INTRODUCTORY REPORT

TECHNICAL SEMINAR ON TOURISM INVESTMENTS IN THE AMERICAS

Asuncion, Paraguay
17-18 May 2011

Adolfo Favieres

April 2011
Table of Contents

1. Introduction ........................................................................................................................................ 2
   1.1. The new global economy ............................................................................................................. 2
   1.2. Investments at the global level. Figures and trends ................................................................. 3
2. Tourism as an investment attractor .................................................................................................... 4
   2.1. A look back at history ............................................................................................................... 4
   2.2. Tourism and Society ............................................................................................................... 4
   2.3. Employment creation .............................................................................................................. 5
   2.4. The motor of development ..................................................................................................... 5
   2.5. The sustainability of tourism destinations ............................................................................. 6
3. The investment climate .................................................................................................................... 7
   3.1. Growth and economic imbalances after the crisis ................................................................. 7
   3.2. Competitiveness as an influencing factor on investment ..................................................... 9
   3.3. The variables of a sustainable tourism investment ............................................................. 9
4. The influence of the actors in the investment process ................................................................. 10
   4.1. Financial institutions .......................................................................................................... 10
   4.2. Private investment ............................................................................................................. 11
   4.3. Commercial aviation and airport infrastructure ............................................................... 11
   4.4. Distribution networks ....................................................................................................... 12
   4.5. Public administrations .................................................................................................. 13
5. References ....................................................................................................................................... 14
1. Introduction

1.1. The new global economy

The very serious crisis of 2008 and 2009, whose consequences are still being felt today in not a few countries and economic sectors, exposed the deficiencies of a world economic order that few anticipated.

The international community has made an effort to create or strengthen a series of supranational mechanisms for analysis, discussion, control and financial support that can serve to structure and consolidate a new economic world order and to immunize it against events or practices that could again place it in circumstances like those experienced recently.

Nevertheless, heed should be given to warnings such as that issued by the Financial Crisis Inquiry Commission—known as the Angelides Commission—in its final report (January 2011) stating that the U.S. financial system, the origin of the crisis, has not changed in many aspects with respect to what existed on the eve of the crisis, and more notably, is more concentrated than ever in the hands of a small number of institutions that are of very high systemic significance.

But it is undeniable that the configuration of the world economy that emerged in the wake of the crisis is very different from the pre-crisis one. Its centre of gravity has shifted eastward and southward, and at the same time from the countries of the OECD—the "rich countries’ club" as described by one head of state—towards the emerging countries, which in the decade from 2000 to 2010 increased their share of the global economy from 40% to 49%, according to the OECD Development Centre, with a clear rising trend.

South-South trade is growing inexorably. In 2010, China became the number one trading partner of Brazil, India and South Africa, overtook Japan as the world’s second largest economy, and took Spain’s third-place spot in terms of international tourist arrivals.

40% of the world’s researchers are in Asia and last year, developing countries owned two-thirds of global currency reserves. The simplistic North-South definition of developed countries and developing countries has become obsolete. As stated by former World Bank President James Wolfensohn, we are in a four-speed world: rich countries, emerging countries, countries struggling to move forward and poor countries. Even Goldman Sachs, which a few years ago coined the acronym B.R.I.C. (Brazil, Russia, India, China) has come out with a second one, the M.I.S.T. countries (Mexico, Indonesia, South Korea, Turkey), and it is not unreasonable to assume that it will be followed by yet another acronym.

All of the above forms a scenario in which it is increasingly important to adopt new criteria, both geographic as well as relating to economic activity, for decision-making regarding the destination of investments, which is something enormously sensitive, where potential errors are costly, and where the degree of reversibility is almost always very low.

This is why it is particularly timely for the UNWTO to have organized this seminar focusing on such a relevant subject as that of tourism investment in the Americas.
In particular, Latin America and the Caribbean offer immense possibilities for tourism investment, which are now manifesting themselves more strongly so that they can be developed in a way that reconciles the profitability of investments, the development of local communities as well as social, environmental and cultural sustainability.

