

WORLD TRAVEL & TOURISM COUNCIL

Executive Summary

TRAVEL & TOURISM
A WORLD OF OPPORTUNITY

The 2003 Travel & Tourism Economic Research



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WORLD TRAVEL & TOURISM COUNCIL

THE WORLD TRAVEL & TOURISM COUNCIL (WTTC) IS THE BUSINESS LEADERS' FORUM FOR TRAVEL & TOURISM, WORKING WITH GOVERNMENTS TO RAISE AWARENESS OF THE IMPORTANCE OF THE WORLD'S LARGEST GENERATOR OF WEALTH AND JOBS.

With the Chief Executives of more than one hundred of the world's leading companies in membership, WTTC has a unique mandate and overview on all matters related to success in Travel & Tourism.

This 2003 report for World is the third set of Tourism Satellite Accounting research that Oxford Economic Forecasting (OEF) has prepared for WTTC. The first, commissioned in 2001, re-engineered the models previously developed during the 1990s. The second, prepared in 2002, held the research fairly static to provide a much-needed variance analysis for September 11, used to quantify the tragic events of the previous year. Now in 2003, WTTC has taken the opportunity of this third iteration to significantly upgrade and enhance the quality, sophistication and precision of the TSA research. In fact, the improvements are so significant, we are tempted to categorize the 2003 research as the WTTC/OEF TSA 2.0

Beyond the enhancements itemized at the end of this report, this 2003 research updates the historical results, estimates the current performance of World's Travel & Tourism, and provides short and long-term forecasts based on the most recent national and international data sources and econometric models developed by Oxford Econometric Forecasting.

As always, this new TSA research quantifies all aspects of Travel & Tourism demand, from personal consumption to business purchases, capital investment, government spending and exports. It then translates this information into economic concepts of production, such as gross domestic product and employment, which can be compared with other industries and the economy as a whole to provide credible statistical information that will assist in policy and business decision processes.

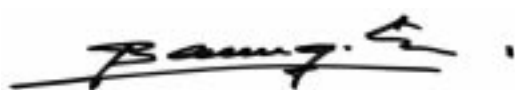
The message from this report is clear. In 2003, World's Travel & Tourism Industry is expected to generate 3.7 per cent of GDP and 67,441,100 jobs, while the broader Travel & Tourism Economy is expected to total 10.2 per cent of GDP and 194,562,000 jobs. Looking ahead, the forecast for Travel & Tourism Demand is expected to total 2.9 per cent real growth in 2003, and 4.6 per cent real growth per annum between 2004 and 2013.

This WTTC research quantifies and documents the Travel & Tourism economics for World, the first step towards addressing mission-critical issues such as tourism management, tourism marketing and promotion, tourism infrastructure, taxation, aviation policy and much more.

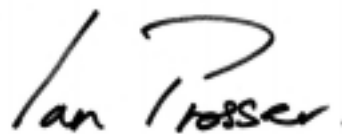
We hope that by raising awareness of previous performance, current conditions and the, as yet unrealized, potential of Travel & Tourism in World, this report will act as a catalyst, encouraging industry and government to continue to work together to create the conditions necessary to realize the industry's true promise.

The War Scenario

The possibility of a war in Iraq has caused WTTC/Oxford to re-assess this 2003 TSA research. The base case presented in this report reflects the assumption of no war or quick, decisive, and contained military action. The "War Scenario" on Page 20 illustrates the impact vis-à-vis the base case assuming a drawn-out, less decisive, uncontained military action.



Jean-Claude Baumgarten
President, World Travel & Tourism Council



Sir Ian Prosser
Chairman, World Travel & Tourism Council
Chairman, Six Continents Hotels & Resorts PLC

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ECONOMIC IMPACT

IN 2003, WORLD'S TRAVEL & TOURISM IS EXPECTED TO GENERATE US\$4,544.2 BILLION OF ECONOMIC ACTIVITY (TOTAL DEMAND). THE INDUSTRY'S DIRECT IMPACT INCLUDES:

67,441,100

jobs....representing 2.6 per cent of total Employment.

US\$ 1,280.4

billionof Gross Domestic Product (GDP) equivalent to 3.7 per cent of total GDP.

HOWEVER, SINCE TRAVEL & TOURISM TOUCHES ALL SECTORS OF THE ECONOMY, ITS REAL IMPACT IS EVEN GREATER. WORLD'S TRAVEL & TOURISM ECONOMY DIRECTLY AND INDIRECTLY ACCOUNTS FOR:

194,562,000

jobs....representing 7.6 per cent of total Employment.

US\$ 3,526.9

billionof Gross Domestic Product (GDP) equivalent to 10.2 per cent of total GDP.

US\$ 1,009.9

billion of Exports, services & merchandise....or 11.2 per cent of total Exports.

US\$ 686.0

billion of Capital Investment....or 9.6 per cent of total investment.

US\$ 224.1

billion of Government Expenditures....or 3.9 per cent share.

GROWTH

IN 2003, TRAVEL & TOURISM IN WORLD IS FORECAST TO SEE REAL GROWTH (REAL DECLINE) OF:

2.9%in total Travel & Tourism Demand to US\$4,544.2 billion.

1.1%in Travel & Tourism Industry GDP to US\$1,280.4 billion for the industry directly and 2.0 per cent to US\$ 3,526.9 billion for the Travel & Tourism Economy overall (direct and indirect expenditures).

0.1%in Travel & Tourism Industry Employment (direct impact only), to 67,441,100 jobs, and 1.5 per cent to 194,562,000 jobs in the Travel & Tourism Economy overall (direct and indirect).

OVER THE NEXT TEN YEARS, WORLD'S TRAVEL & TOURISM IS EXPECTED TO ACHIEVE ANNUALIZED REAL GROWTH (REAL DECLINE) OF:

4.6%in total Travel & Tourism Demand to US\$8,939.7 billion in 2013.

3.6% US\$ 2,279.2 billion in 2013 for the industry directly and to US\$6,461.4 billion for the Travel & Tourism Economy overall.

2.2%in Travel & Tourism Employment, to 83,893,600 jobs directly in the industry, and 2.4 per cent to 247,205,000 jobs in the Travel & Tourism Economy overall in 2012.

7.1%in Visitor Exports, rising to US\$1,332.1 billion by 2013.

4.3%in terms of Capital Investment, increasing to US\$1,308.6 billion in 2013.

3.0%in terms of Government Expenditures to US\$378.2 billion in 2013.

TRAVEL & TOURISM SATELLITE ACCOUNT

TOURISM SATELLITE ACCOUNTING

THIS REPORT FOLLOWS THE CONCEPT OF SATELLITE ACCOUNTING DEFINED IN THE TOURISM SATELLITE ACCOUNT: RECOMMENDED METHODOLOGICAL FRAMEWORK (TSA:RMF), AND DEVELOPED UNDER THE AUSPICES OF THE WORLD TOURISM ORGANIZATION.

Over the last three decades, countries have estimated the economic impact of Travel & Tourism through a range of measures using a variety of definitions and methodologies. Such approaches have prevented meaningful comparisons among nations. Even for the same nation over different periods of time, they have frustrated business and government attempts to draw valid conclusions about the nature and course of Travel & Tourism demand in national economies. This regime has obscured the substantial, positive role the industry plays in national economies and has thwarted business and government attempts to optimize economic programmes and policies.

The World Travel & Tourism Council (WTTC) recognized the dearth of crucial Travel & Tourism intelligence from the time of its establishment in 1990 and it published the first detailed estimates of world tourism's economic impact that same year.

Since then WTTC has worked to improve its methodologies and to encourage individual countries to enhance their measurement and understanding of tourism's impact on their national economies. Furthermore, in the spirit of joining forces to enhance world comprehension of the role of Travel & Tourism in national economies, WTTC has strongly supported the programmes of the World Tourism Organization (WTO) to improve tourism statistics worldwide.

WTTC'S RESEARCH

WTTC and its economic consultants/research partners – Oxford Economic Forecasting, (OEF), since 1999, and Global Insight (previously known as DRI•WEFA), from 1990-1999, have developed and published research on the economic contribution of Travel & Tourism to the world, regional and national economies.

Starting in 1990, WTTC's research team has been working to develop practical, real-world models to illustrate Travel & Tourism's economic contribution based on the needs of private sector leaders, public sector policy-makers and industry researchers, and on the interpretation of the system of national accounts. The research is now firmly anchored in the international standard for tourism satellite accounting that was developed by WTO, OECD and Eurostat, and approved by the United Nations Statistical Commission in 2000. It was launched at the TSA Conference held in Vancouver in May 2001 and published as the Tourism Satellite Account: Recommended Methodological Framework (TSA:RMF) in 2001.

Since 1999, WTTC's research has assumed the conceptual framework of the UN-approved standard with a number of discretionary extensions, and it combines the most sophisticated economic modelling and forecasts available with the most up-to-date, publicly available data to generate a comprehensive implementation of Travel & Tourism satellite accounting.

