# INTERNATIONAL TOURISM AND ECONOMIC DEVELOPMENT: A SOUTH AFRICAN PERSPECTIVE

by

ELIZABETH WAMBACH ROUSSOT

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# Declaration:

"I declare that *International tourism and economic development: a South African perspective* is my own work and that all sources that have used or quoted have been indicated and acknowledged by means of complete references."

# Abstract:

Tourism is one of the largest industries in the world. Since the 1980s the role of tourism as a means of achieving the objectives of economic development has received prominence within the sustainable development paradigm. This dissertation examines the role of international tourism in achieving the objectives of economic development in terms of its impact on key social and economic variables, such as the balance of payments, inflation, employment and the social fabric of host communities. It also examines the constraints facing international tourism, such as the effect of perceptions on tourism flows and the powerful position of multinationals in influencing the tourist decision-making process. The success of the international tourism industry in selected countries is assessed and the relative position of the South African tourist offering is highlighted in an attempt to draw lessons for the future development of the industry in South Africa.

**Key terms:**

Employment; Entrepreneurship; Service sector; South African tourist trends; Sustainable development; Tourist categories; Tourism and crime; Tourism multipliers; Vertical integration; World heritage sites.

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# CHAPTER 1: OVERVIEW, DEFINITION AND CLASSIFICATION OF TOURISM

## 1.1 Introduction

Tourism has been labelled the world’s fourth largest industry after chemicals, automotive products and fuels and has been the world’s fastest growing industry for some time. In 1998 export revenue earned by tourism amounted to an estimated US$ 532 billion, of which US$ 91 billion was attributable to international transport of passengers and US$ 441 billion to international tourism receipts (Diaz Benavides, 2001). By 2003 the latter figure had increased to US$ 514.4 billion (World Tourism Organisation, 2004). In terms of international trade flows, tourism has surpassed all the other international trade categories, including automotive products, chemicals and food (Diaz Benavides, 2001). Mieczkowski (1995) has claimed that in 1994 tourism accounted for more than six per cent of the world's gross domestic product (GDP) and employed more than 130 million people, or six per cent of the global workforce. By 2001 tourism is estimated to have generated 11 per cent of world GDP and employed 200 million people and this figure was expected to double by 2020 (Roe and Urquhart, 2001). In 1994 the number of world tourist arrivals was over five billion (World Tourism Organisation, 2003). By 2003 there were nearly seven billion tourist arrivals worldwide, mostly from developed countries

(World Tourism Organisation, 2004).

Given the figures estimated, there is no argument as to the immense size and growth of the tourism market. Yet what needs to be ascertained is the impact of tourism flows on the economic development of individual countries and regions. The approach taken in this dissertation is to examine the impact of international tourism on economic development by means of a literature study which provides an analysis of the general impact of international tourism flows on key economic variables. It also discusses the international tourism industry in selected countries, with particular attention being paid to the role of international tourism in South Africa.

Before an analysis of tourism's impacts can be performed it is necessary to define the variables to be analysed and to determine the appropriateness of the definitions used. This is done in chapter 1. In this chapter it is also shown that the economic significance of tourism cannot be captured fully using conventional economic measures that quantify marketed, visible physical attributes of an industry only. Tisdell (2002:3) claims that "the non-market value and impacts of the tourism industry are especially large, so conventional indicators of industry size can be expected to underestimate significantly the importance of this industry from a holistic point of view". In addition, it is

difficult to distinguish between domestic tourists and residents of an area when attempting to determine the economic impact of domestic tourism, since domestic travellers often have similar traits to the residents of an area and are not required to notify anyone that they are tourists engaging in tourism-related activities.
Because of the difficulties of distinguishing between domestic tourists and non-tourists and because data on international visitors are more accurate and easier to quantify, the description of tourist types in this chapter provides justification as to why the focus of the study will be on some of the economic impacts of international tourism flows to South Africa.

In chapter 1 an attempt will be made to define tourism, in terms of how tourism activities fit into the overall economy, the different types of tourists, and the distinction between international tourism and domestic tourism will be drawn. Attention will also be paid to methods used to measure tourism and components of the tourism industry.

In chapter 2 the impact of international tourism on a number of key economic variables will be outlined. In this chapter the linkages between the tourism industry and other sectors of the economy are addressed. Amongst the reasons for promoting international tourism are that it leads to an increase in foreign exchange earnings and is viewed as a means of creating employment opportunities in less developed countries (LDCs) (Vellas and Becherel, 1995). There are, however, also negative consequences resulting from international tourist flows such as price increases for local communities, the leakage of foreign exchange, and the establishment of neo-colonial relationships by multinational enterprises. These will, *inter alia,* be discussed in chapter 2.

The focus of chapter 3 is the role of international tourism on economic development. In this chapter the success of tourism as a means of achieving the development goals of existing local communities is addressed. Reference will be made to how tourism is viewed as a strategy for development by various schools of thought, with particular attention being paid to the role of tourism as a development tool within the sustainable development paradigm. This paradigm emphasises that development should occur with minimum disruption to the physical, social and ecological processes of an economy. Some impacts of tourism on a number of countries, as well as their ability to sustain their tourism sectors are also discussed in chapter 3.

Chapter 4 provides an overview of international tourism in South Africa in order to identify the opportunities and threats within the sector. In so doing, the background for chapter 5 is provided. In this final chapter conclusions are drawn and recommendations are made that will assist in facilitating an international tourism industry that encourages economic development in South Africa.

**1.2 Definition of tourism**

According to the *Concise Oxford Dictionary* (Fowler and Fowler, 1964), the term “tourism” is derived from the Greek word *torsos* which means to turn. This implies that tourism has to do with a phenomenon whereby people (or tourists) travel, in a country or a selection of countries, only to turn home after their journey is complete. The term "tour" is defined as "a journey through a country from place to place" (*ibid.*). The tourism industry can therefore be classified as an industry concerned with touring or travellers. Such a definition, however, is rather broad and does not capture the intricacies of the industry. According to Briassoulis (1995:26), tourism is multi-sectoral in nature and consists of numerous tangible and intangible activities.

Tourism involves a complex of interlinked pursuits, which makes it difficult to delineate clear boundaries of tourism-related activities. It also relies heavily on commodities that are not marketed. According to Tisdell (2002), these commodities have the characteristics of public or collective goods, or are only partially marketed with certain spillovers and externalities.

Because of the multi-sectoral nature of tourism and the multitude of activities that tourists are engaged in it would be impossible to use a broad definition, as suggested in the previous paragraphs, in order to identify tourists and analyse the impact of tourism on the economy. Analysts and policy makers have therefore attempted to narrow down the definition. According to the US Department of Commerce"...when defining tourism one should ensure that it excludes normal activities (i.e., forbids ordinary day-to-day activities such as commuting to and from work) and its practitioners (i.e., tourists) must consume tourism-related goods and services, provide a source of tourism demand, and travel a specific minimum distance" (quoted in Toepper, 1991: 23).

As already noted, tourism makes use of resources which are used by other activities and mostly serve the local population. It also leads to the provision of facilities which are shared by tourists and locals (Briassoulis, 1995:27). The development of the tourism product is therefore not a unique or isolated procedure, but part of a wider and permanent socioeconomic development process.

In most countries tourism is "statistically invisible" with only the most obvious sectors, or those exclusively devoted to tourists being enumerated in tourism data (Williams and Shaw, 1988). Eadington and Smith (1992:1) point out that tourism cannot be thought of as a single cohesive industry. It is rather an "aggregate" activity (United Nations and World Tourism Organisation, 1994: 27). In its simplest sense, Gunn (1988) defines tourism as including any form of travel (including business travel) with the exception of commuting. This definition is in line with the British concept of tourism, which refers to all types of travel. The definition suggests that any person visiting an area irregularly could be classified as a tourist. In the United States tourism refers to leisure travel only (Law, 1993). The World Tourism Organisation (WTO) defines a tourist as someone who stays away from home for a period exceeding 24 hours, in other words, someone who spends at least one night at the destination being visited (Vellas and Becherel, 1995: 5). Compilers of South African tourism statistics abide by the WTO definition and differentiate between travel for holiday, business or study purposes (Central Statistical Service, 1997; South African Tourism, 1998).

According to Cohen, there are as many definitions of tourism as there are studies of it. He describes a tourist as "a voluntary temporary traveller, travelling in the expectation of pleasure from the novelty and change experienced on a relatively long and non-recurrent round trip" (quoted in Lea, 1988:4). Toepper

(1991:21) argues that the ambiguity surrounding the term "tourism" spills over into the definition of the tourism industry. This allows for ambiguous reference to tourism-related activities in political and economic discussion. One repercussion of this ambiguity is that political support matched with economic assistance has been hard to garner, making any official reference to the impact of this industry on the economy superficial.

Mieczkowski (1995:2-3) claims that ".... tourism constitutes a complex of diverse and fragmented components and phenomena that relate, in some way, to practically every visible and invisible aspect of life. No other economic sector involves such a critical interplay of diverse economic, political and environmental factors".

There have even been suggestions in the literature that there is no such thing as a tourism industry in the economic sense, since the activities which relate specifically to tourism are not very easy to identify and many of the facilities that cater to tourists' needs also cater to the needs of residents (Law, 1993). " The same product or service may or may not be a tourism-related economic activity based on certain characteristics of the consumer, rather than on anything inherent in the product or service" (United Nations and World Tourism Organisation, 1994:27).

In an attempt to standardise the term, Frechtling (1976:59) suggested that a number of criteria need to be adhered to. Firstly, the definition must be discrete and unambiguous in that there must be no confusion as to what is to be included in or excluded from the analysis. Secondly, the material being studied must be measurable in order to enable some sort of consistency; and, thirdly, the definition should follow established usage as closely as possible. This will aid continuity in research and build up a cumulative body of knowledge.

The suggestions by Frechtling do not seem to have had much impact on the literature. The existing inconsistency makes it all the more important to formulate, or adopt, a definition which is suitable for the particular angle from which the study is being carried out. The United Nations and World Tourism Organisation (1994:3) have stressed the need for definitions and classifications to be of worldwide practical applicability, both to developed and developing countries, and that they should be expressed in simple terms that are measurable within the practical constraints of visitor surveys.

As has already been noted, no definition of the term "tourism" has so far gained widespread acceptance across social science disciplines. Przeclawski (1993:9) regards Hunziker's 1951 definition as being a classic. Hunziker defined tourism as ".... the sum of the relations and phenomena which result from travelling and visiting an area by non-residents providing that it does not entail resettlement or paid work".

For the purposes of this dissertation the most appropriate definition of a tourist is that developed by the International Union of Official Travel Organisations (IUOTO), now known as the World Tourism Organisation, to the United Nations Conference on travel held in Rome in 1963. The definition applies to the international tourist, but can be extended to domestic tourists. The definition of an international tourist is that of a person who is "a temporary visitor staying at least 24 hours in the country visited whose journey is for the purpose of leisure (holiday, recreation, sport) or business, family, meeting, health or religion (Baud-Bovy and Lawson, 1977:1). In the case of a domestic tourist, the tourist would not cross international borders, but would be visiting a particular area temporarily. Domestic tourism is, however, not the focus of the present study, which relates to the impact of international tourism on development.

## 1.3 International tourism

The number of travellers entering a country has often been used as a means of measuring the number of international tourists in that country. Cohen (1974:528) maintains that there is "no strong gradient between travellers who are tourists and those who are not". To reduce the issue to manageable proportions, it is necessary to differentiate between different types of travellers and in so doing to determine which categories of travellers need to be numerated and analysed to ascertain the impact of the tourism sector on the economy. The definition of tourism has, however, not been consistent across countries or over time.

Because of the inconsistency in defining the broad concept of tourism, international tourism, as a subset of tourism, has also been conceptualised in a myriad ways. As in the case of tourism, a number of definitions have been formulated for international tourism, depending on the perspective from which the concept is approached or studied.

The United Nations and World Tourism Organisation recommendations on tourism statistics exclude the following categories of people from being classified as tourists:

- *Persons entering or leaving a country as migrants, including dependants accompanying them*

- *Persons, known as border workers, residing near the border in one country and working in another*
- *Diplomats, consular officers and members of the armed forces when travelling from their country of origin to the country of their assignment or vice versa, including household servants and dependants accompanying or joining them*
- *Persons travelling as refugees or nomads*
- *Persons in transit who do not formally enter the country through passport control, such as air transit passengers who remain for a short period in the designated area of the air terminal or ship passengers who are not permitted to disembark (United Nations and World Tourism Organisation, 1994: 9).*

In addition, persons who are residents of the host country cannot be classified as international tourists. In some countries, such as France, official means of presenting statistics dictate that any foreigner staying in the country for more than 4 months would not be classified as a tourist, but as a temporary resident, irrespective of the purpose of the visit (Wanhill, 1990). Someone who visits an area for less than 24 hours would be classified as an excursionist. Lanfant and Graburn (1992:93) point out that international tourism is generally defined as "the extension into international geographical space of a mobility originally confined within national limits in opposition to internal (or domestic) tourism". It is therefore specifically an export industry because of its ability to generate foreign exchange (Bachmann 1988: 44). International tourism, however, differs from other export industries in that the product on offer is consumed at the place of production. The distribution of international tourism flows is therefore more susceptible to economic conditions in the country providing the product than the international trade of goods would be (Vellas and Becherel, 1995): the spending on tourism enterprises is done by foreigners visiting the host country and therefore requires the consumers of the tourism products to leave their country of residence and cross international borders. This affects the balance of payments of both the host and the tourist-generating country. The impact of tourism on the balance of payments will be discussed in chapter 2.

## 1.4 Identifying the tourist

In section 1.2 it was pointed out that a tourist can be described as a person who has sufficient free time to move away from his/her place of residence for a period exceeding 24 hours. It is also generally accepted that a tourist is someone who spends less than 12 months at the destination being visited (see Hudson and Townsend, 1992:57; Hanefors and Larsson 1993:28; Wanhill, 1990:189).

De Kadt (1979:5) distinguishes between temporary and "settler tourists" where the latter retire to tourist destinations. According to De Kadt, people who decide to settle in tourist destinations in their old age can be classified as tourists because they do not earn an income in their place of residence and they originate from a milieu different from that of the host community or country. Their impact on the economy is therefore similar to the impact of a visitor who stays for a shorter period. These retired people are not, however, generally classified as tourists in most of the literature reviewed and will therefore not be regarded as tourists for the purposes of this study.

Because not all travellers are regarded as tourists and different countries have different categories into which tourists are classified, it is necessary to specify the particular type of tourist to determine the impact of tourism on a region. This is also necessary for the purpose of policy analysis and formulation.

The type of traveller frequenting an area will determine the specific types of tourism facilities that need to be supplied in the host country and the role to be played by tourism intermediaries such as travel agents and tour, hotel and transport companies.

The supply of tourists at a destination can be classified in terms of the people visiting an area according to a number of criteria. The most obvious distinction is between domestic and international tourists. In the case of domestic tourists there is no crossing of international borders, whereas in the case of international tourists passport control and, in most instances, foreign exchange transactions occur.

## 1.5 Tourist categories

Various authors have attempted to identify categories into which tourists can be grouped. Apart from differentiating between international and domestic tourists, the broadest groups into which tourists can be divided are those travelling for business and those travelling for leisure. People travelling for the purpose of generating an income or to attend conferences, meetings and exhibitions may be classified as business tourists, whereas those travelling purely for recreational purposes would be classified as leisure tourists. According to Clevedon and O'Brien (1988) 20 per cent of global tourists are accounted for by business and conference travel. Leisure travellers make up the remaining 80 per cent of tourists internationally. The World Travel and Tourism Council (2004) estimates that US$ 2 538 billion was generated by personal travel and tourism in 2003 compared with US$ 595 billion generated by business travel. In the United Kingdom, the Business Tourism Partnership (2004) estimated that in 1993 business travel accounted for 23.57 per cent of inbound United Kingdom tourists, whereas in 2000 this figure had increased to 29.05 per cent. In South Africa some figures (which will be explained in more detail in chapter 4) suggest that the percentage of international tourists travelling for business purposes in 2001 was 28 per cent, for holiday purposes 42 per cent, and 22 per cent of visitors were travelling to visit friends and relatives. The remaining 8 per cent were unspecified (City of Johannesburg, 2004). Given the data, it would be logical that, when analysing the impact of international tourists on the economies of LDCs, leisure, recreation and holiday travellers would be the main focus of attention. Tourists visiting a country for these purposes would engage in activities such as sight-seeing, shopping, attending sporting and cultural events, recreation and cultural activities, non-professional active sports, trekking and mountaineering, use of beaches, cruises, gambling, rest and honeymooning (United Nations and World Tourism Organisation, 1994:11).

There are a number of sub-categories into which tourists can be grouped. Przeclawski (1993) bases his typology on the behaviour of the tourist. He identifies 10 types of tourist:

- the cognitive tourist, whose aim it is to discover nature, past cultures, contemporary culture, other people and oneself
- the recreation and entertainment seeker
- health tourists
- "the creative tourist", who travels to develop his/her creative work or to work for the benefit of the population being visited
- educational tourists
- professional tourism, in the form of business, congresses or conferences
- pilgrims
- visitors to family and friends
- sex tourists
- profit-seeking tourists

Bachmann (1988) differentiates between different types of tourist, for example individual tourists, organised (mass) tourists, business and holiday tourists and tourists with different travel purposes, for example for health reasons, sport, cultural, educational, political, religious and economic reasons. He points out that the bulk of leisure tourists to developing countries appear to be mass tourists. These tourists usually book package tours that are organised in the country of origin. They can therefore also be classified as "resort tourists" (De Kadt, 1979:6) who seek sun, sand and some form of exoticism. Mass tourists usually stay in large hotels where their tour has often been purchased as a "package", prearranged in their country of origin.

In some countries, where it is felt that the capacity to cater for mass tourists is underdeveloped or inadequate, or where the environment is sensitive, there has been a move towards energetic, selective, exclusive, cultural and environmental (eco, soft) orientated leisure tourism, where there is a preference of quality over quantity of services for leisure purposes (Coccossis and Parpairis, 1995:111). This type of tourism is also referred to as "alternative tourism", a form of tourism that is assumed to be consistent with natural, social and community values (Eadington and Smith, 1992:3).

Because of the predominance of mass tourism in many LDCs, a dependency of many host countries on the tourism-generating country and international tour operators can develop. These and other impacts of the mass tourism phenomenon will be discussed later in this dissertation.

**1.6 Tourism as a service industry**

Tourism can be defined as a labour-intensive service industry that caters to the needs of a specific group of consumers, the tourists. The tourism industry can be said to be a true service industry, as defined by Teare, Moutinho and Morgan (1990). They define a service industry as an industry where production and consumption occur simultaneously. In other words, the product being produced or the service being rendered cannot be stored.

Some other characteristics of service industries are that:

- most serve only a limited geographical area
- success depends on the quality of service being offered, rather than on a large capital investment
- the cost of labour is the largest operating expense
- the service rendered is usually of a repeat or maintenance nature- in the case of tourism, it is of a repeat nature (Steinhoff, 1979 :119)

Because tourism is a service industry that caters to the needs of tourists, the latter can be regarded as the consumers of tourist products. Products that would be consumed by tourists include hotel rooms, airline seats, restaurant food, sightseeing tours and other forms of entertainment such as sporting events. Viewed from a Neo-classical perspective, the primary motive of tourists consuming these products would be utility maximisation per unit of currency spent. It is therefore in the best interests of those promoting tourism to try to maximise profits by providing goods and services that will satisfy the needs of tourists. In the case of leisure tourism, these products are often combined by tour operators to produce holiday packages. These, in turn, are sold by travel agents with representatives of the tour operators providing the after-sales service to the consumers.

Although the tourist industry covers a wide territory, with the transportation network being the main catalyst, tourism businesses, as most service enterprises, tend to be located in specific geographical areas. The main service providers are the airlines, accommodation establishments, car rental companies and tour operators. Large tour operators may own various components of the supply chain. From a political economy perspective the costs of such a structure could outweigh the benefits, whereby the vertical integration of tourist enterprises tends to create a dependency, which is perpetuated by the existence of a number of multinational corporations in the tourism industries of LDCs (Lea, 1988). In many instances income generated through tourism is leaked out of the economy due to one or more of the following reasons:

- a lack of availability of goods and services in the appropriate quantity and quality for tourists

- foreign ownership of tourism enterprises
- vertical integration of tourism suppliers and multinational corporations
- an unskilled labour force

If leakages are not stemmed, or at least reduced, tourism cannot lead to sustained economic growth that will benefit the local community. Issues relating to the sustainability of tourism for development are addressed in chapter 3.

Tourism areas are areas that are attractive enough to visitors to encourage them to pay for tourism facilities. "Unlike other human activities, like occupation or residence which take place predominantly in the centres, holiday-making 'uses' peripheral areas where industrial congestions and urban agglomerations are absent" (Bachmann, 1988:45). In this respect, tourism is particularly beneficial as it often taps into resources that have only marginal value in other economic uses (Beddeley, 2004). Such a situation renders tourism research relevant for policy formulation with respect to underdeveloped regions, where the development of other income-generating activities would not be feasible.

Tourism differs from other service industries in that it is concerned with the transfer of purchasing power from one location to another (Wanhill, 1990). In other words, individuals will engage in tourist-related activities in locations other than their usual place of residence or where they earn their incomes. They thereby transfer their purchasing power from the areas where they normally reside to the tourist destinations. Tourism is a means of distributing income from more developed to less developed regions, with the latter appearing to be more appealing as tourist destinations due to the alternative lifestyles that they offer compared to the main income-generating areas, which are often congested cities. In the case of international tourism there is a transfer of purchasing power across international borders.

Baud-Bovy and Lawson (1977) distinguish between two types of attraction in tourism development: facilities and resources. Facilities comprise created attractions such as infrastructure and hotels, whereas resources are inherent, or natural, attractions such as traditions, environment, ways of life and indigenous crafts. The two attractions complement each other and need to be provided simultaneously for a sustainable tourism sector to develop.

Less developed countries, including South Africa, have an abundance of tourism resources. The question that needs to be asked is whether the development of a tourism sector is worthwhile in economic terms. In other words, would the creation and maintenance of tourism facilities benefit the economy it is aiming to serve? This is especially pertinent in the developing economy context where a number of basic needs need to be addressed and the satisfaction of these needs needs to be prioritised. The tourism industry therefore needs to be accorded an economic value.

In his 1933 treatise, Ogilvie (1933) translated the term tourism into economic terms by acknowledging that a tourist is a consumer and not a producer, since the purpose of travel by tourists is for recreation and pleasure, not for earning an income or for capital accumulation. The benefits of tourism development can therefore be transferred from areas where incomes are earned in primary and secondary industries, for example mining and manufacturing, to areas where the development of such industries is not feasible, but the development of a tourism infrastructure would have the potential to benefit the local community.

## 1.7 Providing tourism facilities and infrastructure

In attempting to classify the components of tourism, some analysts have attempted to delimit what constitutes a tourist and which facilities, or infrastructure, should be classified as catering to the needs, or benefitting from the development, of tourism. In this way, theorists from different disciplines have been able to develop a framework that enables them to determine the boundaries of their analyses. An understanding of the tourism phenomenon requires a consistent measurement of tourist flows and a sound knowledge of the structure of the tourism sector (Wanhill, 1990).

From the policy analyst's point of view it can be argued that the tourist product is a mix of public and private goods, with the responsibility for providing tourism facilities being shared by both sectors. Baud-Bovy and Lawson (1977) maintain that revenue-earning facilities, such as those associated with accommodation and catering, commerce, recreation and real estate development, are the responsibility of the private sector, whereas non-revenue earning facilities such as infrastructure (including airports, roads, distribution networks and sewage disposal facilities) and municipal services (such as parks, police stations and tourist offices) are the responsibility of the public sector. The close interdependence between public and private sector facilities makes it difficult to apply purely private or purely public sector policies for the control of the quality and impacts of tourism and tourism-related activities (Briassoulis, 1995:27). Related activities include travel, accommodation , catering, sightseeing, entertainment, shopping and services (Baud-Bovy and Lawson, 1977).

Although the list of tourism-related activities in the previous paragraph is not exhaustive, it throws some light on the diversity of the activities which are affected by, and players who constitute, tourism; in other words, it gives an indication of what the industry encompasses. Being able to identify tourism-related activities facilitates an analysis of the impact of tourism on the economy.