The Region possesses a set of resources that few others can compare to: human resources that are increasingly motivated and trained, improved infrastructure, natural and cultural attractions, renewable energy resources, and last but not least, that scarce resource to which more and more eyes are turning—water, or "blue gold".

Due to its cross-cutting nature, tourism activity requires the participation of a considerable number of actors whose behaviour has a decisive influence on tourism investment. The most important ones are specifically discussed in the four sessions of the Seminar.

### 1.2. Investments at the global level. Figures and trends

According to UNCTAD (UN Conference on Trade and Development), the characteristics of the current foreign direct investment (FDI) scenario are as follows:

Global FDI flows stagnated in 2010, growing by just 1%, as a result of a strong resurgence in Asia and Latin America and the contraction experienced by the developed economies, with the following breakdown. (USD billions)

<table>
<thead>
<tr>
<th>Regions / Countries</th>
<th>2009</th>
<th>2010</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>1,114.1</td>
<td>1,122.0</td>
<td>0.7%</td>
</tr>
<tr>
<td>Developed economies</td>
<td>565.9</td>
<td>526.6</td>
<td>6.9%</td>
</tr>
<tr>
<td>Developing economies</td>
<td>478.3</td>
<td>524.8</td>
<td>9.7%</td>
</tr>
<tr>
<td>Eastern Europe and CIS</td>
<td>69.9</td>
<td>70.5</td>
<td>0.8%</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>116.1</td>
<td>141.4</td>
<td>21.4%</td>
</tr>
<tr>
<td>United States</td>
<td>129.9</td>
<td>186.1</td>
<td>43.35%</td>
</tr>
<tr>
<td>European Union</td>
<td>361.9</td>
<td>289.8</td>
<td>19.9%</td>
</tr>
</tbody>
</table>

As for the components of FDI, there is a significant increase in reinvestment of profits of foreign subsidiaries in developing economies, while there are negative rates in parent company-subsidiary loans and in stock investments.

UNCTAD's projections for 2011 at the global level are between 1.3 and 1.5 trillion dollars, surpassing the estimated 1.12 trillion in 2010, and still a long way from the record 1.77 trillion achieved in 2008. It is forecast that increased entrepreneur confidence will lead to higher investment levels, but the degree of recovery will depend on achieving sustained economic growth and on the behaviour of FDI in developing economies.

In this regard, the economic growth forecasts issued by the International Monetary Fund in January 2011—which in all probability will soon be revised—are as follows for certain geographical areas:
2. Tourism as an investment attractor

2.1. A look back at history

Tourism scholars often point to the activity’s origins in its different manifestations at the dawn of our era: cultural tourism in Babylon (6th century B.C.), sports tourism in the Games at Olympia, religious tourism to Mecca.

The terms tourist and tourism derive from the Grand Tour to which English families sent their children to travel throughout Europe as part of their education (17th century) and, possibly, the clinching factor was provided by the Universal Declaration of Human Rights in 1948, whose Article 24 recognized the right of all workers to holidays with pay, without imagining that tourism would go on to become one of the principal, if not the biggest, motors of human welfare.

2.2. Tourism and Society

Tourism is, above all, a social phenomenon. Consequently, it is absolutely cross-cutting, which means that it is present in a multitude of economic activities which it influences and which in turn influence it. Therefore it is multifaceted in a way that few or no other sector is; we talk about numerous tourism segments: leisure, business, cultural, sports, religious, gastronomic, environmental, anthropological, and many more. In short, it can be said that any human activity generates, potentially, a niche of the tourism market.

The fact that, in tourism, it is the consumer that travels to the product and not the other way around as is the case in most other activities, gives the tourism sector an especially significant aspect: cooperation between the public and private sectors, which is always helpful in any other activity, is indispensable in the case of tourism.

Any analysis of the reality of tourism must necessarily be carried out from two perspectives: generating countries and receiving communities.

For a generating country—apart from the situation of its economy, which is obviously a determining factor—its socio-demographic development is of capital importance, and such development generates greater availability to travel.

