

Tourism and Economic Development: Experience of the Asia-Pacific Region

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Abstract

The Tourism sector can play an important role as a driving force of economic development. The continuing growth of tourism and tourism-related activities has diverse implications for the attainment of sustainable development. The exceptional growth of tourism over the last 50 years is one of the most remarkable economic and social phenomena of the 21st century. Especially in developing countries, one of the primary motivations for a region to promote itself as a tourism destination is the expected economic improvement. Political stability, air transport liberalization, easing of travel restrictions etc act as growth factors for tourism development. Trends in outbound travels and receipts indicate that the Asia-Pacific region is the most popular tourist destination. This paper, drawing on the experience of some countries, highlights the contribution of tourism in economic development, and also identifies factors behind the robust growth of tourism.

SECTION 1

Introduction

Travel is deeply embedded in human culture, behavior 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 culture, the animals and plant life, and landforms may be elsewhere. Today higher 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

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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 traveling in every direction around the earth. From the days of such early explorers as Marco polo, Ibn Battuta, Christopher Columbus, Ferdinand Magellin, and 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 25 million arrivals in 1950 to the 763 million of 2004. That represents an average annual growth rate of more than 7% 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 Organization, 698 million people traveled to a foreign country in 2000, spending more than US\$ 478 billion. International tourism receipts combined with passenger transport currently total more than US\$ 575 billion - 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% 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 incomes 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:

- In the first eight months of 2006 international tourist arrivals totalled 578 million worldwide (+4.5%), up from 553 million in the same period of 2005, a year which saw an all-time record of 806 million people traveling internationally.
- Growth is expected to continue in 2007 at a pace of around 4% worldwide.
- Generated income of US\$ 127764 million in 2004 - that is, the amount spent by tourists annually.

What is tourism?

When we think of tourism, we think primarily of the people who are visiting particular places for sightseeing, visiting friends and relatives, taking a vacation, and having a good time. They may spend their leisure time engaging in various sports, sun-bathing, talking, singing, taking rides, touring, reading, or simply enjoying the environment. We consider the subject further, we may include in our definition of tourism people who are participating in a convention, a business conference, or some other kind of business professional activity, as well as those who are taking a study tour under an expert guide or doing some kind of scientific research or study. Any attempt to define tourism and to describe its scope fully must consider the various groups that participate in and are affected by this industry. Their perspectives are vital to the development of a comprehensive definition. Four different perspectives of tourism can be identified:

❖ The Tourist

The tourist seeks various psychic and physical experiences and satisfactions. The nature of these will largely determine the destinations chosen and the activities enjoyed.

❖ The Businesses Providing Tourist Goods & Services

Business people see tourism as an opportunity to make a profit by supplying the goods and services that the tourist market demands.

❖ The Government of the Host Community or Area

Politicians view tourism as a wealth factor in the economy of their jurisdictions. Their perspective is related to the incomes their citizens can earn from the

business. Politicians also consider the foreign exchange receipts from international tourism as well as the tour receipts collected from tourist expenditures, either directly or indirectly.

❖ The Host Community

Local people usually see tourism as a cultural and employment factor. Of importance to this group, for example is the effect to the interaction between large numbers of international visitors and residents. This effect may be beneficial or harmful or both.

So, tourism is a composite of activities, services, and industries that delivers and travel experience: transportation, accommodations, eating and drinking establishments, shops, entertainment, activity facilities, and other hospitality services available for individuals or groups that are traveling away from home. It encompasses all providers of visitor and visitor-related services. Finally, tourism is the sum total of tourist expenditures within the borders of a nation or a political subdivision or a transportation central economic area of contiguous states or nations.

World Trade Organization (WTO) has taken the concept of tourism beyond a stereotypical image of “holiday-making”. The officially accepted definition is “*Tourism comprises the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business, and other purposes.*” The term usual environment is intended to exclude trips within the area of usual residence and frequent and regular trips between the domicile and the workplace and other community trips of a routine character.

In tourism terminology, International Tourism means Inbound Tourism (Visit to a country by nonresidents), and Outbound Tourism (Visits by residents of a country to another country). Internal Tourism refers to Visits by residents of a country to their own country. By Domestic Tourism is meant Internal tourism plus inbound tourism (the tourism market of accommodation facilities and attractions within a country), while National Tourism refers to international tourism plus outbound tourism (the resident tourism market for travel agents and airlines).

