

INTERNATIONAL TOURISM

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An Economic Perspective

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and

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LIONEL BÉCHEREL

List of Abbreviations

ACP	Africa, Caribbean and Pacific
ADB	African Development Bank
ANTO	Austrian National Tourist Office
BTA	British Tourist Association
CRS	Computer reservation system
EDF	European Development Fund
EFRD	European Fund for Regional Development
EIB	European Investment Bank
ETB	English Tourist Board
EU	European Union
GATS	General Agreement on Trade and Services
GATT	General Agreement on Tariffs and Trade
GDS	Global development system
GEI	Grouping of economic interests
IATA	International Air Transport Association
IATM	International Association of Tour Managers
IBRD	International Bank for Reconstruction and Development
IBST	International Bureau for Social Tourism
ICAO	International Civil Aviation Organisation
IDA	International Development Association
IFC	International Finance Corporation
ILO	International Labour Office
IMF	International Monetary Fund
IUOTO	International Union of Official Tourism Organisations
NITB	Northern Ireland Tourist Board
NTO	National Tourist Office
OECD	Organisation for Economic Co-operation and Development
PATA	Pacific Asian Travel Association
STB	Scottish Tourist Board
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environmental Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
USTTA	United States Travel and Tourism Administration
WATA	World Association for Travel Agencies
WHO	World Health Organisation
WTB	Welsh Tourist Board
WTO	World Tourism Organisation

Foreword

After several decades of rapid growth, the tourism industry has reached a critical point in its development. We find ourselves in the midst of a business paradigm shift, where the old rules for profitability and long-term success are losing validity.

The new paradigm is primarily characterised by the supersegmentation of demand, flexibility of supply and distribution, and achieving profitability through system economies instead of economies of scale.

In a mass production system of tourism such as the one which has predominated in the last few decades, the only choice the client had was to consume totally standardised and, hence, very rigidly structured products. However, the new conditions in the market require a far more sophisticated approach.

Certainly, the scenario of the tourism industry for the coming years includes a new map of competitiveness in which enterprises must compete globally, not only within the tourism sector, but often with companies in the larger leisure industry at world level.

In order to do so, businesses and professionals must adapt their skills and strategies (i.e. their *culture*) to the new market environment by: (i) improving their tourism information systems, to better understand demand requirements and the strategy of the competition, and to communicate the products offered; (ii) improving knowhow acquisition through increased efforts in R & D, enabling the most competitive product to be offered at any time; (iii) investing in human capital, streamlining the entrepreneurial culture, which often constitutes the key element for success; and (iv) instilling a philosophy and methodology of total quality in service, in which products and processes are selected by their capability to give satisfaction to consumers.

In this context, *International Tourism* represents a productive new approach to the knowledge of contemporary tourism in its global perspective. Its authors, Professor François Vellas and Mr Lionel Bécherel, are well known for their significant contributions to tourism research and education. François Vellas has wide experience in teaching tourism in his capacity as Professor of International Economics at the University of Toulouse. He has acted as consultant and adviser on tourism policy matters for the World Tourism Organisation, the Commission of the European Union and many other public and private institutions. He is also the author of numerous publications on tourism and aviation and an active member of prestigious academic associations in tourism. In addition,

Lionel Bécherel has been very actively involved with the educational undertakings of the Surrey Research Group at the University of Surrey and with tourism departments in the United Kingdom on the local and national level. He has also acted as consultant in several international projects and lectured extensively in tourism, economics and business studies, both in Guildford and at the University of Toulouse.

International Tourism is an ambitious book. With a direct, pragmatic approach, Vellas and Bécherel cover very extensive ground. From basic definitions to predicted trends through demand and supply conditions, marketing, finance, sociocultural and ecological impacts, development issues, and tourism policy. All is here – in clear, concise language; very effective in its descriptive capabilities, and notably able in summarising state-of-the-art tourism knowledge.

I particularly like the treatment of topics not usually analysed in textbooks – for example, the theories of international specialisation (comparative advantage, demand theory, etc.) in their application to tourism, the consideration of the economic and environmental impacts of tourism; the analysis of aviation policies (specifically deregulation in the USA and Europe); and, last but not least, tourism policies in industrialised and developing countries.

The authors are well aware of the ongoing paradigm shift in the tourism industry and the need for a broad, comprehensive view of the main issues at stake – together with a subtle, astute insight of the causes underlying the changes. Hence, the book responds well to the needs of students and professionals in the four above-mentioned areas: information, knowhow, education and total quality management.

While it is true that we cannot always have the future we would like – and this is especially certain for our increasingly complex and environment-dependent tourism industry – *we can adapt and prepare for the real future*. Vellas and Bécherel's book does an excellent job in helping those of us who think and work in one of the most dynamic industries of contemporary society

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EDUARDO FAYOS-SOLÁ

Introduction

There are few economic sectors which generate as much added value, employment and currency for such a low cost as international tourism. All tourism products and services consumed by foreign visitors are exports which avoid the costs of distribution and transport to other markets. International tourism both provides foreign currency and distributes purchasing power throughout the visited country.

Tourism has become the world's most important economic activity.

- According to the World Tourism Organisation (WTO), *annual expenditure worldwide on tourism* is more than 2,000 billion US dollars (of which US\$324 billion is attributed to international tourism). In 1994, tourism accounts for 12 per cent of the world's Gross National Product (GNP).
- The travel and tourism industry has become the principal source of *job creation* in many countries and employs more than 100 million people worldwide.
- The economic impact of the industry has been considerable. It is responsible for approximately 7 per cent of *global capital expenditure*.

