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## Tourism promotion in developing countries

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do not as a rule stay long enough to be able to acquaint themselves in detail with the country's special problems. Moreover, all experts, national and foreign alike, are up against notoriously inadequate statistical data so that their predictions are at best inspired guesses. It just is not good enough to have at one's disposal data about population, income and the like; much more information is wanted such as reliable figures about production and consumption for each branch separately.

### **Faulty Planning**

Moreover, experience has shown that politicians tend to take a keen interest in planning operations with a view of influencing the decisions. For each region is naturally anxious to attract as many industries as possible with the result that in most cases an excessive number of plants are set up in

the most diverse regions. In consequence, each individual factory is too small to achieve low unit-costs. The case of India may once again be cited in evidence where there are no less than three motorcar factories, producing between them 40,000 cars per annum. That in such conditions of faulty planning of industrial locations there can be no question of making India's car industry capable of exporting its products is evident.

In the light of such and similar experiences even the economists in the developing countries are coming to the conclusion that—infrastructure apart—it is too much to expect of state authorities to bring about an evenly balanced economic growth by over-all planning. The discrepancy between the paper plans and their actual execution is so big that there seems to be little sense in wasting great numbers of highly qualified experts on drawing up such comprehensive plans.

## **Tourism Promotion in Developing Countries**

by Dr Waldemar B. Hasselblatt, Bonn \*

**When announcing its ideas on development policy in the Second Development Decade which began in 1971, the Federal Government said that it "wishes to promote tourism in suitable less developed countries (LDCs) through improvement of the infrastructure, especially transport, provision of accommodation and training of the required personnel, making use of development banks in suitable cases".**

**T**he policy pursued until now has thus been reaffirmed; for the Federal Republic of Germany has been helping a number of LDCs for several years already to build up their tourist facilities. By the end of 1972 DM 332 mn of capital aid funds had been committed to this purpose, DM 39 mn had been spent on technical assistance and some DM 12 mn had been provided for ordinary and advanced training of specialists for hotels and other tourist services out of budget funds of the Federal Government and (about 10 p.c.) the Federal Lands. These German aid measures have covered a wide range.

### **German Aid Measures**

For planning tourist projects the Federal Republic of Germany has in recent years extended help e.g. to Sri Lanka (Ceylon), Cameroun, Morocco

and Nepal. In Sri Lanka a detailed pre-investment study on the building of hotels and holiday villages was prepared in continuation of a scheme — a "Master Plan" — for the development of tourism in that country which had been commissioned by the AID. For Cameroun a target plan for the tourist industry was drawn up as a basis for decisions on individual projects by interested investors and bilateral and multilateral donors. For Morocco a general study of tourism is being undertaken; it is to yield a detailed draft programme for the current five-year plan (1973–77) and a skeleton plan for the next five-year plan (1978–82). For Nepal a Master Plan has been prepared in collaboration with Nepalese authorities; the investment volume envisaged under this plan has been allowed for in the national five-year plan.

Capital aid resources have been used for tourist roads in the wild-life reserves of Kenya and

\* Federal Ministry for Economic Cooperation.

similar roads in Morocco and Tunisia, in the latter country together with World Bank funds. In Morocco and Tunisia aid has also been provided for extending airports and air-traffic safety control in tourist centres. Besides, a number of LDCs have been enabled to use part of the capital aid given to development banks for financing hotels.

As regards the training of specialised personnel, the Federal Government at first helped with training programmes inside the countries, e.g. by promoting hotel schools in Tunisia, Turkey and Sri Lanka. Two other hotel schools — on the Tunisian island of Djerba and at Agadir in Morocco — are in the preparation and planning stage. Trainers, so-called specialist and managerial staffs, are also given advanced instruction in the Federal Republic: from 1960 to 1972 about 800 specialists for the hotel industry and other tourist services received further training in Germany.

Apart from rendering public development aid, the Federal Government has encouraged capital investments in tourism by commercial interests through the set of instruments which it uses to support private investment activity. Mention should be made in this context, beside the guarantees for capital investments, of the higher depreciation allowances of the Development Aid Taxation Act and the participation of the DEG (German Development Company) in Cologne in the financing of hotel projects. In this way the DEG helped to finance the Kenia Safari Lodges and Hotels Ltd in Kenya and the Compagnie Financière et Touristique in Tunisia.

### **Controversial Tourist Policy**

The promotion of tourism in developing countries has however of late given rise to lively discussions. More plentiful leisure time, rising incomes and the declining cost of travel as a series product for mass consumption are causing tourist travel to LDCs to outstrip all reasonable plans and confront us with problems of unforeseen complexity. One tends to forget that foreign tourist travel to developing countries is a development of the last 6–8 years — hardly more than that. To go by IUOTO data (International Travel Statistics), supplemented by own estimates, the number of German holiday-makers visiting developing countries in Europe, Africa, Asia and Latin America has risen from about 300,000 in 1967 to some 650,000 in 1971; in four years it has thus more than doubled.

