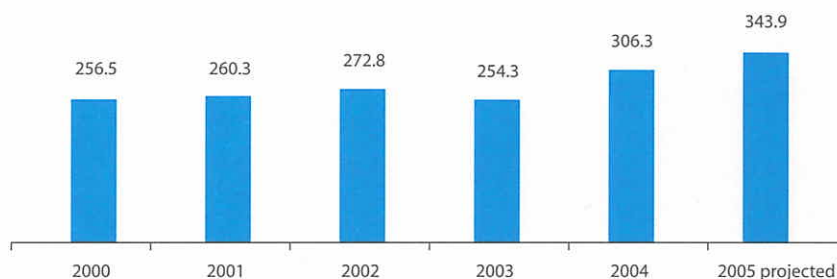# 2005/06: Good News and Bad News

In looking back over 2005 and ahead to 2006, there is good news and bad news to report about the status of Asia Pacific travel and tourism. This year-end edition of *Issues & Trends* begins with the good news.

## PART ONE: THE GOOD NEWS

As a largely numbers-driven industry, the good news is that travel and tourism can expect no shortage of numbers. The era of the "Travelling Millions" is set to become the "Travelling Billions", thanks to new growth from India, China (PRC), Russia and the Middle East.

Projections for calendar year 2005 made by PATA's Strategic Intelligence Centre suggest that the Asia Pacific region will see an expansion in international visitor arrivals (IVAs) of close to 10% by the close of this year. In real terms, that will translate into almost 30 million new international arrivals across the region and will set yet another record, with aggregate arrivals numbering more than 340 million.

**Actual (2000-2004) and Projected (2005) International Visitor Arrivals to the Asia Pacific Region (millions)**



| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 projected |
|------|------|------|------|------|----------------|
| 256.5 | 260.3 | 272.8 | 254.3 | 306.3 | 343.9 |

All sub-regions will end with positive year-on-year percentage growth, with Northeast Asia expected to produce the strongest growth in both percentage terms and numeric gains in arrivals.

Obviously, these growth rates differ at the individual destination level, but of the 39 countries/destinations tracked so far this year, only seven look like they may welcome fewer IVAs than in 2004.

On the other hand, nine countries/destinations will each add more than one million IVAs to their respective counts this year. Inbound border crossings into China (PRC) are expected to jump by around 13 million based on current projections.
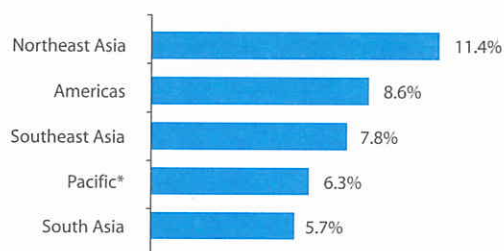
All-in-all, there has been very strong performance for the Asia Pacific region throughout 2005, as measured in IVAs. It will still be some time before other measures, such as length-of-stay and visitor spending, paint a clearer picture.

What is noticeable, however, is the dramatic shift in the inbound arrivals mix for some destinations. These will be discussed in PATA's 2005 *Annual Statistical Report*.

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**Expected Percentage Growth 2005, by Sub-region**



| | |
|---|---|
| Northeast Asia | 11.4% |
| Americas | 8.6% |
| Southeast Asia | 7.8% |
| Pacific* | 6.3% |
| South Asia | 5.7% |

*\* includes Guam and Hawaii*

## PART TWO: THE BAD NEWS

While numeric growth can be a tide that lifts all boats, it can also create its own set of problems. Indeed, it is clear from the events of 2005 that the very definition of the word 'bottom-line' has changed.

As indicated in the industry survey *Asia Pacific Travel & Tourism: The Industry Speaks* carried out by PATA earlier this year, the primary concern among travel and tourism practitioners is how to manage a business at a time of increasing global insecurity and instability.

Globalisation is designed to create a borderless world. But the seamless flow of people, products and processes has led to new borderless problems and exacerbated old ones.

Among the issues are endemic poverty, convulsive economic transitions that cause growing inequality and high unemployment, the spread of deadly armaments, large-scale population movements, recurring natural disasters, ecosystem breakdown, new and resurgent communicable diseases, and rising competition over land and other natural resources.