<table>
<thead>
<tr>
<th>Region</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>0.6</td>
<td>5.0</td>
<td>4.4</td>
<td>4.5</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>1.8</td>
<td>5.9</td>
<td>4.3</td>
<td>4.1</td>
</tr>
<tr>
<td>United States</td>
<td>2.6</td>
<td>2.8</td>
<td>3.0</td>
<td>2.7</td>
</tr>
<tr>
<td>Canada</td>
<td>2.5</td>
<td>2.9</td>
<td>2.3</td>
<td>2.7</td>
</tr>
<tr>
<td>European Union</td>
<td>4.1</td>
<td>1.8</td>
<td>1.7</td>
<td>2.6</td>
</tr>
<tr>
<td>Japan</td>
<td>6.3</td>
<td>4.3</td>
<td>1.6</td>
<td>1.8</td>
</tr>
</tbody>
</table>
(a) The “baby boomers”, who are becoming “retired boomers”, with spending power and better physical condition.
(b) More free time available to individuals.
(c) Accession of women to positions of higher responsibility and salaries.
(d) The progressive lateness of first marriages and having children among men and women.

On the other hand, tourist-receiving communities experience a highly positive impact—not always accompanied by equally positive social, cultural, and environmental impacts—which is especially notable in communities with a low level of development. Therefore, tourism is perceived initially as a motor of change that improves the level of welfare of the receiving communities. But all too often there comes a second phase in which tourism is simply tolerated, followed by a third in which tourism is blamed for a series of negative effects on the community and its surroundings, which does not prevent the tax framework from exerting progressively greater pressure.

2.3. **Employment creation**

Attracting tourism investment is a priority objective for many economies because one of the most prominent hallmarks of tourism is precisely its capacity to generate employment, both direct and induced. This is borne out by the figure of 258 million jobs, equivalent to 8.8% of worldwide employment, according to the WTTC study, which forecasts the creation of 65 million new jobs over the next ten years. But the most significant aspect is tourism’s propensity to generate employment among women—a first job in many cases—and the relative ease of training the majority of employees because frequently it is not so much a matter of aptitude but of attitude.

It so happens that in tourism, and especially in the hotel sector, it is the lowest-paid employees and those with the least training who usually have the most contact with the customer. And it is the level of satisfaction of that customer, based on the treatment received, that is capable of creating loyalty to a certain company.

Such employee-customer interaction is a basic pillar in the tourism business, hence the capital importance of the treatment of human resources and of the customer database. These two groups, employees and customers, are the two assets regarding which priority treatment and continuous management will undoubtedly determine the trajectories of tourism enterprises, beyond the physical asset where this employee-customer relationship unfolds.

2.4. **The motor of development**

The traditional development model of nations that transformed old low-level economies to solid and diversified modern economies has, for centuries and in the majority of cases, been the primary sector. Agriculture, livestock farming and mining generated the resources, employment and, in short, the wealth that brought many peoples to join the industrial revolution in the first instance, and subsequently, through the research of some of them, to the technologies they now enjoy.
This model of development has some exceptions—with Spain probably being the most notable one—where the country has been able to find in tourism the generator of a level of economic activity and wealth that made it possible, on the one hand, to provide social services to its communities improving their welfare, and on the other hand, to equip their productive areas and their infrastructure as generating elements of new sources of economic growth and development and social cohesion.

It is absolutely sure that tourism, if properly managed, will generate foreign-exchange income, employment, a trained labour force and a level of knowledge of the country outside of its borders that will result in stronger confidence among potential investors, giving rise to a kind of "virtuous cycle" that is indispensable for the development of a country.

2.5. The sustainability of tourism destinations

Often, tourism is blamed for contributing to the degradation of certain destinations through urban development actions that harm the environment, cultural assets or even the social structure of local communities. Without denying the existence of certain instances in which this may have been true, the fact is that tourism, in the vast majority of cases, behaves in a much different manner.

Territory for tourism use, whether planned or resulting from consecutive individual investment initiatives, generally have not had any other previous use. Tourism has not displaced other previous activities. See the cases of Cancun in Mexico, Cayo Coco in Cuba or Punta Cana in the Dominican Republic. Thus, there is no possibility of putting such territories to alternative use other than for tourism, and appropriate planning of the territory will make the impact caused by tourism use much lower than that from potential alternatives.

