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## **REPORT OF THE SECRETARY-GENERAL**

### **Note by the Secretary-General**

In the attached document the Secretary-General submits his report to the Members of the Council for consideration.

## **REPORT OF THE SECRETARY-GENERAL**

This is the thirty-third and last report that the present Secretary-General has the honour to present to the Executive Council. He wishes to say how pleased he is that this eighty-fourth session is being held at Madrid in the host country of UNWTO's Headquarters, for the first time, in fact, since June 2003. He hopes that this will be an opportunity for Members of the Council that have not yet done so to visit our Headquarters building in Capitán Haya and thanks the Spanish Government for its hospitality on this occasion.

In accordance with a well-established tradition, this report will deal successively with the situation of international tourism (I) and that of UNWTO (II). The Secretary-General recalls that, at the previous Council session, held in the island of Cheju in the Republic of Korea, when announcing his early retirement, he took stock of the situation of the Organization and its prospects for future action as he sees them. That being the case, he considers he may concentrate in this report on the issues of the day.

### **I. SITUATION OF WORLD TOURISM**

Since we met in Cheju, and as we sensed at the time, the international economic and financial situation has deteriorated. The global economy is in the grips of a crisis comprising four main elements: the collapse of the North American housing market, which has had repercussions in other countries, such as Great Britain and Spain; the weakening of major banking and financial institutions because of persisting doubts about the value of the debts carried by a number of them; the slump in financial markets, especially in North America and Western Europe, some of which have lost between a quarter and a third of their market capitalization since the beginning of the year; and, lastly, rising commodity costs and, in particular, the price of a barrel of oil which rose to almost 150 US dollars before falling back quite appreciably and the soaring cost of raw materials, particularly agricultural, which has created a food crisis in many developing countries, all of which are factors contributing to a general rise in inflation.

All in all, if the major economies are not clearly in recession, it would appear that the United States and the euro zone alike are not far from a state of stagflation and that even if the main emerging economies continue to grow substantially, it will not be at the same pace as before. Only the oil producing countries (Russia, the Gulf States, among others) are enjoying a fast pace of growth owing to the high price of their exports.

The short-term outlook is not good, and the collapse in July of the Doha Round of negotiations of the World Trade Organization made it impossible to send the message of confidence to the markets that many were expecting.

At the beginning of 2008 we had already considered the possibility of such a gloomy scenario and its consequences for the tourism industry. A little more time is however required before we can ascertain for sure whether there was a reversal of trend in the middle of the year.

As it happened, during 2007 and the first few months of 2008 tourism has shown an astonishing capacity to resist, and demand has remained steady. The UNWTO Barometer confirms the strong performances of last year so far as international tourism receipts are concerned. They amounted to 856 billion dollars (or 625 billion euros), up 5.6 per cent on the 742 billion dollars recorded in 2006. In the first four months of 2008, international tourist arrivals rose by 5 per cent, a satisfactory figure in that it is not far short of the particularly favourable result for the whole of 2007 (+ 6.6 per cent).

If borne out by the facts, the reversal of trend for our sector will have begun with the summer holidays in the countries of the northern hemisphere. There are various indications, especially in the Mediterranean countries, that the dwindling purchasing power of consumers has led them to spend less in holiday destinations and to change their behaviour. The Barometer of the UNWTO panel of 280 experts, which had hitherto given a favourable assessment of trends in the sector, has recorded a 12-point downturn for the period May-August 2008 compared to January-April, reflecting a considerable loss of confidence in the short-term prospects.

A deepening of the crisis could change the picture. That is why, as the Council was informed at its previous session, a study was entrusted at the beginning of the year to a high-level expert, Professor Peter Keller, former Head of the Swiss Tourism Department, a member of UNWTO's Strategic Group and President of the International Association of Scientific Experts in Tourism. The conclusions of Professor Keller and their implications will be reported to the Council under item 8 of the provisional agenda.

It will be for the Council, in the light of the recommendations that will be made by the Programme Committee, to draw the appropriate conclusions on the content of our activities for 2008 and 2009 and to consider how best to help the Members of the Organization come through this difficult period.

## **II SITUATION OF THE ORGANIZATION**

Besides the item on the current economic imbalances and the growth of world tourism, this Executive Council session will have three main subjects on its agenda for this session.

The first is the general programme of work, under provisional agenda item 7, with the traditional review of the programme activities under way for 2008-2009, and, above all, the establishment of guidelines for developing the draft programme of work and budget for the period 2010-2011.

This year a whole new approach has been taken to the preparatory work for the future programme: a comprehensive survey has been made of Members' expectations and priorities, followed by an in-depth discussion within each of the Regional Commissions. The Council will therefore have access to the greatest possible amount of data for its orientation debate, for making its choices and for guiding the Secretariat in the subsequent preparation of the draft programme.

The second important subject, which will be dealt with under provisional agenda item 10, stems from the report to the Council by the Working Group entrusted with studying the feasibility of a legal instrument to deal with the facilitation of tourist travel.

The Secretary-General began this discussion at the General Assembly at Cartagena, Colombia, when he observed that the main obstacles to travel in today's world are less economic and financial than institutional in nature. The main impediments now are burdensome visa-issuing procedures, constraints due to health and safety concerns, the tightening of immigration rules or even the growing number of travel advisories with their sometimes negative repercussions.