The 2003 update of the WTTC TSA research is the third annual update undertaken for WTTC by OEF. In carrying out the work, OEF has drawn extensively on the methodology developed over the years by WTTC to develop TSAs as operational tools. However, it has also taken the opportunity in a number of areas to review and enhance the modelling techniques, assumptions used and data sources applied.

WTTC'S APPROACH TO TSA RESEARCH

WTTC HAS ENDEAVOURED TO IMPLEMENT AND PRODUCE THE MOST COMPREHENSIVE TSA PROVIDED FOR WITHIN THE TSA:RMF, BY DEVELOPING THE NARROW CONCEPT OF THE 'TRAVEL & TOURISM INDUSTRY' IN ADDITION TO THE BROADER CONCEPT OF THE 'TRAVEL & TOURISM ECONOMY'.

WTTC advocates full implementation of the TSA as defined in the TSA:RMF in order to achieve the highest level of benefits for industry and governments. These include:

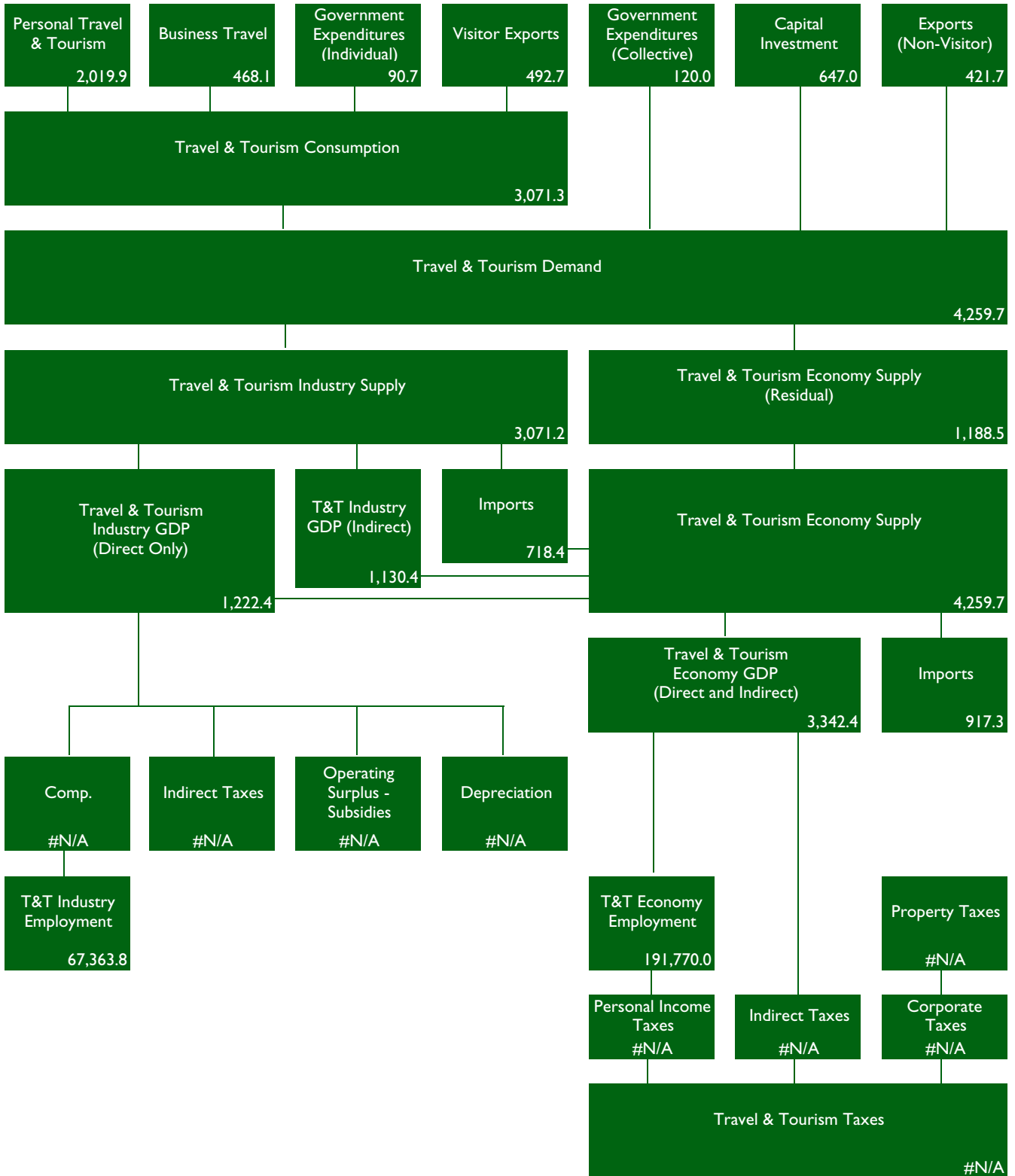
- A wealth of customer and consumer information on tourism-related purchases (before, during and after trips – whether domestic or international, imported or exported – as well as services, durables and non-durables) that has never been identified until now;
- Comprehensive documentation and analysis of the full tourism-product service chain and government's ability to deliver quality and timely service to visitors;
- Linkages between Travel & Tourism and other sectors of the economy such as agriculture and manufacturing to illustrate the flow-through of spending;
- Complete outlook for public works that benefit visitors and Travel & Tourism companies in order to leverage public sector plans and priorities for growth;
- Focused opportunities for domestic production, as well as incentives from the public sector, to aid in the growth of businesses that help alleviate trade balance issues;
- Demand- and supply-side information on employment that allows for human resource planning and development.

WTTC has worked towards developing a comprehensive TSA – not because it is eager to exaggerate the size of Travel & Tourism's impact, but because the information that can be garnered from the exercise by governments and industry is crucial for making intelligent and informed policy and business decisions. WTTC believes that history will document its pioneering implementation of the simulated TSA as one of the most important turning points for Travel & Tourism's long overdue economic recognition.

In the WTTC research, no country receives special treatment or favours. WTTC uses internationally available data sources and the same scope of tourism satellite accounting for all countries, as well as the same basic assumptions through the same system of models. WTTC's TSA research utilizes a universal and internally consistent modelling framework and generates harmonized results and forecasts for more than 160 countries around the world. Details of the methodology used by WTTC/OEF in its TSA research are available on WTTC's website (www.wttc.org).

TSA CONCEPTS & STRUCTURE

(US\$ billion, '000 of Jobs)



This Travel & Tourism Satellite Accounting research reflects a comprehensive simulation of the new international standard adopted by the United Nations following the Enzo Paci World Conference on the Economic Impact of Tourism (Nice, France, June 1999), twelve years of model development and TSA experience by WTTC and Oxford Economic Forecasting (OEF), and application of OEF's latest macro-economic forecasts.

TSA Economic Concepts

The Travel & Tourism Satellite Account is based on a 'demand-side' concept of economic activity, because the industry does not produce or supply a homogeneous product or service like traditional industries (agriculture, electronics, steel, etc). Instead, Travel & Tourism is an industrial activity defined by the diverse collection of products (durables and non-durables) and services (transportation, accommodations, food and beverage, entertainment, government services, etc) that are delivered to visitors. There are two basic aggregates of demand in the TSA:

I **Travel & Tourism Consumption** represents the value of products and services that have been consumed by visitors. It is the basic demand-side aggregate used to construct an explicitly defined production-side 'industry' equivalent for comparison with all other industries. Travel & Tourism Consumption includes:

- **Personal Travel & Tourism**, more formally known as consumer expenditures, which captures spending by economy residents on traditional Travel & Tourism services (lodging, transportation, entertainment, meals, financial services, etc) and goods (durable and nondurable) used for Travel & Tourism activities.
- **Business Travel** by government and industry, which mirrors Personal Travel & Tourism's spending on goods and services (transportation, accommodation, meals, entertainment, etc), but represents intermediate inputs used in the course of business or government work.
- **Government Expenditures (Individual)** by agencies and departments which provide visitor services such as cultural (art museums), recreational (national park) or clearance (immigration/ customs) to individual visitors.
- **Visitor Exports**, which include spending by international visitors on goods and services.

II **Travel & Tourism Demand** builds on Travel & Tourism consumption to include Travel & Tourism products and services associated with residual components of final demand. It is used to construct a broader 'economy-wide' impact of Travel & Tourism. The residual elements of Travel & Tourism demand are:

- **Government Expenditures (Collective)** made by agencies and departments associated with Travel & Tourism, but generally made on behalf of the

community at large, such as tourism promotion, aviation administration, security services and resort area sanitation services.

- **Capital Investment** by Travel & Tourism providers (the private sector) and government agencies (the public sector) to provide facilities, equipment and infrastructure to visitors.
- **Exports (Non-Visitor)** which include consumer goods sent abroad for ultimate sale to visitors (such as clothing, electronics or petrol) or capital goods sent abroad for use by industry service providers (such as aircraft or cruise ships).

