

## A global view on 2007 and beyond: the boom before the doom?

Thinking about the future, I don't really expect that 2007 will be much different from 2006.

- **Switzerland** (I come from Lausanne) is not going to join the European Union, on the grounds that it can thus decide more freely, how many foreigners it lets in, and what kind; what taxes privileges it wants to grant to individuals and companies; whether or not it wants to maintain its banking secret; how much it will subsidize its agriculture and tourism; and other such important questions more.
- **Rumania** is going to continue to try to catch up the time lost during the first decade after the fall of Ceausescu, and will do this successfully.
- **Other EU countries** will continue to lag behind in economic growth (compared to some emerging countries), but excel in the increase of bureaucratic regulations; they will have about the same amount of unemployment; their major companies will go on with globalization (meaning delocalizing and investing heavily abroad), as they will go on making spectacular profits and their top managers not less spectacular salaries, while keeping salaries as low as possible and minimizing the taxes they pay; the population will rally around football, street parades, and at the occasion of every major natural disasters which may occur anywhere in the world; and they will continue to travel and to have fun whenever and as much as possible.

Despite its considerable human resource and huge internal market, the European Union will not be able to play a major role on the international scene, because it is still not really ready for a political union.

- **Terrorism** will not stop. It is more likely to increase despite all the efforts made to fight it.
- In the **Near East**, the peace process will be launched again, but peace will not come. In the **Far East**, the boom is likely to continue at about the present rate.
- **Brazil** will be, as it always has been, the land of the future....
- The offer in **tourism** and the **hospitality industry** is continue to diversify and to increase. Thanks to the web, Bed & Breakfasts will multiply and more people will exchange apartments all over the world; at the same time, luxury hotels will multiply (to accommodate the increasing numbers of millionaires), as will spas, hamams and thalassos of increasing sophistication. Low-cost air carriers will be flying ever growing numbers of tourist to distant destinations – more and more well-to-do retirees, not knowing what else to do with their time and their money, and more and more Chinese wanting to get to know the world; also more and more countries, in which tourism (in particular international tourism) did not exist only a short while ago, making impressive efforts to increase their offer (quantitatively) and improve it (qualitatively).
- The **Lausanne Hotel School** will continue to enjoy its excellent reputation, will further tighten its already close links with the hospitality industry, and will receive students from all over the world, as it will send its graduates all over the world (which does not simply mean that the students return to where they came from). The **Royal Institute of Hospitality Management in Bucharest**, in collaboration with the Lausanne Hotel School, will continue to develop rapidly from serving the Romanian and regional community to an international constituency.

Thus, I don't expect any revolutionary changes for the next year, the close future. To the contrary, I think that the positive evolution of the recent past will continue. This makes me rather optimistic for 2007 and 2008.

But I do observe trends which make me much less optimistic, indeed outright pessimistic for the long term. Indeed, I observe some evolutionary changes which could very well have revolutionary and disastrous consequences in the not so distant future (less than ten years) – for the economy in general and tourism and the hospitality industry in

particular. Such profound undercurrents are discernible in all areas, from the political, social and economic, to the technological and cultural realm.

As it is impossible to cover all of them in a few minutes, I will touch only on a few of them, which might have a decisive impact on tourism and the hospitality industry.

**With regard to geopolitics**, the situation today seems to me quite similar to that of about a century ago, and this in several ways. It is characterized by a growing imbalance of the major world powers. Like then, when the Ottoman Empire was crumbling, the Austrian Empire was clearly in decline, the Russian Empire had been shaken up by the revolution of 1905 and the war with Japan, Germany was in the process of catching up with France and England, the USA had won the Spanish-American war, etc., so do we see, today, that the geopolitical cards are being redistributed on the international scene: China and India rising, the USA declining, Europe and Russia uncertain... Just as hundred years ago, all this happens against a background of a deep value crisis, which adds to the insecurity and makes many grave for a strong new (or old) religion/ideology or/and a charismatic leader. And finally, there is one region in the world which doesn't seem to be able to come to peace: at the time, the Balkans; now, the Near East. I am not saying that history is going to repeat itself. We should nevertheless try to learn from it. We should recognize that similar constellations are likely to produce similar results. Applying this, I consider the world today to be in a highly unstable and therefore rather dangerous situation. Like in the early 20<sup>th</sup> century, a minor incident could possibly trigger a disastrous chain-reaction.

**On a political level**, we may not be at the end of history (as some believe, because of the generalization of democracy and the market), but at the end of a period of history, which will have been rather short, after all (200 hundred years is not much), and which was marked by democracy and a market economy. Indeed, both the democracy and the market economy seem to be in danger.

**Democracy** because three conditions, which are indispensable for its working, seem less and less present: first, a consensus about a basic social contract (without such a consensus on what is the common good, everybody defends only his personal/parochial interest, and everybody will block everybody); second, a strong social cohesion based on a more or less egalitarian society (however, in our society, inequalities increase; the gap between the rich and the poor widens more and more; we may be moving to a "dual society" - see below); third, transparency, that is access to pertinent information which makes it impossible for most people to participate in the political process in a rational way rather than on emotional grounds (unfortunately, the increasing concentration of the media and their commercial orientation, but also simply information overload, produce the opposite result: they make it more and more difficult to develop a well informed opinion on about major issues). I would venture to say that, today already, the USA, for example are more of an oligarchy / plutocracy than a democracy: all members of the present cabinet are multi-millionaires.