Section 2 of the paper discusses the contribution of tourism to the development and diversification of small developing countries. Section 3 highlights the positive and negative effects of tourism on host nations. A case study of the Asian tourism industry together with a description of major factors that have been responsible for the robust growth of tourism in Asia appears in sections 4 and 5. Section 6 concludes.

SECTION 2

Worldwide Tourism as An Engine of Sustainable Development

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 realization 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 islands states, tourism is probably the only economic sector, which provides concrete trading opportunities, and therefore, it is for them one of the fundamental pillars of their economic development.

Though, to maximize 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 percent of international tourist arrivals and an approximately 0.5 percent of international tourism receipts. This acute imbalance is being accentuated by the dependence of tourist international destinations on external travel distribution networks, and the anticompetitive behavior 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.

Level of Performance and Sustainable of Tourism in Developing Countries

As a matter of fact, the extent to which the business operations of international tourism, backward and forward, are linked with other sectors will determine the level of performance and profitability of tourism, the extent of multiplier and spill over effects, and the retention of value added, i.e. the leakage effects. The sectors producing goods and services are linked backwards with tourism in catering for the needs of tourists and tourism operators, e.g. agriculture and food-processing industries, and other articles required by tourism establishments. Similarly, many other services, such as transport, business services, financial services, professional service, construction design and engineering, environmental services, and government services, also ensure the efficient performance of tourism operators. Some of these sectors are also crucial for the proper linkage of tourism with foreign markets (forward linkages) because they constitute the

platforms for “taking off” and for keeping the national tourism providers fully integrated with international tourism flows. Many developing countries have found it important to improve the linking of tourism (forward and backward) with the other sectors of the economy as one of the foundations of tourism development policies, so as to capitalize on the benefits of the globalizations and internationalization of markets. Successful experience of some small economies and islands that have recently become emerging tourism destinations, such as Mauritius, Maldives, the Dominican Republic and other Caribbean islands, attest to the vital importance of the proper linkage of tourism with the rest of the economy, in their capacity of retaining value added, e.g., reducing leakages. Despite developing countries’ efforts to develop the most suitable domestic policy environment, the economic sustainability of tourism is being undermined by external factors beyond their control, notably the predatory behavior of integrated suppliers which enjoy a dominant position in the originating markets of tourism flows.

Tourism as a Contributor to The Economic Diversification and Development of Small States

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 globalizing world economy involving greater freedom of trade and capital movements, the economies of small states are liable in most cases to become more specialized 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 traveling. 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 on 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 incomes. 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 not 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 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 (Wen and Tisdell, 2001), have been able to benefit substantially from the growth of foreign tourism only because they meet these preconditions.

SECTION 3

Economic Impact of Tourism

Tourism development can have both positive and negative impact on the economy.

How Tourism can Contribute to Economic Development

The most important economic feature of activities related to the tourism sector is that they contribute to three high-priority goals of developing countries: the generation of income, employment, and foreign-exchange earnings. In this respect, the tourism sector can play an important role as a driving force of

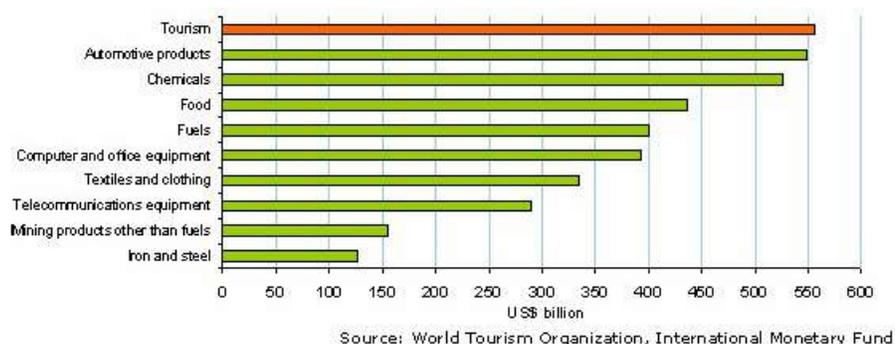
economic development. The impact this industry can have in the different stages of economic development depends on the specific characteristics of each country. Given the complexity of tourism consumption, its economic impact is felt widely in other production sectors, contributing in each case toward achieving the aims of accelerated development.

❖ **Foreign Exchange Earnings:** Tourism expenditures and the export and import of related goods and services generate income to the host economy and can stimulate the investment necessary to finance growth in other economic sectors. Some countries seek to accelerate this growth by requiring visitors to bring in a certain amount of foreign currency for each day of their stay and do not allow them to take it out of the country again at the end of the trip.