## 1.8 Indicators

For any study, the types of data that need to be collected are dependent on the definition and scope of the concept being analysed and on the availability of generally acceptable indicators and tools of measurement. In the case of tourism it is necessary to find a generally acceptable means of defining the phenomenon and recording tourism-related activities before any relevant analysis of its impact on the development of an economy can be carried out. Tourism is not listed as an industry in the International Standard Industry Classification System (ISIC), a system used to standardise and classify industries across countries for national accounts purposes. There is therefore no internationally prescribed standard framework for the collection, tabulation and analysis of tourism data for the industry as a whole. The World Tourism Organisation (WTO) has, however, come a long way in developing a system of tourism statistics to standardise tourism accounting internationally. It aims to provide general guidelines for the measurement of international traveller flows at national borders and the associated visitor expenditure. The tourism satellite account of the WTO has been applied to a number of countries, including South Africa.

Considering the size of the international tourism industry, data on tourism are scant and unreliable. Because of the difficulty of defining the term, tourism statistics are difficult to collect. International tourism receipts are defined as "expenditure of international inbound visitors including their payments to national carriers for international transport. They should also include any prepayments made for goods or services received in the destination country" (United Nations and World Tourism Organisation, 1994:22). In the same document it is also recommended that, for the sake of consistency with the balance of payments recommendations of the IMF, international fare expenditure be classified separately. This approach assists in determining the value of international tourism expenditure to the host country.

Indicators used to measure the size of international tourist flows include the number of visits at frontier points, nights spent in a country at accommodation establishments and expenditure from central bank records of foreign exchange transactions (Wanhill, 1990).

## 1.9 Measuring tourism

According to Baud-Bovy and Lawson (1977:6) tourism can be quantified in many ways: by tourism expenditure, by tourist movements, by the number of visits recorded at frontiers, by the number of nights spent in hotels and other tourist establishements; or by ratios such as tourists/residents, tourist expenditure/total consumer expenditure or tourist densities such as tourist nights per annum (United Nations and World Tourism Organisation, 1994:21). It is difficult, however, to establish the precise expenditure by tourists, since purchases for commercial purposes, capital type investments or transactions by visitors in, for example, land, housing art and other acquisitions such as caravans and boats and cash gifts are excluded from the measurement of tourism expenditure.

Tourism statistics are available from three main sources: statistics obtained at borders, which record international tourism flows; accommodation statistics, which measure accommodation and occupancy (these data are difficult to quantify, given the growing trend towards the provision of accommodation in private homes or other small-scale private establishments); and transport statistics obtained directly from tourism transport companies (Vellas and Becherel, 1995).

Statistics South Africa measures tourist numbers in terms of purpose of visit, mode of travel, country of residence and duration of visit. The statistics are released annually and are measured at ports of entry. The collection of South African tourism statistics is thus in keeping with statistics provided elsewhere. Much of the national data collected on tourism internationally seem to have identified four basic dimensions of travel: distance travelled, length of stay, residence of the traveller and purpose of travel (Vellas and Becherel, 1995).

It is important to have a standard method of measuring tourism in order to facilitate an economic analysis of the phenomenon. Statistics South Africa uses criteria set out by the World Tourism Organisation (WTO). The WTO and the Organisation for Economic Cooperation and Development (OECD) have carried out studies to develop a conceptual base for determining the relative size of the industry in the economy. According to Vellas and Becherel (1995:8) tourism accounting should cover all tourism activities within the borders of a given country, if an analysis of the industry is to make any contribution to our knowledge of its impacts.

According to the United Nations and World Tourism Organisation, expenditure on tourism-related goods and services should be categorised as follows:

- Package travel, package holidays and package tours
- Accommodation
- Food and drinks
- Transport
- Recreation, culture and sporting activities
- Shopping
- Other

(United Nations and World Tourism Organisation, 1994:22).

Means of measuring the impact of tourism on the economy will be discussed in more detail in the following chapter.

**1.10 Summary**

In chapter 1 a suitable definition of a tourist and a means of evaluating the tourism sector were identified in order to determine who the tourists are, and what the tourism phenomenon is, before the impact of these role players on economic development can be determined in chapter 2.

Various definitions of tourism were identified. The most appropriate definition for the purposes of analysing the impact of international tourist flows on the economic development of a country was deemed to be the one adopted by the World Tourism Organisation, which identifies an international tourist as a temporary visitor staying at least 24 hours in the country visited whose purpose is either for leisure or business (Bull, 1995). Tourism can then be defined as the industry which caters to the needs of tourists, irrespective of the purpose of their visit.

Both international and domestic tourists are consumers who are concerned with purchasing the tourism product for final consumption. Engaging in tourism is therefore an economic decision. The tourism industry includes all activities that will enable the tourist to achieve the desired goals of being a tourist, whether the purpose of their visit is for business or leisure.

The development and maintenance of the tourism industry has far reaching consequences for the host economy. The impact of international tourists is especially important in less developed countries where the majority of tourists are from more developed countries and command greater purchasing power than local residents. The impact of international tourism flows on the development process in specific countries will be addressed in chapter 3, while chapter 4 will focus on some of the economic impacts of international tourists on the South African economy.

International tourists are temporary visitors to a country whose primary aim is the satisfaction of their own needs. They do not enter a country with the aim of becoming actively involved in the economic development of a country, but in order to maximise their own utility. Yet the presence of international tourists has a significant economic impact on the development of a country. The impact of international tourist flows on key economic variables is addressed in chapter 2.

# CHAPTER 2: TOURISM'S IMPACT ON KEY ECONOMIC VARIABLES

## 2.1 Introduction

Greater awareness of the capacity of the earth to provide for communities has led to a search for industries that can create jobs, while at the same time maintaining the resource base of the economy. In determining the viability of the tourism industry as an economic development tool, economists have become interested in a number of economic variables that are impacted on by tourism. By developing a tourism infrastructure and providing recreation facilities, both the tourist and the local people benefit. The positive impacts of tourism development include the provision of hard currency to reduce the foreign exchange gap and to provide for the importation of capital goods, employment creation, an increase in GDP and personal incomes, as well as the provision of tax revenue for the government.

In addition to the benefits, there are a number of costs involved in the development of tourism, including expenditure on tourism-related infrastructure that may not be accessible for general use, price increases caused by demonstration effects of tourism activities, and negative social externalities, such as increased levels of crime and prostitution. It is therefore necessary to analyse both sides of the tourism coin when determining the impact of this sector on the socio-economic development of a country.

In chapter 1 it was indicated that the tourism sector has the ability to influence a number of industries in an economy because of the multi-dimensional nature of tourists' demands. In a macroeconomic sense, each aspect of tourism expenditure can contribute to each main component of expenditure on GDP, namely C+I+G+X-Z. Domestic tourism expenditure is part of household consumption expenditure(C), whereas investment by firms in tourism enterprises is part of total private investment (I), government expenditure (G) would include public expenditure on tourism promotion at as well as the development of infrastructure that facilitates tourism. Tourist expenditure by foreigners is part of a country's export earnings (X) and tourism expenditure by the local residents overseas is part of a country's import earnings (Z) (Sezer and Harrison, 1994).

According to Lea (1988), there are two main approaches to the role of tourism in development: the functional approach (Mathieson and Wall, 1982), which views tourism as having a positive impact on development, and the political economy approach, which sees tourism in a negative light and is pessimistic about the long-term advantages of investing in tourism development (Britton, 1982).

The economic impact of tourism can be regarded as both direct and indirect. The direct effect is determined by the actual money spent by tourists at a destination, whereas the indirect effect occurs as a result of subsequent expenditure rounds or complementary spending (Mill, 1990). The South African tourism authorities divide tourism into the tourism industry and the tourism economy, the former refers to activities directly serving tourists' needs, whereas the latter takes subsequent expenditure rounds into account via the multiplier process, which will be discussed in section 2.4.

Spending by international visitors has gained prominence in the development literature, in an attempt to find growth sectors and foreign exchange earners that hold promise for stimulating growth based on the "comparative advantages" of LDCs (Brohman, 1996). Included in the growth sectors are export-oriented industries and non-traditional agricultural exports, where countries are increasingly relying on global markets because of low levels of domestic demand.

Tourism, *per se,* can be regarded as a sector that falls strongly into the category of export-oriented industries, that is, it is an internally-consumed export (De Kadt,1979). Export earnings through tourism can benefit the host country by increasing the price of non-tradeable goods and services consumed by tourists, for example, by spending in restaurants, and in so doing improve the terms of trade of the host country with the concomitant positive welfare effects. Copeland (1991), however, argues that the real returns to the factors not engaged in tourism may fall as a result of a tourist boom in a small open economy, which will give rise to a contraction of the manufacturing sector. Such a situation can be likened to the Dutch disease, a situation that occurs when the local currency appreciates as a result of a sudden increase in exports (in the present case increased export revenues would be earned through international tourism). The appreciation of the local currency makes the price of locally produced goods less competitive in world markets. The result is an increase in imports and a decrease in exports with its negative consequences for manufacturing tradeable commodities. The effect on the non-tradeables sector is generally indirect.

A counterargument is that increases in tourism demand will minimise the effects of the Dutch disease on the non-tradeables sector, since with a tourist boom there is a direct increase in foreign demand for non-tradeables, despite the increased demand for imported tradeables as inputs into the tourism industry. According to commentators on the Dutch disease, the decrease in the competitiveness of tradeable goods will result in resources (capital and labour) shifting from the tradeables sector to the non-tradeables sector. If the increase in tourists is expected to be permanent, the shift from production in the tradeables to the non-tradeables sector is merely the economy adapting to structural changes. The increase in tourist numbers would ultimately lead to an increase in demand for local manufactures that would cater for the tourism sector, thus sustaining the demand for locally manufactured goods.

In LDCs many manufactured inputs used in the tourism sector are imported. This negatively affects the current account of the balance of payments. A more thorough discussion of the impact of tourism on the balance of payments is provided in the next section.

## 2.2 The balance of payments effect

The need to find alternative forms of earning foreign exchange, other than through the export of primary commodities, has been emphasised as a means of stimulating growth in LDCs. The need has arisen due to the inelastic demand for primary products and the high levels of protection against manufactures, which have resulted in dwindling foreign exchange earnings for these countries.

The importance of tourism as a foreign exchange earner for developing countries has been emphasised as one of strongest arguments in favour of promoting international tourism to these countries (De Kadt, 1979; Williams and Shaw, 1988; Cooper, Fletcher, Gilbert and Wanhill, 1993). International tourist expenditure has balance of payments implications for both the origin and destination countries. International inbound tourism is an export commodity, in the sense that foreign exchange is injected into the economy, whereas outbound tourism gives rise to a leakage of foreign exchange. In LDCs there is a surplus of inbound tourism (as will be elucidated in chapter 3). This has positive implications for the balance of payments if leakages through tourism-related imports are minimised and tourism receipts are able to offset declining earnings from primary products (Sinclair and Stabler, 1997).

Vellas and Becherel (1995:244) note that tourism plays an important role in stabilising the balance of payments of many countries. Sinclair and Stabler (1997) have a different view in this regard, stating that tourism is a sector that is particularly prone to instability. They argue that instability results from the fact that tourism expenditure is discretionary consumption expenditure, which is susceptible to fluctuations in global economic cycles. This is because discretionary purchases are first to decrease during downturns in economic activity and expenditure on tourism-related activities is more discretionary than spending on necessities or other consumer goods and services, such as food, clothing, schooling and health care.

Balance of payments instability may give rise to a situation where purchases of capital goods imports are deterred. This, in turn, will cause instability in the fiscal yield through both taxes on trade and revenue accrued through income and indirect taxes (Sinclair and Stabler, 1997). The criticisms levelled against the instability of the balance of payments are, however, controversial. The counterargument by Knudsen and Parnes (1975) is based on Friedman's (1957) permanent income hypothesis of consumption. Their argument posits that an increase in foreign exchange earnings through exports will lead to increased consumption only if export earnings are stable. If they are unstable, as is purported to be the case with tourism, the funds are likely to be saved rather than consumed and will therefore be channelled into growth-generating investments, which will lead to the overall growth of the economy.

According to Airey (Mathieson and Wall, 1982:54) the impact of tourism on the balance of payments can be divided into primary, secondary and tertiary effects. Included in the primary effects are direct expenditures on tourism facilities by tourists on items such as accommodation, entertainment, transport and souvenir purchases. Spending on the first three items would be classified in the balance of payments account as spending on invisibles. Included under invisibles (Tribe, 1995) are tourism trade under the following headings:

- government
- sea transport
- civil aviation
- travel
- financial and other services
- interest, profit and dividends
- private transfers

Trade in visibles falls under foreign spending on:

- food, beverages and tobacco
- basic materials
- fuels
- semi-manufactures
- manufactures
- other

The secondary effects of foreign tourist spending can be divided into direct, indirect and induced secondary effects. Included in the direct effects are expenditures associated with international marketing and dividend payments to international investors, as well as input charges by international airlines, hotels and service industries that import goods and services demanded by foreign tourists. In many LDCs the propensity to import inputs for the tourism sector is large, which results in a leakage of foreign exchange out of the country.

Indirect secondary effects occur as a result of foreign tour companies requesting goods from a local supplier to provide for tourists' needs. For example, the local supplier may find it necessary to import the inputs and this would result in a negative indirect secondary effect on the balance of payments.

Induced effects of international tourism on the balance of payments can take place through the payments of wages and salaries to foreign workers who repatriate their income to their countries of origin.

Foreign exchange flows that are not initiated by direct tourist expenditures are referred to as tertiary effects. Included in these are luggage purchases by the inhabitants of the host country for travel purposes.

When determining the effect of tourism on the balance of payments, Strydom (1994) and Williams and Shaw (1988) suggest that only the direct effects be taken into account, the reason being that it is difficult to determine the effects of a composite product that impacts on every aspect of the economy. Tourism is, in any case, not listed as a separate entity in the balance of payments data. The contribution of tourism to the trade account is therefore an estimate. The expenditure and receipts associated with tourism are classified in the 'travel', earned income and capital revenue accounts of the service account (Vellas and Becherel, 1995:246).

The sources of foreign exchange inflows and outflows at each stage of the tourism development cycle (to be explained in chapter 3) are outlined in table 2.1.

**Table 2.1 Some impacts of tourism expenditure flows on the balance of payments**

| **Stage** | Inflow | Outflow |
|---|---|---|
| Investment | Capital inflow on capital account | Dividends and interest on current account |
| Construction | -------------- | Design and consultancy fees |
| Operation | Receipts from foreign tourists<br>Souvenir sales<br>Taxes on foreign operators<br>Wages received from foreign operators<br>Savings through supplying domestic tourism products (import substitution) | Royalties and technical aid<br>Imported materials and spares<br>Imported consumer goods |
| Marketing | ---------------- | Overseas promotion<br>Overseas-based personnel costs |

*Source: Bull (1995:187).*

The aim of encouraging foreign tourism is to achieve a surplus on the tourism balance of payments. Minimising the outflows, which are depicted on the right-hand side of table 2.1, and maximising the inflows, depicted on the left hand side of the table, could achieve this. Williams and Shaw (1988) emphasise that although increased foreign investment for tourism development will initially be high resulting in an outflow of foreign exchange in undiversified economies, costs will eventually be reduced and the impact on the balance of payments, as a result of the initial tourism expenditure, will eventually be positive. However, if the flow of funds is not managed properly, the leakage of foreign exchange will exceed the injection. This will result in a deficit on the balance of payments over the long run. The relationship between foreign exchange inflows and outflows over time is outlined in Figure 2.1.

**Figure 2.1 Foreign exchange costs over time**

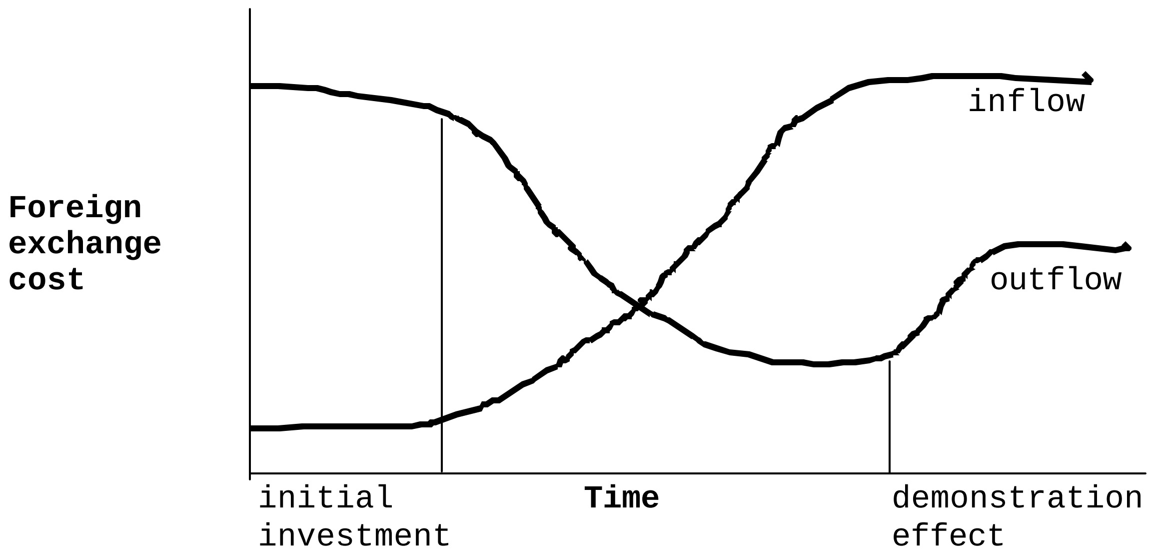



Figure 2.1 shows that the leakage of foreign exchange will initially be relatively high due to the costs associated with developing infrastructure (such as airports, local transport facilities and hotels) that is necessary for attracting international tourists. Once the initial capital investment has been made, the foreign exchange leakage declines. Simultaneously, there is an injection, or increased inflow, of foreign exchange as tourist numbers increase. The demonstration effects of foreigners can eventually influence the consumption behaviour of the host community in that their tastes are altered in such a way that foreign exchange costs tend to increase as more goods are imported to serve the host community whose tastes change to emulate those of tourists. A spin-off of this phenomenon is inflated prices. Price increases related to international tourism will be discussed

in more detail in section 2.7.

Foreign domination of the tourism industry is the major cause of foreign exchange leakages (Brohman, 1996). Mill and Morrison (1992) identify a number of sources of leakage of foreign exchange. They are:

- payments of royalties, profits and dividends
- the cost of imported goods and services to meet tourists' demands
- payments for imported goods and raw materials for the development of infrastructure and buildings
- direct expenditure on promotions and publicity
- transfer pricing, where payments to multinational corporations are recorded in the tourist-generating, rather than in the host, country
- tax exemptions for foreign-owned companies and other financial inducements used to attract foreign investment

The arguments against mass tourism tend to emphasise the effects of this type of tourism on the balance of payments. The focus is on the large leakages associated with mass tourism, where tourists are often not prepared to accept products that they are not accustomed to (Vellas and Becherel, 1995). According to this argument, leakages tend to be large in small countries dominated by enclave resort developments. First-round leakages have been estimated to be 56% in Fiji, 50% in the Cook Islands, 41% for Hong Kong and 29% for Singapore (Brohman, 1996). The encouragement of smaller, more dispersed tourism developments catering to exclusive or alternative forms of tourism (referred to in chapter 1) tend to counteract this trend.

The balance of payments could be improved by attracting more foreign tourists to indigenous tourist developments and by reducing the need to import by developing stronger linkages within the economy. By developing these linkages, the promotion of tourism will have a positive impact on the income and employment multipliers, which are discussed in section 2.4.

## 2.3. Employment effect

The tourism sector is a labour-intensive service industry. It therefore has immense employment-generating capacity and also has the ability to create jobs quickly (Opperman and Chon, 1997). The provision of employment-generating capacity is of primary importance in LDCs where there are high rates of unemployment and underemployment. Because of the high population growth in LDCs, a number of commentators have listed employment creation as important as the benefit of tourism development to the balance of payments (Opperman and Chon, 1997).

The types of employment that can be created through tourism can be classified as direct jobs, indirect jobs and induced jobs. The employment effect of tourism development is, however, subject to leakages caused by foreign involvement in the tourism industry. These leakages result, not only from the foreign ownership of enterprises, but because of the employment of foreigners in key positions. This does not imply that tourism lacks the capacity to employ locals. The extent to which tourism is able to provide job opportunities for the local population depends on the following:

- The extent to which employees are from outside the area, such that if greater use is made of migrant labour, then less job opportunities will be created for the local labour force
- The type of employment required by the tourism sector, which will be determined by the seasonality of the tourism sector and the type of tourist activity in a particular area (Bull, 1995). In many instances there is a high demand for semi-skilled and unskilled workers in the tourism industry (Myles

and Mullins, 1993; De Kadt, 1979).

Williams and Shaw (1988) estimate that in Spain 98 per cent of all direct tourism-related employment is engaged in semi-skilled and unskilled jobs, whereas Myles and Mullins (1993) estimate that approximately 75 per cent of all employees in the international tourist industry are semi- or unskilled. Such a scenario provides hope for LDCs, where much of the labour force falls within the unskilled category, as a result of low levels of education and minimal access to skills training.

Table 2.2 provides a comparison of the levels of adult literacy in industrialised, developing and least-developed countries as well as secondary school enrolment ratios (which are a good indicator of skills levels) for the period 1996-2002 (Unicef,2003).

**Table 2.2 Adult literacy and school enrolment rates**

| Region | Total adult Literacy rate 2000 | Net primary school enrolment (1996-2002) |
|---|---|---|
| **World** | 70 | 81 |
| **Industrialised countries** | 97 | 97 |
| **Developing countries** | 67 | 80 |
| **Least-developed countries** | 43 | 63 |
| **Sub-Saharan Africa** | 50 | 59 |

Source:Unicef (2003)

From table 2.2 it can be seen that the developing and least-developed countries (including sub-Saharan African countries) lag behind the industrialised countries in terms of adult literacy. In the industrialised countries 97 per cent of the population was literate in 2000, whereas in the least-developed countries less than half of the adult population was literate in the same year. The situation in sub-Saharan Africa is more disconcerting when the net primary school enrolment rate is examined. Sub-Saharan Africa lags behind the rest of the least-developed countries, with only about 60 per cent of the children of primary school going age being enrolled in school.

The above scenario implies that much of the adult population in the developing world is only able to fill posts requiring unskilled workers and that this situation is entrenched, given the percentage of primary school aged children attending school. Jobs provided for unskilled workers are generally low-paying and merely provide for subsistence living (Bull, 1995). However, where unemployment is rife, provision of such jobs is able to absorb the surplus labour referred to by Lewis (1954).

There is evidence to suggest that indirect job creation may be for highly-skilled workers who are well rewarded (Williams and Shaw, 1988), provided that there are employees available to fill these positions. The counterargument to this premise is that tourism is a lucrative industry that is able to aid development through job creation.

Tourism developments that require high levels of skill are capital intensive and provide less employment than investments in other industries (Opperman and Chon, 1997). O'Grady (1980:7) argues that the proportion of a country's labour force that can be accommodated through job provision in the tourism industry is small. In Kenya tourism is the country’s second largest foreign exchange earner, yet it only represents 8 per cent of the country’s total employment (International Finance Corporation, 2004). In Nepal it was estimated that tourism employed 0,2 per cent of the labour force in 1977, but it required three times as much investment to create a tourism job as it did to create a job in the manufacturing sector (Belk, 1993).

The World Travel and Tourism Council has developed a Human Tourism Index, which aims at measuring the achievement of human development as a result of tourism activity. It is the equally weighted average of two quantities: the ratio of the total population in relation to international tourism arrivals and departures and the ratio between the sum of international tourism receipts and tourism expenditure to GDP. A higher value means greater importance for tourism in the economy. Table 2.3 lists the Human Tourism Index for selected countries.