As to the **market**, the same considerations apply: the basic rule of the game has been perverted (competition has turned into war, which is not the same thing: in competition, one stimulates each other to do as well as possible; in war, one tries to kill the other - and thus to reduce competition); the inequalities between the players are increasing to a point where unilateral dictates more and more often replace fair bargaining; and, paradoxically, despite more and more information technology, or because of this, the transparency of the market is declining. These developments bring it with them, that we are already, despite all the rhetoric to the contrary, well on the way to the rule of a few oligopolies. Some observes predict already that in a not so distant future a few giant insurance companies are going to rule the world economy.

Which brings us to the **economy**.

Here the bad news is that, after the bankruptcy of socialism, we might be at the brink of the implosion of capitalism. Not because capitalism has failed (like socialism), but because it has worked too well, and because, exaggeration turns many of its major advantages into liabilities: competition is no longer just emulation (I mentioned this already); individualism and egoism have been perverted; greed is everywhere. The problem is no longer to produce what we need, but to create enough demand for further growth (we "need" more goods so little that it takes ever more sophisticated and costly efforts to induce us to buy them: it has, thus, become more expensive to sell a car than to build it). From a means, the economy has turned into an end in itself, and the end is no longer the creation of value but the of a financial return. We no longer produce in order to be able to consume, but the other way round. And as we seem to approach the limits of what can be sold in the industrialized countries, one turns to new and less developed places (in the East and the South), where one can still count on a strong demand. Globalization. But, this may soon turn against us: it contributes to the changes in the world power balance we have already mentioned (by investing and delocalizing heavily in China, India, Brazil, etc., we arm these countries in the worldwide economic battle against us) and it is about to produce severe shortages (of energy, ferrous and non-ferrous metals and water), as well as major ecological/climatic problems. Unless we change our way of living profoundly, shortages and disasters will be inevitable. The world economy might come to an almost complete stall.

A very different threat to capitalism is the rise of a knowledge-based economy. For, in such an economy, it is not those who detain capital who pull the strings, but those who have the knowledge. Capital will no longer dominate labour, but the other way around – but not any labour: the knowledge workers, specialists of all sorts. (By the way: This is good news for those who produce knowledge and top notch knowledge workers, that is top notch schools like the Lausanne Hotel School and the Royal Institute of Hospitality Management.)

**On a social level**, the following trends seem to be particularly significant. First, the development of a dual society, meaning, on one side, a minority which cumulates wealth, power, and knowledge, and on the other, a majority which lives at the subsistence level, has nothing to say and is ignorant. Such a society can hardly be governed democratically (see above) and would be rather unstable, because of the permanent danger of a revolt of the have-nots. Second, the dual society within rich countries is repeated on a global level. With the same consequences: a permanent siege of the poor on the rich, in particular with a growing pressure of massive immigration. Third, urbanization is likely to continue, as is, fourth, the aging of the population. More and more people will live in a mega-polis; more and more old people will have to be supported and cared for. Fifth, and this may be the development which could have the most far reaching effects, work may no longer have the role and importance it had for thousands of years. If we are really at the end of a work society, as several experts believe (at least for the developed Western world), this would be a revolution similar to the industrial revolution, which changed the world more than any other: the agricultural/rural society which had been that of 90% of the society and which had existed since the dawn of civilization, disappeared, and was replaced by an industrial/urban society. And finally, the wide use of ever more sophisticated electronic games (like "Second Life" or "Home") creates a virtual world, which may be becoming a serious threat to the real one: people find it more and more difficult to distinguish between the two, and might be tempted to lose more and more interest in reality – instead of travelling to whatever real destination, they do so in cyberspace.

**Most of these developments would have disastrous consequences.**

If terrorism and tourism don't go well together, a major conflict triggered in the search for a new balance of the world powers would of course hit tourism first and harder than most other industries. The same is true, if we see local or global confrontations between the rich and the poor, and if we will witness a major world economic crisis, caused by severe shortages or/and ecological/meteorological catastrophes. In all this situations, mass tourism becomes impossible. And one should add to this technological threat which is of a very different nature. Indeed, one can imagine that people who have invested heavily in "second world", feel less and less the desire to quit it and to travel to other places which are less beautiful or exciting than the ones they live in on their console.

The only trends which could have positive effects on tourism and the hospitality industry are the increasing urbanization, the aging of the population and the disappearance of the work society – but only under the conditions of economic and political stability, of general wealth and security. Under these conditions, more and more people would want to get out of the cities, at least once in a while; the elderly people would spend at least some of their time travelling, as would the people who, while still working, would dispose of more free time and be much more flexible.

Thus, I come to the conclusion that the short term looks today better than the long term. It may therefore, for once, be better to be short-sighted. Only then can one remain optimistic. But, don't most wise men advise anyway to live the day? – *carpe diem!*