

*Meeting on the Trade and Development Implications of
Tourism Services for Developing Countries:
UNCTAD XII pre-event*

Geneva, 19-20 November 2007

**FDI IN TOURISM:
THE DEVELOPMENT DIMENSION**

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FDI IN TOURISM: THE DEVELOPMENT DIMENSION

Geneva, 19 November 2007

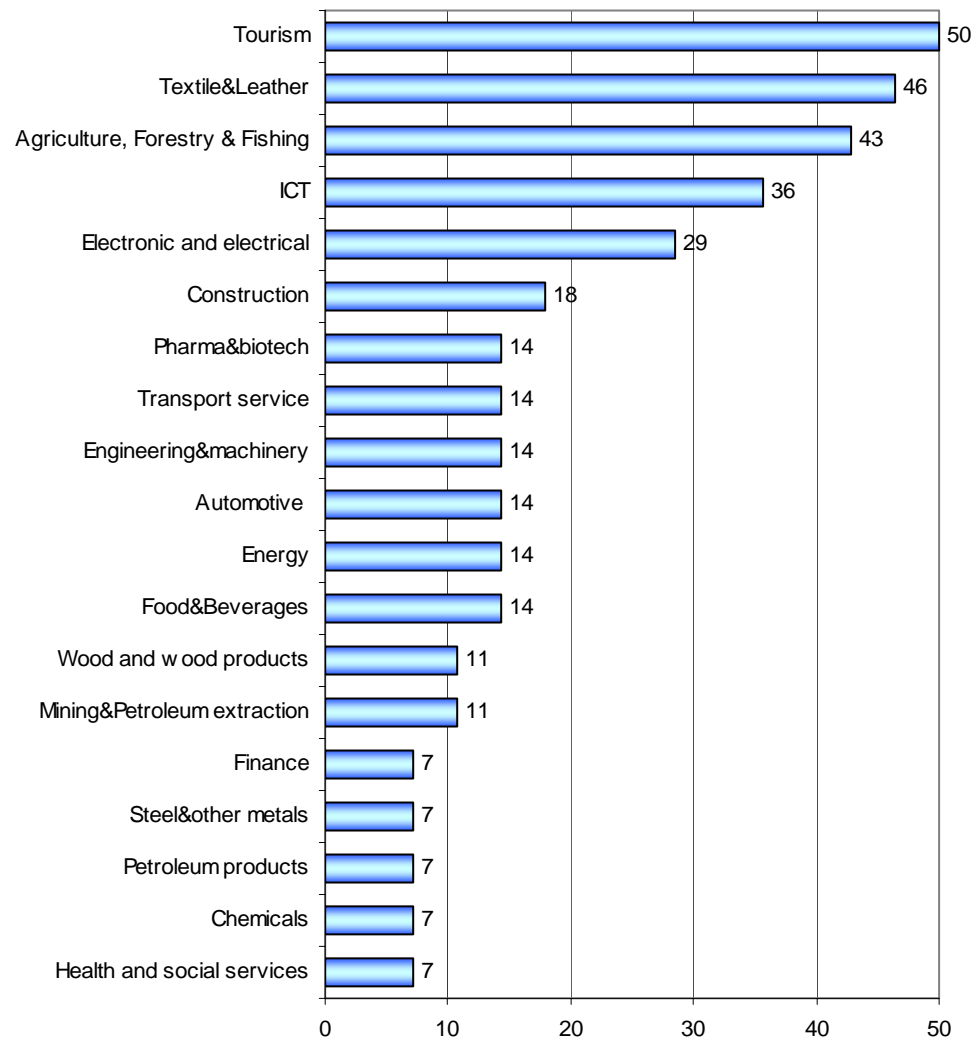
Division on Investment,
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Meeting on Trade and Development
Implications of International Tourism
for Developing Countries

A “quiet but significant reappraisal” of tourism’s potential

- **Contribution to opportunities for growth and development**
 - The world's largest sector and fastest growing - especially in Africa
 - Lengthy value chain – income generating opportunities at all levels
 - Direct employment is high, and indirect employment can be even higher
 - Main source of foreign exchange for 1/3 of DC's and almost 1/2 LDCs
Tourism earns more than gold exports in Tanzania and South Africa
 - Unusual in trade in services - the consumer comes to the supplier
 - A sector deserving more attention
- **But there are also limitations**
 - Imbalanced development (SSA, LDCs)
 - Vulnerable to shocks
 - Potential costs (social, economic, environmental)

Figure 3: Tourism tops the list of services promoted by IPAs for FDI from developing and transition economies



There is a need for information about scale and impact of FDI in tourism

- FDI as an engine to growth – especially in ‘newer’ destinations
- Attracting TFDI is frequently one of the policy priorities.
- But...Tourism concerns coupled with FDI concerns
- Including the need to boost linkages and reduce “leakages”
- The challenge – to attract tourism FDI and benefit from it: competitiveness, growth, linkages, poverty reduction...