**Table 2.3 Human tourism index for selected countries**

| Country | 1990 | 1995 | 2000 | 2003 |
|---|---|---|---|---|
| **Australia** | 4.78 | 4.70 | 6.20 | 7.12 |
| **Austria** | 51.22 | 42.22 | 31.38 | 34.36 |
| **Malaysia** | 28.34 | 23.88 | 30.18 | 32.93 |
| **Mauritius** | 6.85 | 6.73 | 10.32 | 12.34 |
| **Seychelles** | 31.33 | 26.56 | 27.08 | 28.76 |
| **South Africa** | …… | 6.44 | 9.16 | 13.57 |
| **Switzerland** | 50.22 | 36.93 | 40.70 | 43.25 |
| **Zimbabwe** | 2.08 | 2.78 | 3.30 | 4.16 |

Source: World Travel and Tourism Council, 2004

Of the countries listed by the World Travel and Tourism Council, Switzerland was the country with the highest human tourism index. South Africa was placed 76th out of 115 countries.

The three levels at which tourism can impact on employment are:

- direct employment through the employment of staff for hotels and as shop assistants, or tourism attractions that employ people directly.
- indirect employment in businesses that are affected by tourism in a secondary way, such as

local transport, handicraft businesses and banks

- investment employment generated through the construction of large infrastructural works, such as airports, roads, electricity networks, water reticulation and sanitation works (Nobbs, 1981; De Kadt, 1989).

In many instances locals are employed in semi-skilled and unskilled positions in developing countries. This is because local communities are not afforded the opportunity to acquire training, which will enable them to compete for managerial positions (Woodcock and France, 1994; Opperman and Chon, 1997). The employment of locals at low wage levels is said to impact negatively on the employment and income multipliers. These multiplier estimates refer to the additional employment or income that is generated in a particular region as a result of tourist expenditure. Other multipliers referred to in the literature are the output multiplier and the government revenue multiplier (Tribe, 1995).

## 2.4 Tourism multipliers

Tourism multipliers measure the secondary impact of tourism expenditure on an economy. They have received much press in the literature because of the ability of tourism to generate indirect and secondary benefits.

Multiplier calculations are important because gross expenditure figures on tourism-related activities are meaningless for development analysis unless the impact of the tourists' expenditure on the local economy can be determined. In section 2.3 it was pointed out that leakages from the economy will not benefit local development because the amount earned will not be spent in the economy, but will instead accrue to tourist-generating countries and foreign tour operators.

For broad-based development to occur, strong linkages between the tourism sector and the rest of the economy have to be developed. This will increase the income and employment generating capacity of the sector (Brohman, 1996). Tourism can generate considerable indirect employment in agriculture, food processing, handicrafts, transport and a range of light manufacturing industries, to name but some (De Kadt, 1979). The method used to measure the indirect impact of tourists' expenditure on the economy is multiplier analysis, which relies on linkages between the tourism sector and the rest of the economy.

Many developing countries are characterised by relatively weak linkages between tourism and other sectors of the economy, including the production of primary products, in which they are said to have a comparative advantage (Sinclair, 1998). The three most lucrative components of tourism in developing countries, namely the marketing and procurement of customers, international transportation and food and lodging, are normally handled by vertically integrated global networks, which are dominated by airlines and other transnationals (Brohman, 1996). Such external domination and ownership results in a situation whereby the local population does not benefit from tourism-related investment as much as it could if the spending and remittance patterns were different. The multiplier effect of tourism expenditure is therefore limited.

Because the import component of tourism expenditure can be high in LDCs, it is necessary to explicitly determine the benefits of such expenditure on the local economy. Studies have shown that if a particular industry, which is export oriented, does not encourage the development of linkages within the economy, the promotion of such an industry will not contribute to the sustainable development of that economy. Instead, it will replicate the patterns of polarisation and repression, which are counterproductive to development (Bryden, 1973). Sinclair and Stabler (1997) argue that changes in tourism demand are only able to positively influence employment and income generation if there is surplus capacity in the economy. The assumption of spare capacity is typically

Keynesian and provides the basis for calculating tourism multipliers. The rationale for calculating tourism multipliers is that it is not only the size of the expenditure that is important for development to occur, but also the distribution of the income that is being earned. If the benefits of tourism expenditure do not filter through to the host economy, they will have no impact on its welfare. Multiplier analysis provides a means of determining whether or not the income earned through tourism investments will benefit the host population.

Tourism multipliers are used to determine the effects of tourism expenditure on economic variables. In the case of the income multiplier, for example, the multiplier process implies that an increase in inbound tourism expenditure will give rise to an increase in national income by a larger amount than the original increase in tourist expenditure. The employment multiplier measures the total extra employment that results from tourism employment generated through additional tourist arrivals. The transactions multiplier relates to the increased volume of sales activity based on sales turnover value. The output multiplier takes the volume of goods and services produced into account, rather than sales, and may include an addition to inventories. Finally, the asset or capital multiplier measures the increased value of an economy's stock of assets, in relation, either to tourism investment, or tourism expenditure (Bull, 1995).

The concept of the multiplier is based on the acceptance that sales for one firm require purchases from other firms in the local economy. The earliest recorded tourist multiplier is that developed by Peters (1969):

$$K_t = \frac{1}{s - e_á}$$

where $k_t$ = tourist multiplier

$s$ = marginal propensity to save

$e_á$ = marginal propensity of nationals to spend on tourism abroad

Bryden (1973) suggests that the coefficient $e_á$ is intended to represent the marginal propensity to import, which includes foreign travel by nationals. The net effect is the familiar Keynesian expenditure multiplier that was developed in a general context in the 1930s (Pearce, 1981). The formula for the simple Keynesian multiplier is as follows:

$$K = \frac{1}{s + m}$$

where $m$ = marginal propensity to import

Bryden argues that the Peters multiplier is an aggregate multiplier in a tourist economy that does not take into account the various input structures of different industries. He therefore stresses the importance of a disaggregated approach by using an inter-industry transactions matrix. He argues that a more proper statement of the tourist multiplier would be:

$$K_t = \frac{Y}{T}$$

where T is the change in tourist receipts and Y is the consequential change in domestic incomes resulting from the change in tourist receipts, given fixed coefficients within the transactions matrix and a fixed pattern of tourist receipts accruing to the different sectors (*ibid*: 74). The value of $K_t$ depends on the leakages from the system, which can occur through saving, taxation and import spending as a consequence of increases in national income (Bull, 1995). Sezer and Harrison (1994) note that tourism creates additional leakages through, for example, payments for foreign-owned transport, firms, hotels and tourism operators as well as payments for food and drink, remittances of profits and interest payments. They therefore suggest that the tourism income multiplier ($K_t$) be written as follows:

$$K_t = \frac{1 - MPM_t}{t+s+[(1-t-s)m]}$$

where $t$ = marginal tax rate

| | | |
|---|---|---|
| s | = | marginal propensity to save |
| m | = | marginal propensity to import |
| $MPM_t$ | = | all direct leakages resulting from tourism expenditure |

Sinclair and Stabler (1997) criticise the use of the income multiplier model by asserting that few authors have provided an explicit definition of what they are measuring in terms of income. Consequently, the multiplier and income generation values have tended to vary depending on the definition being used. They argue that the multiplier values for a change in GNP or GDP tend to be higher than those for disposable income. The latter multiplier calculation, however, tends to be more significant when determining the income accruing to the host population, since it measures the actual income earned by the community once adjustments have been made.

Criticisms against using multiplier analysis to determine the impact of tourism development on the economy are that multipliers provide aggregate estimates which do not really take account of the ownership (local or foreign) of capital, the employment of migrant or immigrant labour and diseconomies related to polarisation (Williams and Shaw, 1988). Sinclair and Stabler (1997) also criticise the validity of multiplier values by pointing out that it is necessary to calculate both the multiplier value and the amount of income or employment generated by tourist expenditure. They argue that a high multiplier value can be accompanied by a low value of total income generation due to a low initial level and change in demand

> ...the multiplier values associated with small-scale establishments may be high owing to the high local content of tourists' expenditure on them but the value of expenditure on them, both in per capita and in aggregate terms tend to be low, so that the magnitude of income and employment generated is low. In contrast, the multiplier value associated with expenditure on higher category hotels may be low because of the higher import content of tourists' expenditure, but total income and employment generation is usually relatively high, owing to the high value of tourist expenditure on them (ibid: 142).

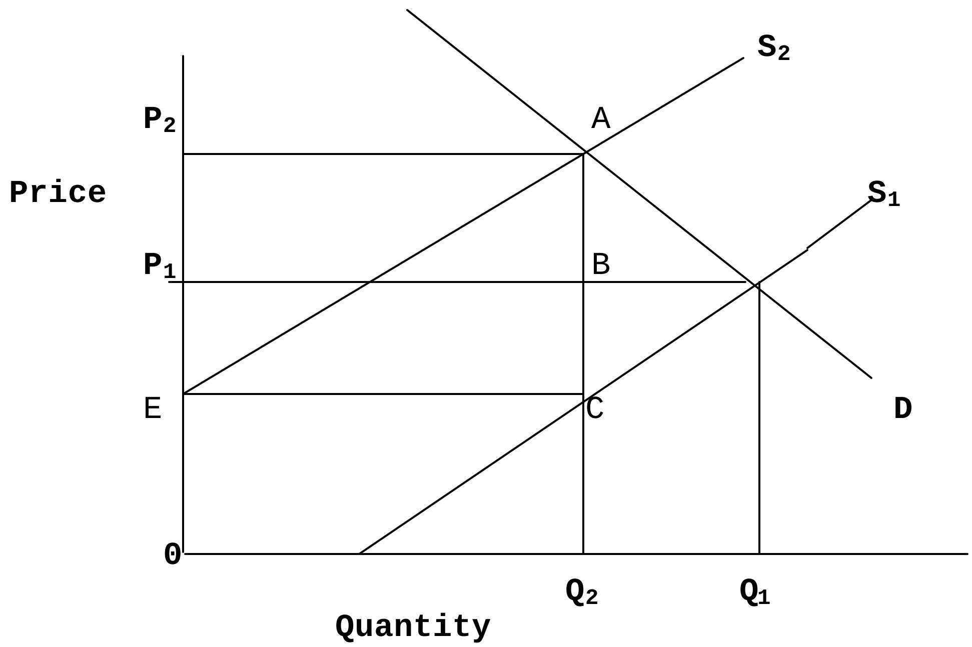
Lower multipliers have been associated with highly concentrated, large-scale, foreign-owned tourism complexes, whereas higher multipliers have been connected to more dispersed smaller scale, locally-owned operations, which tend to be better linked to the local economy (Sinclair, 1998). What has emerged in the literature, however, is that the effect of tourist spending is greater on employment than on income generation (Pearce, 1981).

## 2.5 Effects on government revenue

International tourism expenditures can be said to have a positive effect on the tax base of the host government, since spending by foreigners would automatically increase overall spending in the economy and thereby increase the tax base of that country. Governments have also been inclined to levy specific taxes on the tourism sector through airport taxes and levies on hotel occupancies. One of the underlying arguments for levying such taxes is that the additional costs imposed by the tourist on the host community through increased demand for public amenities give rise to the need to collect user charges from those who are placing the extra strain on the community's resources (Cooper, Fletcher, Gilbert and Wanhill, 1993). The main benefit of tourism taxes, however, is the increased revenue for the government.

According to Mathieson and Wall (1982), the major source of tourism-generated income for the government is in the form of direct levies and customs duties. Although the tourist pays the levy, the issue of who bears the tax burden depends on the elasticities of demand and supply of tourism experiences (Cooper, Fletcher, Gilbert and Wanhill, 1993). Figure 2.2 shows the distributive effects of an indirect tourist tax in the form of a levy on hotel accommodation.

**Figure 2.2 The distributive effects of a tourist tax**




$S_1$ and D represent the supply of and demand for hotel accommodation respectively. If a tax is imposed on accommodation the supply price increases, resulting in a leftward movement of the supply curve to curve $S_2$. The equilibrium price of accommodation is therefore increased and the equilibrium quantity is decreased to $Q_2$. The area $P_2ACE$ represents the amount of tax revenue raised through tourism. $P_2ABP_1$ is the amount paid by tourists and the hotel operator pays $P_1BCE$ in the form of reduced profits. Should the demand for tourism facilities be less elastic, then the incidence of tax accruing to the tourist would be higher. Such a scenario can be illustrated by means of a steeper demand curve in Figure 2.2. The demand for the tourist product, especially in LDCs where there is tight competition for similar experiences of sun, sand, sea and sex, is highly elastic, resulting in a situation where the brunt of the tourist tax is borne by the supplier of accommodation.

The potential revenues for the government from direct tourist expenditures, apart from hotel, airport and other user taxes, are customs duties on imported goods connected to tourism, income taxes on tourism enterprises and people working in tourism and property taxes on tourism establishments (Inskeep, 1991). The taxes earned through tourism can be used to offset the costs associated with the industry, such as the need for general infrastructure to be supplied or improved, in the form of airports, harbours, railways, roads and fresh water supplies, sewerage and electricity plants. It has been estimated that in some countries infrastructural investments amount to approximately 80 per cent of hotel capital costs (Opperman and Chon, 1997).

**2.6 Creating local entrepreneurs**

It is estimated that 80 per cent of the bed capacity worldwide is composed of small and independent non-chain establishments (United Nations Capital Development Fund, 2004). According to Opperman and Chon (1997) studies in completely different contexts revealed that small-scale tourist accommodations are better integrated in the local economy and have a lower import propensity than do large-scale hotels, since they are more likely to rely on local resources and supplies of labour.

Local entrepreneurs are also more likely to view tourism investments in terms of long-term prospects rather than engage in speculative profiteering. According to Harrison (2000), local entrepreneurial activity in the tourist industry is often brought about by those with links to the wider business community. In many LDC settings that have a colonial past these opportunities are confined to descendants of colonial settlers or those of Asian origin and may indeed lead to a perpetuation of the existing inequalities. It is often difficult for emerging entrepreneurs to access start-up finance as well as the necessary operational funding, especially through the formal banking sector. The speed with which small tourism enterprises can access loans is essential in an activity often characterised by seasonality (United Nations Capital Development Fund, 2004).

Dieke (2000) has noted that in Africa many of the small and medium enterprises engaged in tourism activities are marginal and the entrepreneurs lack the requisite experience to run tourism businesses along modern management principles. “Even the nature of tourism demand renders them uncompetitive as they are unable to capitalise on the advantages that accrue from economies of scale” (***ibid:*** 310). Local people have, however, been able to benefit from tourism by renting out housing and selling goods and services that favour tourism expansion. De Kadt (1979) suggests that in some cases tourism gives rise to the emergence of a new middle class through entrepreneurial activity. He cites the situation of Tunisia, where the promotion of tourism investment, through making low interest credit, state aid and facilities for land purchase available, "catapulted" a new class of entrepreneur into the position of heads of large-scale business" (*ibid*: 49).

## 2.7 Price increases

The emergence of entrepreneurial opportunities is not only limited to the establishment of tourism enterprises, but in many instances property owners are able to benefit from tourist expenditure, which gives rise to increased property prices and speculative profiteering around tourist facilities. This usually occurs on the coastline and/or in the vicinity of urban centres where there may already be a demand for the land for productive use. Bouhdiba (De Kadt, 1979:49) refers to property owners who benefited from tourism as being "all the more greedy because they became rich too quickly". Such activities have led to inflated prices and high land taxes that cannot be afforded by the local people. The effect is a crowding out of investment by the local community.

The inflationary effects of tourism also affect local people in less direct ways since they have to compete with local hotels and tourists for food and basic necessities. This is especially the case during the early stages of tourism development when the supply of goods and services is incapable of meeting the increased demand (Pearce, 1981).

Tourists are generally more willing and able to pay higher prices than the locals for the same product. This fuels the inflationary pressure. In some cases a dual pricing structure has been introduced to counteract the negative consequences of increased demand on prices charged to locals, but where the tourist demand is sufficiently high, shop owners have been able to increase their prices with the accompanying increase in demand without having to take the negative impact on the cost of living of the local population into account, since their profitability is unaffected. In some instances local people have been forced to buy their commodities elsewhere. This has led to a leakage of income from the area (Strydom, 1994). Those who suffer most from tourism inflation are locals who are not engaged in tourism enterprises, since their increased costs of living are not balanced by an increase in income (Opperman and Chon, 1997).

**2.8 Opportunity costs**

The development of the tourism potential of a region requires that resources be invested to develop that potential. Because of the scarcity of resources, investment in tourism involves opportunity costs, which are often neglected when analysing the impact of tourism on the economy (Lea, 1988). If tourism is promoted at the expense of other industries, these costs can result in economic distortions and negative consequences for the economy. Much of the investment required for tourism development is in the form of tourist-specific infrastructure. This often needs to be provided by the host government. Because of the intense competition for international tourists, expensive investments may be made to cater for resort enclaves at the expense of providing infrastructure that may benefit the host community more directly.

Cooper et al (1993:115) refer to a situation whereby tourism developments may give rise to rural-urban migration as people are attracted to the increased opportunities around new developments. The rural areas are placed at a disadvantage because of a loss of productive labour. Small farmers are placed at a higher risk than larger commercial farmers if migration occurs, since they do not have the same access to capital as large-scale farmers. They are therefore not in a position to replace labour with capital, should the need arise. The urban areas also suffer from migration stimulated by tourism developments. This is due to increased pressure on their infrastructure and services as a result of the increased agglomeration.

Even if tourism developments occur in the rural areas, opportunity costs are involved, for example, the conversion of agricultural, or previously unused, land into tourist sites will give rise to economic distortions at a spatial level, if higher-cost developments are concentrated in one, or a few areas, of the country and other areas are neglected.

The development of tourist enclaves can give rise to dissatisfaction amongst communities and the migration of young people to the tourist areas, with its associated social problems, such as prostitution and crime. The impact of tourism on these social maladies has not been investigated thoroughly (Mathieson and Wall, 1982; Opperman and Chon, 1997). It has generally been found to be greater where wide economic disparities exist between the host and the guest nations (Toepper, 1991). There is also strong evidence to suggest that crime levels increase during the tourist season because tourists are easier victims than local residents.

## 2.9 Neo-colonialism

Related to the foreign ownership of tourism enterprises and the employment of foreigners in key positions is the perpetuation of a form of colonial relationship between the host and the guest nations, whereby the guests are the rich travellers from the developed countries and the host nations are in developing countries. Admittedly most tourism traffic does flow between developed countries, as is shown in table 2.4, but an analysis of the impact of such tourist flows is beyond the scope of this study. The importance of tourism as a development tool for LDCs, which should not be underestimated, is the focus of this study. Almost 30 per cent of world tourist arrivals in 2002 were in the LDCs, indicated as Africa, Asia and the Middle East in Table 2.4, which implies that over 160 million people visited LDCs in that year compared to only 82.4 million people, or 18 per cent of the world tourist arrivals, in 1990.

**Table 2.4 Tourists arrivals from abroad by region (millions)**

| Region | 1970 | 1980 | 1990 | 2000 | 2002 | % Share of World Total (2002) |
|---|---|---|---|---|---|---|
| **World** | 165.8 | 286.5 | 455.9 | 687.3 | 702.6 | 100 |
| **Africa** | 2.4 | 7.4 | 15.0 | 27.4 | 29.1 | 4.14 |
| **Americas** | 42.3 | 61.4 | 93.0 | 128.0 | 114.9 | 16.35 |
| **Asia & Pacific** | 6.2 | 24.3 | 57.7 | 115.3 | 131.3 | 18.69 |
| **Europe** | 113.0 | 186.0 | 280.6 | 392.7 | 399.8 | 56.90 |
| **Middle East** | 1.9 | 7.5 | 9.7 | 24.0 | 27.6 | 3.93 |

Source: World Tourism Organisation, 2004

The host-guest relationships that have evolved since the end of colonialism have not shown much change in economic power, although the legal relations between the former colonial powers and the host nations have changed. The reason is that tourism has a strong tendency towards vertical integration. O'Grady (1980:8) argues that because of the power of MNCs (multinational corporations) in the tourism industry they have been able to "organise themselves into powerful structures of exploitation which collaborate with the local affluent elites and hold to ransom the host countries". Sinclair (1998) provides evidence of the disproportionate flow of tourism earnings to the tourist’s home country as a result of the use of tour operators located and owned in industrialised countries who make use of airlines and hotels that are jointly owned or controlled. She explains that for a fourteen-day beach package tour in Kenya from the United Kingdom, on a United Kingdom-based airline, the share of total expenditure accruing to the host country was 38 per cent whereas the share of spending in Kenya was approximately 62 per cent. She goes further to say that if the local airline were to be used for internal flights, 66 per cent of the holiday price would accrue to the Kenyan economy, and if Kenya airways were to be used for the entire holiday package the income accruing to Kenya would be as much as 80 per cent.

Mathieson and Wall (1982) have referred to tourism as a neo-colonial activity. The perpetuation of colonial relations in the tourist industry is not solely due to the behaviour of MNCs, with respect to repatriating their profits abroad and employing their own citizens in key positions, but can also be attributed to the behaviour of host nations who, in order to effect increased profits and returns on their businesses, have attempted to fully accommodate the needs of travellers from developed regions, which has increased the need to rely on foreign inputs. The effect of multinational involvement is not solely negative (Sinclair and Stabler, 1997) and may actually be advantageous if partnerships are established between local and multinational companies. In this way the risks can be shared and incentives are created for foreign participants to maintain, or increase, the demand for holidays to these locations, as well as provide expertise where it may be lacking.

## 2.10 Summary

Tourism activities can impact on economic indicators in a number of ways. This chapter focused on the way in which they can impact on key economic variables such as the balance of payments, employment and the development of skills and opportunities for entrepreneurial activity. Tourism can also provide income-generating sources for the government through various forms of taxation, which can, in turn, be used to improve the welfare of the population in the host countries.

Although the economic impact of tourism on economic variables is mostly positive, the negative consequences of tourism development, such as pressure on prices and the perpetuation of dependency relationships, must not be ignored. However, because the benefits of promoting tourism for the host country tend to outweigh the costs, if the appropriate type of tourism is encouraged, it is an industry worth promoting. What needs to be ascertained, however, is the result of tourism's impact on key economic variables on the development process of LDCs. This is the focus of chapter 3.

# CHAPTER 3: THE ROLE OF TOURISM IN DEVELOPMENT

## 3.1 Introduction

In chapter 2 the impact of tourism on key economic variables was outlined. Although tourism's impact on a number of economic variables is generic, the impact of tourism on development can only be ascertained once the focus of development practitioners has been established. The definition of development and methods of stimulating economic development have varied as development economics has matured as an area of specialisation in its own right. Although this chapter focuses specifically on tourism and its contribution to development in selected countries, a brief overview of what is meant by development is necessary in order to determine the role of tourism in achieving economic development.

There have been a number of approaches to determining whether an economy is developing or not. The chapter begins by interpreting what is meant by development. This is followed by an assessment of the features of the tourism industry and tourism's role in the development process of selected countries, namely Australia, Zimbabwe, Zambia and Botswana. Australia, like South Africa is a long-haul destination that has been able to attract a significant number of tourists. In addition, the Australian economy is diversified, thus allowing for linkages between tourism and other sectors of the economy. Yet the benefits of tourism have, arguably, not been transferred to the marginalised sectors of the population. The other countries are Southern African countries, which are able to offer a similar unique experience to that offered by South Africa. The dynamics of the tourism industry in these countries provides valuable insights for the South African tourism industry.

### 3.2 Economic development

The term development and the tools used for measuring development have undergone a number of changes since development economics emerged as a sub-discipline of economics in the 1950s and 1960s. Development is no longer regarded as mere increase in GDP, as promulgated by the early development economists, such as Nurkse (1953) and Hirschman (1958), who proposed the idea that the benefits of industrialisation would eventually trickle down to the poorer sections of the community as national income increased. Instead, other means of achieving development and other criteria for measuring development have been identified. Economists have, for example, come to realise that the way in which the fruits of growth are distributed to the citizens of a country is often at least as important as the absolute level or growth of production and income.

In his seminal paper, Seers (1969) suggested that the reduction of poverty, unemployment and income inequality should be the key objectives of development. Economic growth is regarded as a necessary, but insufficient condition for development. Other criteria also need to be investigated when determining whether or not development has taken place.

Deepak Lal (1985:10) suggests that issues of concern to development economists can be divided into four major areas:

- the role of foreign trade and official or private capital flows in promoting development
- the role and appropriate form of industrialisation in developing countries
- the relationship between the reduction of inequality, the alleviation of poverty, and the so-called different strategies of development
- the role of the price mechanism in promoting development

It is within these categories that the role of tourism in development needs to be investigated.