An important indicator of the role of international tourism is its generation of foreign exchange earnings. Tourism is one of the top five export categories for as many as 83% of countries and is a main source of foreign exchange earnings for at least 38% of countries.

For many countries, international tourism is a crucial source of foreign-currency earnings. In 1999, international tourism and international fare receipts (receipts related to passenger transport of residents of other countries) accounted for roughly 8 per cent of total export earnings on goods and services worldwide. Total international tourism receipts, including those generated by international fares, amounted to an estimated US\$ 555 billion, surpassing all other international trade categories (see Figure 1).

Figure 1: Worldwide Export Earnings 1999



❖ **Contribution to Government Revenues:** Government revenues from the tourism sector can be categorized as direct and indirect contributions. Direct contributions are generated by taxes on incomes from tourism employment and tourism businesses, and by direct levies on tourists such as departure taxes.

Indirect contributions are those originated from taxes and duties levied on goods and services supplied to tourists.

The United States National Park Service estimates that the 273 million visits to American national parks in 1993 generated direct and indirect expenditures of US\$ 10 billion and 200,000 jobs. When visits to land managed by other agencies, and to state, local, and privately managed parks are added, parks were estimated to bring around US\$ 22 billion annually to the US economy. These expenditures also generate significant tax revenues for the government.

The World Travel and Tourism Council estimates that travel and tourism's direct, indirect, and personal tax contribution worldwide was over US\$ 800 billion in 1998 - a figure it expects to double by 2010. (Source: WTTC/Michigan State University Tax Policy Center)

❖ **Employment Generation:** The rapid expansion of international tourism has led to significant employment creation. For example, the hotel accommodation sector alone provided around 11.3 million jobs worldwide in 1995. Tourism can generate jobs directly through hotels, restaurants, nightclubs, taxis, and souvenir sales, and indirectly through the supply of goods and services needed by tourism-related businesses. According to the WTO, tourism supports some 7% of the world's workers.

❖ **Stimulation of Infrastructure Investment:** Tourism can induce the local government to make infrastructure improvements such as better water and sewage systems, roads, electricity, telephone and public transport networks, all of which can improve the quality of life for residents as well as facilitate tourism.

❖ **Contribution To Local Economies:** Tourism can be a significant, even essential, part of the local economy. As the environment is a basic component of the tourism industry's assets, tourism revenues are often used to measure the economic value of protected areas. For example, Dorrigo National Park in New South Wales, Australia, has been estimated to contribute 7% of gross regional output and 8.4% of regional employment.

There are other local revenues that are not easily quantified, as not all tourist expenditures are formally registered in the macro-economic statistics. Money is earned from tourism through informal employment such as street vendors, informal guides, rickshaw drivers, etc. The positive side of informal or unreported employment is that the money is returned to the local economy, and has a great multiplier effect as it is spent over and over again. The World Travel and Tourism Council estimates that tourism generates an indirect contribution equal to 100% of direct tourism expenditures

❖ **Tourism and Balance of Payments:** Tourism can make an important contribution to a country's balance of payments. From an economic viewpoint, services performed in tourism are classified as exports. Tourism offers developing countries the possibility of diversifying their export earnings, particularly given that (i) traditional exports are subject to price fluctuations and (ii) there is a trend toward reducing the administrative, monetary, and border formalities that affect international tourism mobility. The tourism sector has the capacity to recover foreign-currency investments in a very short period of time. The World Tourism Organization (WTO) estimates, for instance, that a medium-class beach hotel in a developing country will earn back in one year the entire foreign exchange required to build and equip it.

❖ **Tourism and GDP:** The tourism sector in the Latin American and Caribbean countries contributes significantly to GDP earnings, though this contribution is not reflected in the domestic income and product accounts of most countries. In the Bahamas, tourism accounts for about one-third of GDP, and most sectors of economic activity are directly or indirectly linked to it. In Barbados, tourism is the leading economic sector, accounting for 15 percent of the GDP in 1992. In Jamaica, the tourism contribution to GDP was 13.4 percent in 1992, while in Mexico it was only 4 percent.

❖ **Effects on the Livelihoods of the Poor:** Tourism can generate four different types of local cash income generally involving different categories of people:

- ◆ Wages from formal employment;
- ◆ Earnings from selling goods, services, or casual labor (e.g. food, crafts, building materials, guide services);
- ◆ Profits arising from locally-owned enterprises;
- ◆ Income: this may include profits from a community run enterprise, dividends from a private sector partnership and land rental paid by an investor.