By employing input/output modelling separately to these two aggregates (Travel & Tourism Consumption and Travel & Tourism Demand), the Satellite Account is able to produce two different and complementary aggregates of **Travel & Tourism Supply**: the **Travel & Tourism Industry** and the **Travel & Tourism Economy**. The former captures the explicitly defined production-side 'industry' equivalent, direct impact only, for comparison with all other industries, while the latter captures the broader 'economy-wide' impact, direct and indirect, of Travel & Tourism. Through this process, the Satellite Account is also able to determine that portion of supply, which it **Imports** from abroad.

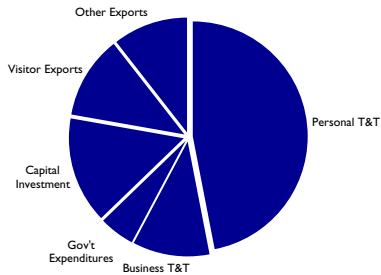
Next, the satellite account breaks down both aggregates of supply (Industry and Economy) into the direct and indirect impacts of **Gross Domestic Product (GDP)**, the main descriptor of economic production, as well as the various components of GDP (**Wages & Salaries, Indirect/Transaction Taxes, Operating Surplus, Depreciation and Subsidies**). Beyond the regular TSA accounts, a separate analysis is also provided of **Personal Income Taxes** paid by Travel & Tourism generated employment and **Corporate and Property Taxes** paid by Travel & Tourism companies. Finally, one of the most important elements of the Travel & Tourism Satellite Account are the Employment results, which can now be quantified for the basic Travel & Tourism Industry and the broader Travel & Tourism Economy.

- **T&T Industry Employment** generally includes those jobs with face-to-face contact with visitors (airlines, hotels, car rental, restaurant, retail, entertainment, etc).
- **T&T Economy Employment** includes T&T Industry Employment plus those faceless jobs associated with:
 - Industry suppliers (airline caterers, laundry services, food suppliers, wholesalers, accounting firms, etc).
 - Government agencies, manufacturing and construction of capital goods and exported goods used in Travel & Tourism.
 - Supplied commodities (steel producers, lumber, oil production, etc).

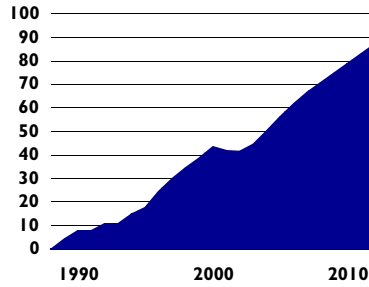
TSA CHARTS

TRAVEL & TOURISM DEMAND

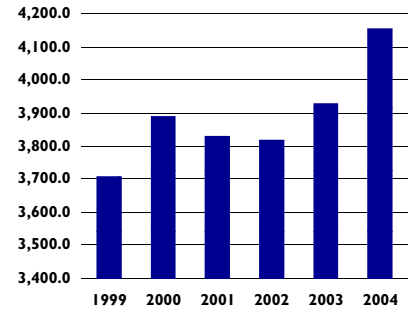
Year 2003 Split



Cumulative Real Growth (%)

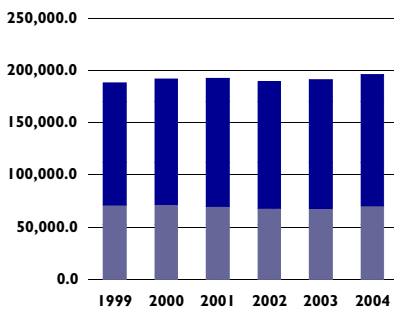


1990 Constant US\$ bn

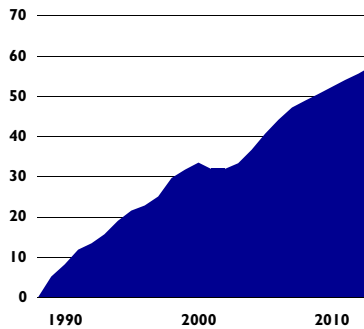


TRAVEL & TOURISM EMPLOYMENT

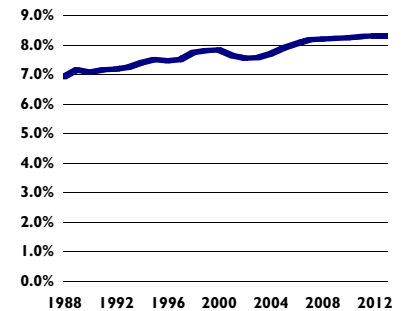
'000 of Jobs



Cumulative Real Growth (%)



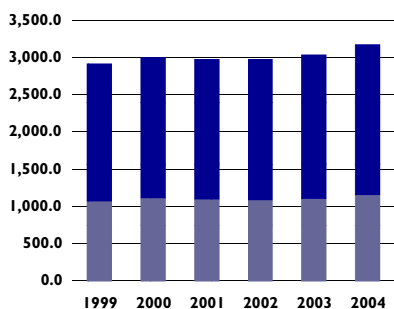
T&T Economy Employment as % of Total Employment



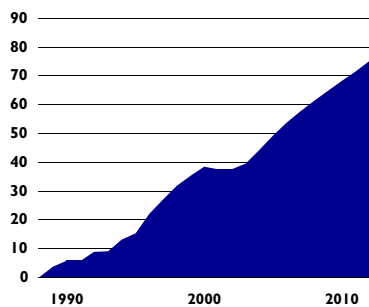
Light Blue Bar is T&T Industry Jobs; Light/Dark Blue Combination is T&T Economy Jobs

TRAVEL & TOURISM GROSS DOMESTIC PRODUCT

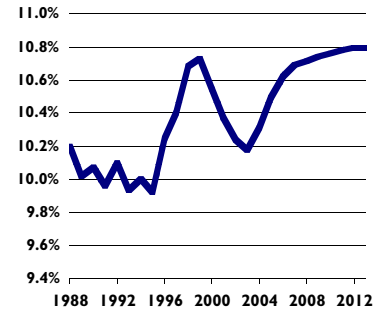
1990 Constant US\$ bn



Cumulative Real Growth (%)



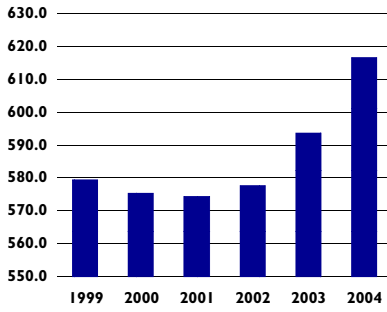
T&T Economy GDP as % of Total GDP



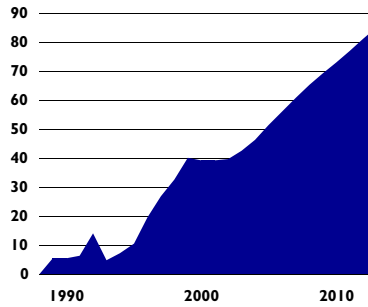
Light Blue Bar is T&T Industry GDP; Light/Dark Blue Combination is T&T Economy GDP

TRAVEL & TOURISM CAPITAL INVESTMENT

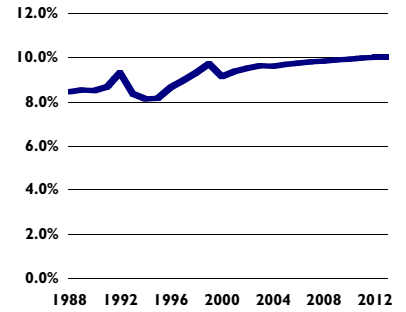
1990 Constant US\$ bn



Cumulative Real Growth (%)

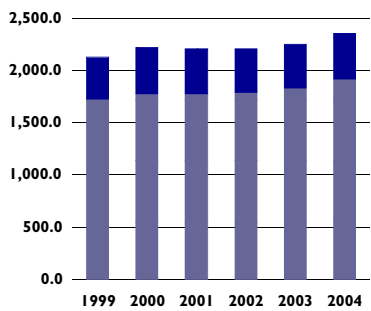


% of Total Capital Investment

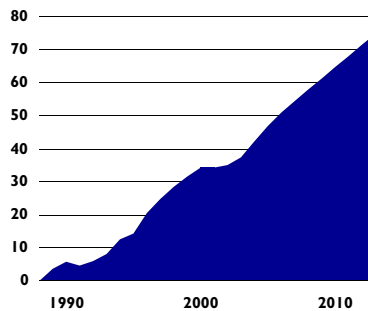


PERSONAL AND BUSINESS TRAVEL & TOURISM

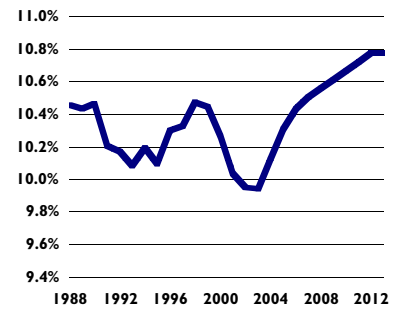
1990 Constant US\$ bn



Cumulative Real Growth (%)