Although the most frequently used indicators to measure development, in the purely quantitative sense, have been gross national product and gross domestic product per capita, these indicators have limited value for international comparisons, especially when attempting to compare the level of human welfare in different societies. They have, however, been the most popular measures of progress, especially during the early years of development economics as a sub-discipline of economics.

Measuring development solely by means of an increase in GDP has led modernisation theorists to propose that an increase in industrial activity would eventually lead to an improvement in the well-being of the majority of citizens in LDCs, as countries progressed through a series of development stages. This idea was first popularised by Rostow (1959). He suggested that a country could only start experiencing economic growth once the third, or "take-off", stage of development was reached. It is at this stage that one or more substantial manufacturing sectors would have emerged in the economy. These manufacturing sectors would have fulfilled the role of leading sectors in the progression towards sustainable growth. The Rostow model is based on empirical evidence outlining the progression towards development experienced in Western Europe. The pathway to development, outlined by Rostow, is as follows:

- the traditional stage
- preconditions for "take-off" or transitional stage

- “take-off"
- drive to maturity
- high mass consumption

Proponents of tourism development as a means of achieving economic development have suggested that LDCs can benefit from promoting tourism in order to kick-start their economies. This would promote a sustainable service sector that would push the economy into the third (take-off) stage of development.

Mill (1990:163), however, warns against economies progressing directly from being resource-based to being service-based. He argues that in the case of developing countries, where there is a predominance of agricultural and tourism-based industries, the economy "misses" the middle stage of development. According to this argument, the lack of manufacturing industries with linkages to other industrial activity fails to provide a solid foundation on which to build a strong and sustainable service sector. Instead, it will give rise to over-dependence on tourism, an industry that tends to be seasonal and vulnerable to exogenous factors, such as security risks, political conflict or exchange rate fluctuations within the host economy.

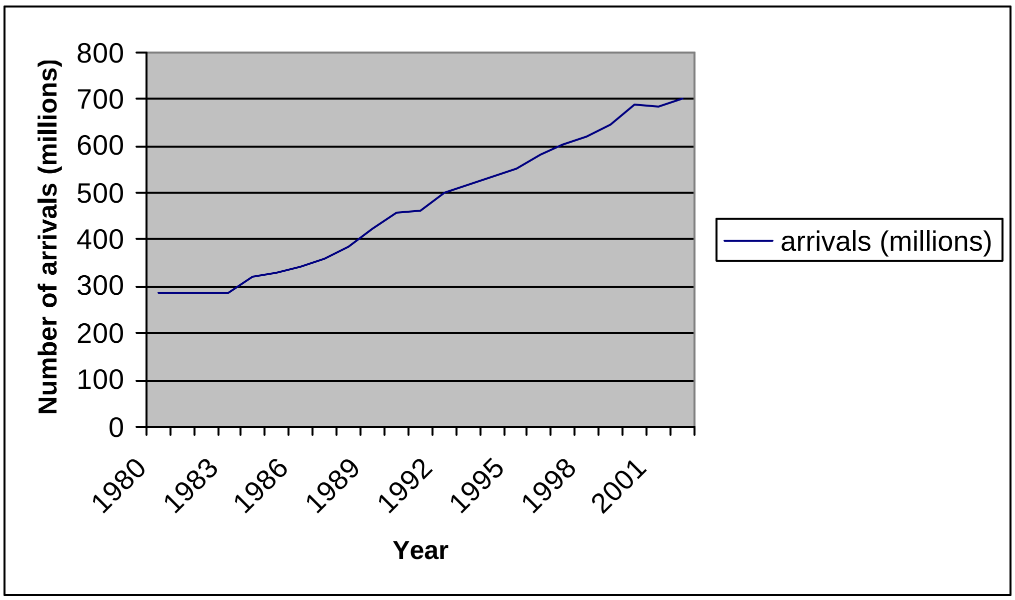
Neoclassical theory provides a strong foundation for the encouragement of tourism as a means of stimulating growth, based on the comparative advantage of developing countries. The primary motivation for encouraging outward-based growth strategies (including tourism) rests on the low levels of domestic demand, which necessitate access to global markets. Erbes (1973:4) suggests "the development of the tourism sector is a no less rational choice, economically speaking, than any other form of economic activity". A strategy of tourism development is believed to be least damaging in terms of microeconomic efficiency and is deemed to foster macroeconomic stability by contributing to a favourable balance of trade that is conducive to better ratings in international financial markets (Brohman, 1996).

The idea of progressing from an agriculture-based to a service-based economy without first establishing a manufacturing-based economy was not ruled out by Rostow. According to Thirlwall (1986), Rostow suggested that any sector could play the role of a leading sector provided it met four basic conditions:

- the market for the product should be expanding fast so that there is a firm basis for the growth of output
- the sector should generate secondary expansion
- the sector should generate sufficient profits for capital expansion
- there should be sufficient scope for new innovations in the sector

The tourism sector is able to meet all the above criteria. As mentioned in chapter 1, tourism is the fastest-growing industry in the world. Figure 3.1 indicates the growth in tourist numbers since 1980.

**Figure 3.1 International tourist arrivals, 1980-2002 (millions)**




Source: World Tourism Organisation, 2004

The worldwide trend in international tourist arrivals has been upward since 1980, from 286.5 million in 1980 to 702.6 million in 2002. In the 1980s, tourism grew faster than world trade (World Tourism Organisation, 1994). In addition, tourism exhibits strong backward linkages to over 70 types of enterprises, from food and beverages to transportation, garbage disposal and miscellaneous manufacturing industries (Müller, 1985).

The structural economists of the 1950s and 1960s did not deny that the development of capital-generating investments was necessary for development. They, however, did not view tourism as a sector worthy of serious consideration in this regard. Their "trickle-down" theories saw industrial expansion as the means of improving the level of development in LDCs. They viewed an increase in industrial production and employment opportunities in the urban formal sector as the best means of achieving development. This often resulted in an emphasis on industrial expansion at the expense of rural development, for example the two-sector models of Lewis (1954) and Fei and Ranis (1964), which concentrated on stimulating industrialisation and the urban formal sector (Todaro, 1992). It can, however, be argued that the preoccupation with industrialisation as the pathway to growth was short-sighted in that it did not allow for alternative ways of achieving economic development. In a number of instances the tertiary sector has been much more successful as an employment generator than the manufacturing sector. For example, in sub-Saharan Africa (excluding South Africa and Nigeria), the percentage of workers employed in services rose from 20 per cent to 24 per cent between 1980 and 1990, whereas agricultural employment fell by 4 per cent over the same period. Employment in manufacturing as a percentage of the total labour force remained constant (World Bank, 2003).

Shelp (1984) points out that the role of the service sector in the LDCs is more significant than commonly realised. In the 56 developing countries studied by the OECD (1974) 28 per cent of the labour force was employed in services, and in 19 of the countries analysed nearly half of the GDP was produced by this sector.

The World Tourism Organisation estimates that in 2003 employment in the tourism industry was expected to be approximately 195 million, or 7.6 per cent of total world employment (World Travel and Tourism Council, 2002a). In Africa it is estimated that travel and tourism directly accounted for 3 603 990 jobs, or 2,3 per cent, of total employment and contributed US$13,3 billion, or approximately 2,7 per cent, to the continent’s total GDP (World Travel and Tourism Council, 2004a).

### 3.2.1 Sustainable development

Proponents of sustainable development also recognize the need to achieve economic growth, but emphasise that there has to be minimal disruption of physical, social and ecological processes. In other words, the total resource base of an economy should not be depleted. Resources are not only regarded as those pertaining to the natural environment, but also the heritage of human achievements in the past (Baud-Bovy and Lawson, 1977). In recent years sustainable development has gained prominence in the development literature and tourism is viewed as a means of achieving and maintaining sustainable development. Butler (1991:202) quotes Sadler as saying that “No other activity lends itself to this approach [sustainable development] better than tourism”. On the same page he goes on to explain the interrelatedness between tourism and the environment by quoting Holder who said that “the environment is tourism’s resource”.

For the tourism sector to prosper in any economy, it is necessary to maintain the natural resource base that initially gave rise to the establishment of the industry. Traditionally, however, tourism has not contributed to sustainable development: ”...in many areas and for many years tourism projects were rarely reviewed for environmental or special impacts before approval (if required at all)...”(Butler, 1991:204). The World Tourism Organisation recognises the importance of a sustainable development approach to tourism products and activities. In Article 3 of its *Global code of ethics for tourism* the Organisation states that:

> All the stakeholders in tourism development should safeguard the natural environment with a view to achieving sound, continuous and sustainable economic growth geared to satisfying equitably the needs and aspirations of present and future generations. (Cassim and Jackson, 2003)

If an economy consumes natural capital in producing current income, it must find a means of replacing this capital. One way of doing this is by investing in produced capital, so that the level of consumption can be maintained (Gillis, Perkins, Roemer and Snodgrass, 1996; Bojo, Maler and Unemo, 1992). Sustainable development can be achieved by investing in industries that can generate an income without unnecessarily depleting the natural resource base of an economy. According to Wall (1997), sustainable development advocates holism and an appreciation of the interconnectedness of phenomena. Instead of propagating that humans should control nature and increase consumption, as suggested by conventional development thinking, sustainable development implies that humans and the environment are indivisible. The two major threats to the earth's ability to sustain living standards are the world's expanding population, especially in the LDCs, and the rising consumption standards of the growing middle class (Gillis, Perkins, Roemer and Snodgrass, 1996). It is by finding ways of reducing the impact of these occurrences that sustainable development can be achieved.

Although tourism has been labelled as an industry that can meet the requirements of sustainable development, implemented incorrectly it can achieve the complete opposite. Market failures in LDCs have given rise to some forms of tourism being unsustainable. For example, many natural resources are free goods. These are vulnerable to overexploitation and negative externalities that would negatively impact on their sustainability (Sinclair, 1998).

By encouraging tourism in areas that need to be conserved, monetary and social values are attributed to these areas. The social value of tourism can be divided into an option value, which takes into account the consumers' willingness to pay for the option of using the resources in the future, and an existence value, which reflects the consumers' willingness to pay for ensuring that the resources will continue to exist, irrespective of whether they use them or not (Sinclair, 1998). It is by promoting nature-based tourism and attributing a value to natural resources that the objectives of sustainable development can be realised. By promoting tourism in protected areas, the natural resources of these areas can generate economic value for themselves and the communities in the areas surrounding them.

By involving people in the development process who are directly affected by policies, sustainable development can be promoted. It is by balancing the people-environment relationship that the carrying capacity of an economy can be maintained (Binns, 1995). Tourism activities, if instituted in accordance with the principles of sustainable development, can ensure that the balance between communities and nature is optimised. This was recognised by the United Nations at the 1992 United Nations Conference on Environment and Development

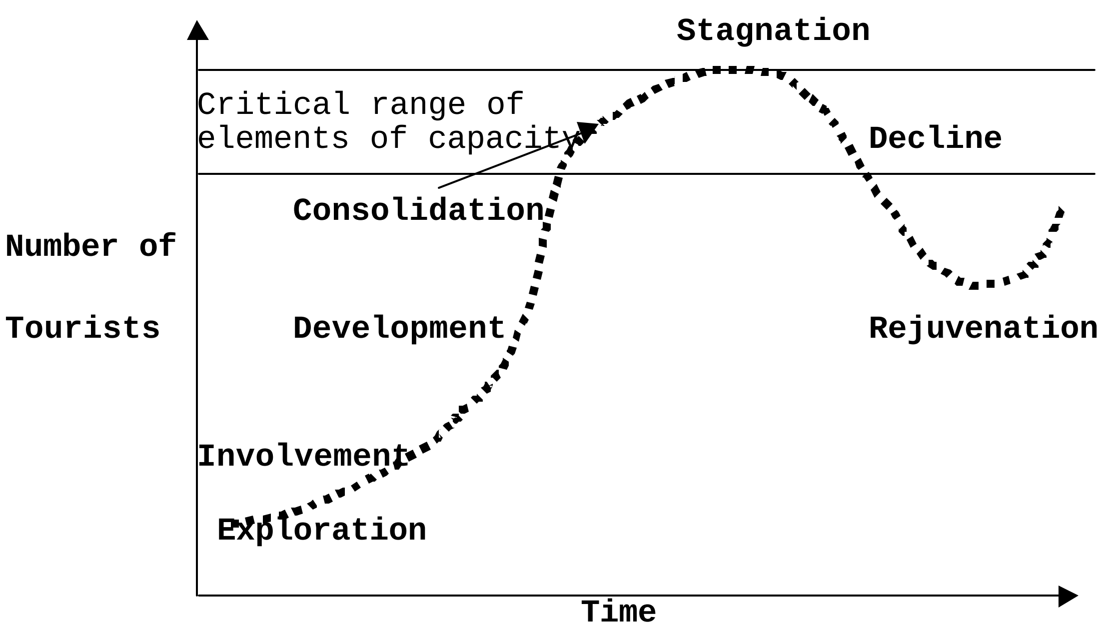
(UNCED), the Rio Earth Summit, where travel and tourism was identified as one of the key sectors of the economy that could make a positive contribution to achieving sustainable development (World Travel and Tourism Organisation and International Hotel and Restaurant Association, 1999). This is especially true in LDCs where many of the tourism facilities and resources that attract international tourists are dependent on the unspoilt natural environment.

Travel and tourism is able to contribute to sustainable development because it:

- has less impact on natural resources and the environment than most other industries
- is based on enjoyment and appreciation of local culture, built heritage and natural environment, such that the industry has a direct and powerful motivation to protect these assets
- can play a positive role in increasing consumer commitment to sustainable development principles through its unparalleled consumer distribution channels
- provides an economic incentive to conserve natural environments and habitats which might otherwise be allocated to more environmentally-damaging land uses, thereby helping to maintain bio-diversity (*ibid.: 1)*

The fundamental paradox that underlies tourism development is that most forms of tourism rely on an attractive natural or built environment, yet excessive tourism can degrade such an environment through pressure on natural resources, pollution and damage to fragile ecosystems. Figure 3.2 illustrates the tourist–area cycle of evolution, which shows the stages through which a tourist destination passes and the attractiveness of the area over time.

**Figure 3.2 The tourist-area cycle of evolution**




Source: Butler (1980)

During the first, or exploration, phase there are few tourists who seek to investigate relatively unknown territories. They make individual travel arrangements and follow irregular visitation patterns. Their impact on the environment is limited, as there are no specific tourist facilities providing for their needs and they make use of local resources. The reported attractiveness of a destination encourages other tourists. The result is that the tourism industry becomes more formalised and some members of the local population become involved in the tourism business directly. As the number of tourists increase, tourism infrastructure and facilities become more developed and allow for the destination to be advertised more widely in the tourist-generating areas. This is known as the development stage; at this stage tourist numbers continue to increase as the destination area becomes a novelty for mass tourists. Although the number of tourists continues to increase during the consolidation or fourth stage of the cycle, it increases at a declining rate and then stagnates. According to Butler (1980), the number of tourists exceeds the local population at this stage. During the decline stage the area will loose some of its appeal to tourists and tourist facilities will be replaced by non-tourist related structures or facilities. Unless steps are take to limit the number and improve the quality of tourists (ie, attract those who are more environmentally responsible), the tourism destination area inevitably becomes overused, unattractive and eventually experiences declining use, which could have a negative impact on the entire economy if it is heavily dependent on tourism. The area can, however, become rejuvenated over time.

According to a Unesco (2004) study, the results of which are summarised in table 3.1, the region which hosts the most international tourists per head of its own population is Europe. Tourist numbers are still increasing in this region, which intimates that the consolidation stage of the tourist-area cycle of evolution has not yet been reached in the most popular tourist destinations. This can be explained by the fact that the tourist-carrying capacity of countries in the region has not been saturated.

**Table 3.1 Arrivals of foreign visitors, 1996 (per 100 inhabitants)**

| Region | Arrivals of foreign visitors (per 100 inhabitants) | International tourism receipts (US$ per visitor) |
|---|---|---|
| **World** | 10 | 829 |
| **LDCs** | 3.4 | 782 |
| **Industrial** | 40 | 1 007 |
| **LDCs excluding India/China** | 5.5 | 759 |
| **Sub-Saharan Africa** | 2.0 | 699 |
| **Arab States** | 8.4 | 750 |
| **South Central Asia** | 0.8 | 1 016 |
| **East Asia** | 3.1 | 570 |
| **South East Asia** | 6.3 | 1 064 |
| **Latin America & Caribbean** | 9.5 | 823 |
| **North America** | 21 | 1 324 |
| **Europe** | 50 | 672 |

Source: Unesco, 2004

Table 3.1 reveals that the number of foreign arrivals per inhabitant and international tourism receipts per visitor are highest for the industrial countries. The number of foreign arrivals per inhabitant in industrial countries is nearly twelve times greater than the number of arrivals in LDCs. In terms of international tourism receipts per visitor, the industrial countries earn 1.3 times more than the LDCs. These figures reveal that although the number of visitors per head of population is much lower in developing countries than in industrialised countries, the difference in spending per visitor is not as high. The LDCs are, however, in the exploration and involvement stages along Butler's tourist-area cycle of evolution whereby their potential for increasing tourist numbers is high. Table 3.2 provides an outline of international tourist arrivals by generating and destination regions in 2002.

**Table 3.2 International tourist arrivals by generating region and destination region, 2002 (thousands)**

| | From | | | | | | |
|---|---|---|---|---|---|---|---|
| **To:** | **World** | **Africa** | **Americas** | **Asia& the Pacific** | **Europe** | **Middle East** | **Origin not specified** |
| **World** | 702,636 | 16,816 | 120,228 | 131,240 | 404,853 | 15,956 | 13,542 |
| **Africa** | 29,136 | 11,730 | 1,048 | 870 | 11,170 | 912 | 3,405 |
| **Americas** | 114,853 | 342 | 85,968 | 7,863 | 18,298 | 179 | 2,202 |
| **Asia & the Pacific** | 131,294 | 771 | 9,030 | 102,344 | 16,402 | 811 | 1,936 |
| **Europe** | 399,759 | 2,568 | 23,324 | 14,882 | 352,135 | 1,546 | 5,304 |
| **Middle East** | 27,594 | 1,405 | 858 | 5,281 | 6,848 | 12,508 | 694 |

Source: World Tourism Organisation, 2004.

From the above table it can be deduced that there were just over 700 million international tourist arrivals worldwide. The number of tourists generated in Africa equalled 11.7 million, whereas 29.1 million tourists visited Africa, indicating a surplus of 17.4 million tourists. In the case of Europe there was a deficit in terms of tourist numbers, with 404.9 million tourists being generated in Europe as opposed to 399.8 million tourists visiting Europe from other regions. In other words, there were 5.1 million more outbound tourists than inbound tourists in Europe during 2002.

An evaluation of tables 3.1 and 3.2 reveals that in order for LDCs to increase the foreign exchange benefits from tourism it is advisable that they increase their tourist numbers before attempting to encourage more exclusive, high-value tourist packages. Industrial countries, however, benefit more from tourism than developing economies. They host more tourists per capita of their population and earn more per visitor than developing countries.

It is, however, necessary to evaluate the statistics on tourism in context and holistically, for example, the sub-Saharan African country that generated the highest receipts per foreign visitor in 1996 is Ethiopia (US$ 1 438), yet it only generated 1 tourist per 1000 inhabitants in the same year. The number of foreign arrivals in 1995 was 103 000 and 111 333 in 2003, compared to 4 684 000 and 7 039 352 for South Africa in 1995 and 2003 respectively (World Tourism Organisation, 2004). The tourists visiting Ethiopia were mainly long-haul tourists from the US and Italy who would naturally be inclined to use up-market facilities. These would be supplied at a premium in a densely populated country (65.8 million inhabitants in 2001) characterised by high levels of poverty and low levels of urbanisation. In 2001 15.9 per cent of Ethiopia's population was urbanised, compared to 57.6 per cent of South Africa's (World Bank, 2003).

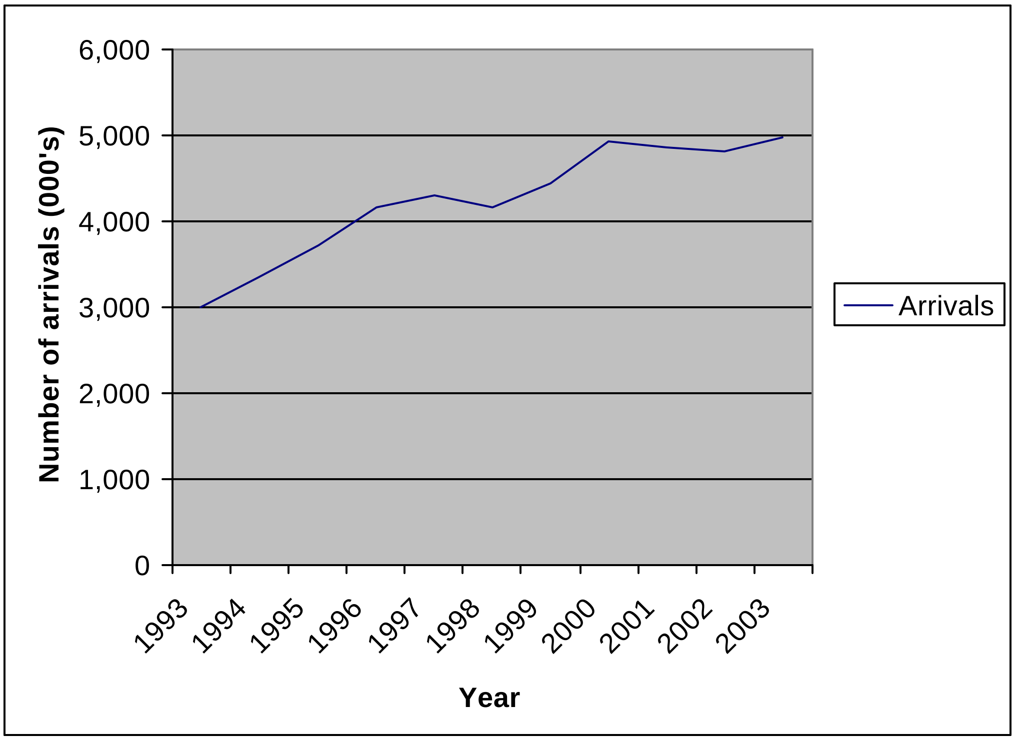
From the above discussion it is clear that the tourist-carrying capacity of different destinations is an important factor that needs to be considered when determining the viability of stimulating tourism as a means of achieving economic development. Such an investigation is, however, beyond the scope of this study. Instead, the impact of tourism in a number of destination countries will be analysed.

## 3.3 Some impacts of tourism in Australia

Australia is a country that has been able to develop a sustainable long-haul tourism industry. Although its share of the global tourism market is relatively small (around 0.5 per cent), it hosted 23 arrivals per 100 of the population in 1996, with tourism receipts per visitor in the order of US$ 1 983 (Unesco, 2004). Yet, like South Africa, the domestic market still accounted for over 74 per cent of total tourism demand in 1996 (Faulkner and Walmsley, 1998).

The growth in international tourists has been greater than the growth in domestic tourist numbers. Figure 3.3 provides an overview of the growth in international visitors to Australia between 1993 and 2003.

**Figure 3.3 International visitor arrivals in Australia, 1993-2003**




Source: Australian Tourism Export Council (2004)

The graph in figure 3.3 shows that international tourist numbers increased steadily between 1993 and 1997. The numbers, however, began to drop between 1998 and 1999. This was as a result of the Asian Crisis, which resulted in a reduction in the spending power of tourists from Japan, one of Australia’s main tourism-generating countries, and other Asian countries. There was an eight per cent decline in the number of Japanese tourists, whereas the number of tourists from Malaysia and Indonesia dropped by twenty-two per cent and forty-two per cent respectively. It is estimated that the Asian economic crisis cost the Australian tourism industry $645 million in lost revenue during 1998 (Mercer, 2000). It is evident from figure 3.3 that the industry recovered slightly in 1999. In 2000 the Sydney Olympic Games boosted tourist numbers and these numbers remained steady, despite international terrorist threats precipitated by the falling of the twin towers in New York in 2001 and the Bali bomb in 2002. Australia's relative geographical isolation has helped to maintain its international tourist flows.