Furthermore, tourism investments in such territories will see to it that their projects preserve the environment, as this is usually the principal attraction that makes the investment viable, as tourists increasingly value destinations that respect their surroundings.

The same can be said about the cultural sustainability of destinations. Here again, the objectives of the public administrations representing the interests of the local communities coincide with the objectives of private investors. The cultural identity of destinations is also one of the main attractions for potential visitors.

The analysis of the social sustainability of destinations is a more complex matter. Indeed, the flow of funds injected by tourism into the local community can change its social morphology. The arrival of tourism could result in an inversion of the social strata that existed before. Furthermore, it is inevitable that the behaviour patterns of tourists will affect the local communities to some degree. This is especially true if we consider that, in many cases, the behavioural norms observed by individuals when they are visitors are not the same as those they follow in their place of origin.
Public administrations, as part of their responsibilities, should pay attention to this phenomenon. Tourism produces a healthy financial effect as it creates monetary flows—that is to say, wealth—from “rich” countries to countries that in some cases need these flows. But it also transfers habits and behaviours for which it may be necessary to prepare the receiving community, without failing to take into account that not all changes can be considered negative just because they give rise to new situations and scenarios.

Public administrations can, in large part, control the structural changes that may arise by using redistributive tax policies. But in any case, it should be recalled that the personal development of communities should prevail over certain considerations regarding sustainability at all costs—the untouchability—of the territories.

3. The investment climate

3.1. Growth and economic imbalances after the crisis

The direct effects of the global crisis during 2008 and 2009 were felt unevenly in the Region, which is another sign of its bipolarity.

The North America sub-region, especially the United States, could have suffered devastating effects. It was only the intervention of its government, injecting almost unimaginably vast sums into the financial system—and not only in the financial system—under the Emergency Economic Stabilization Act of 2008 that prevented the economy's collapse.

This has not prevented the persistence of certain imbalances in the sub-region, whose most visible effects can be seen in:

(a) Growing budgetary imbalance and external debt.
(b) “Lurking” core inflation.
(c) Unconsolidated growth.
(d) Unsatisfactory employment growth, which will not reach early-2008 levels until 2012 or 2013.

By contrast, in the Latin American and Caribbean sub-region, the effects of the global crisis were weaker than in other, more developed economies. Its recovery in 2010 and that forecast for 2011 outpace those for the ill-named “first world”. The economies of the region are emerging from the crisis with vigorous growth, driven—as expressed by Nicolás Eyzaguirre, Director of the IMF’s Western Hemisphere Department—by the “dual tailwind” represented by favourable external financing conditions coupled with high commodity demand and prices.
But as recently pointed out by IMF Managing Director Dominique Strauss-Kahn, in Calgary, on the occasion of the meeting of the Inter-American Development Bank, unequivocal and worrying signs of overheating are emerging: rising inflation, rapid credit growth, and booming stock markets. The history of the region shows numerous cases in which excessive economic expansion—recall the well-known expression "plata dulce" (easy money)—leads to deep crises. The conclusion, if we want to avoid repeating history by forgetting it, is that poor management of boom periods plants the seeds for serious problems down the road.

For public administrations, the main challenge in the short term is to achieve a soft landing for their economies. To this end, they should take into consideration a series of measures:

- a) Withdrawal of macroeconomic stimulus measures applied during the crisis.
- b) Adoption of strict fiscal policies and higher interest rates.
- c) Flexibility in exchange rates to buffer capital inflows.
- d) Implementation of prudent measures to protect the stability of the financial system.

Although the financial crisis is already behind us, the global economy is still vulnerable to certain effects and—to again quote Dominique Strauss-Kahn—it would be prudent to adopt countercyclical measures that lead, on the one hand, to the creation of "fiscal space" that can counteract the effects of the crisis and, on the other hand, the improvement of instruments to monitor financial risks and at the same time reinforce the capacity for financial macroprudential regulation.

In any case, the design of a strategy that favours sustainable economic growth must inevitably include:

- (a) More infrastructures.
- (b) Improvements in education and training.
- (c) Better business climate.
- (d) Strengthened governance.