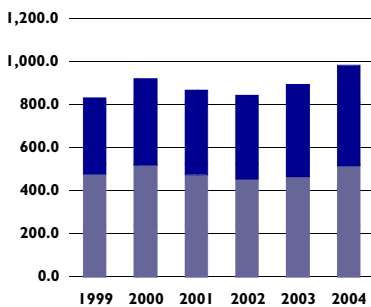
% of Total Personal Consumption



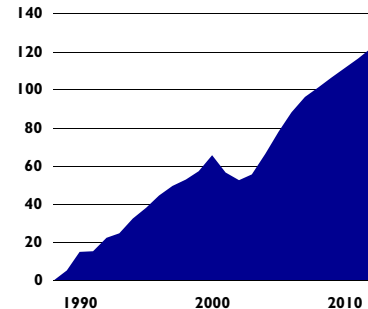
Light Blue Bar is Personal T&T; Dark Blue Bar is Business T&T

TRAVEL & TOURISM EXPORTS

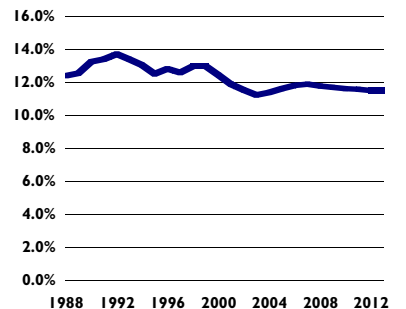
1990 Constant US\$ bn



Cumulative Real Growth (%)



% of Total Exports



Light Blue Bar is Visitor Exports; Dark Blue Bar is Other Exports

What countries are expected to spend the largest amount (absolute terms) on Personal Travel & Tourism in 2003?

**Personal Travel & Tourism, 2003
(US\$ Mn)**

1	United States	764,843.0
2	Japan	253,615.0
3	Germany	139,887.0
4	United Kingdom	134,723.0
5	France	105,235.0
6	Italy	85,064.7
7	China	66,934.0
8	Spain	60,449.5
9	Canada	55,846.0
10	Australia	30,744.9

What countries are expected to grow their Personal Travel & Tourism fastest in 2003?

**Personal Travel & Tourism, 2003
(% Real Growth)**

1	Turkey	16.3
2	Singapore	13.9
3	Madagascar	9.8
4	Poland	9.7
5	Former Soviet Union	9.5
6	China	9.1
7	Chad	8.9
8	Vietnam	8.7
9	Croatia	8.6
10	Libya	8.3

What countries are expected to spend the largest amount (relative terms) on Personal Travel & Tourism in 2013?

**Personal Travel & Tourism, 2013
(% of Total Personal Consumption)**

1	British Virgin Islands	60.8
2	Maldives	53.1
3	Congo, Democratic Republic	35.2
4	Vanuatu	26.1
5	Seychelles	24.0
6	Kuwait	22.8
7	Bahamas	21.7
8	Hong Kong	19.6
9	Suriname	19.6
10	Bahrain	19.4

What countries are expected to spend the largest amount (absolute terms) on Business Travel in 2003?

**Business Travel, 2003
(US\$ Mn)**

1	United States	171,712.0
2	Japan	50,421.4
3	Germany	37,964.3
4	United Kingdom	31,856.6
5	France	27,978.8
6	Italy	27,111.7
7	Canada	13,277.1
8	Spain	10,709.5
9	Netherlands	8,846.9
10	Mexico	7,850.0

What countries are expected to spend the largest amount (relative terms) on Personal Travel & Tourism in 2003?

**Personal Travel & Tourism, 2003
(% of Total Personal Consumption)**

1	British Virgin Islands	44.7
2	Maldives	35.1
3	Bahamas	19.3
4	Kuwait	18.6
5	Singapore	18.1
6	Seychelles	17.6
7	Vanuatu	17.3
8	Papua New Guinea	16.6
9	Austria	15.7
10	Congo, Democratic Republic	15.6

What countries are expected to spend the largest amount (absolute terms) on Personal Travel & Tourism in 2013?

**Personal Travel & Tourism, 2013
(US\$ Mn)**

1	United States	1,397,160.0
2	Japan	314,405.0
3	Germany	222,120.0
4	United Kingdom	221,989.0
5	China	187,351.0
6	France	177,538.0
7	Italy	151,886.0
8	Spain	114,553.0
9	Canada	95,692.5
10	Australia	63,286.7

What countries are expected to grow their Personal Travel & Tourism fastest between 2004-2013?

**Personal Travel & Tourism, 2004-2013
(% Annualized Real Growth)**

1	Solomon Islands	10.3
2	Turkey	9.4
3	Hong Kong	9.4
4	India	8.7
5	Botswana	8.7
6	Mauritius	8.3
7	China	8.3
8	Vietnam	8.1
9	Tunisia	8.1
10	Poland	8.0

What countries are expected to grow their Business Travel fastest in 2003?

**Business Travel, 2003
(% Real Growth)**

1	Turkey	11.5
2	Malaysia	9.5
3	Croatia	5.6
4	Madagascar	3.3
5	Mexico	3.2
6	Australia	2.7
7	Chad	2.5
8	New Zealand	2.4
9	Ireland	2.3
10	Finland	2.2

What countries are expected to spend the largest amount (absolute terms) on Business Travel in 2013?

**Business Travel, 2013
(US\$ Mn)**

1	United States	294,545.0
2	Japan	63,815.8
3	Germany	58,479.2
4	United Kingdom	52,513.0
5	Italy	48,755.4
6	France	47,412.8
7	Canada	23,670.7
8	China	19,600.3
9	Spain	18,602.1
10	Brazil	17,054.8

What countries are expected to spend the largest amount (absolute terms) on Travel & Tourism Government Expenditures in 2003?

**Government Expenditures, 2003
(US\$ Mn)**

1	United States	84,692.3
2	Japan	29,640.8
3	France	11,297.6
4	United Kingdom	9,701.9
5	Italy	9,061.2
6	Germany	8,918.2
7	Spain	8,441.6
8	China	7,469.3
9	Canada	5,771.1
10	Mexico	3,550.6

What countries are expected to grow their Travel & Tourism Government Expenditures fastest in 2003?

**Government Expenditures, 2003
(% Real Growth)**

1	Croatia	26.1
2	Madagascar	10.8
3	Chad	10.3
4	China	10.1
5	Former Soviet Union	7.6
6	Libya	7.6
7	Hong Kong	7.5
8	Curaçao	7.4
9	Vietnam	7.1
10	Rwanda	6.7

What countries are expected to spend the largest amount (relative terms) on Travel & Tourism Government Expenditures in 2013?

**Government Expenditures, 2013
(% of Total Government Expenditures)**

1	Cayman Islands	30.0
2	British Virgin Islands	27.6
3	Antigua and Barbuda	27.5
4	Saint Lucia	27.4
5	Seychelles	25.8
6	Dominican Republic	22.6
7	Aruba	21.9
8	Guadeloupe	21.0
9	Virgin Islands	20.4
10	Other Oceania	20.0

What countries are expected to grow their Business Travel fastest between 2004-2013?

**Business Travel, 2004-2013
(% Annualized Real Growth)**

1	India	10.4
2	Libya	10.4
3	China	10.2
4	Chad	9.6
5	Turkey	9.4
6	Dem Rep of the Congo	9.4
7	Ethiopia	9.0
8	Singapore	8.9
9	Mauritius	8.8
10	Hong Kong	8.8

What countries are expected to spend the largest amount (relative terms) on Travel & Tourism Government Expenditures in 2003?

**Government Expenditures, 2003
(% of Total Government Expenditures)**

1	Cayman Islands	28.7
2	British Virgin Islands	26.6
3	Antigua and Barbuda	26.4
4	Saint Lucia	26.3
5	Seychelles	25.1
6	Dominican Republic	21.6
7	Aruba	20.8
8	Guadeloupe	20.3
9	Virgin Islands	19.4
10	Other Oceania	19.2

What countries are expected to spend the largest amount (absolute terms) on Travel & Tourism Government Expenditures in 2013?

**Government Expenditures, 2013
(US\$ Mn)**

1	United States	152,721.0
2	Japan	41,234.5
3	China	18,701.6
4	United Kingdom	17,203.6
5	France	15,842.9
6	Italy	15,558.2
7	Spain	12,999.6
8	Germany	11,826.2
9	Canada	10,392.5
10	Australia	5,238.8

What countries are expected to grow their Travel & Tourism Government Expenditures fastest between 2004-2013?

**Government Expenditures, 2004-2013
(% Annualized Real Growth)**

1	China	7.1
2	Libya	6.9
3	Chad	6.6
4	Ethiopia	6.0
5	Hungary	5.6
6	Uganda	5.6
7	Mauritius	5.5
8	Laos	5.5
9	Vietnam	5.5
10	Reunion	5.3

What countries are expected to spend the largest amount (absolute terms) on Travel & Tourism Capital Investment in 2003?