Wage employment can be sufficient to lift a household from insecure to secure. But it may only be available to a select few, and not to the poor. Casual earnings per person may be very small, but much more widely spread and may be enough, for instance, to cover school fees for one or more children. Work as a tourist guide, although casual, is often of high status and relatively well paid. There are relatively few examples of successful and sustainable collective income from tourism.

Negative Economic Impacts of Tourism

There are many hidden costs of tourism, which can have unfavorable economic effects on the host community. Often rich countries are better able to profit from tourism than poor ones. While the least developed countries have the most urgent need for income, employment and general rise of the standard of living by means of tourism, they are least able to realize these benefits. Among the reasons for this are large-scale transfer of tourism revenues out of the host country and exclusion of local businesses and products.

❖ **Leakage:** The direct income for an area is the amount of tourist expenditure that remains locally after taxes, profits, and wages are paid outside the area and after imports are purchased; these subtracted amounts are called leakage. In most all-inclusive package tours, about 80% of travelers' expenditures go to the airlines, hotels and other international companies (who often have their headquarters in the travelers' home countries), and not to local businesses or workers.

A study of tourism "leakage" in Thailand estimated that 70% of all money spent by tourists ended up leaving Thailand (via foreign-owned tour operators, airlines, hotels, imported drinks and food, etc.). Estimates for other Third World countries range from 80% in the Caribbean to 40% in India.

A 1996 UN report evaluating the contribution of tourism to national income, gross levels of incomes or gross foreign exchange, found that net earnings of tourism, after deductions were made for all necessary foreign exchange expenditures. This report found significant leakage associated with: (a) imports of materials and equipment for construction; (b) imports of consumer goods, particularly food and drinks; (c) repatriation of profits earned by foreign investors; (d) overseas promotional expenditures and (e) amortization of external debt incurred in the development of hotels and resorts. The impact of the leakage varied greatly across countries, depending on the structure of the economy and the tourism industry. From the data presented in this study on the Caribbean, St. Lucia had a foreign exchange leakage rate of 56% from its gross tourism receipts; Aruba had 41%, Antigua and Barbuda 25% and Jamaica 40%. (Source: Caribbean Voice)

❖ **Increase in Prices:** Increasing demand for basic services and goods from tourists will often cause price hikes that negatively affect local residents whose income does not increase proportionately. A San Francisco State University study of Belize found that, as a consequence of tourism development, the prices for locals increased by 8%.

Tourism development and the related rise in real estate demand may dramatically increase building costs and land values. Not only does this make it more difficult for local people, especially in developing countries, to meet their basic daily needs, it can also result in a dominance by outsiders in land markets and in-migration that erodes economic opportunities for the locals, eventually disempowering residents. In Costa Rica, close to 65% of the hotels belong to foreigners. Long-term tourists living in second homes, and the so-called amenity migrants (wealthy or retired people and liberal professionals moving to attractive destinations in order to enjoy the atmosphere and peaceful rhythms of life) cause price hikes in their new homes if their numbers attain a certain critical mass.

❖ **Economic Dependence of The Local Community on Tourism:** Diversification in an economy is a sign of health, but if a country or region becomes dependent for its economic survival upon one industry, it can put major stress upon this industry as well as the people involved to perform well. Many countries, especially developing countries with little ability to explore other resources, have embraced tourism as a way to boost the economy.

In the Gambia, for instance, 30% of the workforce depends directly or indirectly on tourism. In small island developing states, this percentage can range from 83% in the Maldives to 21% in the Seychelles and 34% in Jamaica. According to the WTO, over-reliance on tourism, especially mass tourism, carries significant risks to tourism-dependent economies. Economic recession and the impacts of natural disasters such as tropical storms and cyclones as well as changing tourism patterns can have a devastating effect on the local tourism sector.

❖ **Seasonal Character of Jobs:** The seasonal character of the tourism industry creates economic problems for destinations that are heavily dependent on it. Problems that seasonal workers face include job (and therefore income) insecurity, usually with no guarantee of employment from one season to the next, difficulties in getting training, employment-related medical benefits, and recognition of their experience, and unsatisfactory housing and working conditions.

