

Economic benefits of tourism sector in LDCs

Tourism holds out a great prospect and potentiality for the sustainable progress and prosperity of the Least Developed Countries of the world including Bangladesh. Anu Mahmud, an economic analyst and columnist of wide reputation writes:

Tourism has been defined as travelling to a place or places other than the residence or work place and on an execution, a journey or visit for pleasure, rest or recreation and other purposes than for earning or involving in activities leading to permanent residence. Our understanding is that one can travel within the boundary of home country from one place to another to gather experience and make pleasure during holidays or their leisure time. Travelling may be to a foreign country. It may be personal or in a group. It may also be family tour to unknown, interesting and pleasing environment for bringing the members closer to each other.

Tourism is now one of the most important service industries, and has become one of the most important invisible export sectors in many countries of the world. It fetches foreign exchange, generates income and employment not only directly, but also through multiplier effects in the economy through creating demand for other sectors which are indirectly related to this sector.

The position of tourist arrival as well as earnings from tourism in Bangladesh is very poor not only compared to the world, but also to the South Asian region and countries of similar cultural background in Asia. However, since tourism offers great opportunities for earning foreign exchange, Bangladesh needs to explore and exploit its potentials. Little is known, however, about the status and importance for the economy, the sector has remained to give an overview of the present status of tourism, pinpoint the key problem, and identify the potential dimensions to address the development of the tourism sector on the basis of micro level investigation.

Travel is deeply embedded in human culture, behaviour and values. Human beings are inherently curious concerning the world in which they live. We desire to know what other places look like – what the people, their levels of education and the influence of television, internet and other communication media have combined to create in us a much greater awareness of the entire world. We are in a global economy and our industries must be globally competitive. We must think globally. Material prosperity in many developed countries, accompanying higher standards of living, has made travel attainable for hundreds of millions of their people. Tourism has played a major role in breaking down the borders and barriers of distrust and prejudice between countries and people. It has contributed to better understanding, greater tolerance and to world peace in general.

Since the times of the wandering ancient peoples, people have been travelling in every direction around the earth. From the days of such early explorers as Marcopolo, Ibne Battuta, Christopher Columbus, Ferdinand Magellan, and Captain James Cook to the present, there has been a steady growth in travel. In the twentieth century, the invention of the automobile has brought about unprecedented growth in tourism. Following World War II, the invention of the jet airplane, especially the wide-bodied type and the establishment of global air routes made possible rapid travel for many millions.

The exceptional growth of tourism over the last 50 years is one of the most remarkable economic and social phenomena of the 20th century. The number of international arrivals shows an evolution from a mere 2.0 million in 1950 to 963 million of 2010. That represents an average annual growth rate of more than 7.0 per cent over a period of 50 years – well above the average annual economic growth rate for the same period. Tourism has clearly outperformed all the other sectors of the economy and has grown into the most significant economic activity in the world.

According to the World Tourism Organisation, 798 million people travelled to a foreign country in 2009, spending more than US dollar 578 billion. International tourism receipts combined with passenger transport currently total more than 675 billion dollar – making tourism the world's number one export earner, ahead of automotive products chemicals petroleum and food.

Travel and tourism is now one of the largest industries in the world contributing over 10 per cent to global GDP. Economically, travel and tourism creates jobs and contributes to a country's GDP as well as bringing in capital investment and increasing exports. Socially and culturally, travel and tourism offers the opportunity of providing jobs for the minority and disadvantaged groups bringing adequate training in management skills, education and technology to local people, and increasing income in rural and local economies, thereby contributing to the alleviation of poverty in developing countries. Environmentally, it is essential for travel and tourism to maintain an optimal balance of its natural resources to ensure the ongoing arrival of tourists to destinations.

There are some indicators of the size and impact of the tourism industry today. According to WTO statistics on tourism:

(1) In the eight months of 2009 international tourist arrivals totalled 768 million worldwide (+4.5 per cent), up from 653 million in the same period of 2008, a year which saw an all time record of 906 million people travelling internationally.

(2) Growth is expected to continue in 2011 at a pace of around 4.0 per cent worldwide.

(3) Generated income of 127764 million dollar in 2008 – that is, the amount spent by tourists annually.

Tourism industry has an increasingly vital economic, social, cultural and environmental impact, both globally and on the national scale,

and that the continuing growth of tourism and tourism-related activities has diverse implications for the realisation of sustainable development.

The tourism sector constitutes one of the most important sources of wealth of nations regardless of their level of development. For many developing countries, in particular the Least Developed Countries (LDCs), small economies and island states, tourism is probably the only economic sector, which provides concrete trading economic development.

Though, to maximise the benefits of tourism, the existing uneven distribution of benefits among nations that is threatening the economic, social, and environmental sustainability of tourism in many developing countries, has to be overcome. Yet, the 49 LDCs account today for only less than 1.0 per cent of international tourist arrivals and an approximately 0.5 per cent of international tourist receipts. This acute imbalance is being accentuated by the dependence of tourist international destinations on external travel distribution networks, and the anticompetitive behaviour of some international tourism operators. To a great extent, such a situation is responsible for the loss of potential tourist receipts of developing countries, in particular the LDCs.