**Capital Investment, 2003
(US\$ Mn)**

1	United States	204,874.0
2	China	55,831.0
3	Japan	44,259.0
4	Germany	36,506.1
5	Spain	27,741.2
6	United Kingdom	27,219.1
7	France	26,652.5
8	Italy	22,056.9
9	Mexico	16,583.7
10	Australia	13,900.8

What countries are expected to grow their Travel & Tourism Capital Investment fastest in 2003?

**Capital Investment, 2003
(% Real Growth)**

1	Turkey	18.0
2	Macau	15.1
3	Malaysia	11.7
4	Colombia	11.6
5	Hong Kong	11.0
6	Indonesia	10.9
7	China	10.5
8	Madagascar	10.1
9	Argentina	10.0
10	Bulgaria	9.7

What countries are expected to spend the largest amount (relative terms) on Travel & Tourism Capital Investment in 2013?

**Capital Investment, 2013
(% of Total Capital Investment)**

1	Aruba	77.0
2	Macau	76.6
3	Other Oceania	73.5
4	Antigua and Barbuda	71.6
5	Bahamas	66.0
6	Barbados	64.6
7	Virgin Islands	63.2
8	Cayman Islands	58.8
9	Anguilla	54.6
10	British Virgin Islands	53.7

What countries are expected to earn the largest amount (absolute terms) on Travel & Tourism Visitor Exports in 2003?

**Visitor Exports, 2003
(US\$ Mn)**

1	United States	94,523.0
2	France	35,332.0
3	Spain	32,449.0
4	United Kingdom	28,695.0
5	Italy	26,644.0
6	Germany	23,778.0
7	China	14,857.0
8	Netherlands	13,753.0
9	Former Soviet Union	11,522.0
10	Austria	11,049.0

What countries are expected to spend the largest amount (relative terms) on Travel & Tourism Capital Investment in 2003?

**Capital Investment, 2003
(% of Total Capital Investment)**

1	Aruba	75.5
2	Macau	74.7
3	Other Oceania	72.2
4	Antigua and Barbuda	70.4
5	Bahamas	65.1
6	Barbados	63.5
7	Virgin Islands	61.2
8	Anguilla	53.6
9	British Virgin Islands	53.6
10	Cayman Islands	52.9

What countries are expected to spend the largest amount (absolute terms) on Travel & Tourism Capital Investment in 2013?

**Capital Investment, 2013
(US\$ Mn)**

1	United States	361,115.0
2	China	151,800.0
3	Japan	55,578.6
4	France	50,192.7
5	Mexico	48,055.8
6	Germany	47,755.9
7	United Kingdom	45,897.3
8	Spain	45,473.2
9	Italy	43,040.2
10	Australia	27,682.4

What countries are expected to grow their Travel & Tourism Capital Investment fastest between 2004-2013?

**Capital Investment, 2004-2013
(% Annualized Real Growth)**

1	Mexico	10.5
2	Turkey	8.5
3	Finland	8.0
4	China	8.0
5	Argentina	7.7
6	Malaysia	7.6
7	India	7.5
8	Singapore	7.4
9	Chinese Taipei	6.9
10	Hong Kong	6.8

What countries are expected to earn the largest amount (relative terms) on Travel & Tourism Visitor Exports in 2003?

**Visitor Exports, 2003
(% of Total Exports)**

1	Maldives	66.8
2	Antigua and Barbuda	66.1
3	Bahamas	65.6
4	Saint Lucia	64.9
5	British Virgin Islands	58.3
6	Tanzania	51.8
7	Cyprus	50.2
8	Other Oceania	49.8
9	Barbados	43.5
10	Macau	43.0

What countries are expected to grow their Travel & Tourism Visitor Exports fastest in 2003?

**Visitor Exports, 2003
(% Real Growth)**

1	Saudi Arabia	15.4
2	Libya	15.4
3	Indonesia	15.0
4	Slovenia	14.1
5	Botswana	13.9
6	Former Soviet Union	13.6
7	Tunisia	13.5
8	Algeria	13.3
9	Iran	13.0
10	Bulgaria	12.9

What countries are expected to earn the largest amount (relative terms) on Travel & Tourism Visitor Exports in 2013?

**Visitor Exports, 2013
(% of Total Exports)**

1	Bahamas	73.1
2	Antigua and Barbuda	67.1
3	British Virgin Islands	67.0
4	Maldives	66.3
5	Saint Lucia	62.6
6	Vanuatu	57.1
7	Cyprus	54.3
8	Tanzania	54.2
9	Other Oceania	53.8
10	Croatia	49.5

What countries are expected to earn the largest amount (absolute terms) on Travel & Tourism Other Exports in 2003?

**Other Exports, 2003
(US\$ Mn)**

1	United States	67,173.0
2	Germany	61,927.0
3	France	37,944.0
4	Canada	32,406.0
5	Japan	30,377.0
6	United Kingdom	23,830.0
7	Italy	18,750.0
8	Spain	17,174.0
9	China	16,874.1
10	Mexico	16,708.0

What countries are expected to grow their Travel & Tourism Other Exports fastest in 2003?

**Other Exports, 2003
(% Real Growth)**

1	Zimbabwe	37.3
2	Burundi	28.4
3	Poland	23.3
4	Indonesia	20.8
5	Philippines	20.3
6	China	20.2
7	Korea, Republic of	19.0
8	Haiti	18.0
9	Libya	17.4
10	Thailand	17.2

What countries are expected to earn the largest amount (absolute terms) on Travel & Tourism Visitor Exports in 2013?

**Visitor Exports, 2013
(US\$ Mn)**

1	United States	220,570.0
2	France	86,147.0
3	Spain	75,938.0
4	United Kingdom	70,299.0
5	Italy	64,087.0
6	Germany	59,013.0
7	China	54,878.0
8	Former Soviet Union	33,665.0
9	Netherlands	33,300.0
10	Canada	28,025.0

What countries are expected to grow their Travel & Tourism Visitor Exports fastest between 2004-2013?

**Visitor Exports, 2004-2013
(% Annualized Real Growth)**

1	Brunei Darussalam	11.7
2	Libya	11.4
3	China	11.3
4	India	10.5
5	Laos	10.3
6	Vanuatu	10.1
7	Malaysia	10.1
8	Mexico	10.1
9	Botswana	9.9
10	New Zealand	9.8

What countries are expected to earn the largest amount (relative terms) on Travel & Tourism Other Exports in 2003?

**Other Exports, 2003
(% of Total Exports)**

1	Venezuela	17.5
2	Sierra Leone	13.6
3	Oman	12.7
4	Nigeria	12.4
5	Libya	12.2
6	Angola	11.2
7	Yemen	11.0
8	Kuwait	10.7
9	Iran	10.3
10	Canada	9.9

What countries are expected to earn the largest amount (absolute terms) on Travel & Tourism Other Exports in 2013?

**Other Exports, 2013
(US\$ Mn)**

1	Germany	145,660.0
2	United States	134,300.0
3	France	99,220.0
4	Canada	81,108.0
5	Japan	77,845.0
6	Mexico	71,682.0
7	China	65,773.3
8	United Kingdom	48,753.0
9	Spain	48,562.0
10	Italy	41,001.0

What countries are expected to earn the largest amount (relative terms) on Travel & Tourism Other Exports in 2013?

**Other Exports, 2013
(% of Total Exports)**

1	Venezuela	17.5
2	Sierra Leone	14.1
3	Oman	12.9
4	Nigeria	12.6
5	Libya	12.3
6	Yemen	11.4
7	Angola	11.4
8	Kuwait	10.5
9	Canada	10.1
10	Iran	10.1

What countries are expected to total the largest amount (absolute terms) on Travel & Tourism Demand in 2003?

**Travel & Tourism Demand, 2003
(US\$ Mn)**

1	United States	1,387,820.0
2	Japan	414,121.0
3	Germany	308,981.0
4	United Kingdom	256,026.0
5	France	244,440.0
6	Italy	188,688.0
7	China	167,878.0
8	Spain	156,965.0
9	Canada	128,140.0
10	Mexico	74,183.4

What countries are expected to total the largest amount (absolute terms) on Travel & Tourism Demand in 2013?

**Travel & Tourism Demand, 2013
(US\$ Mn)**

1	United States	2,560,410.0
2	Japan	568,924.0
3	Germany	544,854.0
4	China	498,104.0
5	France	476,354.0
6	United Kingdom	456,655.0
7	Italy	364,328.0
8	Spain	316,128.0
9	Canada	259,012.0
10	Mexico	196,550.0

What countries are expected to produce the largest amount (absolute terms) of Travel & Tourism Industry GDP in 2003?

**Travel & Tourism Industry GDP 2003
(US\$ Mn)**

1	United States	462,160.0
2	Japan	141,585.0
3	France	73,814.5
4	United Kingdom	65,909.7
5	Germany	63,056.7
6	Italy	60,969.4
7	Spain	50,989.2
8	China	32,911.6
9	Canada	29,618.0
10	Australia	22,699.3

What countries are expected to grow their Travel & Tourism Other Exports fastest between 2004-2013?