Although Australia has been developed as a successful long-haul tourist destination, especially for United Kingdom and Japanese visitors, tourism has not been a major contributor to Australia's GDP, one reason being that the Australian economy is highly diversified. Inbound tourism is estimated to have contributed 7.2 billion Australian dollars, or 1 per cent, to GDP in the 2002-2003 fiscal year. However, the industry contributed significantly to export earnings and is a noteworthy employer in the Australian economy. Table 3.3 provides a summary of tourism's contribution to Australia's export earnings.

The table shows that between 1998 and 2003 tourism generated between 11 and 12 per cent of Australia's export earnings, making it the fourth largest export earner in the country. By 2004 the figure increased to 14.3 per cent (World Travel and Tourism Council, 2004).

**Table 3.3 Tourism's contribution to export earnings in Australia 1998/99 – 2002/03**

| | 98-99 | 99-00 | 00-01 | 01-02 | 02-03 |
|---|---|---|---|---|---|
| **International visitor consumption (Tourism exports)(A$m)** | 13 446 | 14 611 | 17 140 | 17 080 | 16 666 |
| **Total exports (A$m)** | 112 025 | 126 034 | 153 511 | 152 357 | 148 530 |
| **Tourism's share of exports (%)** | 12 | 12 | 11 | 11 | 11 |

Source: Australian Bureau of Statistics, 2004.

Tourism's contribution to employment was 5.7 per cent, or 540 700 people, during 2002-2003. In addition, the Australian Tourism Export Council (2004) estimated that tourism employed 550 000 additional people indirectly. In 2004 it was estimated that 1 240 000 people were either directly or indirectly employed in the tourism industry (World Travel and Tourism Council, 2004). The industries that generated the most tourism employment were the retail trade, accommodation and cafes and restaurants (Australian Bureau of Statistics, 2004).

Much of the success of international tourist flows to Australia is due to more people in affluent countries having greater leisure time and the declining relative cost of international travel. For example, in 1950 the cost of an air ticket from Sydney to London was higher than one year's average earnings in Australia. At the turn of the century the equivalent cost was two-weeks' average weekly earnings (Mercer, 2000). Other factors that have contributed to the increase in the number of inbound tourists include the fact that Australia is relatively close to a burgeoning Asian market and that it has pursued an aggressive marketing strategy and increased awareness about Australia through hosting events such as the Bicentennial celebrations, the Brisbane Expo, the America's Cup challenge, Adelaide's Formula 1 Grand Prix, the Gold Coast Indy car race and the Sydney Olympics. These events have fostered growth in international tourism, not only through the additional visitors who have come as spectators for the events, but also through the promotional effect that coverage generates in the international media (Getz, 1992).

Altman and Finlayson (1992) propose that tourism has had some negative impacts on certain communities in Australia. They are particularly concerned about the impact of international tourism flows on Australia's aboriginal communities. In their paper they refer to the 1991 Royal Commission report into Aboriginal deaths in custody. In the paper it is touted that tourism has the ability to bring Aborigines into the mainstream economy in that it is able to

- provide employment and investment opportunities for these communities
- allow for Aborigines to become indirectly involved in tourism through the arts and crafts industry
- encourage cultural tourism that will preserve a national identity

- encourage joint ventures where Aboriginal people can participate jointly with non-Aborigines in the provision of goods and services for the tourism industry

The authors are, however, concerned that many of the Aboriginal communities are unable to benefit from tourism initiatives and progress beyond a certain level because of their low skills. Their viewpoint is that the tourism industry requires a high level of literacy amongst Aborigines, if they are to benefit from employment and other opportunities beyond unskilled and semi-skilled work. This, they claim, is not the case. They also refer to the tendency for Aborigines to be reluctant to participate in the tourism industry directly as they do not perceive it to be important or necessary to participate in the formal labour market.

In analysing the impact of tourism on the Mutitjulu community at Uluru, one of the major Australian tourist destinations, Altman (1987) concluded that even though the community owns the land, it has not gained any substantial direct economic benefits, either from employment or increased income. These benefits have rather accrued to the non-Aboriginal community. He suggests that one way to alleviate this problem is to structure lease agreements in national parks to the economic advantage of Aboriginal landowners and allow for the provision of special concessionary clauses that would allow Aborigines the freedom to develop their enterprises as they see fit. He also suggests that many of the tourism enterprises that have been established by the Aborigines are small-scale and dependent on government grants. He argues that the establishment of joint ventures has met with greater success, since the potential for Aboriginal communities to be effective entrepreneurs depends on greater knowledge and education about the tourist industry and expectations of tourists. The acquired skills can be transferred from those who have experience in the industry. It is through such partnerships that the indigenous population can be introduced to the formal business environment. The joint venture is able to facilitate the involvement of Aborigines in the mainstream economy more easily, thus allowing increased expansion opportunities.

There has been an increasing amount of vertical integration in the Australian tourism industry, especially with respect to the Japanese market. For example, 70 per cent of tourism-related foreign investment in 1988-1989 involved Japanese companies (Grey et al, 1991). Despite the raising of alarm bells in some quarters, this foreign investment has not lessened the gains from tourism in the Australian economy as a whole, since the leakages through repatriation of a portion of the profits overseas have been marginal compared to local inputs and returns. This is attributable to the fact that most of the inputs for the tourism sector can be sourced locally.

## 3.4 Tourism in less-developed countries (LDCs)

The emergence of international tourism is a relatively recent phenomenon in most less-developed regions (Lanfant, 1995: 2) with the majority of international travel still taking place within the developed world. The world's top tourism destinations in 2001 were France (11.1% of the market), Spain (7.2%), United States (6.5%), Italy (5.7%) and China (4.8%). China was the only developing country amongst the top ten international tourism destinations. Table 3.4 provides a list the world's top tourism destinations in selected years since 1950.

From table 3.4 it can be seen that the level of concentration of tourism destinations has decreased significantly since the 1950s, when 88 per cent of world tourism receipts accrued to the top ten tourism destinations, all of which were OECD or developed countries. Of the developing countries, only Argentina and Mexico attracted sufficient tourists to be enumerated in the top 15 tourist destinations. By 2002 the top 10 countries accounted for less than half of the tourist arrivals. Yet only 3 developing economies were classified under the top 15 destinations, namely China (5), Mexico (9) and Malaysia (15).

**Table 3.4 World's top tourism destinations by number of international tourist arrivals**

| Rank | 1950 | 1970 | 1990 | 2002 |
|---|---|---|---|---|
| 1 | United States | Italy | France | France |
| 2 | Canada | Canada | US | Spain |
| 3 | Italy | France | Spain | US |
| 4 | France | Spain | Italy | Italy |
| 5 | Switzerland | US | Hungary | China |
| **Top 5 as % of total** | 71% | 43% | 38% | 35% |
| 6 | Ireland | Austria | Austria | UK |
| 7 | Austria | Germany | UK | Canada |
| 8 | Spain | Switzerland | Mexico | Austria |
| 9 | Germany | Yugoslavia | Germany | Mexico |
| 10 | UK | UK | Canada | Germany |
| **Top 10 as % of total** | 88% | 65% | 57% | 49% |
| 11 | Norway | Hungary | Switzerland | Hong Kong |
| 12 | Argentina | Czechoslovakia | Greece | Hungary |
| 13 | Mexico | Belgium | Portugal | Greece |
| 14 | Netherlands | Bulgaria | Malaysia | Poland |
| 15 | Denmark | Romania | Croatia | Malaysia |
| **Top 15 as percentage of total** | 97% | 75% | 66% | 60% |

Source: Frangialli (2003)

In 1999 23.9 per cent of the value of export of tourism services (US$ 131 billion) accrued to developing countries (World Tourism Organisation, 2001). There has, however, been a rapid increase in the number of tourists visiting developing countries (World Travel and Tourism Council, 2004). The rapid increase in demand for tourism in LDCs, albeit from a very low base, has been due to the improvement in transportation and communication facilities as well as an increase in disposable incomes and a taste for the exotic. Generally, the top tourism countries among the developing countries are relatively easily accessible via physical infrastructure, information, marketing and purchasing channels. These are often organised by large tour operators.

A frequently-heard argument is that developing countries cannot exercise much control over their international tourist numbers, since they are demand driven by the rich developed countries who are, in turn, influenced by recessions in the tourist-generating countries, changes in holiday preferences, political stability at the destination and possible international terrorist threats, such as the bombing of the twin towers in New York and the Bali bombing, which had negative consequences for tourism across the world.

The type and extent of tourism developed in specific countries are also largely dependent on the activities of multinational tour operators based in the developed world. These tour operators are able to influence the destination choices of tourists, especially long-haul travellers to relatively unknown developing countries, and consequently the operators have a lot of bargaining power in influencing the tourism development decisions of developing countries.

Britton (1989) has conceptualized the tourism industry as three-tiered hierarchy. He sees the tourist companies that have their headquarters in the metropolitan market economies as dominating world tourism. He sees the branch offices and local associates of these companies at the intermediate level organising most of the tourism in developing countries, with the small-scale tourism enterprises of the destination area being at the base level where they are heavily dependent on the transnational companies.

When comparing the top long-haul destinations for United Kingdom travellers in 1995 and 1999, Meyer (2003) identified the most popular destinations as the US, Canada, Tunisia and India. Kenya was the fifth most popular destination in 1995, but it was replaced by Australia in 1999. The change in Kenya's status could be related to the perceptions surrounding the bombing of the US embassy in Nairobi in 1998 and the relative safety of Australia. She argues that 11 per cent of the outbound tourism market from the United Kingdom visited developing countries in 2001. Notwithstanding Kenya's change in status as a long-haul destination, a number of developing countries showed sharp increases in United Kingdom visits between 1995 and 1999. They were Mexico, Barbados, Thailand, South Africa, Indonesia and the Dominican Republic (*ibid)*. Of the top 20 long-haul destinations cited, 14 were developing countries.

### 3.5 Anti-competitive practices affecting tourism's sustainability

In developed countries many of the firms engaged in tourism are integrated and dominated by a few large players. This gives rise to a situation whereby LDCs are vulnerable to predatory practices, such as unbalanced trade and the deepening of the leakage effect. Because of globalisation, tour operations originate in, and are controlled by, the United States and the European Union. Tour operators are the crucial link in the tourism distribution chain by connecting tourists with the providers of tourism services. As sellers of tourism products and services, the tour operators and travel agents assemble the holiday package by negotiating with destinations and operators in third world countries who are often in a weak bargaining position

In terms of dominance: 4 firms share more than 60 per cent of the tour operator market in the United Kingdom (Middleton, 1998). The travel agents in the destination markets are almost entirely dependent on their linkages with the dominant tour operators, especially in the case of the tour operators' "racking policy", where they decide which brochures to put on display. Dominant integrated firms have been known to threaten tour operators in host countries that they will remove their brochures if they supply independent travel agencies or push their own holidays through in-house incentive schemes.

The contract between a tour operator from an originating country and the suppliers in the destination country involves a block reservation for a future period at a negotiated price and specifies the terms of risk sharing if some of the packages are not sold. Tour operators often exercise monopsonistic power over local tourism suppliers. Because of the uneven power, contracts often contain provisions such as providing a substantial discount on rooms after the departure of clients, no deposit requirements for the booking, payment long after the departure date and the right to return unfilled rooms without having to pay compensation (Diaz Benavides, 2001).

### 3.6 Tourism in Africa

Despite the increase in tourist numbers, the World Tourism Organisation (WTO) points out that Africa's percentage contribution to tourism receipts remained stagnant at around 2 per cent in the early nineties, compared to 4.2 per cent in 1950 (WTO, 1994:14). International tourist arrivals in Africa, however, increased from 1.5 per cent of the world total in 1970 to 3 per cent in the 1980s and 4.1 per cent by 1999 (World Tourism Organisation, 2001:62). The discrepancy between tourist numbers and receipts could be attributed to the high volumes of package and backpacker tourists visiting Africa, rather than the big spenders. The latter tend to be more discerning when it comes to infrastructure and service levels, rather than merely being price elastic in their decision-making process, which is more the case at the lower end of the market.

In a number of instances it has been argued that the major benefits of tourism in Africa accrue to the large multinational companies and their agents and operators in the metropolitan centres of destination countries and in originating countries, with vertical integration and economies of scale allowing for multinational companies to achieve enormous buying power and control over the supply and distribution of their products (World Tourism Organisation, 2001:63).

Although Africa's share of international tourist receipts has decreased, the World Tourism Organisation (WTO) expects that international tourist arrivals will have increased by 3.8 per cent a year for the 1990s as a whole and by 3.5 per cent a year for the first decade of the twenty-first century. It does, however, not allude to the type of traveler that will be attracted, nor indicate whether Africa’s share of tourist receipts is expected to increase.

Africa follows East Asia and the Pacific as the region with the strongest potential for growth. Africa showed a 5 per cent growth in tourist numbers for the period 1990-2000. The growth potential of 4 per cent, as calculated by the WTO for the period 2000-2010 is lower, however, than the 6 per cent and the 5 per cent calculated for South Asia and the Middle East respectively. According to the WTO these trends are due to the expectation of a more settled political and civil situation in South Asia and the Middle East. The growth forecasts for the latter two regions are, however, likely to be revised downwards, given the impact of the Tsunami disaster in South East Asia and the political situation in the Middle East after the terrorism attacks in the US in September 2001.

Table 3.5 provides a comparison of the number of inbound and outbound tourists for a selection of African countries.

Inbound tourists are defined as non-residents travelling in the country (Vellas and Becherel, 1995:3). The purpose of visit is stated as being for leisure, recreation, holidays, visiting friends and relatives and for business and professional reasons (World Tourism Organisation, 2004).

**Table 3.5 Inbound tourist flows for selected African countries for 1990, 2000 and 2003 (thousands)**

| | | | | Percentage growth | |
|---|---|---|---|---|---|
| **Country** | **1990** | **2000** | **2003** | **1990-2003** | **2000-2003** |
| **Egypt** | 2 411 | 2 871 | 5 959 | 147% | 108% |
| **Kenya** | 814 | 896 | 921 | 13% | 3% |
| **Tunisia** | 3 204 | 4 120 | 5 733 | 79% | 39% |
| **South Africa** | 1 029 | 6 001 | 7 039 | 584% | 17% |
| **Zimbabwe** | 605 | 1 868 | 2 452 | 305% | 31% |

Source: World Tourism Organisation, 2004.

It can be seen from table 3.5 that of the five countries selected, on account of their relative strength as tourist destinations on the African continent, South Africa is by far the largest. The increase in tourist numbers has been particularly dramatic after the 1994 democratic elections. (The South African tourist industry will be analysed more thoroughly in chapter 4.) Traditionally, Tunisia was the most popular African destination, followed by Egypt. Kenya and Zimbabwe have also rated well as tourist destinations. The attractiveness of Tunisia and Egypt is, *inter alia,* attributable to their proximity to European markets, their relative political stability and their ability to offer the three s’s: sun, sand and sea. An interesting feature of the tourist industries in Kenya and Zimbabwe is their ability to offer safari holidays, or the “true African experience”.

### 3.6.1 Tourism development in Southern Africa

#### 3.6.1.1 Zimbabwean tourism

It is estimated that in 1996 the Zimbabwean tourism industry employed approximately 60 000 people directly and that the tourism sector contributed 4.9 per cent to GDP in 1993 (Kelley, 1996).

Although Zimbabwe is unable to offer beach holidays, its attractiveness as a holiday destination stems from its ability to offer game viewing, hunting and non-hunting safaris. It also houses one of the Seven Wonders of the World, the Victoria Falls on the banks of the Zambezi River, and the Zimbabwe ruins, a world heritage site. The total area of world heritage sites in Zimbabwe is 733 000 ha (World Bank, 2003). This constitutes nearly 2 per cent of Africa’s area assigned to world heritage sites. The country that has most of its area assigned to world heritage sites in Africa is Algeria (8 000 000 ha), but the civil war prevented tourism from developing fully in that country. Like other African countries, Zimbabwe also offers long sunny days throughout the year, a diversified natural environment and a unique cultural heritage. Other tourist assets include Lake Kariba, the Hwange National Park and the Khami ruins. The tourism infrastructure is reasonably well developed in Zimbabwe and it is able to achieve its current strategy of catering for the upper end of the adventure and wildlife market.

In Zimbabwe, wildlife has been a key source of tourist interest and has been one of the few sources of rising income and employment in the rural areas. In 1995 there were 198 tour operators and 127 professional hunters in Zimbabwe and in 1997 the estimated revenue from hunting safaris was US$15.9 million (Heath, 2001). In 2000, visitor numbers fell by 60%, resulting in 66 local operators closing down by the end of the year. Tourism receipts are estimated to have contributed 19.6 per cent to Zimbabwe’s exports during the 1990s. Political and civil uncertainty has, however, had a negative impact on Zimbabwean tourism. Despite the decline in Zimbabwe’s attractiveness as a tourist destination, it is still ranked tenth in terms of tourism’s percentage contribution to exports in Africa (excluding South Africa). The Seychelles is ranked first, the Gambia second and Tanzania third. In 2004, Zimbabwean tourism exports, as a percentage of total exports, declined to 3.9 per cent, which amounts to a decline of 20.8 per cent compared to 2003 (World Travel and Tourism Council, 2004) and 80 per cent compared to the 1990s.

A particular success in term of Zimbabwean tourism has been the CAMPFIRE (Communal Areas Management Programme for

Indigenous Resources) Programme. Through CAMPFIRE, visitors were originally able to purchase licenses to hunt wildlife. The programme has, however, diversified into other types of tourism such as photographic and walking safaris to assist rural communities. Many sites offer lodges and self-catering chalets. The programme has been innovative in that it has ensured that wildlife, which is not normally valued within the market context, is assigned a monetary value. In addition to the control of natural resources, much of the income accrued is assigned to the local community in the form of investments in schools and medical services, local grinding mills, tractors, roads and communications (Sinclair and Pack, 2000).

As mentioned earlier, the recent political and economic situation in Zimbabwe has been detrimental to its tourist industry. Since 1999 there have been severe fuel shortages. This has made it difficult for tour operators to transport tourists between different attractions. In addition, the political turmoil associated with land claims has resulted in tourists opting for alternative destinations. According to Harrison (2000), the fall in Zimbabwean tourism growth is attributable to the fact that 75.3 per cent of Zimbabwe’s visitors are holidaymakers who shop for tourist destinations on a discretionary basis. The negative impact of political uncertainty on Zimbabwean tourism is evident when the growth in tourist numbers for Zimbabwe is compared with the growth in other countries in the region, namely Botswana and Zambia. See table 3.6.

**Table 3.6 A comparison of Southern African inbound tourism numbers for 1990, 1995 and 2003 (thousands)**

| Country | 1990 | 1995 | 2003 | % growth 1995-2003 |
|---|---|---|---|---|
| **Botswana** | 543 | 521 | 1 176 | 125.7 |
| **Zambia** | 141 | 163 | 777 | 376.7 |
| **Zimbabwe** | 605 | 1 363 | 2 452 | 79.9 |

Source: World Tourism Organisation, 2004.

Although Zimbabwe received more tourists than both Zambia and Botswana in the years under review, the growth in tourist numbers for Zimbabwe was one fifth of that of Zambia and two thirds that of Botswana.

### 3.6.1.2 Zambian Tourism

The phenomenal growth in Zambian tourist numbers is largely attributable to the development of tourist accommodation establishments on the Zambian side of the Victoria Falls, which cater mainly for South African and British tourists who would otherwise have opted to visit the more established Zimbabwean tourist facilities. These tourists are usually adventure tourists between the ages of 20 and 44 who focus on activities like bungee jumping and microlight flying (Swarbrooke et al, 2003). The countries of origin for Zambian tourist arrivals are listed in table 3.7.

**Table 3.7 Zambian tourist numbers according to country of origin, 2003**

| Country of origin | Number of tourists | Percentage of total |
|---|---|---|
| **South Africa** | 151 220 | 16.8 |
| **United Kingdom** | 148 250 | 16.5 |
| **Australia** | 98 030 | 10.9 |
| **New Zealand** | 84 200 | 9.4 |
| **Canada** | 64 300 | 7.4 |
| **United States** | 57 360 | 6.3 |
| **Zimbabwe** | 49 550 | 5.5 |
| **Germany** | 29 920 | 3.3 |
| **Sweden** | 22 780 | 2.5 |
| **France** | 20 740 | 2.3 |

Source: Tourism Council of Zambia, 2004

It is generally accepted that the increase in the number of international tourists has resulted in an increase in hard currency earnings for Zambia, which has contributed significantly to the balance of payments and employment opportunities in its rural areas. It is estimated that in the year 2000, tourism accounted for 5.4 per cent of Zambia's GDP (Seenka, 2001). Seenka, however, points out that tourism development in Zambia has not reached its full potential, because government has not been responsive to the relevance of tourism to the economy and because of the limited development of tourism-support infrastructure, such as road networks, air links, access to electricity and telecommunications. Of the 7000 people employed in the tourism industry in 2000, less than half were skilled, with little opportunity for training. Subsequently, a Ministry of Tourism has been restructured to cater for improved monitoring of industry standards, grading and classification of hotels, licensing, research, planning, product development and marketing of Zambia as a major tourist destination. Funding, however, appears to be a constraining factor in a country with limited resources to cater for many competing needs, especially social security needs. Table 3.8 provides an overview of certain economic indicators for Botswana, Zambia and Zimbabwe in 2000.

In terms of all the key indicators listed in table 3.8, apart from FDI and the HIV prevalence rate, Zambia compares the worst, followed by Zimbabwe. Zambia is also the only one of the three countries listed as a heavily indebted poor country by the World Bank (2003). The likelihood of tourism infrastructure development taking precedence over other socio-economic needs in the future is therefore limited, thus limiting the potential for growth in the Zambian tourism sector.

**Table 3.8 Key economic and social indicators in Botswana, Zambia and Zimbabwe, 2001**

| Indicator | Botswana | Zambia | Zimbabwe |
|---|---|---|---|
| **GNI per capita** | US$3 100 | US$320 | US$480 |
| **Life expectancy at birth** | 39 | 38 | 40 |
| **% adults HIV+** | 38.8 | 21.5 | 33.7 |
| **% of population living under $1/day (1985-1999)** | 33 | 64 | 36 |
| **Gross domestic savings as %of GDP** | 38.2 | 9.8 | 9.8 |
| **Exchange rate/$** | 5.8 | 3 610.9 | 55.1 |
| **Net FDI** | US$33m | US$72m | US$10m |
| **Debt-service ratio (as a percentage of exports of goods and services)** | 2 | 31 | 7 |
| **Aircraft departures (domestic & international in 2000)** | 7000 | 6000 | 14 000 |
| **Total passengers carried (2000)** | 166 000 | 89 0000 | 606 000 |

Source: World Bank, 2003

### 3.6.1.3 Tourism in Botswana

As shown in table 3.8, Botswana fares well in terms of GNI per capita and its strong currency, and its debt-service ratio is low. These factors should stand it in good stead for any investments, including investment in tourism, compared with Zambia and Zimbabwe. A limiting factor in terms of promoting tourism in Botswana, and Southern Africa as a whole, is the HIV prevalence rate amongst adults. Table 3.8 shows that the HIV prevalence in Botswana was 38.8 per cent in 2001, compared with 21.5 per cent and 33.7 per cent for Zambia and Zimbabwe respectively. This could have a negative impact on its attractiveness as a tourist destination from a demand perspective, as tourists may perceive that their lives are at risk.

Despite the negative connotation of a high HIV prevalence rate, there are a number of positive factors that support Botswana’s tourism initiatives, for example the joint marketing of the Okavango swamps as part of the Southern African tourism package. The political stability of Botswana has also had a positive influence on tourist inflows. The tourism product in Botswana has, however, traditionally been marketed as a “high cost”, “low volume” product in the form of small lodges and camps (Chilisa, 2000) catering mainly to business tourists from South Africa.

### 3.6.1.4 Threats to Southern Africa's tourism potential

The impact of tourism on welfare in the three Southern African Development Community (SADC) countries mentioned in the previous paragraphs needs to be analysed against the background of the sustainability of international tourism. Although tourism is replacing agriculture as the largest foreign-exchange earner in a number of developing countries, it is an industry that is heavily dependent on the choices made in the tourist-generating economies. These choices are based on perceptions of the stability of host nations as much as they are based on the attractions that these countries offer. Zimbabwe is a case in point. In 2000, international tourist numbers declined by 60 per cent, with the associated negative impacts on employment in all sectors related to tourism, such as hotels, shops and markets selling curios and tour guiding.