Worldwatch Institute President Mr Christopher Flavin said: "Global insecurity is inextricably linked to ecological and social problems. It is no longer something that can be safeguarded solely through diplomatic skills or military power."

He added: "The deeper roots of insecurity can be found in the destabilisation of human societies and the natural world that has accompanied the explosive growth in human numbers and resource demands over the past several decades."

Where has the "peace dividend" gone? Why have regional conflict and terrorism become so dominant in today's world? Does better preparation mean thinking more holistically?

Because travel and tourism is not immune to the impact of these global disparities, it needs to address them seriously through personal efforts, leadership, and practical community work. The industry needs to have the courage to make a difference.

This need was reflected in PATA's *The Industry Speaks* survey, which indicated a yearning for industry groupings to address wider issues that go beyond day-to-day financial concerns.

Here is a synopsis of the challenges ahead.

## Terrorism

Terrorism is only symptomatic of a far broader set of complex problems that require more than a military response. Acts of terror and the reactions they provoke are often the result of profound socioeconomic, environmental, and political pressures.

Weapons do not necessarily provide security, and real security in a globalising world cannot be provided on a purely national basis. With world military expenditures rising to close to US$1 trillion a year, is the war on terror draining resources that could otherwise be used to combat the root causes of insecurity?

Furthermore, policies that seek security primarily by military means, yet fail to address underlying factors of instability, will likely trigger a downward spiral of violence and chaos, and quite possibly a collapse of international rules and norms.

Solutions to current security concerns lie in policies that strengthen civilian rather than military institutions. The policies should be preventative in nature, addressing the root causes of insecurity; drawing on the strengths and insights of different disciplines; and transcending academic and bureaucratic boundaries.

## Poverty

In the year 2000, all 191 United Nations member states signed a document setting forth the Millennium Development Goals. This committed them to eradicating by 2015 such endemic global problems as extreme poverty and hunger, and ensuring environmental sustainability.

While considerable, albeit erratic progress is being made in many areas, any optimism must be tempered with the realisation that gains in overall global socioeconomic development, security and sustainability do not reflect the reality on the ground in many parts of the world.

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Most of the world's civil wars, emigration and terrorism emerge from the world's poorest countries, exacerbated in many cases by ethnic and religious differences and by the breakdown of the social and ecological systems on which people depend.

Official development assistance from the top industrial countries still represents only a tiny percentage of the poorest countries' gross national products and does not come close to the pledges made more than a decade ago at the Rio Earth Summit.

The growing disparity between the rich and the poor and the gross misallocation of limited resources to consumerism and war is likely to create even greater challenges and threats.

## Oil

Industrial civilisation requires a staggering amount of energy. To date, most of that energy has come from fossil fuels – mainly oil. But oil is a finite resource with no clear successor, and the gap between supply and demand is growing.

Oil accounts for a large share of energy budgets in most industrial countries – 36% in France, 39% in the United States and 49% in Japan. Developing countries are even more vulnerable because their imports are larger in relation to GDP.

Growing evidence suggests that rising demand, especially from nations such as China (PRC) and India, will soon permanently out-pace supply, leading to a long-term rise in prices.

Great powers have long wielded their military and economic strength to secure access to oil supplies. Many nations with oil resources have also found themselves afflicted with the "natural resource curse" – the tendency for mineral wealth to support corruption and conflict rather than growth and development.

The dependence of the US and Europe on Middle Eastern oil has led to highly skewed economic flows and heavy military investments that have created deep resentments on both sides. The dramatic run-up in prices to more than US$60 per barrel coincided with growing instability in the Gulf, where the world's richest oil resources are located.

The prospect of world oil production beginning a long decline within the next decade, just when large countries such as China (PRC) and India stake their claims to remaining reserves, would be concerning enough without the crisis in Iraq. Together, they have created a global powder-keg.

## Climate change

As the world's dominant transportation fuel, oil produces more than 40% of total carbon dioxide emissions, the chief human-caused greenhouse gas. Although huge global reserves of coal remain a larger threat to climate stability, phasing out oil use is imperative if greenhouse warming is to be controlled.

Amid new signs of accelerated global warming, from the rapid melting of Arctic ice to the spread of diseases and pests into new territories, scientists are focusing on the potential for a sudden collapse in economically essential ecosystems such as forests, underground water resources and coastal wetlands.