**Other Exports, 2004-2013
(% Annualized Real Growth)**

1	Mexico	14.9
2	Pakistan	13.0
3	India	12.0
4	China	11.9
5	Turkey	11.5
6	Angola	10.8
7	Chad	10.8
8	Bulgaria	10.1
9	Former Soviet Union	9.7
10	Philippines	9.4

What countries are expected to grow their Travel & Tourism Demand fastest in 2003?

**Travel & Tourism Demand, 2003
(% Real Growth)**

1	Turkey	11.6
2	Croatia	10.6
3	Former Soviet Union	10.4
4	Libya	10.1
5	China	10.0
6	Angola	9.7
7	Singapore	9.5
8	Bulgaria	9.3
9	Malaysia	9.3
10	Hong Kong	9.2

What countries are expected to grow their Travel & Tourism Demand fastest between 2004-2013?

**Travel & Tourism Demand, 2004-2013
(% Annualized Real Growth)**

1	Angola	9.5
2	Mexico	9.5
3	Turkey	9.2
4	China	8.9
5	India	8.8
6	Botswana	8.5
7	Laos	8.4
8	Malaysia	8.2
9	Hong Kong	8.1
10	Vanuatu	7.8

What countries are expected to produce the largest amount (relative terms) of Travel & Tourism Industry GDP in 2003?

**Travel & Tourism Industry GDP 2003
(% of Total GDP)**

1	British Virgin Islands	36.6
2	Maldives	34.7
3	Macau	19.0
4	Antigua and Barbuda	18.7
5	Seychelles	18.6
6	Anguilla	17.8
7	Malta	14.7
8	Vanuatu	14.4
9	Cyprus	13.5
10	Bahamas	13.3

What countries are expected to grow their Travel & Tourism Industry GDP fastest in 2003?

**Travel & Tourism Industry GDP 2003
(% Real Growth)**

1	Croatia	13.2
2	Malta	11.1
3	Chad	10.9
4	Jordan	10.5
5	Cyprus	10.4
6	Tunisia	10.4
7	Botswana	10.2
8	Morocco	9.8
9	Former Soviet Union	9.6
10	Slovenia	9.2

What countries are expected to produce the largest amount (relative terms) of Travel & Tourism Industry GDP in 2013?

**Travel & Tourism Industry GDP 2013
(% of Total GDP)**

1	Maldives	42.7
2	British Virgin Islands	38.1
3	Seychelles	30.3
4	Vanuatu	26.9
5	Anguilla	25.1
6	Antigua and Barbuda	24.9
7	Macau	22.4
8	Malta	20.7
9	Bahamas	19.8
10	Cyprus	18.5

What countries are expected to produce the largest amount (absolute terms) of Travel & Tourism Economy GDP in 2003?

**Travel & Tourism Economy GDP 2003
(US\$ Mn)**

1	United States	1,180,140.0
2	Japan	360,413.0
3	Germany	212,924.0
4	France	191,916.0
5	United Kingdom	178,478.0
6	Italy	147,044.0
7	China	141,413.0
8	Spain	132,566.0
9	Canada	90,880.7
10	Mexico	58,597.2

What countries are expected to grow their Travel & Tourism Economy GDP fastest in 2003?

**Travel & Tourism Economy GDP 2003
(% Real Growth)**

1	Croatia	12.6
2	Sierra Leone	10.4
3	Hong Kong	9.8
4	Angola	9.6
5	Cyprus	9.5
6	Former Soviet Union	9.3
7	Libya	9.1
8	Chad	9.1
9	Bulgaria	9.0
10	Botswana	8.9

What countries are expected to produce the largest amount (absolute terms) of Travel & Tourism Industry GDP in 2013?

**Travel & Tourism Industry GDP 2013
(US\$ Mn)**

1	United States	808,408.0
2	Japan	168,419.0
3	France	127,819.0
4	Italy	109,260.0
5	United Kingdom	103,525.0
6	Spain	98,748.7
7	Germany	94,429.3
8	China	88,235.2
9	Canada	50,286.3
10	Australia	45,370.7

What countries are expected to grow their Travel & Tourism Industry GDP fastest between 2004-2013?

**Travel & Tourism Industry GDP 2004-2013
(% Annualized Real Growth)**

1	Laos	10.4
2	Vanuatu	9.7
3	Botswana	9.7
4	Curaçao	9.6
5	Kiribati	9.3
6	Cape Verde	9.1
7	Turkey	8.9
8	Zambia	8.7
9	Solomon Islands	8.5
10	Sierra Leone	8.4

What countries are expected to produce the largest amount (relative terms) of Travel & Tourism Economy GDP in 2003?

**Travel & Tourism Economy GDP 2003
(% of Total GDP)**

1	British Virgin Islands	95.2
2	Antigua and Barbuda	65.3
3	Maldives	63.1
4	Macau	54.8
5	Anguilla	49.3
6	Bahamas	41.9
7	Vanuatu	40.4
8	Seychelles	39.9
9	Saint Lucia	37.0
10	Barbados	35.2

What countries are expected to produce the largest amount (absolute terms) of Travel & Tourism Economy GDP in 2013?

**Travel & Tourism Economy GDP 2013
(US\$ Mn)**

1	United States	2,059,540.0
2	Japan	460,422.0
3	China	391,490.0
4	France	348,410.0
5	Germany	333,694.0
6	United Kingdom	288,815.0
7	Italy	267,249.0
8	Spain	254,659.0
9	Canada	166,397.0
10	Mexico	151,211.0

What countries are expected to produce the largest amount (relative terms) of Travel & Tourism Economy GDP in 2013?

**Travel & Tourism Economy GDP 2013
(% of Total GDP)**

1	British Virgin Islands	95.2
2	Antigua and Barbuda	79.9
3	Maldives	75.9
4	Anguilla	66.1
5	Vanuatu	64.5
6	Macau	62.8
7	Seychelles	59.5
8	Bahamas	57.0
9	Saint Lucia	45.1
10	Barbados	44.4

What countries are expected to generate the largest amount (absolute terms) of Travel & Tourism Industry Employment in 2003?

**Travel & Tourism Industry Employment 2003
(*000 of Jobs)**

1	China	14,027.7
2	India	11,093.1
3	United States	6,480.5
4	Indonesia	2,853.8
5	Japan	2,674.2
6	Brazil	2,178.0
7	Thailand	1,358.3
8	France	1,337.2
9	Spain	1,279.3
10	Germany	1,204.2

What countries are expected to grow their Travel & Tourism Industry Employment fastest in 2003?

**Travel & Tourism Industry Employment 2003
(% Growth)**

1	Zimbabwe	11.2
2	Chad	10.0
3	Tunisia	8.4
4	Malta	8.3
5	Jordan	8.1
6	Botswana	8.1
7	Croatia	7.9
8	Seychelles	7.9
9	Cyprus	7.8
10	Morocco	7.5

What countries are expected to generate the largest amount (relative terms) of Travel & Tourism Industry Employment in 2013?

**Travel & Tourism Industry Employment 2013
(% of Total Employment)**

1	Seychelles	40.5
2	British Virgin Islands	38.3
3	Maldives	37.4
4	Antigua and Barbuda	34.9
5	Macau	31.3
6	Anguilla	29.2
7	Malta	28.9
8	Bahamas	27.8
9	Cyprus	25.9
10	Vanuatu	24.9

What countries are expected to grow their Travel & Tourism Economy GDP fastest between 2004-2013?

**Travel & Tourism Economy GDP 2004-2013
(% Annualized Real Growth)**

1	Laos	9.5
2	Mexico	9.2
3	Angola	9.1
4	Turkey	9.1
5	Sierra Leone	8.9
6	Botswana	8.6
7	Cape Verde	8.3
8	Malaysia	8.2
9	China	8.1
10	Curaçao	8.0

What countries are expected to generate the largest amount (relative terms) of Travel & Tourism Industry Employment in 2003?

**Travel & Tourism Industry Employment 2003
(% of Total Employment)**

1	British Virgin Islands	38.3
2	Maldives	30.4
3	Macau	26.6
4	Antigua and Barbuda	26.2
5	Seychelles	24.8
6	Anguilla	20.7
7	Malta	20.6
8	Cyprus	18.9
9	Bahamas	18.7
10	Other Oceania	16.5

What countries are expected to generate the largest amount (absolute terms) of Travel & Tourism Industry Employment in 2013?

**Travel & Tourism Industry Employment 2013
(*000 of Jobs)**

1	China	16,092.5
2	India	12,659.9
3	United States	7,136.4
4	Indonesia	4,336.1
5	Brazil	3,016.2
6	Japan	2,526.4
7	Thailand	1,775.0
8	Spain	1,697.3
9	Former Soviet Union	1,622.2
10	Egypt	1,604.6

What countries are expected to grow their Travel & Tourism Industry Employment fastest between 2004-2013?