As a rule, the scope for diversifying small states' economic activities is limited compared to large states. One of the reasons for this is that they lack a diversified natural resource-base due to their small geographical area. In a globalising world economy involving greater freedom of trade and capital movements, the economies of small states are liable in most cases to become more specialised and vulnerable to external economic conditions. Therefore, policies are sometimes adopted by these states, or recommended by external agencies, to keep these economies more diversified than otherwise would be so. For instance, action to simulate tourism development is sometimes a part of

the diversification strategy of small states, such as Brunei.

Furthermore, it can provide a profitable extra economic opportunity for small states that have limited economic alternatives. Therefore, depending on its nature, the tourism industry can make a positive contribution to the economic diversification and development of small states, for small nation states having few possibilities to diversify and develop their economies, tourism can provide a valuable economic opportunity. Generally, all profitable possibilities to diversify such economies are to be welcomed. Nevertheless, international tourism is a highly competitive industry and as a result of modern transport systems, foreign tourists have a lot of opportunities these days to choose the best suitable options of travelling. So, the returns from developing the tourism industry in a small state will depend on its ability to meet foreign competition. This ability needs to be assessed specifically for each small state under consideration. The cost and time taken to travel to the country and whether or not it is en route to other destinations or an isolated spot in travel routes (such as are Tuvalu and some other Pacific island nations) can all have an influence.

Furthermore, the attractions of the country and the cost of staying there must be assessed against those in substitute destinations. Tourism is not a magical industry for economic growth, but its development can provide some nations with worthwhile economic opportunities.

Tourism development can provide a means to diversify the product-mix of a small economy. Diversification often provides a means to reduce economic risk and volatility in income. For example, it is possible that the development of a tourism industry catering for foreign visitors could reduce the volatility of a small nation's foreign exchange earnings. However, such diversification is always effective in this regard, and in some cases, it may actually increase the volatility of

foreign exchange earnings and macroeconomic uncertainty.

The development of tourism can provide profitable opportunities to small nation states to diversify their economies if the appropriate preconditions are satisfied. Growth of the tourism industry can contribute beneficially to the economic diversification and development of small states, if appropriate preconditions are satisfied and care is taken in developing the industry. Even large nations, such as China have been able to benefit substantially from the growth of foreign tourism only because they meet these preconditions.

Tourism is the fastest growing service industry in the world. The situation in this sector is much unlike many other economies sectors where foreign currency retention is much less from the need to import raw materials and other paraphernalia to support their activities. Retention of foreign currency by a country from tourism can be 90 per cent or more. From this angle along, it should be possible to realise the promising prospects of tourism for Bangladesh which has otherwise been able to develop only one world class apparel industry in the last thirty-eight years of its existence. There are all the opportunities for Bangladesh to reap the bonanza from tourism and open a rich new source of foreign currency earning for the country. If the potential for its growth is properly exploited this can create wealth, income and jobs on a large scale.

Millions of foreign tourists visit India next door and that country is one of the prime sites of world tourism. If only 20 per cent of these tourists can be persuaded to visit Bangladesh, then the latter can earn annually a substantial amount of foreign exchange and that too in the short term with possibilities of such income to grow much higher progressively. This would be a big input to the well-being of its national economy and also a source of significant economic growth.

The World Tourism Day is normally observed in Bangladesh with routine meetings and seminar organised by the authority. But regretfully, people are yet to know what actual steps the government has taken so far to facilitate a master plan for tourism development which is understood to be ready for implementation. The planning exercise is primary, but leaving the plans unimplemented for long makes no sense.

This is specially so when the private sector in Bangladesh and also foreign investors are showing interest to invest in its tourism sector. But matching this enthusiasm of the private sector official activities are not visible to assure all concerned that the government intends to play out its role efficiently in this area. Even the guidelines for investment of the private sector in tourism are yet to be clearly spelt out. The same is indispensable to encourage the mobilisation of private investment efforts in the first place. The functioning of the lone government body, the Bangladesh Parjatan Corporation (BPC), is also not up to the mark. It was reported that the BPC has not even cared to update its website after 2006, which is revealing of its traditional sloth. This sort of inefficiency can only discourage the arrival of foreign tourists who expect reasonable competence in the running of tourism-related services.

The development of tourism in Bangladesh should involve government's greater activism by embarking on implementation of plans at the fastest and creating a policy environment to be considered as helpful by the private sector. The activities of foreign mission of Bangladesh and other bodies need to be coordinated with the aim of dispelling any negative publicity about the country. Specially, these strategies will have to be applied befittingly to motivate a part of the large number of tourists who come to other countries of South Asia, to also come to Bangladesh. The existence of some world heritage sites in Bangladesh and spots for eco-tourism such as the Sundarbans and Cox's Bazar, will have to be highlighted in innovative ways to draw the attention of foreign tourists. The government should decrease the amount of VAT and other charges that tourism-related private sector organisations have to bear. It will increase the number of tourists from both internal and external sources. A short term plan should be executed immediately by the government to improve connectivity to the recognised tourist sites. Infrastructures should be built there and security of tourists, ensured.