The unprecedented hurricanes that hit the Caribbean and Gulf of Mexico in 2004/2005, combined with the record number of Pacific typhoons, prompted weather forecasters to study the possibility that catastrophic weather events might become the norm. This would have immense human consequences, particularly in the world's poorest countries.

An October 2004 report by a coalition of aid and environmental agencies warned that climate change is likely to worsen poverty. By flooding valuable coastal areas and undermining forests and watersheds, a changing climate will exacerbate competition for resources.

## Water

In the last five years, some 20 million children have died of preventable waterborne diseases, and hundreds of millions of people continue to live with the daily misery and squalor associated with a lack of clean drinking water or adequate sanitation.

Four out of 10 people in the world live in river basins shared by two or more countries. Farmers, hydropower generators, recreational users and ecosystems often compete for finite water supplies, both within and between nations.

A lack of co-operation is reducing living standards, causing devastating environmental problems and even contributing to violent conflict. However, there have been cases, even in contentious areas, where water has been the cause for preventing conflict.

In some regions, such as in the Middle East, water provides one of the few paths for dialogue. In politically unsettled regions, water is an essential part of regional development negotiations, which serve as de facto conflict-prevention strategies.

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## Food

Poverty, soil degradation, population growth and water shortages continue to be among the causes of hunger. But possibly the biggest threat to global food security is loss of crop and livestock diversity, the emergence of new agricultural diseases and the interplay between agriculture and climate change.

Plant scientists from Asia have found that rising temperatures may reduce grain yields in the tropics by as much as 30% over the next 50 years. The most important preventative tool is not new chemicals or fertilisers or genetically engineered seeds, but a new approach to farming that depends on the local knowledge of farmers and the sophisticated use of the environment around them.

## Population

Over the past few decades, countries on every continent, from every major political and religious background, have experienced momentous change in the size and structure of their populations. Yet the global demographic transition, from populations with short life expectancies and large families to those with longer life expectancies and small families, remains woefully incomplete.

While the industrialised countries are facing ageing populations, others such as India and China (PRC) are home to a large and growing proportion of young people who need jobs. Many of them will migrate to the cities, exacerbating rapid urban population growth.

Alone and in combination, these conditions act as "demographic risk factors" that could contribute greatly to political deterioration and cycles of conflict, as well as restrict economic and social progress in the world's weakest and most unstable countries.

## Infectious diseases

All of the wars of the 20th century are estimated to have resulted in the deaths of an average of 1.1 million people per year. Today, communicable diseases are killing 14 times that number of people annually.

Large-scale disease outbreaks occur when something happens to disturb the evolutionary equilibrium that normally exists between people and pathogens. Scientists, physicians and health officials are faced with evolving challenges which are exacerbated by the accelerating pace of globalisation.

At present, the HIV/AIDS virus has killed more than 20 million people and is infecting an additional five million people per year. Additionally, there is deep concern among health officials that an influenza virus, perhaps a communicable and lethal variant of the avian flu, could spread rapidly around the world leading to millions of human casualties before an effective vaccine can be developed.

## CONCLUSION – LAYING THE FOUNDATIONS FOR PEACE

The experience of recent decades has made it clear that building a secure world will require extensive interactions among a broad range of actors, including visionary and committed national and local politicians, government officials as well as engaged, globally-minded citizens.

Laying the foundations for lasting peace will require international co-operation on a broad range of fronts, from resisting aggression to combating terrorism, mediating peace settlements to addressing underlying causes of conflict and instability.

Today, more than ever, the travel and tourism industry needs to become part of what Worldwatch calls "a global value shift on how we handle Earth, a new sense of global interdependence, and a shared responsibility in humanity's relationship with nature."

Worldwatch asserts: "We need a Global Glasnost – openness, transparency, and public dialogue – on the part of nations, governments, and citizens today to build consensus around these challenges." And we need a policy of "preventive engagement": international and individual solidarity and action to meet the challenges of poverty, disease, environmental degradation and conflict in a sustainable and non-violent way.

Humanity, for its own sake and for the sake of its stakeholders (you and I), must adapt both its thinking and its behaviour to realise its dependence upon the natural world. And for the travel and tourism industry, an industry that relies upon natural and cultural diversity and peace between peoples for its very existence, that is a sobering reality check for the year ahead.