an economic revival, evidence that corporate India is restructuring, the establishment of electronic trading, an increasingly transparent settlement system and a belief that a strong government could emerge from the September 1999 elections.

Chinese Taipei reported that industrial production grew 10 percent in June 1999, its fourth consecutive month of growth, while export orders rose 3.8 percent to US\$10.5 billion. The Ministry of Economic Affairs is expecting to raise its economic growth forecast for 1999 from the current 5.07 percent to 5.5 percent. Domestic consumption is also reported to be picking up. However, the ongoing political tensions with China (PRC) are being watched with some concern.

The Indonesian election will change the political landscape of Southeast Asia's most populous and ethnically diverse country. Despite some uncertainty, there is much relief that the elections went off relatively peacefully. The International Monetary Fund-supported reform programme is expected to go ahead even though the hardest part - the restructuring and recapitalisation of the Indonesian banks - still lies ahead.

Singapore authorities have unveiled plans to open its legal-services business to more competition in a bid to attract international law firms with financial and capital markets expertise and boost the island state's position as a regional financial centre. A government committee studying the issue has recommended that foreign and Singapore law firms be allowed to form joint ventures and alliances. Legislative changes are under way.

The Group of Seven industrialised countries (G7) have agreed on a plan to provide debt relief for 36 poor countries. Not all of the debt is expected to be

written-off, however. To qualify for the programme, those countries will have to carry out at least six years of arduous economic reforms.

The Bank for International Settlements reported that global financial markets regained a measure of confidence in the first quarter of 1999 with some emerging economies staging a capital markets comeback. The most "striking" sign of improvement was the record issuance of US\$415 billion of long-term international debt in the period.

Vietnam and the U.S. have announced a landmark trade agreement that is expected to normalise commercial relations between the two war-time adversaries and help Vietnam's bid to join the World Trade Organization. It will also help put Vietnam on the map for American business. The two countries normalised diplomatic ties in 1995 and have since been working on doing the same for trade relations.

The year-long debate over the appointment of a new director-general for the World Trade Organization is over. Former New Zealand Prime Minister the Right Honourable Mike Moore, is to take the seat for the first three years followed for the next three years by Thailand's Deputy Prime Minister Dr. Supachai Panitchpak who will be the first representative of a developing country to hold the top job. The two men now have to prepare the agenda for an upcoming round of global trade-liberalisation talks due to open in Seattle in December 1999.

...And So Does Travel and Tourism

For a variety of reasons, travellers are on the move again. Though it is still a long way from the pre-1997 levels, the Pacific Asia travel and tourism industry can look forward to a much better year in 1999. The upcoming new millennium should still be cause for bloom rather than gloom. Some recent developments:

Month-on-month, total visitor arrivals have risen steadily in the first three to four months of this year for Australia; Chinese Taipei; China (PRC); Hong Kong, China; Korea (ROK); the Maldives; Sri Lanka; Macau; the Philippines; Singapore; New Zealand and Thailand. This growth is over the same periods of 1998 but still not yet back to the 1996 levels.

Outbound travel from Korea (ROK), Thailand and Japan is rising again, as the following chart indicates.

| Outbound Travel | | | |
|-----------------|--------------|-----------|----------|
| | Period | Number | Growth % |
| Korea (ROK) | Jan-May '99 | 1,596,044 | 45.30 |
| Thailand | Jan-Mar '99 | 368,252 | 15.14 |
| Japan | Jan-Mar. '99 | 3,975,405 | 3.90 |

Source: KNTD, TAT, JNTO

Australia, which has maintained a strong tactical marketing presence in the Southeast and Northeast Asian countries all through the crisis, is reporting resumed growth from Indonesia, Korea (ROK) and Thailand. Japan remains a difficulty, mainly due to the cutback of 25 percent of airline capacity to Australia by the various airlines serving the two countries.

Korea (ROK), which has been encouraging inbound tourism as a result of the devaluation of the Won, has reported strong growth in visitor arrivals from Indonesia, Japan and Thailand in January-May 1999 over the same period of 1998.

Thailand, another of the crisis-hit countries, has reported a 241 percent increase in arrivals from Korea (ROK) in January-March 1999 over the same period of 1998, 13 percent increase from Japan, and 114 percent from Indonesia.

Into Singapore, too, visitor arrivals in January-April 1999 over the same period of 1998 rose 25.3 percent from Thailand, 34.2 percent from Indonesia and 196 percent from Korea (ROK).

There are some subtle changes in travel patterns. Visitors are spending less and staying less. But it is clear that travel is well and truly fixed as a priority item on which to dispense discretionary income, and that markets will respond to special deals for specific periods of time in specific countries in specific times of the year.

Counter Trends — Re-thinking Globalisation

Travel and tourism has long been considered one of the vanguards of globalisation. While its benefits are well known, little is known about its negative influences.

This year's Human Development Report, commissioned by the United Nations Development Programme, focuses for the first time on globalisation. It says that while those who have been able to take advantage of the increasing flow of goods and services across national boundaries have earned unprecedented wealth, globalisation, as it has been allowed to proceed so far, has also been driving a deeper wedge between richer and poor countries, and among people within countries. People in some countries are in fact worse off in many respects than they were a decade ago.

The challenge, says the report, is to ensure that the benefits of globalisation are shared equitably. "We have to make it work for people as well as for profits."

This Counter-Trends section reproduces just a few of the findings and conclusions of the UN Human Development Report. If even a few of its forecasts about the socio-economic impact of globalisation come true, it could have a major impact on the travel and tourism industry.