Tourism often brings with it a demand for goods and services not produced in the host economy. Such leakages reduce the income and employment, and hence the developmental, impact of tourism. Zambia and Botswana do not have diversified economies and rely heavily on primary commodities. The following table illustrates the main contributors to export earnings in the three Southern African countries.

**Table 3.9 Main foreign exchange earners for Botswana, Zambia and Zimbabwe**

| | Botswana | Zambia | Zimbabwe |
|---|---|---|---|
| **Main export** | >80% diamonds<br>5% copper & nickel | 58% copper<br>19% cobalt | 32% mining<br>31% tobacco & beverages<br>20% manufactured goods |

Sources: Department of Trade and Industry (2005, 2005a, 2005b)

Apart from Zimbabwe, which has a relatively diversified economy, Zambia and Botswana are highly dependent on their primary sectors, specifically mining.

Although the countries have acknowledged that tourism has the potential to increase their export earnings, with Botswana going so far as to claim that tourism is the second largest generator of foreign exchange after diamonds, although the claim could not be verified numerically, (Government of Botswana, 2005), there are a number of challenges facing the further development of the tourism infrastructure in these countries. The initial development of tourism infrastructure and facilities is highly likely to lead to high foreign exchange leakages out of these countries where many of the inputs will have to be imported. In general, the high leakages for developing, small, undiversified countries impact negatively on the tourist multipliers for these countries.

Table 3.10 illustrates the income multipliers for selected countries.

**Table 3.10 Tourism income multipliers for selected tourist destination countries**

| Country | Multiplier | Country | Multiplier |
|---|---|---|---|
| **United Kingdom** | 1.73 | **Sri Lanka** | 1.59 |
| **Hong Kong** | 0.87 | **Philippines** | 0.82 |
| **Gibraltar** | 0.68 | **Tonga** | 0.42 |

Sources: Cooper C et al (1993), World Tourism Organisation (1999)

Countries in which the tourism sector is less established tend to have lower income multipliers than the more mature tourist destinations. For example. the United Kingdom has a high income multiplier of 1.73, since it relies less on imports than the other countries listed in the table. Gibraltar's economy is heavily reliant on the British naval industry and it is relatively undiversified. It therefore has to rely heavily on imports to meet the demands of its tourism sector. Consequently its tourism income multiplier is estimated to be 0.68. Tonga, because of its limited manufacturing and service sectors, has to import up to 85 per cent of the goods and services required by some sectors of the tourism industry. The income multiplier is therefore estimated to be a low 0.42 (World Tourism Organisation, 1999).

No multiplier has been estimated for any of the three SADC countries discussed above. It is, however, evident that the more diversified an economy is, the higher the income multiplier will be. According to studies by the World Bank and the Economist Intelligence Unit, the average annual leakage of foreign exchange through repatriations of salaries and profits from tourism LDCs is estimated at around 55% of gross tourism earnings and is rarely below 25% (Perez-Ducy De Cuello, 2001).

### 3.7 Summary

From the discussion in this chapter it is evident that the approach to development thinking has undergone a number of paradigm shifts over the last fifty years. As the approach to development has shifted, the emphasis on the role of manufacturing sector as a means of stimulating development has decreased. The sustainable development paradigm has been particularly conducive to emphasising tourism’s role as a development tool.

In the present chapter certain effects of tourism as a means of stimulating development in particular countries were highlighted. For example, Australia is viewed as a country that has achieved some measure of success in attracting long-haul tourists as a means of earning foreign exchange. Although the international tourist industry has contributed significantly to export earnings and employment, there have been negative impacts on certain members of the community.

In Africa, tourism has been viewed as a means of achieving employment and economic growth, while simultaneously managing to achieve a certain level of sustainable development. This chapter, however, highlights that the tourism industry of LDCs, many of which are found in Africa, is much smaller than the tourist industry in developed countries, and that it is vulnerable to the influence of institutions in the tourist-generating countries. These institutions exacerbate the weak bargaining position that the destination countries have and thus entrench their dependent positions.

Because tourist spending is largely discretionary and the state of the international economy, especially in the developed world, is likely to influence the decision to travel to developing countries, it is important to take cognisance of the fact that tourism cannot be viewed as the panacea for development in economies that do not already have a high level of diversification. In chapter 4 the status of South Africa's tourism industry and some of the effects of international tourism on the South African economy will be discussed.

# CHAPTER 4: INTERNATIONAL TOURISM IN SOUTH AFRICA

## 4.1 Introduction

Tourism has been promoted in a number of countries as a means of achieving economic development. Chapter 3 highlighted the impact of international tourism on selected countries, including Australia and some Southern African countries that have acknowledged tourism as a means of stimulating economic development. The present chapter focuses on the tourism experience in South Africa.

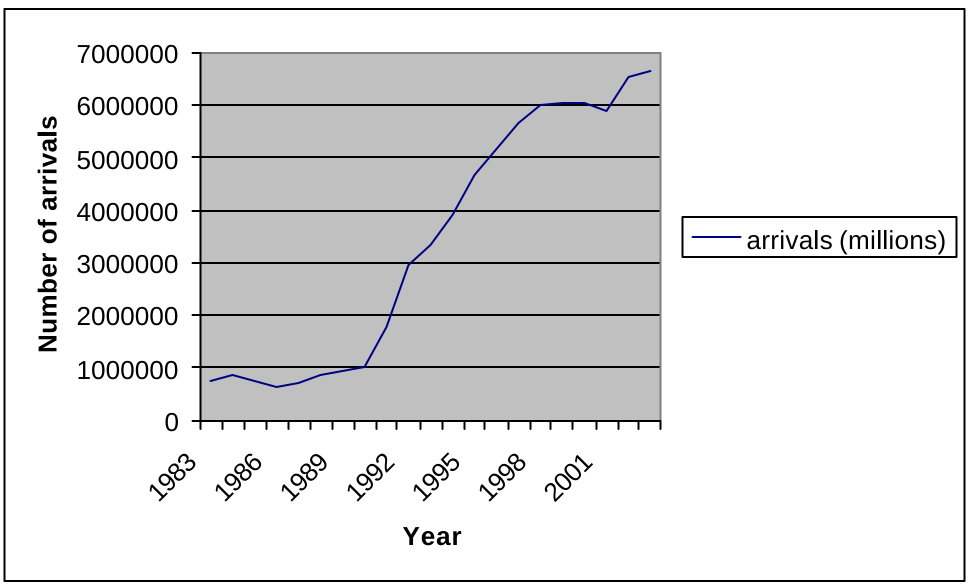
Although tourism has been acknowledged as an employment generator in the South African economy for some time, South Africa’s political and economic isolation from the rest of the world resulted in a situation whereby the country has been unable to develop its international tourism potential to the full. In this chapter an attempt will be made to determine the characteristics of international tourism flows and to evaluate whether international tourism can be an instrument for stimulating economic development in South Africa.

The flow of international tourists to South Africa increased significantly after the democratic elections in 1994. Since then, international tourism has been free from artificial constraints in the form of sanctions and travel restrictions that prevented or discouraged many tourists from visiting the country previously.

## 4.2 South Africa's international tourist trends

South Africa is presently Africa's most popular international tourist destination, having usurped Tunisia, which held the position for a long time during the apartheid era. Figure 4.1 indicates the trend in visitor arrivals to South Africa between January 1983 and January 2004. The increase in tourist numbers over the 20-year period was 787.66 per cent, from 748 048 visitors in 1983 to 6 640 095 foreign arrivals in 2003.

**Figure 4.1 Total annual number of international tourist arrivals in South Africa, 1983-2003**




Source: Statistics South Africa (2005)

Figure 4.1 shows that, according to data supplied by Statistics South Africa, visitor numbers remained more or less constant (at below one million arrivals) during the 1980s. In 1990 visitor numbers hit the one million mark for the first time, when South Africa hosted 1 021 924 international visitors. There was a significant increase in tourist numbers between 1990 and 1991, when numbers increased by 71 per cent to 1 755 435. This increase could largely be attributable to a change in South Africa’s status as an international player in the world economy following the release from prison of Nelson Mandela on 2 February 1990, which indicated that the country was moving towards becoming more democratic.

South Africa’s improved international image could account for the improved attractiveness of South Africa as a tourist destination, especially in terms of long-haul tourists, as can be inferred from table 4.1. The table shows that the percentage of international tourists from Africa decreased from 97.6 per cent in 1993 to 74.2 per cent in 2001. The increase in international tourist numbers was thus accompanied by a larger increase in the number of tourists from non-African countries, the majority being from the United Kingdom, Germany and the United States.

**Table 4.1 African tourists as a percentage of total international tourists to South Africa, 1993-2001**

| Year | Percentage of tourists from Africa |
|---|---|
| 1993 | 97.6 |
| 1994 | 80.8 |
| 1995 | 76.1 |
| 1996 | 76.2 |
| 1997 | 74.4 |
| 1998 | 75.1 |
| 1999 | 74.7 |
| 2000 | 73.9 |
| 2001 | 74.2 |

Source: Statistics South Africa (2005)

Despite the Gulf War, which resulted in a decline in world tourist numbers in 1991, the growth in international tourist numbers to South Africa remained impressive. The growth between 1991 and 1992 was 68 per cent. Between 1992 and 1998 the growth in tourist numbers ranged between 6 per cent (1997-1998) and 20 per cent (1994-1995). The 1994-1995 period was the year after democracy was declared and the year in which South Africa hosted the World Cup rugby tournament. Both factors would have increased the hype around South Africa as a tourist destination. The low growth figures for 1997 and 1998 can be attributed to the Asian financial crisis of 1997-1998 and clearly indicate that international tourism in South Africa cannot be viewed in isolation and is affected by economic conditions in the rest of the world.

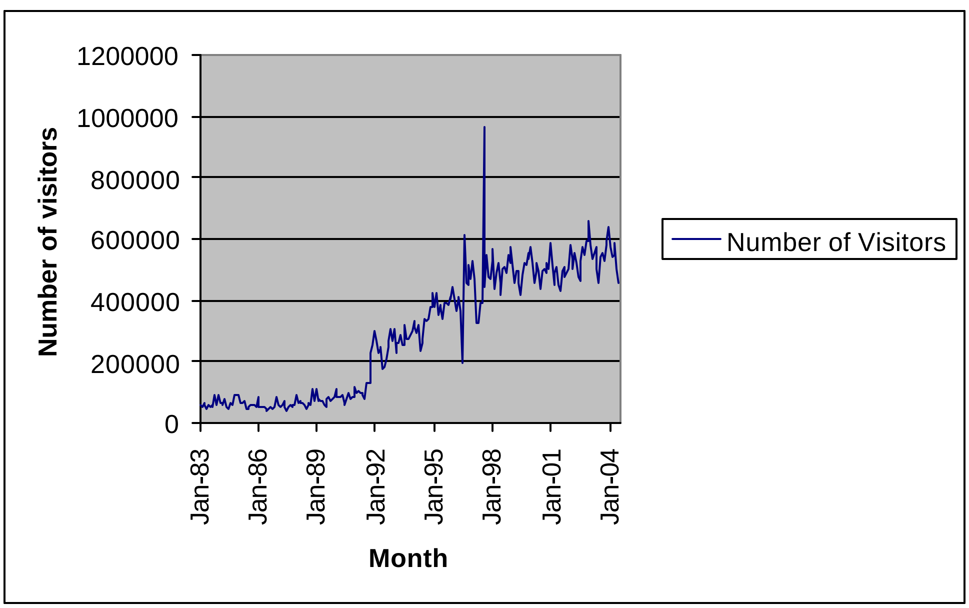
Between 1998 and 2001 the number of international tourists remained more or less stagnant, possibly indicating that a natural plateau had been reached. Tlhagale (2003), however, attributed the 2.2 per cent decline in tourist numbers in 2001 to the political crisis in Zimbabwe, which had spillover effects on South Africa as a tourist destination. Despite the drop in 2001, tourist numbers increased by 10 per cent in 2002, stimulated by the World Summit on Sustainable Development in Johannesburg. An international event that attracted tourists in 2003, when tourist numbers remained more or less constant, at 6.64 million, was the World Cup cricket tournament.

The hosting of a number of international events has helped to boost South Africa’s inbound tourist figures. Whether these figures will be sustained over the long term remains to be seen. The industry is, however, expected to gather momentum with the hosting of the World Cup soccer tournament in 2010, which will undoubtedly boost the number of international tourists significantly.

Figure 4.2 indicates a number of short-term trends in South Africa’s tourism numbers. The figure provides an overview of the monthly arrivals of all international visitors to South

Africa. Apart from the upward trend between January 1992 and January 1998, referred to earlier, there were two distinct time periods when tourist arrivals were more or less constant. The period between January 1983 and June 1991 shows a fairly flat annual trend, with the monthly average varying between 30 000 and 120 000 arrivals. After 1998, the annual trend is once again flat, but at a higher level, with the monthly average varying between 400 000 and 650 000 visitors. The ratio between the highest and lowest numbers per month was 4:1 between 1983 and 1991 and 1.6:1 between 1998 and 2003.

**Figure 4.2 Total number of international visitors to South Africa, January 1983 - January 2004**



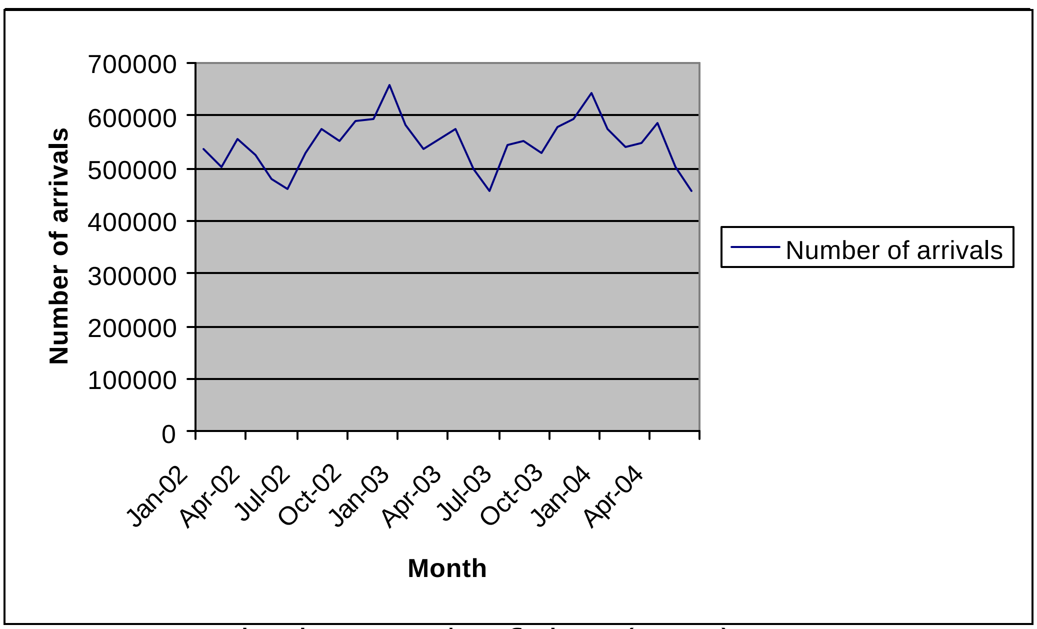

Source: Statistics South Africa (2005)

The graph shows a seasonal pattern in tourism flows on an annual basis, with the lowest numbers being recorded in June for most years and the highest numbers being recorded in

December[1].

The graph in figure 4.3 shows the seasonal variation from January 2002 and to May 2004 more clearly. The trend is as expected, with the lowest number of international arrivals for the years 2002 and 2003 being recorded in June and the highest number being recorded in December. The range between June and December was 197 748 (or 43 per cent) in 2002 and 183 671 (or 40 per cent) in 2003.

**Figure 4.3 Seasonal variation in monthly tourist arrivals, January 2002 - May 2004**




Source: Statistics South Africa (2005)

The decline in the difference between tourist numbers in the busiest and quietest months is reassuring from a policy

[1] Note that a figure of 964 760 tourists was recorded for July 1997. However, this figure is in all likelihood attributable to a statistical error, rather than a growth in tourist numbers, *per se*, and should therefore be discounted, given that the average number of arrivals is usually lowest during the South African winter months.

perspective as it reduces the propensity for seasonal unemployment in the tourism industry at a macro level. The figures do not, however, account for possible provincial variances, which may be more susceptible to seasonal variations.

## 4.3 South African tourism in context

Although monthly data on visitor arrivals was available from Statistics South Africa up to 2003, the latest data available at the time of writing from the World Tourism Organisation for international comparisons were for 2002. The international comparison therefore focuses on 2002, the year for which the most recent data were available.

In 2002 6.5 million international tourists visited South Africa, compared to 5.1 million for Tunisia, 4.2 million for Morocco and 1 million for Botswana (World Tourism Organisation, 2003), making South Africa the most attractive tourist destination in Africa in terms of numbers. The other countries mentioned were ranked second, third and fourth respectively. Although Egypt hosted 4.9 million international tourists and should therefore replace Morocco in third position, it is not classified as an African country by the World Tourism Organisation, but rather forms part of the Middle East.

South Africa’s attractiveness as a tourist destination is attributable to the diversity of attractions that it is able to offer, both natural (in terms of wildlife, mountains, beaches, deserts and breathtaking scenery) and man-made (in the form of its history and culture). In 2002, South Africa accounted for 22.5 per cent of Africa’s international total tourist arrivals and 23.1 per cent of its tourism receipts. Tourism receipts amounted to US$2 719 million (World Tourism Organisation, 2003). This amounted to 0.57 per cent of the world total. South Africa accounted for 1.44 per cent of the total number of international tourists in the world. The percentage contribution to world tourist arrivals was more than two and a half times the percentage contribution to world tourist receipts.

The ratio of tourist arrivals to tourist receipts is satisfactory by African standards, where the contribution to world tourist arrivals is 6 times larger than the contribution to tourist receipts. However, the ratios compare unfavourably to those of the main tourist destinations. For example, France accounts for 11 per cent of the world’s international tourist arrivals and 6.8 per cent of tourist receipts, Spain for 7.4 per cent of tourist arrivals and 7.1 per cent of tourist receipts and the United States for 6.0 per cent of tourist arrivals and 14 per cent of tourist receipts (World Tourism

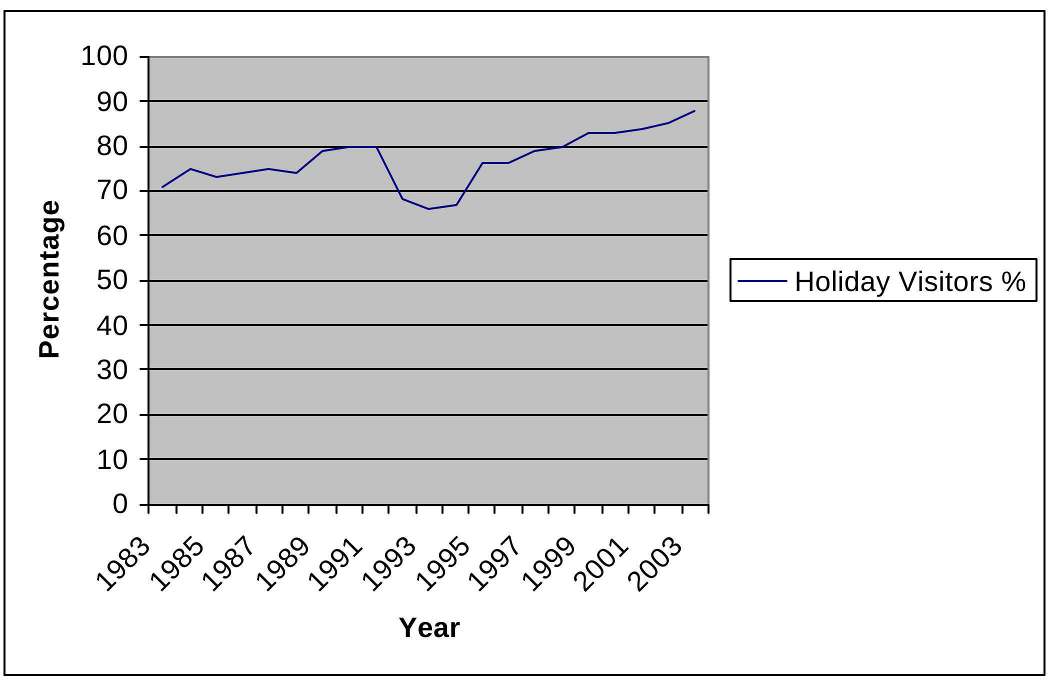
Organisation, 2003). The ratios show that Africa (including South Africa) has some catching up to do, especially in terms of expenditure per tourist, compared with the more popular tourist destinations.

South Africa, like other Southern African countries, is an attractive long-haul destination for international visitors in that it is able to offer the truly African experience in the form of a variety of wildlife and a natural environment that is unique to Africa. Yet it has a number of advantages over the Southern African countries discussed in chapter 3. It has a well-developed infrastructure and is able to offer beach as well as bush holidays. The most popular tourist attractions in South Africa, from an overseas perspective, are its national parks and the beauty of the Western Cape (Strydom, 1994).

### 4.3.1 Reasons for visiting South Africa

Prior to 1992, Statistics South Africa classified visitors as entering the country either for holiday, business or study purposes. In January 1992, additional categories were added, including work, contract workers, border traffic and transit travellers. Most international visitors to South Africa visit for holiday purposes. Figure 4.4 provides an outline of the percentage of foreign visitors who visited South Africa for holiday purposes during the period 1983-2003. These numbers include visitors from other African countries who account for the bulk of South Africa's international tourists. Included in the number of tourists visiting for holiday purposes are those tourists who stated that the purpose of their journey was to visit friends and relatives. Although a large proportion of African tourists listed holidaying as their purpose of visiting, many of them visited for shopping purposes rather than the traditional tourist activities, such as sightseeing and beach holidays. They were also inclined to spend less time in South Africa than overseas tourists. The composition of international tourists and the variations in the classifications for African tourists between different agencies will be discussed later in this section.

**Figure 4.4 Percentage of international tourists classified as holiday visitors,1983-2003**




Source: Statistics South Africa (2005)

Figure 4.4 shows that, except for the years 1993 and 1994, the percentage of tourists visiting South Africa for holiday purposes between 1983 and 2003 has consistently exceeded 70 per cent. The slightly higher percentage of tourists visiting for business purposes during 1993 and 1994 could be attributed to an influx of foreign politicians and business people visiting the country in preparation for the 1994 elections and the transition to democracy in South Africa. The figures for South Africa between 1983 and 1999 are in line with international trends whereby leisure is estimated to account for 75 per cent of all international travel. Post-1999 the percentage of holiday tourists, as opposed to other types of international travellers, has been greater than 80 per cent, reaching 88 per cent in 2003. The increase in the percentage of holiday travellers is, however, larger than the increase in total tourist numbers. Such a trend is indicative of the fact that the growth in the number of international tourists visiting South Africa since 1999 is largely attributable to holiday tourists. There is, however, some discrepancy between the percentage of holiday visitors provided by the Department of Environmental Affairs and Tourism and South African Tourism (Satour). At the time of writing, Satour was able to provide percentages by purpose of visit for 2002 and 2003, based on its biannual surveys conducted at ports of entry. The percentage breakdown for selected countries is provided in table 4.2.

**Table 4.2 Percentage of visitors to South Africa holidaying and visiting friends and relatives**

| Country | 2002 | | 2003 | |
|---|---|---|---|---|
| | Holiday | Visiting friends and relatives | Holiday | Visiting friends and relatives |
| **Botswana** | 35.7% | 14% | 19% | 11% |
| **Mozambique** | 33.0% | 9.5% | 25% | 3% |
| **Swaziland** | 34.9% | 18.8% | 20% | 21% |
| **Zimbabwe** | 35.4% | 16.8% | 43% | 20% |
| **United States** | 55.9% | 6.0% | 59% | 10% |
| **Australia** | 59.8% | 13.5% | 58% | 20% |
| **France** | 72.2% | 2.9% | 82% | 3% |
| **Germany** | 76.9% | 4.9% | 76% | 8% |
| **Netherlands** | 80.1% | 5.7% | 77% | 8% |
| **United Kingdom** | 88.7% | 10.7% | 71% | 15% |

Source South African Tourism (2003a)

From the table it can be seen that the major discrepancy is in terms of African visitors, where the percentage of tourists classified as visiting friends and relatives and holidaying by South African Tourism is much lower than the percentage suggested by Statistics South Africa (see table 4.1). For non-African tourists the percentages are similar to those suggested by Statistics South Africa. The table also shows greater variations in purpose of visit for African tourists between 2002 and 2003 compared to non-African tourists. The discrepancy in the percentages accorded to holiday tourists can largely be attributed to “shopping tourists”, who may be classified as holiday tourists by Statistics South Africa and business tourists by South African Tourism.