In short, it is not only a matter of growth. In the region there persists deep inequalities, and public administrations should prioritize their budgetary actions in the area of social services in order to ensure that the benefits deriving from growth accrue to the broadest strata of their societies.

One of the most complex unresolved issues in the social services of the Latin American and Caribbean sub-region is the coverage of social protection systems. According to the OECD, this coverage includes less than 50% of workers (30% in the case of pensions) and this is explained by the following factors:

- (a) High levels of employment informality
- (b) Very young working population
- (c) Limited fiscal resources
Achieving the objective of increasing social cohesion—and this is applicable to any of the societies of the sub-region—requires resolving, gradually but decisively, this clear imbalance. And the key will be in the appropriate distribution of the increased tax revenues due to growth, sharing budgetary resources, with a medium- and long-term vision, between directly or indirectly productive investments and social entitlements, with special emphasis on the most disadvantaged social classes.

3.2. **Competitiveness as an influencing factor on investment**

The importance of capturing tourism investments on the part of practically all countries has turned this activity into a veritable competition. There has been a proliferation of government agencies for investment promotion and in the case of countries with decentralized economies, there are, additionally, a series of entities at the second level—provinces, states, or autonomous regions depending on the nomenclature—or even at the local level.

In response to this competition, universities, business schools, lobbies and associations have fortunately come on the scene developing their own analyses of competitiveness as instruments for decision-making on the part of those who have the last word regarding the suitability of the investment. All of these studies should be welcomed and the world of tourism should be glad that a good portion of these studies are centred on tourism competitiveness. Tourism needs considerable support in R&D because it has traditionally been a highly pragmatic activity based more on intuition—and in many cases imitation—that on a calm, rigorous analysis of markets and trends.

Possibly, the study on tourism competitiveness that is most widely disseminated is that prepared by the World Economic Forum. The study aims “to measure the factors and policies that make it attractive to develop the travel and tourism sector in different countries”. In 139 countries, specifically. The ranking is led by Switzerland, Germany and France, and the lowest spots are occupied by Burundi, Angola and Chad. This WEF study does not so much measure the competitiveness of the “players” of the sector, that is to say, how competitive they are in terms of attracting tourism investments, but rather the relative ease—nearly the convenience, if it existed—of carrying out the always arduous process of implementing a tourism investment. Competitiveness is not, in this case, a synonym of success.

3.3. **The variables of a sustainable tourism investment**

In the final analysis, an investor seeks to maximize the value of his investment, which will inevitably be measured in terms of its capacity, present and future, to generate profits. It must generate benefits for its shareholders, financiers, suppliers, customers and tax collectors. And it must do so in perfect harmony with its environmental, social and cultural setting. This shows a great example of corporate social responsibility and of a sustainable investment. Achieving it will depend on how a series of endogenous and exogenous variables are handled.

Out of all the variables that will affect the development of this model investment, there are certain initial variables that are critical in the decision-making process. The investor will evaluate together with the public administrations a set of conditions that are necessary but not sufficient for the success of his investment project:
a) Macroeconomic stability, which will create a favourable framework for financing the project and will not hurt the investment.

b) Legal certainty and ease of arbitration: the risk assumed is limited to that inherent to all entrepreneurial activity and any disputes that will inevitably crop up will be resolved based on a set of respectable and respected rules.

c) Investment protection systems: protection treaties, treaties to prevent double taxation, and freedom to repatriate profits.

d) Stable and predictable tax framework, which does not change from its initial status.

e) Degree of priority of tourism in public policies: percentage of taxes derived from tourism that is reinvested into tourism.

Two important factors that are outside the scope of the public sector:

(a) The geographic proximity of the destination of the tourism investment relative to current and future generating markets, and

(b) The size of the domestic market of the country in question.

This group of seven variables determines the first phase of the decision process.

4. The influence of the actors in the investment process

4.1. Financial institutions

The private financial institutions of the Americas and multinational public institutions naturally play an essential role in the investment process, and this role will be influenced by the macrofinancial framework they operate in:

The recovery of the majority of the countries of the Latin America and the Caribbean sub-region, the substantial growth of consumer credit and the strengthening of many local currencies resulted in import growth of 23% in 2010, increasing the current account deficit to 1.5% of the regional GDP, compensated by FDI, which raised reserves to USD650 billion. The external debt of the sub-region was 1.1 trillion, equivalent to 23% of the regional GDP, three percentage points lower than in 2009.