The findings of a survey of Members on this subject, though revealing that most of them wish UNWTO to move forward on this matter, at the same time reflect the reluctance of a number of countries, especially those of OECD, to give such action too much of a legal flavour. The Organization's Legal Adviser will make a summary of the findings, which may serve to arrive at a measure of consensus based on a pragmatic approach to the question. The Group is studying the idea of a Declaration on Facilitation, which would be a non-binding legal instrument, accompanied by more specific texts on such aspects as the travel of people with reduced mobility, visa issuance procedures (and not their principle), and travel advisories, on which the Dakar Assembly issued recommendations in the light of the provisions in the Global Code of Ethics for Tourism.

The third important subject, which comes under item 12 of the provisional agenda, is the procedure and calendar for the election of the Secretary-General for the period 2010-2013. So far as procedure is concerned, it is proposed that, for the most part, the one in force for the past twelve years, which has given broad satisfaction, should be maintained. Slight clarification may, however, be desirable on the way of calculating the majority to be taken into account in order to preclude any ambiguity. The Legal Adviser will report on this latter point based on the practice in other United Nations agencies.

As for the calendar, it is recalled that the period during which candidatures for the post of Secretary-General may be proposed, with the endorsement of the countries of nationality of the candidates, depends on the date of the next Council session. The summary document presenting the candidates and their Declarations of Intent must be sent to Council Members, together with all the Council documents, forty days before the date of the session, and another month is needed to formulate and translate this document. This means that, as the General Assembly of Astana, Kazakhstan is scheduled for 1 to 8 October 2009, the eighty-fifth session of the Council should, if possible, be held at the beginning of May. The calendar for the nomination should make allowance for this.

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The activities of the Organization since the previous Council session have gone ahead as planned. The Commission for the Middle East met at Amman, Jordan at the end of June, and the Commission for the Americas is due to meet in the state of Tabasco, Mexico in mid-September. Among the important events for the second half of the year, we would mention a Conference on Destination Management and Marketing to be held at Bordeaux, France, immediately preceding a European Tourism Forum within the framework of the French presidency of the European Union, the celebration of World Tourism Day in Peru on 27 September, together with the Third International Conference on Tourism and Handicrafts, support to a national conference on tourism in Côte d'Ivoire in order to help restart this destination and further the reconciliation process in the country, a think tank at Santo Domingo on the consequences of the economic crisis, especially for the Americas, the Sixth Forum for Parliamentarians and Local Authorities at Cebu, Philippines in October, a meeting of the Strategic Group at Madrid at the beginning of November, immediately before the Ministerial Conference to be held in London during the World Travel Market, a conference on relaunching tourism after crises, to be held at Chengdu, the capital of Sichuan province, cruelly affected by the recent earthquake, and the meeting of the World Committee on Tourism Ethics at Rome in the third week of November.

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The situation of the Organization itself calls for few comments. So far as the state of its finances are concerned, it was pointed out at the previous Council session that the level of contributions received by the end of the first six months was a little lower than that of the same period in 2007, whereas expenditure was slightly up. This is the result both of the euro-dollar exchange rate, which raises the cost of contributions for those countries whose currencies are linked to the dollar, and, above all, of the increase in inflation in the host State, which is now above 5 per cent (with automatic repercussions on the salaries of General Service staff and on such costs as heating, transport and communications).

At 31 July, contributions totalling 9.2 million euros had been received, i.e. 80 per cent of the amount budgeted, or 95 per cent of what had been included in the plan of expenditure. It is recalled that the current budget is based on the assumption that 84 per cent of the contributions for the year will be received. In spite of the difficulties just mentioned, this figure may be achieved or even surpassed, and the member countries, especially those facing hardship owing to monetary trends, deserve gratitude for the efforts they have made.

Also at 31 July, 644,000 euros in contribution arrears had been received, so that five months before the close of the financial year, the level of 700,000 euros forecast for the year has been virtually achieved.

As to expenditure, it is recalled that the Council had based its assumptions on a reasonable level of 85 per cent of the total budgeted for the first seven months of the year. The actual amount of expenditure (6.56 million euros) at the end of July corresponded to 54 per cent of budgeted appropriations and 64 per cent of those estimated in the plan of expenditure. This level is high for the reasons given above. If, between the date of drafting this report and the Council session, there were any prospect of expenditure exceeding expectations, the Secretary-General would have no hesitation in "shortening the sail" and deciding where savings could be made so as to avoid any risk and remain within the forecast limits. As a precaution, recruitment and contracts that are not immediately essential have been suspended for a period of three months.

The available data suggest that 2009 should be less of a financial strain than 2008. The expenses relating to changes in the top echelons of the Secretariat (departures of the Secretary-General, Deputy Secretary-General and Assistant Secretary-General, whose terms of office end on 31 December 2009) have been budgeted for, and the necessary appropriations have been earmarked for that purpose. The announced early retirement of the Secretary-General, which should occur at the end of February 2009, will represent a saving for the Organization.

On this latter point, the Council is reminded that it is required to determine the consequences of this early departure and to decide who will perform the duties of Secretary-General ad interim. It is recalled in this regard that in 2001 the General Assembly considered that “the Deputy Secretary-General shall be capable of acting as Secretary-General ad interim in the case of a prolonged vacancy”, until the General Assembly takes a decision at its next session. This provision, new in the texts, is consistent with the Organization’s practice. The latter months of 1996 and the whole of 1997 was just such an interim period when the Deputy Secretary-General acted as Secretary-General. On that occasion, no one replaced the Deputy Secretary-General in his own functions. The Council will no doubt wish to use this precedent as its guide.

As pointed out in Cheju, everything suggests that the conditions are in place to ensure that the interim period does not give rise to any disruption in functions and that the transition during 2009 will be smooth, especially since, unlike the situation in 1996-1997, there is now a real management team heading the Secretariat, which will guarantee that it continues to function efficiently.