Need for more information to fill gaps in knowledge and to guide policy – UNCTAD research and analysis on FDI and TNC activities in tourism can add value.

UNCTAD role

- Need to understand the drivers of the "tourism boom"
- UNCTAD can add value by conducting research and policy analysis focusing on FDI and TNC role in tourism
- But keep in context – other aspects of the "virtuous circle" include domestic investment, linkages, employment, transport, training, law and order, technology etc.

The UNCTAD Project on FDI and TNC in tourism (1)

- **The Objective:** Provide information and analysis to help policy-makers design policies that will most help their country
- **Phase 1**
 - Pair-wise national studies (Trends and impacts)
 - 2 East African countries (Kenya, Tanzania)
 - 2 Island countries (Dominican Republic, Sri Lanka)
 - 2 Land-locked countries (Bhutan, Nepal)
 - 2 North African countries (Morocco, Tunisia)
 - Global survey TNC's - 32 TNC hotel groups, 10,200 hotels

The UNCTAD Project on FDI and TNC in tourism (2)

- Phase 2: ESA project (IDRC), launched 2006
- Phase 3: West Africa (IDRC), launched mid 2007
- National and regional workshop – policy discussions: the practical aspect of the project

The project is complementary to UNCTAD's other activities on FDI and TNCs in tourism

The UNCTAD project on FDI and TNC in tourism: some findings

- **Tourism is not a globalised activity**

- Tourism OFDI stocks from world's top 10 sources < 2% of their total OFDI stocks; Limited mostly to accommodation, restaurants & bars, car rental & leasing

- **FDI in tourism is concentrated in developed countries, but it is growing in developing countries**

- 85-90% of TNC hotels are located in developed countries
 - IFDI stocks up 2-3 times over the past five years in many countries

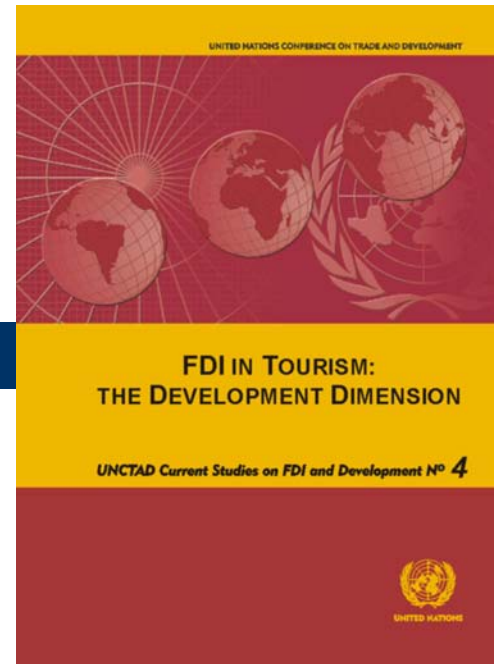
- **The Impact varies according to location, corporate strategy and the « enabling environment »**

- Impact on consumer demand, capital formation, human resources, linkages, environment, poverty, etc.

Policy highlights

- Many countries have policies to attract tourism FDI. It is one of the least restricted sectors.
- But, fewer have policies to benefit fully from it.
- Policy on Tourism FDI has to be integrated into the overall policy framework – part of the entire development strategy.
- It is not necessarily about "doing" a different kind of tourism, but rather about "doing tourism differently".

Thank you for your attention



Further references:

UNCTAD (2007 forthcoming) "*FDI in tourism: the development dimension*", (United Nations: Geneva, New York);

UNCTAD (2007 forthcoming), "*FDI in tourism: experiences in East and Southern Africa*", (United Nations: Geneva, New York);

UNCTAD (2006, 2005, 2004), "*World Investment Report*", (United Nations, Geneva, New York).