According to the data published by the Institute of International Finance (IIF), commercial banks resumed their dynamic credit activity in 2010, lending a net amount of USD27 billion after posting a negative balance in 2009, but still far from the record figure of 53 billion registered in 2007. In 2010, international financial institutions lent a net amount of USD7.1 billion.

At the same time, the risk premium decreased slightly from 2009 levels, which in turn were notably lower than in 2008, lowering the cost of international financing. Sovereign debt risk, differentials in CDSs (Credit Default Swaps), developed along the same lines.

In the specific case of the financing of tourism projects, investors have the option of borrowing in dollars, the currency in which most of their sales are denominated, which opens greater possibilities at lower cost for them to cover their long-term financing needs.
As the IMF has stated, there is currently a financial “de-dollarization” effect in Latin America and the Caribbean, a region that had been characterized for decades by the opposite effect. The reason behind this is to be found in greater confidence in local currencies, which have been on an upward trend in their exchange rates. The resulting de-dollarization of deposits has led to the same effect in loans. In any case, the widespread use of the dollar in many price quotes and transactions indicates yet a long life for the dollarization of the financial system, although with a downward trend.

4.2. Private investment

The changes that have taken place in the world economic order during the crisis support the prediction that investors, whether private, national or foreign, individuals or groups, will have a greater “appetite” to invest in emerging economies.

This will no doubt occur in the Americas Region, where the North-South paradigm applies more than in any other continent, but also from Europe, where there are pessimistic outlooks—justified or not—for the countries on the periphery, without excluding others not on the periphery. Investors are analysing new investment policies, particularly in tourism, where a path has already been marked out, and, in general, successfully traversed.

China and India constitute another sub-region, already with nearly 3 billion people, which will become in the short term an enormous tourism generating market, and the hotel chains of these countries will have to make a quantum leap in order to be present in the markets that will be receiving these hundreds of millions of potential visitors, creating new investment opportunities.

There will be a more marked trend in tourism investments, particularly in hotels, to separate the ownership of the assets and the management of their operations. This is a logical trend, since these two activities require different skills and instruments, and present very different degrees of vulnerability. The capacity to manage hotel operations and the consolidation of the associated brand requires a process of market affirmation that is of much longer duration that the ownership of a physical asset. This is yet another consequence of the lessons taught by the crisis.

4.3. Commercial aviation and airport infrastructure

Given that tourism and travel are two inseparable concepts, and that the vast majority of international tourists use air travel to practice tourism, commercial aviation is the key agent in the world of tourism.

The enormous advances that the aeronautics industry has made over the past decades, designing and building faster, safer and more efficient aircraft, have constituted an extraordinary stimulus for the development of tourism. Destinations that are far away from traditional sources of tourists have particularly become more economically accessible thanks to these advances.

Commercial aviation operates in an especially difficult context that is oligopolistic like few others: there exist only two global manufacturers of wide-bodied aircraft, three manufacturers of engines suitable for such aircraft, three reservation systems and—with few exceptions—only one airport at the origin/destination.
According to IATA, the number of international passengers increased by 6.2% in 2010, with the breakdown being a 9.1% increase in “premium” trips (first and business class) and 5.9% in economy class. The world’s aircraft fleet, according to data from “Flight Global” as of 31/12/2010, was composed of 27,047 aircraft (a 0.4% annual increase), of which 10,661 are registered in the Americas, representing 30.4% of the world total.

In the case of commercial aviation as well, the centre of gravity is clearly shifting towards Asia. Asian airlines have pending orders for 3,049 aircraft, 45% of the total order book of the world aeronautics industry, and this percentage is even higher in the case of the A380 mega-carrier.

No tourism investment will be economically viable if it does not have the issue of air connectivity resolved, that is to say, airports, flights and connections. Here once again, there is a need for collaboration between the public administrations and private enterprise. In this collaboration there is no place for boundaries marking out pre-established competencies: today public and private airport management models coexist, as well as private and public airlines.

