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## Chair's summary

### A. Successful trade and development strategies for mitigating the impact of the global economic and financial crisis

(Agenda item 4)

1. The secretariat introduced its note entitled "Successful trade and development strategies for mitigating the impact of the global economic and financial crisis" (TD/B/C.I/7). The profound economic hardship resulting from the global crisis affected all countries and brought forth a "developmental crisis" in developing countries, as manifested in a number of worsening social and economic indicators, including high and growing poverty, unemployment, hunger and malnutrition, and environmental degradation. The decline and subsequent recovery in global trade involved all economic sectors and the broad trends were similar for both trade in goods and services. Remittances declined by 6 per cent to \$316 billion in 2009, which negatively impacted growth prospects of developing countries dependent on such flows. Preliminary data indicated that world trade would grow in 2010, but the nascent recovery was already showing some signs of slowdown.

2. Crisis mitigation measures and counter-cyclical stimulus packages had helped to contain the crisis and fostered the rebound. These included (a) increasing trade financing; (b) providing stimulus/bailout packages; (c) strengthening regulatory and institutional reform; (d) improving production and competitiveness; (e) improving and reassessing multilateral and regional arrangements to provide greater market access and entry for exports of developing countries and integrate policy space needed for development; and (f) enhancing South-South trade. A major component was stimulus/bailout packages, totalling \$2.6 trillion for 59 countries. The note provided country examples such as China, Mauritius, South Africa and the Republic of Korea, which had combined efforts to rescue the financial and economic sectors with comprehensive and deeper medium-to-long-term structural reforms to build up competitiveness and productivity. In developing production, proactive industrial, agricultural and services policies were being used. Such measures helped foster (a) employment creation; (b) building of human capital and technology; (c) strengthening infrastructures, institutions and productive capabilities; (d) support for small and medium-sized enterprises (SMEs); and (e) diversification of exports and markets. They also reduced output gaps while reducing carbon emissions and environmental impact. These measures highlight the importance of the State's active and deliberate role in promoting development.

3. Many countries also sought to identify and produce competitively new products, and exploit new markets. It was felt that countries would need to strike a balance between external demand and domestic demand sources of growth. The export-led growth remained a key strategy, especially for developing countries with small markets. There was a need to examine and address the impact of trade-restrictive measures taken during the crisis in respect to particular sectors and countries. Developing countries, particularly least developed countries (LDCs), without adequate resources to implement counter-cyclical policies required international support.

4. The crisis offered an opportunity to steer the global economy towards cleaner growth and sustainable development. Four sources of "green" growth that could be considered were (a) enhancing energy efficiency (often in combination with or resulting from material and resource efficiency); (b) mainstreaming sustainable agriculture, including organic agriculture; (c) harnessing the use of off-grid renewable energy technologies, especially for sustainable rural development; and (d) developing a sustainable services sector.

5. It was felt that an abrupt exit strategy should be avoided given its possible adverse impact nationally and globally. However, budget deficits and indebtedness could become unsustainable. Support for distressed sectors/firms could create large players, impacting competitiveness and competition. That needed to be addressed, including via competition policy and law.

## **B. The contribution of tourism to trade and development**

(Agenda item 5)

6. The secretariat introduced its note entitled “The contribution of tourism to trade and development” (TD/B/C.I/8) and highlighted its main findings. The global tourism sector had grown and diversified to become one of the fastest-growing economic sectors. It was currently a \$3 billion a day business benefiting all countries. Successful tourism development required meeting economic challenges, enhancing social responsibility and fostering transformation into the green economy to ensure long-term sustainability. One of the promising features of tourism’s strong performance in recent years was that growth in arrivals was greatest in developing countries. Currently, they accounted for 40 per cent of world tourism arrivals and 30 per cent of the world tourism receipts. The sector had demonstrated consistent growth, with tourist arrivals growing to 922 million in 2008 and its contribution to global gross domestic product (GDP) exceeding 5 per cent. Tourism in developing countries represented their largest single services export, accounting for 7 per cent of their goods and services exports and 45 per cent of their commercial services exports. For LDCs only, both of those figures were higher – 9 and 65 per cent respectively. It had been a key factor in the graduation from LDC status for some. Tourism and tourism-support activities created a high proportion of employment opportunities (220 million jobs representing 8 per cent of employment), including for the poor, women and youth. It could help in alleviating the unemployment resulting from the crisis. The global financial crisis caused an abrupt shift in tourism growth with declines in international arrivals by 4 per cent. Tourism returned to growth in the last quarter of 2009 and it was believed it would endure with 4 per cent annual growth in international arrivals to reach 1.6 billion in 2020.

7. Tourism linkages to other economic sectors catalysed a multiplier effect that generated broad-based economic benefits at the national level as well as employment opportunities and poverty reduction at the local level. Many developing countries were diversifying their tourism product as an important way to strengthening linkages. Building back and forward linkages, including agriculture, required ensuring effective national strategies comprising policy, regulatory and institutional frameworks were in place with sufficient incentives to stimulate the development of supply capacity in national markets. In many developing countries, particularly LDCs and other countries with limited economic diversification including small island developing States, leakage remained a main challenge to be addressed. Governments and other stakeholders could strengthen the tourism sector’s backward and forward linkages within the national economy to reduce the need for imported goods and services and significantly reduce leakage levels. They could also design strategies to boost the bargaining power of domestic airlines, tour operators and hotels in terms of their negotiations with larger foreign tour operators and travel agencies, and address anti-competitive practices that constrained the development of the tourism.

8. Long-term prospects for national tourism activity depended on meeting environmental objectives. Redesigning the tourism product could minimize the negative impacts of tourism operations and activities on environmental resources. Ecotourism was one approach to help advance environmental sustainability. It was estimated to account for as much as 20 per cent of the international tourism market and provided economic

opportunities for small-scale community-led tourism operations. The tourism sector was also responding to climate change by reshaping businesses into the green economy. At the international level, trade and cooperation agreements could help boost intraregional and interregional tourism, particularly among developing countries. A substantial share – nearly 80 per cent – of tourism was intraregional, including intraregional South–South tourism. Other major challenges included (a) meeting increased demand for international standards on tourism services; (b) curbing inaccurate and excessive travel warnings, which could have major adverse effects on tourism revenues for the countries concerned; (c) ensuring decent employment for workers in the tourism sector; and (d) making progress within the Doha negotiations to reduce barriers to market access including in Mode 4. It was recalled that UNCTAD had various programmes that provided capacity-building on tourism, such as the Sustainable Tourism Programme within the BioTrade Initiative and National Services Policy Reviews, including for tourism services.

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