**T&T Industry Employment 2004-2013
(% Annualized Growth)**

1	Vanuatu	9.7
2	Kiribati	8.8
3	Botswana	8.7
4	Sao Tome and Principe	8.3
5	Solomon Islands	8.0
6	Curaçao	7.9
7	Seychelles	7.5
8	Laos	7.2
9	Malawi	7.2
10	Sierra Leone	7.2

What countries are expected to generate the largest amount (absolute terms) of Travel & Tourism Economy Employment in 2003?

**Travel & Tourism Economy Employment 2003
(*000 of Jobs)**

1	China	54,356.3
2	India	23,839.8
3	United States	16,347.9
4	Indonesia	7,964.6
5	Japan	6,558.6
6	Former Soviet Union	5,231.5
7	Brazil	5,183.0
8	Germany	4,159.0
9	Mexico	3,471.6
10	France	3,398.6

What countries are expected to grow their Travel & Tourism Economy Employment fastest in 2003?

**Travel & Tourism Economy Employment 2003
(% Growth)**

1	Zimbabwe	12.7
2	Sierra Leone	10.9
3	Hong Kong	8.7
4	Chad	8.2
5	Angola	7.5
6	Seychelles	7.2
7	Cyprus	7.2
8	Botswana	7.1
9	Tunisia	7.0
10	Croatia	6.8

What countries are expected to generate the largest amount (relative terms) of Travel & Tourism Economy Employment in 2013?

**Travel & Tourism Economy Employment 2013
(% of Total Employment)**

1	Antigua and Barbuda	95.0
2	British Virgin Islands	93.7
3	Macau	79.1
4	Seychelles	73.9
5	Anguilla	73.3
6	Bahamas	72.4
7	Maldives	65.9
8	Vanuatu	58.2
9	Barbados	51.0
10	Cayman Islands	48.8

What countries are expected to generate the largest amount (relative terms) of Travel & Tourism Economy Employment in 2003?

**Travel & Tourism Economy Employment 2003
(% of Total Employment)**

1	British Virgin Islands	95.0
2	Antigua and Barbuda	77.9
3	Macau	68.4
4	Maldives	54.8
5	Anguilla	54.0
6	Bahamas	51.6
7	Seychelles	48.2
8	Barbados	39.7
9	Other Oceania	39.1
10	Aruba	37.3

What countries are expected to generate the largest amount (absolute terms) of Travel & Tourism Economy Employment in 2013?

**Travel & Tourism Economy Employment 2013
(*000 of Jobs)**

1	China	65,849.2
2	India	27,684.9
3	United States	17,907.0
4	Indonesia	12,157.0
5	Former Soviet Union	7,452.5
6	Mexico	7,385.7
7	Brazil	7,036.8
8	Japan	6,577.3
9	Germany	4,348.4
10	Spain	4,232.5

What countries are expected to grow their Travel & Tourism Economy Employment fastest between 2004-2013?

**T&T Economy Employment 2004-2013
(% Annualized Growth)**

1	Vanuatu	8.1
2	Botswana	7.9
3	Mexico	7.9
4	Sierra Leone	7.8
5	Kiribati	7.1
6	Malawi	7.0
7	Curaçao	6.9
8	Seychelles	6.8
9	Sao Tome and Principe	6.8
10	Angola	6.7

THE WAR SCENARIO

OVERVIEW

IN RECENT MONTHS THE RISK OF A MILITARY CONFLICT WITH IRAQ APPEARS TO HAVE INCREASED. THIS ANALYSIS ASSESSES THE POTENTIAL IMPLICATIONS OF A PESSIMISTIC “WAR SCENARIO” AND THE IMPACT ON TRAVEL & TOURISM.

Introduction

What happened last time we went to war with Iraq? In August 1990, Iraq invaded Kuwait. This ultimately led to a military engagement, with UN forces led by the US driving the Iraqis out of Kuwait in ‘Operation Desert Storm’, which came to a successful conclusion in February 1991.

During the course of those months, oil prices rose sharply, and a number of developed economies around the world slipped towards recession. But it is difficult to know how much of the blame for that recession should be attached the Gulf War. The Gulf War itself had an impact on growth via three main channels:

- Oil prices increased sharply.
- Equity prices fell sharply across most developed economies.
- Both business and consumer confidence were hit.

Certain sectors suffered particularly badly, including tourism and aviation. Some commentators believe that the Gulf War tipped the already weak US economy into recession, while others believe that a recession or something close to a recession would have occurred in any case. The truth is it is impossible to identify the confidence effects that came from the Gulf War separately from other adverse effects at the time.

What might be the economic impact this time? The economic impact of renewed hostilities in the Gulf would come through the same three channels as above with a direct effect also from higher US and UK government defence spending to finance the War.

The distinction between the base case scenario presented throughout this TSA report and this extraordinary War Scenario is essentially the length of time for which oil supplies (and therefore prices) are disrupted. In the base case, the war is short and contained, with the impact on long-term oil supplies minimal. In the second, pessimistic case, for whatever reason, oil supplies are substantially reduced into the medium or long term. In either scenario, the macroeconomic impact would almost certainly have a disproportionate effect on tourism and aviation sectors, as was the case during the last Gulf War.

Base Case:

Diplomatic solution or victory after a short, contained war

Optimists will argue that a short, contained war could have a positive impact on growth. Whatever the outcome, higher government spending will boost growth in the short run. A successful war would remove an important source of global uncertainty and insecurity (long term as well as short term), and create new opportunities in a region that has stagnated for over a decade. Conceivably – except in the very short term – it might even reduce oil prices.

Our base case essentially assumes there is little difference in terms of economic growth between a diplomatic solution and a contained war, since most of the negative effects expected in the event of war are already happening – a loss of consumer confidence, investment decisions being postponed, and so on. It is possible that war itself would generate a further loss of confidence towards international travel, and therefore that the knock-on effects on Travel & Tourism would be greater than on the economy as a whole. Even here, it is likely that the difference between no war and a speedy contained war would not be that great.

Base Case Assumptions:

- Quick, decisive victory or diplomatic solution
- No use of weapons of mass destruction (WMD) against US troops, Israel or region
- No reduction in OPEC oil production/exports
- No challenges to Arab governments in region
- New Iraqi government installed and in control
- No damage to oil producing capacity in Iraq, or elsewhere

THE WAR SCENARIO: VICTORY, WITH REGIONAL DISRUPTION

Temporary spikes in oil prices have small effects on global growth. But the key longer-term risk to the global economy deriving from any potential Iraqi conflict is that of sustained disruption to oil supplies. In addition, persistently higher oil prices, and an inconclusive or prolonged military engagement, would probably undermine confidence and equity markets by a larger amount and for a longer time than in the contained war scenario. In this scenario, we assume a further hit to consumer spending and investment in all developed economies, particularly marked in the second and third quarters of 2003. We would also expect a rapid drop in world trade, hitting exports for the leading economies.

Taking all these factors into account, a disruptive war scenario could see both US and UK GDP fall by 1-2%. And some of the vulnerable economies would be in need of emergency funds, while even previously robust economies like China could also see growth dented in 2003 and 2004. A major casualty could be Japan where the economy stays in recession from 2002 to 2004. Among the smaller economies, the IMF and World Bank would need to be active to help avoid defaults and serious dislocation effects.

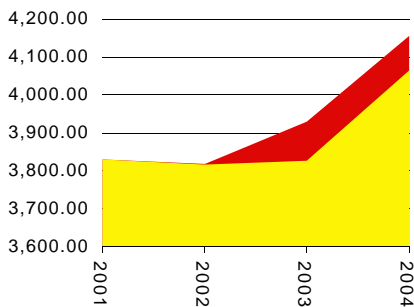
In the event of a more disruptive war with some terrorist attacks outside the region, it is likely that the effects on Travel & Tourism will be more severe. Our scenario assumes that the loss of confidence in international travel that could be caused would lead to a further 6-7% loss of visitor exports around the world, rather than the modest recovery we expect in the more benign case. As a result of this and weaker demand more generally from weaker world growth, the scenario shows would TT industry output falling by 1_% this year before some recovery next year.

War Scenario Assumptions:

- Iraq attacks oil facilities in region, with limited damage but political and economic effects
- Iraq attacks Israel, US troops but not with WMD effective enough to trigger a major response or have highly lethal effects
- Unexpected protracted Iraqi military resistance
- Limited Israeli intervention in war; rising political unrest in region
- Low level civil tensions and clashes in Iraq after military conflict over
- Some terrorist attacks on US interests

WAR SCENARIO ANALYSIS

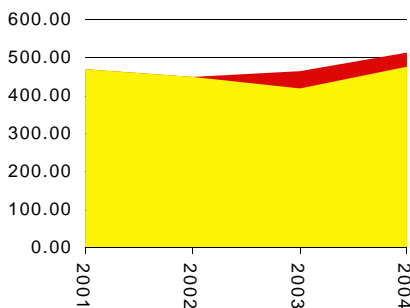
Travel & Tourism Demand
1990 Constant US\$ bn



TRAVEL & TOURISM DEMAND

In 2003, the World base case TSA expects Travel & Tourism demand to generate real term growth(loss) of 2.9 per cent over 2002 results. In contrast, the War Scenario forecasts a real term growth(loss) of 0.3 per cent for 2003. The difference, -2.7 per cent real loss for World Travel & Tourism, is the additional negative impact associated with a inconclusive or prolonged military engagement. In nominal terms, this War Scenario impact is expected to total US\$-120.0 billion. The area in red on the chart indicates the War Scenario loss.