### 4.3.2 South Africa’ s main tourist markets

According to the World Tourism Organisation (2004) 69.16 per cent of international arrivals to South Africa came from Africa, 19.81 per cent from Europe and 4 per cent from the Americas in 2002. Most of the African visitors were from Southern Africa, which accounted for 45.05 per cent of the total number of visitors (39 per cent of these were from Lesotho and 27 per cent from Botswana).

In terms of the percentage of visitors from overseas countries, the United Kingdom provided the largest number of visitors in 2002, namely 229 324, or 6.86 per cent of the total number of visitors. Germany provided 3.87 per cent of the total number of visitors, 2.87 per cent came from the United States, 1.71 per cent from the Netherlands and 1.08 per cent from Australia (World Tourism Organisation, 2004). According to the South African Tourism Organisation (2003b) 11 non-African countries accounted for 18 per cent of arrivals, but 40 per cent of tourism receipts in 2002.

Research has shown that many overseas, non-African tourists have come to view South Africa’s fauna, flora and unique natural landscape. In acknowledging the uniqueness of South

Africa's natural heritage, Unesco (2005) has classified seven of South Africa's natural attractions as world heritage sites. They are:

- the cradle of humankind fossil hominid sites in the Sterkfontein, Swartkrans, Kromdraai area in Gauteng
- the greater St Lucia wetland park in KwaZulu-Natal
- Robben Island in the Western Cape
- Ukhahlamba/Drakensberg national park in KwaZulu-Natal
- Mapungubwe cultural landscape
- Cape floral region pretected areas and
- Vredefort dome.

Strydom (1994) claims that 90 per cent of international visitors visited the country to enjoy its natural heritage prior to 1992. Creemers and Wood (1997), however, indicate that South African Tourism's (SA Tourism's) survey of international tourists reflects that 24 and 23 per cent of international tourists mentioned scenery and wildlife as the country's main tourist attractions. The majority of tourists surveyed originated in the United Kingdom, Europe and the United States. These are the regions classified as having the largest tourism spending in the world. Table 4.3 shows the tourism expenditure by the world's biggest tourist generators in 2001.

**Table 4.3 Tourism expenditure by country: top six tourism markets in 2001**

| Country | Rank | US$ billion |
|---|---|---|
| **United States** | 1 | 58.9 |
| **Germany** | 2 | 46.2 |
| **United Kingdom** | 3 | 36.5 |
| **Japan** | 4 | 26.5 |
| **France** | 5 | 17.7 |
| **Italy** | 6 | 14.2 |

Source: World Tourism Organisation (2003)

The United States was the world's biggest tourism spender, followed by Germany and the United Kingdom. South Africa's main non-African tourist markets are also the world's largest tourist-generating countries, albeit not in the same order. The United Kingdom is South Africa's greatest tourism generator, followed by Germany and the United States. According to Olivier (2003) tourists from the United Kingdom travel mainly to visit friends and relatives (23 per cent in 1998). According to him, one of the reasons why fewer United Kingdom tourists visited South Africa for reasons other than to visit friends and relatives in recent years is that it is regarded as an expensive destination, due to the high cost of air travel compared to South Africa's main competitors for the British market, namely the United States and Australia. This has been exacerbated by the strengthening of the rand since 2002.

According to SA Tourism (see table 4.2) the percentage of United Kingdom visitors visiting friends and relatives declined to 15 per cent by 2003, whereas the number of people visiting for holiday purposes had increased to 71 per cent. German travellers visit mainly for sightseeing, educational tours and beach holidays. Adventure tours (or safaris), wine tours and golfing activity packages are, however, gaining popularity. The growth in such activities boosts the demand for products and services produced mainly for the tourist market and in so doing increases foreign exchange earnings and job creation through tourism.

Although African tourists inject money into the economy and have a positive impact on the balance of payments, the impact on the tourism industry is less direct than in the case of overseas tourists who are more inclined to make use of tourist establishments. The relative impact on tourist establishments becomes discernable when the number of bednights spent in each province is taken into account.

### 4.3.3 Provincial breakdown of tourists

The provincial breakdown of tourists has changed significantly since 1994. Before then, there were fewer direct long-haul flights to Cape Town, which necessitated a stopover in Johannesburg for overseas visitors. Since 1994, the provincial composition of tourist numbers has remained constant. A static picture for a particular quarter thus provides a good overview of the post-1994 breakdown. The analysis pertains to the fourth quarter of 2003.

In terms of the total number of visitors, Gauteng was the most visited province in 2003, followed by the Western Cape and KwaZulu-Natal (South African Tourism, 2003b).

Two main factors probably contribute to the high number of visitors visiting the Gauteng province: many overseas visitors pass through Johannesburg in transit to other South and Southern African destinations, and many of the tourists are intra-African tourists who engage in shopping activities in the Gauteng province.  Table 4.4 shows the percentage of African visitors visiting Gauteng and their next preferred province during the fourth quarter of 2003.

From Table 4.4 it is evident that Gauteng is by far the most popular destination for African visitors, except for those from Namibia who tend to visit the Western Cape. Shopping tourists and those visiting friends and relatives from Mozambique, Lesotho and Zimbabwe are, however, just as inclined to visit the provinces closest to their borders as they are to visit Gauteng.

**Table 4.4 Percentage of African visitors to Gauteng, fourth quarter 2003**

| Country | Percentage of visitors to Gauteng | Other most-visited province (and percentage of visitors) |
|---|---|---|
| **Angola** | 98 | Mpumalanga (7) |
| **Botswana** | 53 | North West (45) |
| **Kenya** | 76 | Western Cape (21) |
| **Lesotho** | 48 | Free State (37) |
| **Malawi** | 79 | KwaZulu-Natal (18) |
| **Mozambique** | 56 | Mpumalanga (55) |
| **Namibia** | 14 | Western Cape (70) |
| **Nigeria** | 77 | Western Cape (23) |
| **Swaziland** | 53 | Kwazulu Natal (35) |
| **Tanzania** | 80 | Western Cape (16) |
| **Zambia** | 67 | Limpopo (15) |
| **Zimbabwe** | 69 | Limpopo (40) |
| **Other Africa and Middle East** | 80 | Western Cape (19) |

Source: South African Tourism (2003)

Although a large number of overseas (ie non-African) tourists also visit Gauteng, the majority of tourists tend to favour the Western Cape. The European tourist flows to various provinces during the fourth quarter of 2003 differ from those of African tourists in that they are less skewed towards Gauteng. Table 4.5 reveals that the percentage of European visitors visiting the five main tourism provinces is above 20 per cent for each of the five most popular provinces visited.

**Table 4.5 Percentage of European visitors to South African provinces, fourth quarter 2003**

| Province® Country of Origin ¯ | Gauteng | Western Cape | Eastern Cape | KwaZulu-Natal | Mpumalanga |
|---|---|---|---|---|---|
| **France** | 54 | 71 | 41 | 50 | 43 |
| **Germany** | 39 | 78 | 33 | 33 | 41 |
| **Italy** | 43 | 71 | 23 | 34 | 55 |
| **Netherlands** | 64 | 67 | 25 | 43 | 63 |
| **Sweden** | 39 | 75 | 26 | 30 | 33 |
| **United Kingdom** | 39 | 72 | 23 | 27 | 26 |
| **Other Europe** | 45 | 65 | 22 | 29 | 32 |

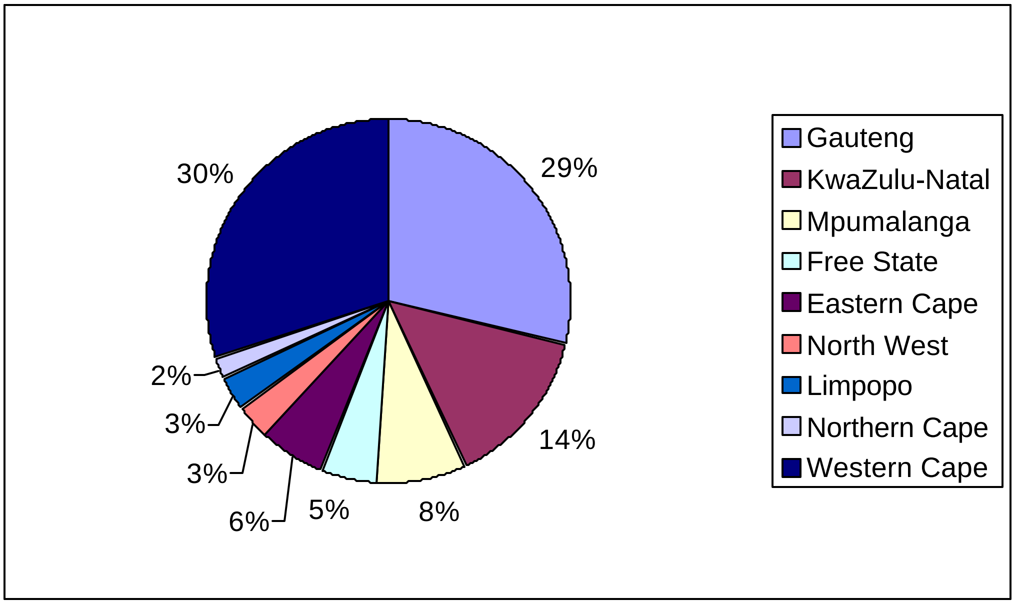
Source: South African Tourism (2003)

From table 4.5 it is evident that more than two-thirds of the tourists who visited South Africa from each European country during the fourth quarter of 2003 tended to visit the Western Cape, whereas the number of visitors to the other provinces is spread fairly evenly. The most popular destination for all European tourists was the Western Cape, with the highest proportion of German tourists (78 per cent) visiting the province during the fourth quarter of 2003. Mpumalanga was the second most popular province for German and Italian tourists, with 41 per cent and 55 per cent of tourists visiting this province respectively. The second most popular province for tourists from France, the Netherlands, Sweden and the United Kingdom was Gauteng. France is the only European country for which at least 50 per cent of tourists visited KwaZulu-Natal during the period under review. This indicates that the province is not seen as an attractive destination for most European tourists, despite it being the most popular destination for local tourists.

The numbers in table 4.5 indicate that European visitors are inclined to travel around the country and engage in tourism-related activities in a number of provinces, rather than limiting their stay to one province, although the greatest majority of them include the Western Cape in their itineraries. They are also inclined to visit South Africa for holiday purposes, spending in establishments and on activities directly related to tourism. This is in contrast to spending by African tourists, who spend mostly in retail establishments.

The total number of bednights spent in each province also follows the trend of visitor arrivals by overseas tourists, rather than African tourists. Figure 4.5 shows that, in terms of number of bednights, the Western Cape was the most visited province, with 30 per cent of the 16.67 million bednights by international tourists being spent in the province during the period October-December 2003. This was followed by Gauteng (29 per cent) and KwaZulu-Natal (14 per cent).

**Figure 4.5 Provincial distribution of bednights, October - December 2003**




Source: South African Tourism (2003)

The average length of stay for all foreign tourists was 8 nights, with R1 147 being spent per foreign tourist per day. The average length of stay for European tourists was 20 bednights, with tourists from Germany and the Netherlands averaging 22 and 25 bednights respectively. The most popular length of stay for African tourists was 2 bednights, as opposed to the 14 bednights average for both Europe and the United States.

During the fourth quarter of 2004 the average cost of the trip (including airfare) was R12 307 for African tourists, of which R3 122 was prepaid and R8 665 was spent in South Africa. For European tourists the average cost of the trip was R25 570 with R8 717 being spent in South Africa (South African

Tourism, 2004).

## 4.4 South Africa's international tourism compared to its domestic tourism

Although 6 549 916 international tourists visited South Africa in 2002, these tourists comprised only 33 per cent of the total number of tourists in South Africa. The other 67 per cent were local tourists (Cassim and Jackson, 2003). The majority of South African tourists visited KwaZulu-Natal (Creemers and Wood, 1997) compared to the majority of tourists from other African countries (who visited Gauteng) and the majority of overseas tourists (who visited the Western Cape). A study by the Department of Environmental Affairs and Tourism (2004) estimated that the total value of the domestic tourism market in 2002/2003 was R47 billion, compared to R53.9 billion for the international market, indicating that international tourism is more lucrative than domestic tourism.

The World Tourism Organisation estimates that domestic tourism numbers should be four to five times greater than international tourism numbers. The fact that South Africa's domestic tourist numbers are only double those of international tourists and that earnings through domestic tourism are less than the earnings through international tourism indicate that there is room for growth in the domestic tourism market, which will increase tourism's contribution to South Africa's GDP and job creation.

## 4.5 Tourism's contribution to South Africa's GDP

Bull (1995) identifies five major factors that determine the impact of tourism on a country's GDP. These are the stock of resources in terms of land, labour, capital and entrepreneurship, the state of technical knowledge, social and political stability, attitudes and habits and the level of investment, or fixed capital formation. The factors that result in an increase in tourism's contribution to GDP are also the factors that are able to provide the environment that will enable tourism to achieve the development goals of a country.

Tourism has been estimated to contribute 10.9 per cent to the world economy (Alberts, 2003). Yet a study by Saunders (1996) revealed that the total contribution of tourism as a percentage of South Africa's GDP was only 3.4 per cent in 1993 and 4.2 per cent in 1995. The World Travel and Tourism Council (2002) has estimated that tourism's direct contribution to South Africa's GDP was 2.87 per cent in 1997 and is expected to increase to 3.54 per cent in 2012. Table 4.6 shows the percentage contribution of the tourism industry and the tourism economy to GDP between 1997 and 2001, the estimate for

2002 and the projected figure for 2012. As explained in chapter 2, the tourism industry refers to direct spending in tourism enterprises, whereas the tourism economy includes both direct and indirect impacts such as spending on suppliers to the industry (including catering, laundry services, accounting and construction). The difference between the contribution by tourism industry and tourism economy to the GDP is attributable to the multiplier effect of tourism spending.

**Table 4.6 Contribution of tourism spending to South Africa's GDP, 1997-2012P**

| Year | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 (estimate) | 2012 (projected) |
|---|---|---|---|---|---|---|---|
| **Industry (direct)** | 2.87% | 3.01% | 2.95% | 2.98% | 2.99% | 3.04% | 3.54% |
| **Economy (indirect)** | 6.75% | 7.07% | 6.85% | 6.92% | 6.99% | 7.08% | 8.10% |

Source: World Travel and Tourism Council (2002)

Saayman and Saayman (2003) conducted a study on the output multiplier of each main tourist source market for South Africa. Their findings were that spending by additional overseas tourists exhibits stronger output multipliers than additional African tourists. Table 4.7 provides the results of their findings if 1000 additional tourists were to visit South Africa from selected overseas countries and African regions.

**Table 4.7 Macroeconomic impact of 1000 additional tourists from different international tourism markets for South Africa**

| Market | Increase in domestic demand (Rm) | Increase in output (Rm) | Output multiplier |
|---|---|---|---|
| **Germany** | 7.6 | 15.89 | 2.09 |
| **United Kingdom** | 8.42 | 17.36 | 2.06 |
| **United States** | 8.06 | 16.35 | 2.03 |
| **France** | 5.78 | 11.83 | 2.05 |
| **Netherlands** | 7.73 | 16.14 | 2.09 |
| **Neighbouring States** | 4.23 | 8.11 | 1.92 |
| **Rest of Africa** | 6.99 | 13.96 | 2.00 |

Source: Saayman and Saayman (2003)

The output multiplier is obtained by dividing the expected increase in output by the expected increase in domestic demand. The table reveals that the output multiplier is highest for German tourists and lowest for tourists from neighbouring states, but the variation is relatively small. Output multipliers are generally higher than income multipliers and, according to Saayman and Saayman, the sector which benefits most from additional tourist spending is manufacturing, followed by the service industry and catering and accommodation.

In addition to the projected percentage contribution to GDP, the World Tourism Organisation projected that 42 per cent of Southern Africa’s business would be derived from international tourism, 33 per cent from intra-regional tourism and 10 per cent from intra-regional business by 2010 (Heath, 2003). For such percentages to be realised, the five factors determining tourism’s contribution to GDP mentioned by Bull have to be conducive to tourism development. These are discussed below.

### 4.5.1 The stock of resources

#### 4.5.1.1 Natural resources

In terms of access to natural resources, or land, South Africa has a comparative advantage in that many of its tourists come to visit its natural and cultural attractions. It also has a diversity of tourism products for adventure and ecotourism. Some 45 per cent of South Africa’s foreign air arrival market visit at least one nature or wildlife reserve while in South Africa. Scenery (approximately 35 per cent) and wildlife (approximately 30 per cent) are the primary pull factors to South Africa (Tourism KwaZulu-Natal, 2003). The South African tourism potential is, however, still relatively untapped, given the World Tourism Organisation estimate that South Africa’s long-haul market share was only 1 per cent of the world total in 1999.

#### 4.5.1.2 Labour

South Africa suffers from a significant skills shortage. Tourism has been labelled as an industry that is able to provide primarily unskilled and low-skilled jobs. In determining the needs for tourism training in the new millennium the inter-sectoral unit for tourism of the Organisation of American States (OAS) and the Caribbean Tourism Organisation (CTO) (2005) identified four categories of skills required and the percentage of each category utilized in the tourism industry in the Caribbean in 1998:

- managerial 9.7 per cent
- professional non-managerial 19.7 per cent
- skilled/semi-skilled staff 37.5 per cent
- unskilled 33.1 per cent

Given the above estimates, unskilled labour accounts for a third of total employment in the industry. In addition the OAS and CTO found that 45 per cent of staff recruited at the unskilled level possessed a level of education equal to elementary school or less. This implies that tourism is a generally a relatively easy point of entry into the labour market, especially since most sectors in the hospitality industry (including the South African hospitality industry) offer some form of in-house training. This is especially pertinent in the South African context where skills and employment levels are low.

Table 4.8 shows the proportion of each category of skills employed in all sectors of the South African economy (excluding general government and domestic servants) for the period 1994 to 2002.

**Table 4.8 Formal and informal employment in South Africa, 1994-2002 (average annual estimates)**

| Year | Total | Highly skilled | Skilled | Semi- and unskilled |
|---|---|---|---|---|
| **1994** | 5 589 471 | 524 488 (9.38%) | 2 117 824 (37.89%) | 2 947 160 (52.73%) |
| **1995** | 5 574 293 | 548 729 (9.84%) | 2 117 620 (37.99%) | 2 907 943 (52.17%) |
| **1996** | 5 544 465 | 568 169 (10.25%) | 2 135 588 (38.52%) | 2 840 708 (51.24%) |
| **1997** | 5 438 617 | 576 293 (10.60%) | 2 133 126 (39.22%) | 2 729 198 (50.18%) |
| **1998** | 5 316 299 | 574 529 (10.81%) | 2 126 961 (40.00%) | 2 614 809 (49.18%) |
| **1999** | 5 182 288 | 564 737 (10.90%) | 2 107 692 (40.67%) | 2 509 860 (48.43%) |
| **2000** | 5 104 341 | 557 508 (10.92%) | 2 094 658 (41.04%) | 2 452 175 (48.04%) |
| **2001** | 5 020 363 | 553 724 (11.03%) | 2 080 243 (41.44%) | 2 386 397 (47.53%) |
| **2002** | 5 013 403 | 555 220 (11.07%) | 2 077 148 (41.43%) | 2 381 035 (47.49%) |

Source: United Nations Development Programme (2003)

The table indicates that the total number of people employed in South Africa declined every year from 1994 to 2002. The percentage decline over the whole period was 11.5 per cent. In addition, the contribution of semi- and unskilled workers to employment decreased from 52.73 per cent to 47.49 percent. The decline in employment numbers was exacerbated in the unskilled and semi-skilled sections of the workforce. This is an area where tourism employs most of its workers.

Employment in tourism was about 2.9 per cent of total employment in 1998, having risen quite sharply from the mid-1990s when it was under 2 per cent (Page, 1999). By 2001 the tourism industry contributed 2.99 per cent to employment and the tourism economy 7.08 per cent. From a macroeconomic perspective, however, despite the increase in international tourist arrivals, the industry has not been able to make significant inroads into employment absorption at the lower skill levels. Table 4.9 shows the contribution of tourism to employment in South Africa.

**Table 4.9 Contribution of tourism to employment in South Africa, 1997-2012P**

| Year | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 (estimate) | 2012 (projected) |
|---|---|---|---|---|---|---|---|
| **Industry (direct)** | 2.87% | 3.01% | 2.95% | 2.98% | 2.99% | 3.04% | 3.54% |
| **Economy (indirect)** | 6.75% | 7.07% | 6.85% | 6.92% | 6.99% | 7.08% | 8.10% |

Source: World Travel and Tourism Council (2002)

It has been suggested that for every 12 visitors one job is created (South African Tourism, 2005). South Africa has, however, not performed well in terms of employment per visitor when compared to other long-haul destinations. Table 4.10 shows a breakdown of spending per tourist and number of arrivals per employee for selected destinations.

**Table 4.10 International tourists’ spending and employment-generating capacity**

| Country | Spending per tourist (US$) | Number of tourist arrivals for every direct employee |
|---|---|---|
| **United States** | 10 233 | 7 |
| **Brazil** | 1 419 | 2 |
| **South Africa** | 7 664 | 12 |
| **Kenya** | 1 261 | 5 |
| **Thailand** | 5 448 | 8 |
| **Australia** | 12 232 | 9 |

Source: South African Tourism (2005)

Although South Africa fares well in terms of average spending by international visitors, compared to the other countries listed in table 4.10, it does not compare well in terms of job creation through tourism. Even the United States’s statistic of 7 tourists generating one direct job in tourism is better than the South African figure. South Africa also compares unfavourably with other middle-income countries, such as Brazil and Thailand.

### 4.5.1.3 Entrepreneurship

According to De Villiers (1996), in order for South Africa's tourism industry to be successful, entrepreneurial skills, drive and dedication are essential. Government policies are also important to stimulate the entrepreneurial drive.

In terms of stimulating entrepreneurship and skills development for tourism, the South African government and the business community have formed the Tourism Business Trust, which is focused on developing human capacity for tourism through the schooling system and the tourism industry. The trust, through the Tourism Enterprise Programme (TEP), assists large operators and investors, small, medium and micro enterprises and historically disadvantaged individuals to identify viable linkages and business opportunities in the tourism industry through a number of projects:

> This often includes not only matching buyers and suppliers of goods and services, but also assisting the SMME (*sic)* obtain the requisite professional services such as ISO/SABS quality certification, debt and equity finance, proper business planning, packaging, legal advice, technology needs and marketing.
> (South African Government Information, 2005)

The Department of Environmental Affairs and Tourism has a number of publications, such as the *Small Business Support Booklet* and the *Funding Programmes for Businesses Handbook*, available on its website (www.environment.gov.za) to assist with the development of tourism enterprises. In its progress report of June 2001, the TEP indicated that during the first nine months of its existence it had created more than 100 transactions for historically disadvantaged individuals valued at R22 million. The transactions included the Mhinga Lodges adjoining the Kruger Park, craft stalls at Nelspruit Airport, transport facilities at the Grand West Casino and Khumbula Craft Trust and capacity training to over 140 small and medium enterprises (Tourism Business Council of South Africa, 2001). Rogerson (2003) has suggested that the various policy measures introduced by the national government to assist historically disadvantaged individuals have made South Africa an international leader and innovator in developing the practices and applications of pro-poor tourism, especially since 95 per cent of the tourism economy in South Africa is considered to be white owned.

Tourism does not only allow for the development of entrepreneurial activities in tourism. It has linkages to a number of industries, as elucidated in chapter 2. Local enterprises can, for example, be used in accommodation provision. Local contractors can be used to build hotels or guest lodges using local materials and local inputs in the form of furniture, fixtures and fittings. Game parks have been identified as being especially suitable for kick-starting local entrepreneurial initiatives in an effort to change the balance of economic power to historically disadvantaged individuals and the poor in rural areas (Page, 1999).