After an initial — perhaps a trifle too uncritical — phase of euphoria about the positive effects of foreign tourism on the economic development of the visited Third World countries one has — almost going to the other extreme — begun to

give the disadvantages close attention. Criticism is levelled at

- ☐ the (under social aspects) unsatisfactory distribution of earnings in the field of tourism,
- ☐ the emergence of isolated tourist ghettos — islands of luxury in a sea of poverty,
- ☐ the ravaging of unblemished landscapes worth preserving,
- ☐ the hardening of existing prejudices on both sides,
- ☐ adverse effects of new contacts on the indigenous population,
- ☐ price distortions in the visited countries, hitting the poor in particular, and much else.

That such disadvantages detract from the benefit accruing to the developing countries from tourism cannot be questioned. In extreme cases they may even reverse it.

### **Foreign Currency Effects**

Nevertheless it can be validly claimed that tourism can make a contribution of more or less significance to the economic advancement of certain LDCs, and this will be the greater the more purposely and (measured by currently available yardsticks) intelligently the project in question has been or is being planned.

A number of LDCs suffering from acute foreign currency shortages possess no other "export" sector where: conditions at present offer as favourable prospects for significant growth rates as does foreign tourism; the "import" counterpart on the other side — i.e. in the industrial countries — suffers so little from tariff and other trade obstacles; and developing countries will in the long term enjoy equally marked comparative competitive advantages (of culture and nature, warm climate).

There may of course be grounds for misgivings when the revenue from tourism rises to 30, 40, 50 p.c. — and an even larger proportion — of a developing country's foreign currency income. It can be argued, besides, that these earnings are prone to slump in a crisis because of high income elasticity of the demand for tourist services and the utter lack of elasticity in the supply of tourist facilities. On the other hand, it must be borne in mind that one-sided dependence on export proceeds from one or a few commodities only is a characteristic of almost all Third World countries.

In Sri Lanka, for instance, tea alone accounts for 55–60 p.c. and together with crude rubber and coconut products for 90 p.c. of total exports. Diversification in the direction of tourism would be

a step forward for Sri Lanka, although this source at present provides less than 2 p.c. of the foreign currency income from exports of goods. In Nepal, by contrast, tourism in 1970 yielded nearly 20 p.c. of the foreign currency obtained by exporting merchandise. This however was not because Nepal has already a flourishing tourist industry but because the country has nothing else to export, at least not to hard currency countries.

### Differences from Country to Country

Quite substantial sums can be raised from foreign tourists for purposes of economic development and to pay for the imports needed for it. That is clearly shown by the foreign currency earnings of several LDCs. Mexico, for instance, according to the figures published by the World Bank for 1970, earned from tourism about US \$ 1.5 bn in foreign currencies, more than by exporting tangible goods, i.e. merchandise. Of developing and tourist countries on the Mediterranean which are the favourites of European travellers — also according to data for 1970 — Tunisia, Greece and Morocco derive from tourism between 33 and 28 p.c. of their foreign currency income from exports of goods.

So there are quite substantial differences between individual countries. What weighs heavier, advantages or disadvantages, is a question to which there is no single answer. Undoubtedly however, it is useful to note what advantages and disadvantages foreign tourism may involve for the LDCs, for assuming that no crisis will interfere with the economic development in the world, the expansion of tourist travel to distant lands will probably continue unchecked.

For this reason it is very important to examine carefully the positive effects of tourism on the economies of the developing countries. We are still some way from full knowledge of the details but we ought to know the extent of these effects and whether and how they could be increased.

The negative effects, on the other hand, likewise call for very careful study, and here also we have still a long way to go. But accurate information is needed to keep them within bounds by close cooperation with all concerned, including the LDCs themselves, or avoid them from the outset.

### Net Foreign Currency Earnings

What do we know today? We know that tourism earns foreign currency for a country — that it has a foreign currency effect. In countries with a low import quotient it is greater than in those which need large imports; amongst the latter are the least developed countries, the poorest of the developing countries.

No or approximate figures only can be given to indicate the magnitude of the foreign currency effect. The statistical information is incomplete; as a rule it refers only to gross income from tourism. Who in the LDCs could ascertain precisely how much foreign currency is being spent on "tourism"? In many cases it has also to be ascertained whether there are multiple rates of exchange and whether exchange controls, leading to black and grey foreign exchange markets, draw a "veil" over the facts of the situation; at the very best they will make it impossible to compile accurate figures. Foreign currency bought "under the counter" is of course foreign currency income for the LDCs, even though it vanishes into (from the Government's point of view) undesirable channels.

Leaving such differences aside, there are of course other distinctions between the net foreign currency earnings of different countries, for their size depends on the cost of imports, which varies from country to country, and also on what articles have to be imported for "the tourists". What expenditure should then be taken into account and how can it be ascertained?

