3rd United Nations Conference on the Least Developed Countries
Brussels, 14-20 May 2001

# A place in the sun

***The least developed countries are well positioned to take advantage of the trend toward alternative tourist destinations. To gain maximum advantage, these countries need to develop infrastructure and ensure protection of natural environments and cultural treasures.***

"*White sandy beaches sparkling in the sun… breathtaking underwater scenery… graceful coconut palms leaning over crystal-clear lagoons….*"

This is the web site description not of a chic resort in the Caribbean or the South Seas, but of an archipelago in the Indian Ocean that is one of the world's 49 poorest and least developed nations: the Maldives.

In the Maldives and other LDCs, tourism represents a hope for a greater presence in the world economy and is now – or soon will be -- at the heart of national development plans. Tourism is already the leading service export sector in 24 of these countries, and the first source of foreign exchange earnings in seven. Although the LDCs' share of world tourism was only 0.8% in 1998 (5.1 million international tourist arrivals), receipts from tourism have more than doubled in just six years, from $1 billion in 1992 to $2.2 billion in 1998.

Prospects for this sector are among the themes to be covered at the Third UN Conference on the Least Developed Countries, from 14 to 20 May in Brussels. In preparation for "LDC III", experts reviewed the subject at a high-level meeting in the Canary Islands in March of this year, with a view to ascertaining how the LDCs can tap into the shift in tourist arrivals toward developing countries in general -- tourism receipts have been growing twice as fast in the developing as in the developed world.

> "*Tourism appears to be one of the very few economic sectors able to guide a large number of LDCs to higher levels of prosperity.*"
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> *Tourism and development in the least developed countries* (UNCTAD/LDC/Misc.64), prepared by the UN Conference on Trade and Development for the Canary Islands meeting.

Sun and beach tourism is still the most important segment of the tourism market, according to the Madrid-based World Tourism Organization. But tourists increasingly are seeking "new" destinations that offer other kinds of striking natural environments (deserts, mountains, volcanoes, flora and fauna) or cultural, historical or recreational interest (monuments, music, art, hot springs, diving, windsurfing and sports fishing). In many cases, these are key comparative advantages for LDCs, which generally lack lucrative natural resources or competitive infrastructure for manufacturing or high-tech services.

But the very uniqueness of these destinations can constitute a disadvantage: in many cases they are remote and difficult of access, owing to inadequate air transport. They may also lack domestic infrastructure and local inputs such as food and managerial skills, forcing reliance on imports and a reduction in benefits to the local economy. Another aspect of their uniqueness is environmental fragility – as in the Maldives, where coral bleaching is affecting the lucrative diving industry.

Reducing the economic "leakages" from the tourism industry should be a key aspect of any tourism development plan for LDCs -- the leakage rate for small developing countries can be a whopping 40-50% of gross tourism earnings. Foreign investment needs to be attracted while at the same time promoting intersectoral linkages -- such as with fisheries and fruit and vegetable producers -- that increase the income multiplier effect of tourist expenditure. In the tourism industry, leakages occur primarily through imports of goods and services, remittances abroad of tourism income by expatriate labour (arising from domestic skills shortages), and retention or repatriation of profit by foreign-owned tourism enterprises.

But poor countries with an undiversified economy and shortages of skilled human resources initially have no choice. They often lack the capacity to make a steady supply to hotels and have to rely on foreign skilled labour and foreign capital. For them, leakages are a "necessary evil", a "normal one-time price to pay" to get started in tourism, maintains Pierre Encontre, an economist with UNCTAD. Leakages have been successfully reduced in such countries as Nepal and Tanzania; the latter is now the number-one LDC in terms of international tourist arrivals and foreign exchange earnings from tourism.

> *"Tourism has to create a certain critical mass in the local economy and when that happens, the net benefit begins to be positive. Even with a high import content -- for example in the Maldives -- much value added remains."*
>
> - Pierre Encontre, UNCTAD economist

Four LDCs, claims Encontre, have come near to the threshold for "graduation" from LDC status as a result of their success in tourism development: Cape Verde, Maldives, Samoa and Vanuatu. In the case of Maldives, tourism development is considered the "most significant factor" in its relative prosperity.

There is, of course, the social impact of tourism to be considered. For cultural or religious reasons, some countries – particularly those with small populations -- prefer to place tourists in an isolated environment that keeps influences such as drugs and alcohol away from the local population. Ecotourism, by contrast, encourages extensive contacts between the two groups.

## 'Our stars are coconuts'

Ecotourism is a form of niche market in which many LDCs can excel, as it promotes the development of a genuinely domestic tourist infrastructure. Not only does it foster the establishment of small, locally owned hotels; it also contributes to environmental preservation. Countries such as Uganda are keeping their wild animals alive, and employing locals in the process, through the development of "fauna tourism", or safaris. Another example of successful niche marketing in an LDC is that of bungalow tourism in the Pacific island state of Vanuatu ("our stars are coconuts", the islanders like to say).

Though important, the development of local capacities and the physical infrastructure for tourism will not be sufficient if they are not complemented by appropriate access to information technology. Tourism is increasingly marketed and sold online, and by an ever-more consolidated number of suppliers, from airlines and tour operators to travel agents and destination management companies. Destinations lacking the telecommunications infrastructure to tap into, or even bypass, these channels are at an immediate competitive disadvantage. This is the case of most LDCs, whose markets are primarily in the developed countries that by and large control the information and distribution channels, including global distribution and computer reservations systems. To overcome these problems, LDCs should upgrade their Internet capabilities, make them affordable and accessible, train local staff in their use, pool resources and forge partnerships with prominent actors in the target markets.

Another avenue open to the LDCs in their strategy to develop tourism lies in taking advantage of the multilateral trade framework, especially through negotiations under the General Agreement on Trade in Services (GATS) of the World Trade Organization. This agreement allows them to organize the liberalization of their tourism economy and if necessary to impose conditions to stimulate training and hiring of local hotel managers, architects, chefs and repairmen, and for the provision of technical assistance. At the same time, the tourist-generating countries are encouraged to eliminate barriers to the commercial presence of LDCs in their markets and to dismantle anti-competitive practices that undermine local tourism operators.

Investors and donors can help the LDCs, and in the process help themselves, by participating in infrastructure development – air transport, electricity, roads and hotels and strengthening those countries' relevant domestic capacities.

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