#### 4.5.1.4 Fixed capital formation and the state of technical knowledge

According to Bull (1995), many development practitioners are under the impression that tourism does not require a high degree of technical knowledge and only minimal investment in infrastructure in order to be successful. However, he argues that the opposite is true and that economies that have a good stock of resources and the technical expertise to develop communications networks may have a head-start in developing the sector.

South Africa is at a relative advantage compared to other African countries in terms of infrastructural development and access to technology. Tables 4.11 and 4.12 provide an overview of South Africa’s position in this regard.

**Table 4.11 Access to technology, 2000**

| | Electric power consumption per capita | Telephone mainlines per 1000 people | Mobile phones per 1000 people | Internet hosts per 10 000 people |
|---|---|---|---|---|
| **Sub-Saharan Africa (excl SA)** | 112.8KWH | 7 | 5 | 0.32 |
| **All Africa** | 534.0KWH | 24 | 19 | 2.64 |
| **South Africa** | 3 745.2KWH | 114 | 190 | 43.12 |

Source: World Bank (2003).

From tables 4.11 and 4.12, it is evident that South Africa is infrastructuraly relatively well developed compared to the rest of Africa and, more especially, sub-Saharan Africa.

In terms of electric power consumption, South Africa consumes 33 times more electricity than the rest of sub-Saharan Africa and 7 times more than the average for Africa. It has 16 times more telephone lines per head of the population than the rest of sub-Saharan Africa and 4.75 times more than the African average. It has 20 times more mobile phones per head of the population than the rest of sub-Saharan Africa and 10 times more than the African average.

A similar trend is evident in terms of access to transport infrastructure. South Africa has almost 10 times more cars per head of the population than the rest of sub-Saharan Africa. In terms of paved primary roads as a percentage of roads, South Africa compares favourably with sub-Saharan Africa, but less favourably with the African average. The reason for the poor performance compared to the rest of Africa can be attributed to the statistic relating to the percentage of tarred roads, not the total road network in kilometers. The road to population ratio for South Africa in 1995 was 8 500km per 1 million persons (the latest available datum) compared to the African average of 3000km per 1 million people. These figures show that South Africa has an extensive road network by African standards.

**Table 4.12 Access to transport infrastructure**

| | Vehicle ownership per 1000 people (1996) | Paved primary roads as a percentage of roads (1996) | Aircraft departures (thousands) (2000) | Air passengers carried (thousands) (2000) |
|---|---|---|---|---|
| **Sub-Saharan Africa (excl SA)** | 15 | 12.1 | 249 | 10 1017 |
| **All Africa** | 28 | 24.8 | 515 | 31 811 |
| **South Africa** | 142 | 20.3 | 110 | 8 000 |

Source: World Bank (2003).

South Africa accounted for 21.36 per cent of Africa's aircraft departures and 25.15 per cent of air passengers in 2000. Despite South Africa's relative strength, air travel to South Africa is relatively expensive and there is a shortage of carriers from the main tourist-generating regions. In addition, certain airlinks to key markets are either fully under the control of, or dominated by, foreign carriers with no commitment to the South African market (South African Tourism, 2002). A survey by South African Tourism (1998) found that airfares comprised 41 per cent of overall total spending by tourists. This is similar to the average identified by Sinclair (1998) for developing countries.

Given its infrastructural and technological achievements, South Africa is well positioned to attract international tourists who are increasingly demanding first-world comforts and facilities together with the traditional attractions of Africa: wildlife, unspoiled beaches, unique landscapes and local cultures.

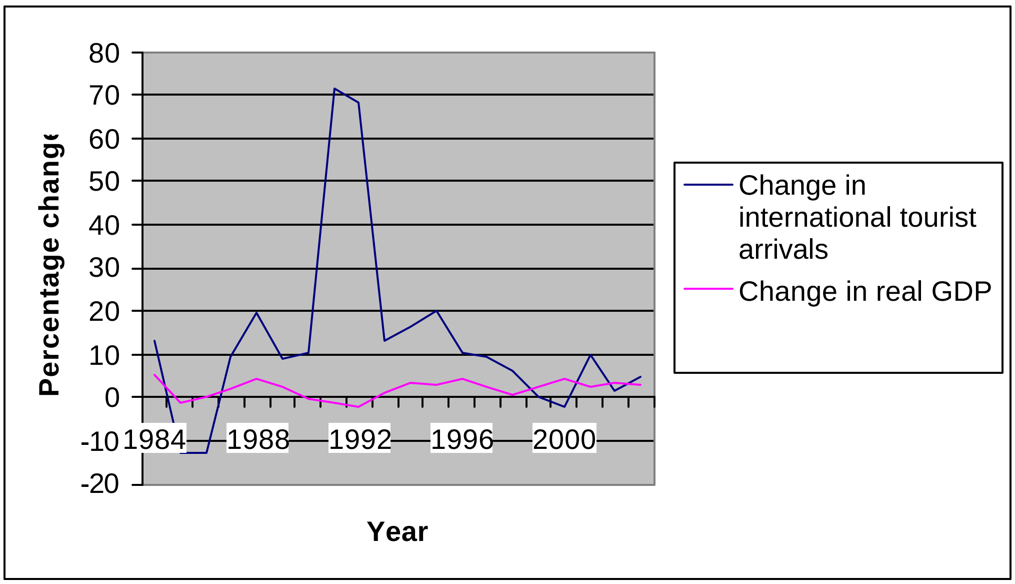
In terms of direct investment in tourism, the State-owned Industrial Development Corporation (IDC) has invested much in order to kick-start marinas, hotels, game farms and other developments. In 2004 the IDC financed 125 clients, representing total capital exposure of R1 billion, with project sizes varying between R2 million and R200 million (Industrial Development Corporation, 2004). It established a tourism business unit in 1999 in order to meet the specific financing needs of the tourism industry, mostly in accommodation. The Department of Trade and Industry also provides finance for smaller tourism enterprises.

There are a number of South African listed companies that have interests in the tourism sector, for example Tourvest, Southern Sun, City Lodge Hotels, Cullinan Holdings, Peermont, Gold Reef Casino Resorts and Kersaf. International hotel chains present in the country include Holiday Inn, Hilton Hotels and the Sheraton group of hotels. International car hire companies include Avis and Budget and the Flight Centre is an example of an international travel agency operative in South Africa. The encouragement of investment in tourism has distinct advantages for development, as alluded to in chapter 2.

#### 4.5.1.5 Social and political stability

Figure 4.6, which provides a comparison of the changes in the number of foreign arrivals to South Africa and the change in real GDP between 1983 and 2003, illustrates that there is no correlation between changes in tourist numbers and changes in GDP. The fluctuations in the GDP of the host country can therefore not be said to be a contributor to the change in tourist numbers.

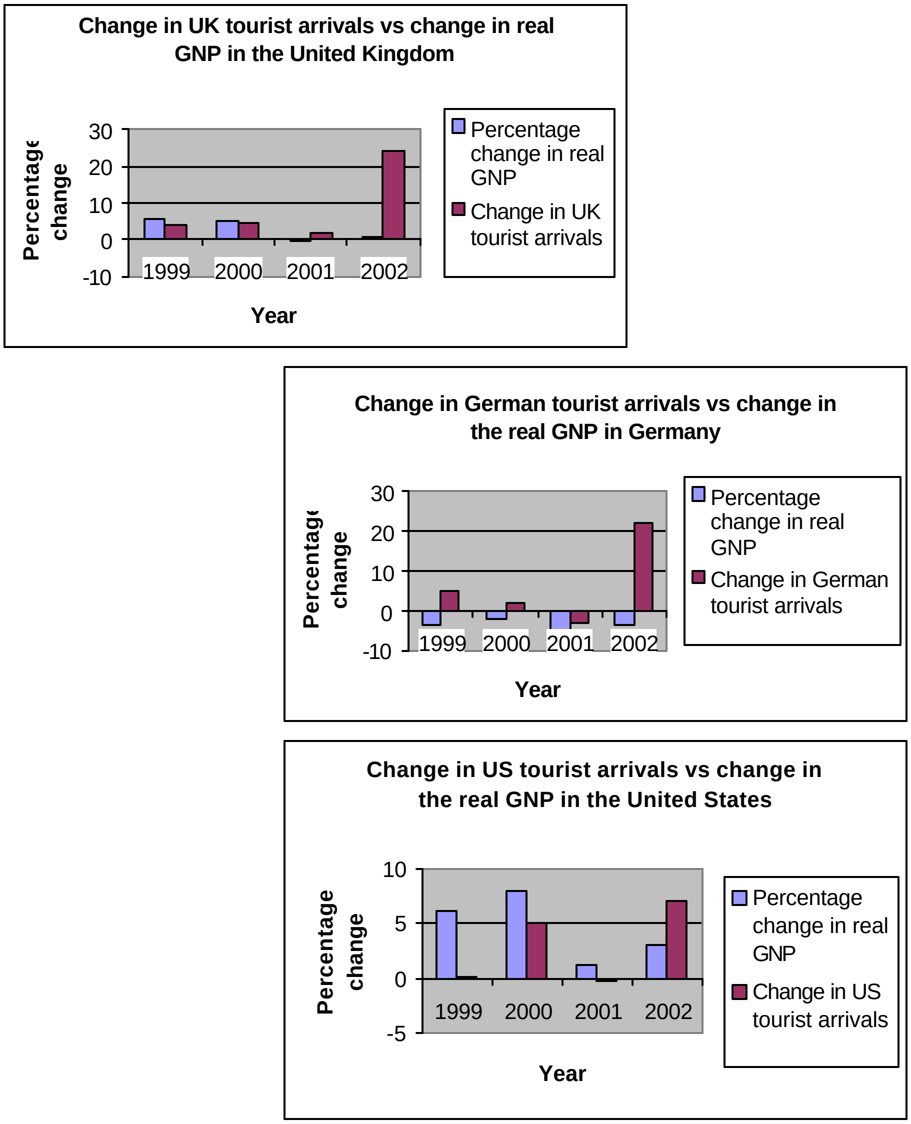
**Figure 4.6 Comparison of percentage change in international tourist numbers and change in real GDP, 1983-2003**




Source: South African Reserve Bank (2005) and Statistics South Africa (2005)

Figure 4.7 shows the changes in real GNP and the changes in tourist numbers to South Africa for South Africa's main long-haul tourist generating countries for the period 1999-2002.

**Figure 4.7 Real GNP growth and changes in tourist arrivals for South Africa's main long-haul tourist-generating countries, 1999-2002**



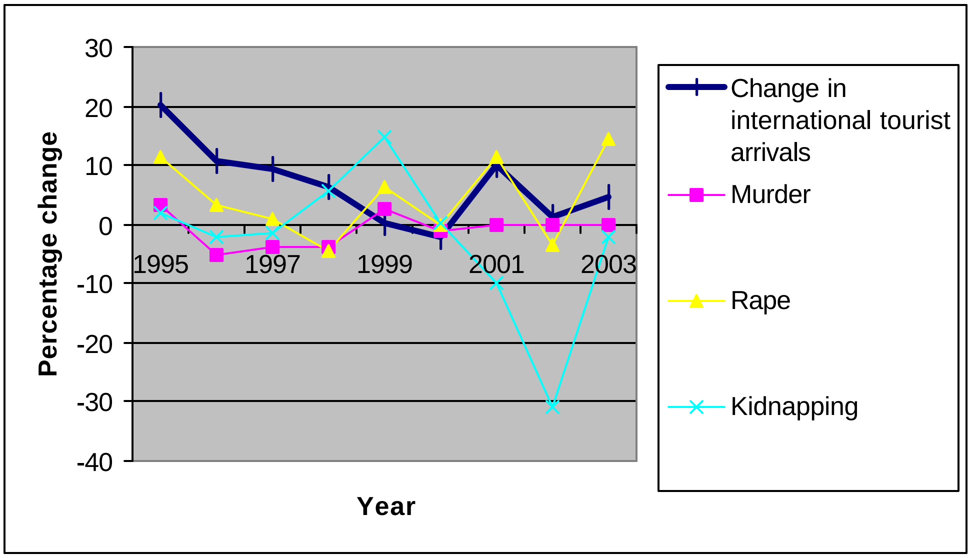

Source: World Tourism Organisation (1998,2001a,2004a)

From Figure 4.7 it is clear that although the GNP of a tourist-generating country may influence the total number of tourists from that country, it has not been a major determinant of the number of tourists visiting South Africa. This was particularly evident in 2002, when South Africa showed significant growth in tourist numbers from all three countries depicted in figure 4.7 (24.15% for the United Kingdom, 7.02% for the United States and 22.11% for Germany), yet their real GNP growth was either relatively low (United Kingdom: 0.64%, United States: 3.2%) or negative (Germany: -3.57%).

More important determinants of tourist numbers include perceptions about safety and political stability (Bull, 1995). According to a joint report by the Department of Environmental Affairs and Tourism and South African Tourism (2005) on South Africa’s competitiveness as a tourist destination, South Africa is perceived as unsafe and unwelcoming. This perception is ascribed to the high crime statistics for South Africa. In 1998 South African Tourism found that 6 per cent of tourists (22 per cent of those staying over a month) had been victims of crime and that this percentage was rising.

Figure 4.8 shows the percentage change in criminal activity since 1994 compared to the number of international visitors. The graphs show that the number of murders and kidnappings decreased between 1995 and 1997, although from a relatively high base (25 965 murders and 4 101 kidnappings in 1994/1995), yet the number of rapes increased from 44 751 in 1994/1995 to 51 959 in 1997/1998. Tourist growth remained positive over the same period. There was, however, negative growth in tourist numbers between 1999 and 2000, when numbers in all three crime categories increased.

**Figure 4.8 Percentage change in number of murders, rapes and kidnappings in South Africa compared to growth in international tourist arrivals, 1995-2003**




Sources: Statistics South Africa (2005) and South African Police Service (2005)

Overall, however, there does not appear to be any relationship between tourism growth and the change in crime levels over the short term. This can be attributed to South Africa being a fairly new destination after the 1994 democratic elections and that the return of South Africa to the international tourist map has boosted tourist numbers that started from an “unnatural”, very low base. One can only speculate as to what South Africa’s tourist figures would have been if the threat of crime had diminished. The same can be said for the risks associated with the HIV/Aids pandemic, with South Africa reporting an adult HIV prevalence rate of 20.1 per cent in 2001 (World Bank, 2003).

Politically, South Africa has been regarded as stable since the democratic elections in 1994. It is also regarded as a destination that is relatively safe from terrorist threats emanating in the Middle East. Its relative stability has resulted in a surge in tourist numbers and has led to an increase in foreign investment in the tourism sector. Tourism capital investment as a share of total investment has remained constant at just over 10 per cent since 1994 (World Tourism Organisation, 2004a), which compares well with the world average of 9.2 per cent (Cassim and Jackson, 2003).

## 4.6 Summary

Since South Africa's transition to democracy, international tourist numbers have increased considerably and the country has become the most popular tourist destination in Africa.

As mentioned in section 4.4, international tourist numbers are relatively small compared to domestic tourist numbers, which comprise 67 per cent of tourists, moreover, overseas tourist numbers are significantly smaller than intra-African tourist numbers. Average expenditure by international tourists is larger, however, than spending by local tourists and long-haul tourists contribute more to the tourism economy than intra-African tourists, in that they are more likely to spend on tourism-related resources and activities than the African tourists, who mostly travel to South Africa to visit friends and relatives, or on shopping trips.

Although international events have helped to stimulate inflows of international tourists, the most popular attractions have been South Africa’s wildlife and natural environment.

South Africa has a comparative advantage over other African countries that are able to offer similar attractions: the economy is more diversified, the infrastructure is better developed and access to technology is much greater.

The relative sophistication of the South African economy places it at an advantage in terms of the multiplier effect of tourism spending and the prospects for linkages between tourism enterprises and the broader economy.

Although tourism has been identified as a means of stimulating employment, South Africa has not reached its full potential in this regard. What is particularly pertinent from a policy perspective is that South Africa’s tourism sector does not appear to be as labour intensive as in other countries. Labour and other areas that need to be addressed if tourism is to contribute to South Africa’s economic development will be the focus of chapter 5.

## CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

In chapter 1 it was shown that over the past fifty years the growth in tourism numbers has been phenomenal. So much so that the tourism industry has become the fourth largest industry in the world and a significant contributor to employment. It is against this background that the contribution of tourism, as defined by the World Tourism Organisation, was evaluated with special emphasis being placed on tourism’s role in the economic development of South Africa.

Chapter 2 outlined the impact of international tourism on a number of economic variables. Here it became evident that the tourism industry needs to be viewed holistically in order to discern its impact on the host economy. Encouraging tourism should not be seen merely in terms of increasing tourist numbers or revenues, but should rather be assessed in terms of how tourism has been integrated into the broader development goals of existing local communities. The focus of development practitioners is a major determinant in the development of a tourism strategy.

The first part of chapter 3 concerned a discussion of the evolution in development thinking and how the various schools of thought have influenced policy decisions. The particular paradigm in which practitioners find themselves will ultimately determine the thrust of their policies on the service industries in general and the tourist industry in particular.

It is within the sustainable development paradigm that the role of tourism as a means of stimulating development is appreciated most. This is due to the acknowledgement of the symbiotic relationship between tourism and the maintenance of the environment in a developing country context. This is especially pertinent in the case of South Africa, where it has been determined that most overseas tourists come to view the country's unique natural heritage. In chapter 4 it was pointed out that even though African tourists make up the bulk of visitors to South Africa, it is the overseas tourists who contribute most directly to the tourism industry.

From the South African perspective the tourism industry needs to be assessed in terms of its ability to alleviate poverty by impacting on a number of key economic variables. These include the impact on the balance of payments, employment and the development of infrastructure, as well as its ability to raise tax revenues and encourage entrepreneurial innovation. Although significant research has been carried out on entrepreneurship and the small, medium and micro enterprise tourism environment (see Rogerson, 2003) more local research needs to be done regarding the benefits of investment in tourism at the macro level, compared to the same level of investment in other industries.

From the analysis in chapter 2 it is apparent that, in order for a country to benefit from tourism, high-spending tourists should be attracted. The provision of facilities for these tourists, however, needs to be managed carefully, especially since they often require accommodation, sustenance, service and transport on a par with what they are used to at home. This can often lead to a high level of imports and negatively impact on the balance of payments and the multiplier process, especially if the host economy is undiversified and unable to provide for the needs of international tourists. South Africa fortunately has a relatively diversified economy compared to the other African countries discussed in chapter 3. It is therefore able to avoid many of the leakages that occur through imports and the employment of foreign staff.

Another aspect of the tourism industry that South African policy makers and practitioners should consider is the high level of concentration in the international tourism industry and the associated foreclosure and racking policies that can cause harm if a country does not comply with their demands. An overview of the levels of concentration and integration in the international tourism business was provided in chapter 3.

From chapter 4 it is obvious that politics and perceptions have played a large part in determining the success of South Africa as an international tourist destination. Focused marketing is therefore required to develop a successful tourist industry. It is also informative to note that the KwaZulu-Natal province, which is the most popular province for local tourists, is relatively untapped by international tourists. The Western Cape has managed to attract the most overseas tourists, particularly German and British leisure tourists. Saayman and Saayman (2003) have calculated that these tourists have the most positive impact on domestic demand. The South African tourism sector will benefit by encouraging international tourists to visit areas that are less popular at present, thereby spreading the benefits of international tourist expenditure to the lesser-known regions.

When trying to encourage international tourism flows, the tourism marketing strategy and service delivery are very important. South Africa has managed to develop a number of South African Tourism branches in its main tourism-generating markets. This tourism promotion strategy, however, needs to be carried out in conjunction with tour operators in the tourist-generating regions, as well as local service providers. There is also a need for closer cooperation between the South African participants in the tourism business and the powerful operators in the main generating countries, in order to create linkages and secure bookings. Although the Internet has led to the industry becoming more competitive, cognisance needs to be taken of the fact that in deciding on leisure spending, promotion and exposure are important ingredients for attracting tourists away from one country and towards another. Unlike manufacturing industries, the tourism industry is a relatively fickle industry in which perceptions play an important part in the decisions of tourists.

South Africa has made significant progress in hosting a number of international events. These have helped to improve its international profile. A study on the impact of such events on the South African economy would make a significant contribution to the literature on the impact of international tourist flows on the South African economy. Such a study is especially pertinent in the run-up to the 2010 FIFA World Cup, which is expected to generate a significant number of jobs and lead to various infrastructural developments that should benefit the economy as a whole, both during and after the event.

It needs to be reiterated that when evaluating the impact of tourism on development, it is not only tourist numbers that are important, but also expenditure by tourists and the way in which this expenditure filters to the rest of the economy and helps to alleviate development problems.

One of the major problems facing the South African economy is unemployment. In chapter 4 it was pointed out that the employment-generating potential of the South African tourism sector lags behind that of other countries. There is therefore a need to increase the labour absorption capacity of the tourism industry. This can be done, *inter alia,* through appropriate planning, encouraging entrepreneurial activities in tourism and by creating a greater awareness of the significance of the tourism sector.

Closely related to appropriate planning for the tourism industry is the need to develop a qualified labour force that is able to meet the standards of the international market. Areas in which there is a shortage of skills must be identified and incentives should be offered to advance qualified local staff in these areas.

Training should not only be provided at the primary, or unskilled, level where the unemployment numbers are significant, but should enable tourism to provide opportunities for people to establish careers within the industry. Ownership of tourism enterprises, which is presently skewed towards the white population, should be made available to a wider population through financial schemes and partnerships between new and existing entrepreneurs.

There is also a need to improve tourism infrastructure. According to Rogerson (2003:112)

> One critical factor blocking any ownership transformation of the tourism economy is the lack of essential infrastructure, which has been an undoubted block on tourism entrepreneurship in many areas of urban, and especially rural South Africa.

For tourism to achieve the goals of sustainable development, local participation and approval are necessary. Such participation increases the success of a specific project, especially if the local community is to benefit from the project directly. The CAMPFIRE project in Zimbabwe is an example of a successful attempt at community involvement, although the “macropolitics” of the country have dampened the Zimbabwean tourism industry significantly.

Another means of encouraging community involvement is through the provision of entrepreneurial opportunities and through representative tourism bodies for the product owners and those directly affected by tourism developments. The assistance of government, business and financial institutions should, however, not be underplayed. By working together, the citizens of a country can be made aware of the benefits of tourism and how to mitigate its negative impacts.

Tourism development should not occur haphazardly for quick profits, but the long-term nature of the development process should be taken into account. In so doing the incentive to plan the development of tourism enterprises, infrastructure and facilities carefully and to encourage quality tourism that will respect the environment and society is enhanced. This has to be weighed against the maximisation of tourist numbers through mass tourism that may not necessarily be complementary to sustainable development.

While it is accepted that different types of tourists may have different types of impacts on the host community or region, it is important to consider the type of tourism that will provide the most benefits and the least costs to the host community. Irrespective of the type of tourist attracted to the host country, more diversified economies are able to attract more tourists and generate more income per tourist than less diversified economies are, since they have the underlying infrastructure, facilities and technology to be able to market their destinations and generate higher revenues per tourist than less-developed economies would be able to. For example, Australia has been able to maintain a significant tourism sector that has had linkages to many other sectors of the economy.

Perceptions, marketing and exogenous factors, such as politics and natural disasters, also have an impact on tourist flows to a particular destination. Once these factors are accounted for and a successful tourism industry has been developed, international tourist flows will have the ability to aid in the achievement of the goals of sustainable development in South Africa.

Although the analysis in chapter 4 did not show any correlation between the level of crime and international tourist numbers, the issues of crime and Aids need to be addressed if South Africa hopes to benefit from its exposure to international tourists.

Tourism is an industry with a strong through-flow effect that needs to be viewed in a holistic manner, taking socio-political as well as economic factors into account. South Africa, located at the southern-most tip of Africa, cannot operate in a vacuum. As much as there is a need to integrate the tourism sector with other sectors in the economy, there is a need to integrate with the tourism strategies of other countries in the region. A joint effort should be made to promote Southern Africa as a tourism package in order to allow the region to benefit from the economies of scale in training, advertising, infrastructural development and procurement and in so doing encourage the coordinated development of the region.

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