In the market economy that prevails all over the world almost without exception, and as one of the consequences of airline deregulation, a disruptive phenomenon has emerged over the past years in commercial aviation: “low-cost” airlines, or more appropriately “point-to-point” carriers, which have grown rapidly, especially in Europe, reaching market shares of over 50% in certain markedly tourism-oriented countries. In not a few cases, this has changed the strategy of traditional airlines, which are focusing more and more on their long-haul routes, where the penetration of “low-cost” airlines is and will remain low.

4.4. Distribution networks

The development of information and communication technologies, and especially the emergence of the Internet, revolutionized the tourism scene. Travellers, because they are very well informed about destinations, trips, accommodations and options, have emancipated themselves from the traditional distribution channels. In fact, this phenomenon, which still has a great deal of room for development via mobile telephony, has raised questions about the suitability of the traditional value chain of large, vertically integrated tourism groups: wholesaler-retailer-air transport-transfers-hotel-excursions through which travellers went through like a virtual assembly line, making their economic contribution at each of the links of the chain.

The Internet has made it possible to put customers in contact with tourism service providers, thus placing the visibility of medium-sized or even small providers at a level that is not so different from that of mega-providers. The Internet has also promoted the dissemination of customer satisfaction ratings, thus placing a glass ceiling on the hitherto impenetrable sanctuaries of tourism services.

Distribution networks do not constitute a differentiating element when deciding where and when to make an investment, because in any case and in whatever destination they will have to be used, but it is an actor that should not be absent from any rigorous approach to the reality of tourism.
4.5. Public administrations

In order for the public administration to be successful in their process of promoting tourism investment, an extraordinarily competitive endeavour, it is essential to have a well-defined strategic plan, whose definition should be the result of a study carried out from a dual perspective. On the one hand, the tourism offering itself should be analysed and prioritized: knowing what differentiation the country can offer to potential tourists with vis-à-vis competing alternative destinations. On the other hand, the set of conditions, services and incentives available to tourism companies that establish themselves in the country should also be studied.

The first analysis appears simple to execute, but frequently the choice is erroneous. The second is simple to define, but its execution is complex and plagued with difficulties.

A country may turn out to be attractive for visitors but not so much for investors, or vice versa. There are cases in certain countries of the region where the satisfaction rating is high but return visits are low. The reason for this lies in the low number of resources, of attractions shown to the visitor. There is always a “driving idea”, a concrete motivation that makes a tourist decide to get to know a country. But the desire to return—in short, customer loyalty—is achieved when the visitor perceives that there are many more experiences to be had. And experiences that engage the senses are what the tourist seeks.

The second necessary perspective in the strategic plan will be decisive for the investor, which will research with the government a series of attributes on which the investor knows it will not have the opportunity to influence later on.

a) Public safety and security
b) Health services
c) Available labour force and training centres
d) The communications network
e) Airport and road infrastructure
f) The definition of the respective administrative competences
g) Transparency of the public sector

To summarize, all of the foregoing would lose value and potential effectiveness if two indispensable conditions are not respected as a permanent background of a hypothetical scenario: the sustainability of each and every action, and the socially balanced redistribution of the opportunities and benefits created by tourism.
5. References

Institute of International Finance (IIF)  
www.iif.com

Financial Crisis Inquiry Commission  
www.Bookstore.gop.gov

World Economic Forum (WEF)  
www.weforum.org

International Development Research Center (IDRC)  
www.idrc.ca

International Air Transport Association (IATA)  
www.iata.org

United Nations Conference for Trade and Development - Global Investment Monitor (UNCTAD)  
www.unctad.org

Financial Times  
www.fdiintelligence.com

World Bank  
Investment Climate Assessment (ICA)  
www.worldbank.org

Fondo Monetario Internacional (FMI)  
www.imf.org

Asociación Latinoamericana de Entidades Financieras (ALIDE)  
www.alide.org.pe

Comisión Económica para América Latina (CEPAL)  
www.eclac.org

World Association of Investment Promotion Agencies (WAIPA)  
www.waipa.org