The Facts of Global Life

- The fifth of the world's people living in the highest income countries has 86 percent of world gross domestic product (GDP), 82 percent of world export markets, 68 percent of foreign direct investments and 74 percent of world telephone lines: the bottom fifth, in the poorest countries, has about 1 percent in each sector.
- More than US\$1.5 trillion a day is exchanged in the world's currency markets.
- English is used in almost 80 percent of Web sites although fewer than one in 10 people world-wide speaks the language.
- The percentage share of the market by the top 10 corporations in each sector in 1998 was: telecommunications, 86 percent; pesticides, 85 percent; comput-

ers, almost 70 percent; veterinary medicine, 60 percent; pharmaceuticals, 35 percent; commercial seed, 32 percent.

- The income gap between the richest fifth of the world's people and the poorest fifth, measured by average national income per head, increased from 30 to one in 1960 to 74 to one in 1997.
- Tanzania's debt service payments are nine times what it spends on primary health care and four times what it spends on primary education.
- Organised crime syndicates are estimated to gross US\$1.5 trillion a year.
- Industrialised countries hold 97 percent of all patents world-wide.
- Production losses from the East Asian crisis and its global repercussions are estimated at nearly US\$2 trillion over the three years from 1998 to 2000.
- The 200 richest people in the world more than doubled their net worth in the four years to 1998, to US\$1 trillion.
- The value of the illegal drug trade was estimated at US\$400 billion in 1995, about 8 percent of world trade, more than the shares of iron and steel or of motor vehicles, and roughly the same as textiles and gas and oil.

Quotes From the Report

- ◆ The market alone will make global citizens only of those who can afford it.
- ◆ When the profit motives of market players get out of hand, they challenge peoples' ethics - and sacrifice respect for justice and human rights.
- ◆ Families, nations and corporations have been free riding on caring labour provided mostly by women, unpaid or underpaid.
- ◆ Writing computer programmes and revealing genetic codes have replaced the search for gold, the conquest of land and the command of machinery as the path to economic power.
- ◆ Without strong governance, the dangers of global conflicts could be a reality of the 21st century - trade wars promoting national and corporate

interests, uncontrolled financial volatility setting off civil conflicts, untamed global crime infecting safe neighbourhoods and criminalising politics, business, and the police.

- ◆ In defining research agendas, money talks louder than need - cosmetic drugs and slow-ripening tomatoes come higher on the list than a vaccine against malaria or drought-resistant crops for marginal lands.
- ◆ The collapse of space, time and borders may be creating a global village, but not everyone can be a citizen. The global, professional elite now faces low borders, but billions of others find borders as high as ever.
- ◆ In the globalising world of shrinking time, shrinking space and disappearing borders, people are confronting new threats to human security - sudden and hurtful disruptions in the pattern of daily life.
- ◆ The Internet is an easy vehicle for trafficking in drugs, arms and women, through nearly untraceable networks.
- ◆ The positive effects of social support and social relationships on life expectancy are at least as significant as the negative effects of cigarette smoking, hypertension and lack of physical exercise.
- ◆ Competitive markets may be the best guarantee for efficiency but not necessarily of equity. And markets are neither the first word nor the last in human development.
- ◆ More progress has been made in norms, standards, policies and institutions for open global markets than for people and their rights.
- ◆ Reinventing global governance is not an option - it is an imperative for the 21st century.
- ◆ Global inequalities in income and living standards have reached grotesque proportions.
- ◆ The new rules of globalisation - and the players writing them - focus on integrating global markets, neglecting the needs of people that markets cannot meet. The process is concentrating power and marginalising the poor, both countries and people.
- ◆ In the post-cold war world, local culture has often replaced ideology in politics, as the rise of fundamentalist movements reflects.
- ◆ Rejecting the tight control over software given by copyright, a reverse movement has been launched - "copyleft" - turning standard practice on its head.

- ◆ Ultimately, people and nations will reject global integration and global interdependence if they do not gain from it and if it increases their vulnerability. Pressures will mount to retreat to isolationism in economic policy culture and in political priorities.
- ◆ Globalisation opens many opportunities for crime, and crime is rapidly becoming global, outpacing international co-operation to fight it.
- ◆ A country can speed the growth of GDP by encouraging a shift in production from unpaid services such as care to market commodities.... But a deficit of care services not only destroys human development - it also undermines economic growth.
- ◆ Policies to foster more caring labour appear unproductive or costly only to those who define them as narrowly contributing to GDP or short-term profit. The erosion of family and community solidarity imposes enormous costs reflected in inefficient and unsuccessful education efforts, high crime rates and a social atmosphere of anxiety and resentment.
- ◆ For the United States, the largest single export industry is not aircraft, computers or automobiles - it is entertainment, in films and television programmes.

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PATA's first major study of the Middle East outbound market explains how to tap the potential of this high-yield but culturally sensitive market. The report covers a small group of countries that have the greatest near-term potential for generating visitor arrivals into the PATA region: the United Arab Emirates, Saudi Arabia, Kuwait, Qatar, Bahrain, Egypt and Israel.

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The German Outbound Report is the first in a series of market research reports, includes market information, a profile of German travellers, travel to the Pacific Asia region and prospects for 2000. In addition to market information, this book is packed with practical information on marketing and distribution channels, travel sectors and tips for navigating potential legal hazards. A must for anyone considering conducting business in the German travel market.

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