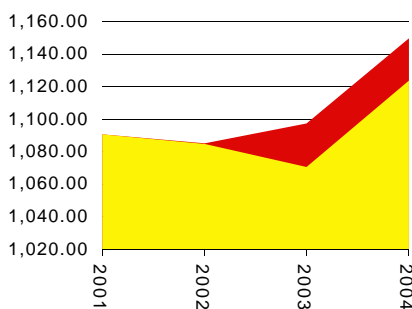
Travel & Tourism Visitor Exports
1990 Constant US\$ bn



TRAVEL & TOURISM EXPORTS

Visitor exports is usually the hardest hit component of Travel & Tourism demand in periods of conflict, terrorism and political uncertainty. The WTTC/OEF base case forecast for World's visitor export growth in 2003 is 3.0 per cent over 2002 results. The War Scenario has restated World's visitor export growth at -6.7 per cent, a loss of -9.8 per cent or US\$-50.5 billion vis-à-vis the base case forecast. The area in red on the chart indicates the War Scenario loss.

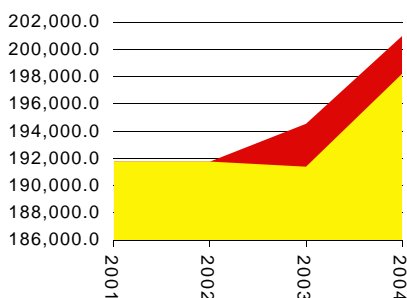
Travel & Tourism Industry GDP
1990 Constant US\$ bn



TRAVEL & TOURISM GROSS DOMESTIC PRODUCT

A proper analysis of the War Scenario's potential impact must also isolate the likely change to Travel & Tourism Industry GDP, since some elements of T&T Demand such as government expenditures and capital investment tend to lag current events. Plus, history has shown that Travel & Tourism behavior and consumption change during periods of conflict with domestic travel replacing some portion of international travel. For World, Travel & Tourism Industry GDP is expected to decrease in the War Scenario by -2.4 per cent (US\$-31.3 billion) vis-à-vis the base case. The area in red on the chart indicates the War Scenario loss.

Travel & Tourism Economy Empl.
'000 of Jobs



TRAVEL & TOURISM EMPLOYMENT

Finally, Travel & Tourism economy employment, in its broadest sense, is the most comprehensive and personal gauge of war, conflict and terrorism on our industry. In 2003, Travel & Tourism economy employment in World is expected to total 194,562,000 jobs under our base case TSA research (diplomatic solution or victory after a short, contained war). Under the War Scenario (victory with regional disruption) the total jobs forecast is pegged at 191,414,000. The difference, -3,148,000 lost jobs, is the employment impact in World associated with the War Scenario. The area in red on the chart indicates the War Scenario loss.

WAR SCENARIO SUMMARY

IN THE EVENT THAT THE SITUATION IN IRAQ ESCALATES INTO AN INCONCLUSIVE OR PROLONGED MILITARY ENGAGEMENT CAUSING DISRUPTION TO OIL SUPPLIES, UNDERMINING CONSUMER CONFIDENCE AND EQUITY MARKETS FOR AN EXTENDED PERIOD OF TIME, WE EXPECT THE 2003 IMPACT ON TRAVEL & TOURISM IN WORLD TO TOTAL:

-2.7%loss in total Travel & Tourism Demand.

-9.8%loss in total Travel & Tourism Visitor Exports.

-2.4%loss in total Travel & Tourism Industry GDP.

-3,148,000loss in total Travel & Tourism Economy jobs.

THIS ANALYSIS AND RECENT HISTORY HAS SHOWN THAT THE TRAVEL & TOURISM INDUSTRY IS PARTICULARLY VULNERABLE TO SEVERE BUSINESS DOWNTURNS DURING PERIODS OF TERRORISM, POLITICAL UNCERTAINTY AND MILITARY CONFLICT.

WTTC CALLS ON GOVERNMENT LEADERS AROUND THE WORLD TO RECOGNIZE THE SEVERE ECONOMIC AND EMPLOYMENT IMPACT EXPERIENCED BY TRAVEL & TOURSIM AND IMPLEMENT, WHEN NECESSARY AND APPROPRIATE, STRATEGIC POLICY MEASURES TO MITIGATE THE LONG-TERM CONSEQUENCES ON THE INDUSTRY AND NATIONAL ECONOMIES.

What countries are expected to suffer the largest reduction of Travel & Tourism Demand (absolute terms) in 2003 if the war is pro-longed?

**Travel & Tourism Demand: War Scenario
Variance from Base Case, 2003 (US\$ Mn)**

1	United States	-30,818.5
2	France	-8,550.0
3	Germany	-7,926.2
4	Japan	-6,559.6
5	United Kingdom	-5,049.4
6	Italy	-4,869.6
7	Spain	-4,703.3
8	Canada	-3,310.2
9	Netherlands	-3,173.0
10	China	-2,343.1

What countries are expected to suffer the largest reduction of Travel & Tourism Industry GDP (absolute terms) in 2003 if the war is pro-longed?

**Travel & Tourism Industry GDP: War Scenario
Variance from Base Case, 2003 (US\$ mn)**

1	United States	-16,920.8
2	Japan	-2,023.0
3	France	-1,616.8
4	Spain	-1,479.1
5	Australia	-1,081.9
6	Canada	-1,019.1
7	Turkey	-845.9
8	Switzerland	-841.8
9	Italy	-757.8
10	Mexico	-584.8

What countries are expected to suffer the largest reduction of Travel & Tourism Demand (relative terms) in 2003 if the war is pro-longed?

**Travel & Tourism Demand: War Scenario
Variance from Base Case, 2003 (% Change)**

1	Bahrain	-11.5
2	Kuwait	-11.1
3	Jordan	-10.8
4	Israel	-9.5
5	Yemen	-7.6
6	Oman	-7.5
7	Saudi Arabia	-7.0
8	Reunion	-6.9
9	British Virgin Islands	-6.9
10	Maldives	-6.9

What countries are expected to suffer the largest reduction of Travel & Tourism Industry GDP (relative terms) in 2003 if the war is pro-longed?

**Travel & Tourism Industry GDP: War Scenario
Variance from Base Case, 2003 (% Change)**

1	Jordan	-12.3
2	Bahrain	-10.1
3	Turkey	-9.9
4	New Zealand	-9.2
5	Israel	-8.1
6	Iceland	-7.9
7	Malta	-7.8
8	Maldives	-7.8
9	Singapore	-7.7
10	Cyprus	-7.7

What countries are expected to suffer the largest reduction of Travel & Tourism Economy Employment (absolute terms) in 2003 if the war is pro-longed?

**Travel & Tourism Economy Employment: War Scenario
Variance from Base Case, 2003 ('000 of Jobs)**

1	China	-493.7
2	United States	-449.1
3	Thailand	-159.3
4	Indonesia	-157.3
5	India	-151.2
6	Former Soviet Union	-139.7
7	Mexico	-113.8
8	France	-89.9
9	Japan	-86.0
10	Spain	-79.0

What countries are expected to suffer the largest reduction of Travel & Tourism Visitor Exports (absolute terms) in 2003 if the war is pro-longed?

**Travel & Tourism Visitor Exports: War Scenario
Variance from Base Case, 2003 (US\$ mn)**

1	United States	-11,814.5
2	France	-2,823.9
3	Spain	-2,594.1
4	United Kingdom	-2,306.8
5	Italy	-2,115.8
6	Germany	-1,903.9
7	Australia	-1,533.4
8	Canada	-1,506.0
9	Switzerland	-1,332.1
10	Netherlands	-1,250.0

What countries are expected to suffer the largest reduction of Travel & Tourism Economy Employment (relative terms) in 2003 if the war is pro-longed?

**T&T Economy Employment: War Scenario
Variance from Base Case, 2003 (% Change)**

1	Singapore	-8.5
2	Bahrain	-8.3
3	Jordan	-7.8
4	Cyprus	-6.7
5	New Zealand	-6.6
6	Maldives	-6.4
7	Israel	-6.3
8	Macau	-6.3
9	Anguilla	-6.3
10	Hong Kong	-6.1

What countries are expected to suffer the largest reduction of Travel & Tourism Visitor Exports (relative terms) in 2003 if the war is pro-longed?

**Travel & Tourism Visitor Exports: War Scenario
Variance from Base Case, 2003 (% Change)**

1	Saudi Arabia	-17.7
2	Iran	-17.4
3	Jordan	-17.1
4	Israel	-17.0
5	Kuwait	-16.8
6	Syria	-16.7
7	Bahrain	-16.6
8	Yemen	-16.5
9	Oman	-16.3
10	Japan	-16.2

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