

Wiedensohler, Günter

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# Another Form of Development Aid

by Dr Günter Wiedensohler, Hamburg

Reports from the "International Union of Official Travel Organisations" (IUOTO), according to which almost 128 million tourists travelled abroad in 1966, show that recently tourism has become extremely important, economically speaking, throughout the world. Income from international tourist movements is as high as DM 52 billion; this is 12 per cent higher than in 1965—a rise which is in line with the average annual increase since 1961. Although the majority of tourists show a preference for the traditional tourist countries of Europe and for the United States and Canada, large areas of the "third world" can also boast of a large increase in the number of incoming tourists. Demand is rising steadily on the international tourist market and hitherto it has been difficult to find sufficient beds to cope with this rise. The increase in the number of beds available is most satisfactory in developing countries in the Mediterranean basin and in the Middle and Near East. These countries are now readily accessible to tourists and can offer not only impressive local customs, but great charm of landscape and definite climatic advantages which—and this is what interests us—allow of an extended summer season.

## **Economic Advantages**

From the point of view of development policy, one cannot help wondering whether it is advisable for these countries to increase their tourist capacity. Would it not be more sensible to devote all available financial and labour resources to the production of consumer goods so as to satisfy first the more urgent needs of their own peoples? If the State should favour cutting down on consumption in order to make available capital for investment in tourist amenities, this is justifiable only where such capital investments are particularly profitable for the whole economy. This is in fact the case here. Tourism earns foreign currency and, due to their high import requirements, developing countries are extremely dependent upon such earnings. There are two reasons why this source of foreign currency is a particularly fertile one: tourists are almost always foreigners, since nationals are much too poor to make use of the tourist facilities in their own countries. To a large extent, foreign currency earnings represent a net increase in foreign exchange, since tourist services derive mainly from the host country's own natural amenities. Holiday-makers not only consume local products, but also buy souvenirs, thus purchasing the products of national industries, and make use of the services of local labour. Thus the ensuing foreign currency earn-

ings can be used almost entirely for the import of essential equipment goods. They help increase productivity in agriculture and industry, promote the national product and raise the standard of living. International tourism is thus able to make a productive contribution in economically backward areas.

## **Choice of Projects and how to Finance Them**

Any efforts made by less developed countries to attract more tourists are faced with serious obstacles: their notorious lack of capital and of qualified labour. These are the areas where development aid is essential. As far as personnel is concerned, the scope of such aid must be to make available specialists, send planning experts and establish suitable training opportunities. Since the rate of capital formation in developing countries—provided they have no large quantities of raw materials available—is extremely low, larger requirements need regular financial help from outside. Fortunately, industrial countries now have a greater insight into the advisability of promoting tourism and increasing attention is being paid to this sector under the various state aid projects. Private foreign investors are less inclined to invest in the risky hotel business overseas. The larger hotel companies are more likely to show interest, but often on condition that the host state also has a stake. This means that the opening up of tourist zones in such countries is often dependent, to a great extent, upon financial support from the local government.

## **Private Aid from Abroad**

Since it would be desirable to have more private aid from abroad, many countries are hastening to improve their investment climates by giving guarantees and financial allowances. They offer investors legal and contractual protection against nationalisation, guarantee unrestricted repatriation of capital and earnings, grant tax concessions and customs preferences, credits at favourable interest rates and the like. Hotels run, or partly run, by foreign businessmen contribute decisively to the expansion of tourism, since their owners not only bring in capital, but also the organisational skills required in the catering trade, in which the less developed countries are particularly interested.

It is obvious that, if foreign aid is to be successful, it must be preceded by exhaustive surveys sufficiently covering the special circumstances prevailing in whatever developing country is concerned and also of the nature of current mass tourist movements. A

few basic remarks can be made about this: the modern holidaymaker—with few exceptions—demands a certain degree of comfort; he has an outspoken preference for a permanent lodging with running water and electric light. General communications and catering arrangements should also meet the standard of a European accustomed to civilisation. The average tourist avoids areas where the political situation is so unstable that there is danger of a war, a coup d'état, a revolt or the like. So, it is well for the host countries to pursue a policy, which guarantees the visitor a minimum of recreation and personal security. In addition, tourists expect friendly—or, at least, polite—treatment from the local people. Nothing is more

injurious to tourism than negligent or even inimical behaviour on the part of the inhabitants towards foreign visitors.

It is certainly to be anticipated that the recent increase in international tourism will continue over the next few years, even in developing countries. There are different reasons for this: the improved economic situation of many European countries, a rise in personal incomes, the trend towards longer holidays, an increasing desire to travel or the wish for peace and relaxation—and, as the tempo of our professional lives rises, there is an increasing need to satisfy this latter urge.

## *World Business Trends*

*Department for Business Trends Research,  
The Hamburg Institute for International Economics*

### *Slight Growth of Industrial Production in 1967*

Industrial production reflected last year's recession with particular distinctiveness. In the Western industrial countries its volume (excluding building output) in 1967 surpassed that of 1966 by but 2 per cent, after in each of the three preceding years the increase had reached about 7 per cent. But also before that, since the late fifties, there had never been such a small growth rate. The unfavourable development in 1967 had been decisively influenced by the fact that North America and Western Europe, the two most important industrial centres, simultaneously experienced a recession, which only to a minor degree could be balanced by the vigorous expansion in Japan. Eliminating seasonal influences, total industrial production in these two economic areas at first receded even in 1967, while, in the second half-year, rallying tendencies asserted themselves.

The losses in industrial production, caused by the sluggish trend in the first half of 1967, were particularly heavy in the United States. In this country, on an annual average (January to November), the preceding year's corresponding production could be surpassed by but 1 per cent, after an increase by 9 per cent in 1966. The production of basic materials and

consumer goods was involved most, since in this sector the previous year's level could hardly be surpassed at all. Obviously the restraint in arrangements for carrying stocks affected these sectors decisively. As against that, the manufacture of investment goods and armament supplies developed more favourably, although here, too, the growth rate declined to 4 per cent (1966: + 18 per cent). However, upward tendencies could be noticed in all sectors during the second half of 1967.

In Western Europe, too, the industrial production of 1967 surpassed but slightly the previous year's level. That this increase occurred at all is almost exclusively a reflection of the incipient recovery of business, that became gradually more pronounced in the second half-year, after, at the beginning of the year, the sluggishness of production had still continued. To begin with the recession and later the recovery in the Federal Republic of Germany made a particular contribution to this development. In 1967 the annual average of industrial production did not only fall in the Federal Republic (- 2 per cent), but also in Britain (January to November - 1.5 per cent). As against that, it continued increas-

ing in France (+ 2.5 per cent) and above all in Italy (+ 9 per cent), although the expansion slowed down distinctively. The same tendency was more or less noticeable in almost all of the minor West European economies.

In Western Europe the differentiation also between individual trades or industries is considerable. Thus from January to September production did not reach the previous year's corresponding level—apart from mining (- 2 per cent), which is structurally handicapped—this applies particularly to the textile and clothing industries (- 6 per cent), where, obviously, contractive fluctuations of stocks had their consequences. The same applies also to the metal-using industries (- 2 per cent), and here especially to motor-vehicle construction, where also the ultimate demand declined strongly in important markets. Metal production surpassed the previous year's corresponding output only slightly, but tendencies towards a recovery could be noticed early. The growth of production remained most pronounced in the structurally favoured chemical industry and in power supply enterprises (+ 6 per cent).

In complete contrast to the development in the leading "old" industrial countries, industrial output in Japan continued growing at an undiminished speed during