International tourism not only influences economics, it also affects social, environmental and land development policies.

Although vast tourism movements are a recent phenomenon, they actually reflect a long tradition of migrations and mixing of populations. Nowadays, these population movements are not just confined to certain regions. They affect virtually every country in the world, either as tourist receptors or tourist generators or both. Even today, international tourism is transforming previously closed societies of insular inward-looking states into an open universal society where contact between peoples becomes a daily reality. It satisfies a deep need for encounters and exchanges with other cultures, for escape, health and social progress. It is undeniably one of the most influential phenomena (possibly even the most influential) in the economic and social development of our society.

However, the growth of international tourism also creates a number of difficulties which can cause severe crises. These have led to questions from certain quarters about its social, cultural and even economic consequences. In contrast to the positive effects on employment and the production of revenue are some strong negative effects: inflation, the destruction of the environment and of the traditions of local populations. These are

particularly sensitive issues in developing countries, where tourists from industrialised countries impose, by their very presence, a way of life and a level of consumption which can often offend local sensibilities. Similarly, in certain regions, particularly the European Mediterranean, high tourist concentrations, resulting from uncontrolled development, contribute to the destruction of the economic and social fabric as well as the cultural heritage of the local population.

It is therefore imperative to assess not only the contribution of international tourism but also its consequences, in order to increase the advantages that it brings and avoid its damaging effects. This is the objective of economic and international tourism policies.

The economic approach to international tourism is based on a methodology which uses the knowledge and techniques of economic analysis to design and implement policies adapted to its needs. First, the methodology requires an in-depth understanding of tourism activity, followed by the economic analysis of this activity and, finally, the communication of the results to decision-makers in both the public and private sectors, so that tourism policies can be developed and implemented at local, national and international levels.

The *in-depth understanding of tourism activity* concerns both the international tourism flows of populations and the financial flows of currency in and out of countries, as well as the impacts of these flows on national economies. Additionally, it involves an understanding of sectors of economic activity which depend partially or totally on tourism, such as transport (in particular, air transport), accommodation (the hotel and catering industries), the commercial sector (travel agencies and tour operators), administrative services and international tourism organisations.

The *economic analysis of tourism activity* focuses on the determinants of international tourism and on its economic mechanisms. The methodology uses techniques of international economics based on the theory of international exchange in conjunction with empirical studies and the analysis of case studies. This approach analyses the causes of international tourism by evaluating the role of the determinants of exchange (factor endowments, comparative costs, absolute advantages, representative demand). The economic analysis is also applied to the mechanism which spreads the receipts generated by international tourism throughout the economy, using the tourism foreign account system and the multiplier techniques.

Tourism policy is a result of actions planned at local, regional, national and international levels, and its analysis determines the necessary *level of intervention by the public authorities*. In industrialised countries, decentralisation has resulted in a development of tourism better adapted

to the needs of the population of each region. In developing countries, tourism development programmes set up with the financial and technical help of international organisations have resulted in regional planning. This has reduced the financial burden on developing countries and increased the profitability of tourism infrastructures that have been created.

Tourism policy must take into account a number of external variables such as demographic and social change; the economic and financial situation of generating countries; currency exchange-rate fluctuations; political, legal and statutory change; technological progress; shifts in trading patterns; transport infrastructure; the security of travellers; and the protection of sites and the environment.

Three determinants affecting tourism play a particularly significant role in the evolution of international demand in industrialised countries:

1. Demographic changes and social evolution;
2. Increased leisure and holiday time;
3. Fragmentation of holidays and market segmentation.

1. Demographic changes

By the year 2000 there will be more than 144 million Europeans aged between 35 and 45 years. This is 16 per cent more than in 1985. The over-65-year-old age group will have increased by more than 14 million people (from 61 million to 75 million) in the same period.

The 35- to 54-year-olds generally enjoy the highest disposable income and this group is increasing at a faster rate than any other age group – a very favourable situation for the future expansion of the industry.

Nowadays, over 65s also have higher incomes and more free time. Furthermore, older travellers are more flexible with their time and can travel during offpeak periods, thus contributing to a longer tourism season.

2. Increased leisure and holiday time

The working population of industrialised countries is enjoying increased leisure time and more holidays. Although this is common to all industrialised countries, there are significant differences between nations. For example, the length of the annual paid holiday in the United States and Japan is generally less than a month and sometimes just a fortnight. Western European workers are entitled to longer paid holidays. France, in particular, allows its workforce five weeks of statutory annual paid leave. If national holidays are included, the French enjoy up to eight weeks of paid vacation a year.

3. The fragmentation of holiday time

This is a direct consequence of the increase in available holiday time. Now that total annual holiday periods are longer, the traditional 'four-week holiday' is disappearing. Tourists are abandoning the concept of the one-month vacation and replacing it with several shorter breaks of one to three weeks spread over the year.

The international market has been transformed by this fragmentation and increase in the number of holidays. New products are being created for each market segment to satisfy the demand for shorter breaks. The family holiday and the traditional rest and relaxation holiday, based solely on bed and board, no longer meets the requirements of today's tourist.

As a result, industrial and commercial strategies, adapted to the new conditions of the market, need to be developed and implemented.

The aim of this book is to contribute to the understanding of the economic factors and agents which create international tourism and to relate the reasoning, techniques and processes adopted by professionals, administrators and politicians who have particular responsibility for developing and evaluating tourism programmes and policies.