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Excellent Prospects in Developing Countries

by Carsten R. Moser, Hamburg

The tourist trade calls itself one of the great growth industries and boasts of its own importance. This notwithstanding the fact that in 1969 the income derived from the international travel business represented a mere 0.7 p.c. of the GNP of the OECD-countries, while their receipts in foreign exchange were less than 6 p.c. of the total received by these countries for the goods and services they exported. If one considers these by no means impressive figures and nothing else, one may be led to assume that the tourist industry's claim to economic importance is nothing but a successful publicity stunt.

Tourism and Economic Growth

An entirely different picture presents itself, however, if one looks at the economic importance of tourism in some of the OECD-countries. The economic boom that for instance Ireland, Portugal and Spain have experienced in the past ten years could scarcely have occurred without the rapid increase in the number of foreigners visiting these countries. In 1969, Ireland's revenue from tourism represented 6.2 p.c. of the GNP, in the case of Portugal the cor-

responding figure was 5.6 p.c. and in the case of Spain 4.2 p.c. Foreign exchange earned by the tourist trade represented in the case of Ireland 16 p.c. of the total exports of goods and services; for Portugal the figure was 28 p.c. and for Spain as much as 41 p.c. The steep rise in foreign-exchange takings from tourism—in Spain alone they increased eight times as much as the GNP from 1958 to 1967—considerably helped to improve the import capacities of these countries.

Thanks to the tourists, they were able to import what was urgently required for their industrialisation and to pay for these imports without having to shoulder a hopeless burden of debt. The firms offering holidays in Ireland, Portugal and Spain were not the only ones to profit; the rest of the economy benefited, too, because of the very high multiplying effect of tourism. The expansion of the tourist industry also had a favourable influence on employment; new jobs were created which helped to mitigate actual and structural unemployment.

But not only Ireland, Portugal and Spain benefited from this increased travel activity by the

inhabitants of the industrial heartland of Western Europe. The same applies to other countries of the Mediterranean area and the Southern states of the Eastern Bloc. This correlation between increased tourist trade and economic upswing exists also for Mexico and the Caribbean Islands — favourite holiday areas for that other heartland of industry, the North-American Continent.

Bright Prospects

What of the next ten years? Will other countries also make capital out of their touristic potential? The chances are good. For one thing, income per head will rise at least at the same rate as in the past, and that not only in the industrial nations but also in the developing countries. For another, per-head expenditure on travel will continue to rise faster than real incomes. During the last ten years the relation was 3 to 1. Moreover, the trend towards shorter working time and longer holidays will continue, and more and more of the obstacles in the way of travel will be removed and so will foreign-exchange restrictions.

In view of rapid technical advances in air travel, it may be

assumed that even countries that are far from industrialised zones will be able to profit from the tourist boom. Jumbo-Jets and charter-flight companies have brought about decreases in long-distance fares. Further price reductions may be expected with the result that more and more "ordinary users" will be able to afford trips to distant lands in Africa, Asia and Latin America.

Necessary Pre-conditions

Developing countries such as Kenya, Thailand and Ceylon annually record further increases in the number of foreign visitors. What then can the governments of developing countries do to prepare for the stream of tourists they may expect? For one thing, they will have to make greater efforts to maintain their country's political and, if at all possible, economic stability. Secondly, they will have to make a serious study of their tourist potential, using for that investigation the most modern market research techniques available. Only if and when this examination has reached positive conclusions, should they begin to build up their tourist industry according to a well thought-out plan. Investments will have to be made for the protection of "tourism's raw material" — beaches, forests, sites of historic and cultural interest. Much money will have to be spent on infrastructural improvements —

electric power stations, waterworks, drainage systems, sporting facilities but also on roads and airports. In areas of tourist potential governments can stimulate private initiative by acting themselves as entrepreneurs. The state has still other means at its disposal to encourage the development of a tourist industry; it can grant tax relief, subsidies and loans. But in doing so, it must see to it that not only luxury hotels are constructed but also profitable hotels and boarding-houses for the middle class.

Apart from encouraging any enterprise that improves tourist facilities inside the country, there is still the task of attracting the foreign visitor by providing him with relevant information and by suitable publicity. The competition between countries offering themselves to the tourist is so keen that no country can do without "image-publicity".

Tourism — a Chance

To attract tourists through the building-up of a tourist industry and through publicity and the dissemination of information costs a great deal of money, in fact more than most developing countries have to spare. This is why international development banks and organisations but also the industrial nations will have to provide, not only their know-how, but also more credits for

tourist-projects. It is precisely because the tourist industry is an export industry "par excellence" that the credit sum advanced in the past has been inadequate. This is due to the fact that the importance of tourism has until now been underestimated. Only in the last few years have economists begun to interest themselves in the phenomenon of tourism. Another reason for the relative neglect of tourism as a source of income is the emphasis developing countries have hitherto—and often mistakenly—placed on industrialisation. In many cases, the most up-to-date steelworks have been constructed which for the most part proved unprofitable and therefore failed in their purpose. The result of this misguided policy was that no funds could be spared from internal or foreign sources for the development of a tourist industry, even where a potential tourist demand existed.

Admittedly, tourism is no panacea for all the economic ills of the developing countries. But some of them have great tourist potentials. The number of tourists is estimated to increase from 153 mn in 1969 to more than 200 mn in 1980. In the light of such prospects, it would be a mistake for the governments of such countries not to multiply their efforts to get a tourist industry going. The chance tourism offers them ought to be taken at all cost.

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