The World Bank has attempted to calculate "net foreign currency earnings", including not only foreign currency spending on "current operations", but a proportion of the costs of investments and infrastructure. The World Bank incidentally suggests that a distinction should be drawn between various groups of developing countries. On this basis it has arrived at net foreign currency incomes of about 85 p.c. for the countries in the take-off stage, such as Mexico, Spain and Yugoslavia, while the bottom group of the least developed countries, amongst them certain countries in Africa and the Caribbean, derive about 45 p.c. from this source. And it should not be forgotten, that these are net foreign currency earnings, which cannot be obtained easily by the processing industries.

### The Effect on Employment

It is likewise known that tourist projects generate an employment effect, but its size cannot be established easily. It also involves an imputation problem because there are direct as well as indirect effects on employment. The direct employment effect of tourist projects may range from a rate below 0.5 employee per bed to 1.0 or more! Indirect effects may stem, for instance, from new or additional demand by tourists for native handicrafts. Indian colour drawings on tree-bark in Mexico, woven ribbons with Indian designs in Peru, works in silver in both these countries, forgings and wooden masks in Africa may be mentioned as examples. Such articles will at first be

hawked outside the hotels or offered for sale in native markets. Later there is always a danger of commercialisation by a souvenir industry. (That is the reverse of the medal and is probably a normal consequence when an opening for a previously unknown kind of gainful occupation presents itself in a subsistence economy.)

Complementary to the question of the employment effect is that of the cost of the extra jobs created in terms of foreign currency expenditure. As a matter of fact the foreign currency costs per job are quite favourable even in the developing countries which depend largely on imported supplies. In a normal beach hotel offering no extravagant luxury it is not more than 30 p.c. of total investment at most. For a light industrial building with a tiled roof and better-class mechanical equipment which has to be imported the foreign currency element would certainly be 50 p.c. of total costs if not more.

### **Environmental Effects**

Finally, mention may be made of the importance of tourism as a vehicle for landscape protection in the countries of the arid regions of Africa (Sahel) where stock-grazing is the main economic basis. In these the drilling of wells and watering places has destroyed the ecological balance between "natural" flora and "artificial" livestock-keeping. The sparse plant growth is being cropped or trampled down by the herds within a 20-kilometre radius of the wells because the grazing is concentrated in the area around the watering places. The result is that the desert is pushing forward and swallowing up land which was suitable for stock-grazing and used in this way. The only remedy here would be to restore the ecological balance. Stock-grazing would have to be reduced, and the dried-up pastures would have to give way to natural animal reserves which can be "utilised" by setting up tourist centres. This is one way in which a tourist industry can help not only to open up an extra source of foreign currencies but to repair ecological damage.

There are of course other problems: the economic multiplier effects of tourism in developing countries, for instance, which are difficult to measure; and there are the socio-economic, socio-psychological and internal political repercussions — which must certainly not be underrated — when rich and apparently idle white tourists flaunt their almost unbelievable prosperity before a native population on a minimum subsistence level. Needless to say, the natives cannot appreciate that the conduct and consumption pattern of visitors on holiday differ from their everyday habits and standards, that they are exceptional and had to be worked and saved for.

What however is to be done when a poor country, facing rapid population growth, is in pressing need of foreign currencies to carry out the most urgent development work but has nothing to export apart from the sight of towering snow-covered mountains, colourful corals in warm seas or herds of wild animals roaming the savannas?

Can such country be denied the requested assistance for developing what in the foreseeable future will to all intents and purposes be its sole source of foreign currencies? Such assistance cannot possibly be withheld, and should not be withheld, even though tourism is known to have potentially negative repercussions.

To sum up, a decision has to be made about the form which the promotion of tourism in the LDCs is to take in future, about the methods to be applied in the light of present knowledge and the particular circumstances of a specific case so as to meet in the best way the needs of the countries and achieve the maximum of economic and social benefits while keeping the disadvantages, insofar as they can be identified as such, within limits or better still avoiding them altogether.

This being the aim, the tourist potential of the developing country in question must be assessed and the specific micro- and macro-economic impediments which may endanger the success of a project in certain circumstances be identified. Further, it will have to be examined in detail what impact the project or measure will have on the external and domestic aspects of the economic development of the LDC itself and the region of which it forms part, and in particular how the existing structure of the economy and prices will be affected. It must also be examined what direct or indirect foreign currency earnings and what direct and indirect effects on employment and training are to be expected. Finally it must be asked what may be the implications for the fabric of society when young people in large numbers are inadvertently exposed to new dangers and especially what effective remedies are available for the sociopsychological and sociopolitical problems posed by the influx of so many strange holiday-makers and by the investment of foreign capital in local enterprises, leading to "foreign control" and forming a self-contained upper layer superimposed on the original economic structure.

The development of tourism cannot be stopped, but it must be guided into controllable channels. Clearly this is not a problem to be resolved by the Federal Republic of Germany alone. Tourism is a phenomenon which must be tackled on an international level. To get a grip on it, industrial and developing countries must closely cooperate.