SECTION 4

Case Studies: Asian Tourism Industry

The Asia and Pacific region will be the focus of the worldwide tourism industry in the new millennium. Over the last decade, tourist arrivals and receipts rose faster than any other region in the world, almost twice the rates of industrialized

countries. Between 1980 and 1995, tourist arrivals and receipts in the Asia Pacific region rose at an average annual rate of 10% and 15% respectively, higher than any region in the world.

The Asia Pacific region has been gaining market share at the expense of the Americas and European regions, which saw a decline in their respective shares during the same period. (Table 1) The WTO projects that by the year 2010, the region will surpass the Americas to become the world's number two tourism region, with 229 million arrivals. It is an indication that the growth of tourism in the Asia Pacific region in the next decade will be nothing short of spectacular.

Table 1: Outbound Tourism International Tourist Tourist Arrivals by Generating Region, 1990-1999 (Nation) (Including estimations for countries with missing data)

	1990	1995	1998	1999	1990	1999	Market share (%)	Growth rate (%)	Average annual growth (%)
							1998/1997	1999/1998	1990-1999
World	457.3	550.3	626.5	650.4	100	100	2.9	3.8	4.0
Africa	9.7	12.4	14.8	15.0	2.1	2.3	14.3	1.6	5.0
Americas	99.9	109.2	120.8	122.7	21.8	18.9	5.2	1.6	2.3
East Asia & the Pacific	56.1	84.4	89.5	98.3	12.3	15.1	4.4	9.8	6.4
Europe	268.5	317.4	370.2	380.3	58.7	58.5	3.2	2.7	3.9
Middle East	7.8	8.7	9.6	10.1	1.7	1.5	9.7	5.1	2.9
South Asia	4.1	5.0	5.7	6.3	0.9	1.0	3.9	9.7	4.9
Origin not specified*	112	132	15.8	17.8	2.5	2.7	10.1	12.6	5.3

Mass travel, which first began in the 1950s when millions of Americans and Europeans traveled the world, has blossomed in Asia. The region is now regarded as a major generator and receiver of tourism. A wealthy new middle class of Asians are taking to the skies and joining their European and American counterparts on their pleasure, business, and adventure trips around the globe. The rapid growth of the tourism industry has been attributed to a number of factors including among others, strong economic growth, increase in disposable income and leisure time, easing of travel restrictions, successful tourist promotion, and recognition by the host governments that tourism is a powerful engine of growth and a generator of foreign exchange earnings.

In Singapore, tourism has made a significant contribution to output, employment, and income and overall balance of payments. Singapore has unveiled a new tourism blueprint titled "Tourism 21" that is expected to turn the nation into a world class tourism business center and the tourism capital of the East and Singapore has earned 30000 Cr Taka in the last year. Malaysia allocated Millions of dollars for tourism infrastructure in an effort to increase arrivals and receipts to 50000 Cr Taka. The tourism industry is one of the few sectors in which Nepal holds a comparative advantage and the industry has influenced segments of Nepal's economy and social system through the multiplier effect including hotels, restaurants, transport, shopping, entertainment and other allied economic activities. Some 20% of Nepal's foreign exchange earnings are contributed by this sector. Tourism is now the highest foreign currency generating industry in the Maldives, earning 70% of the country's foreign exchange, 40% of the government revenue, and contributing almost 20% to the Gross Domestic Product. The Maldives has also earned the distinction of being recognized by the World Tourism Organization as a model for the sustainable development of tourism.

Tourism is also gaining importance in China. By the year 2000, China received 55 million visitors with foreign exchange earnings of US\$14 billion, which contributed 5% to China's economy, making tourism one of the most significant components of the national economy (Beria 1996). In New Zealand, the tourism industry employs more than 200,000 people, with projections of a 14% annual growth till the year 2000 (Chan 1995) whereas in Hong Kong, tourism employs 12% of the workforce and contributes about 7% to the economy (Boxall 1996). Besides, the tourism sector in Thailand supports over 1.5 million jobs and contributes 5% to the economy (Asian Business 1996).

Tourism Development in Bangladesh

Bangladesh is bestowed with the beauties of nature. Its fascinating natural beauty has inspired many travelers from far and near through ages to undertake a journey to this land of the Bengalis. One such traveler aptly observed, "*Bangala has a hundred gates open for entrance, but not one for departure.*" Bangladesh offers the rare beauty spot of sunrise and sunset in fascinating Kuakata, the rare beauty of the Sundarbans - abode of the Royal Bengal Tiger, the longest smooth sandy beach in Cox's Bazar, the oldest archeological site in Mahasthangarh and many other delightful beauties of cultural and historical heritage. Bangladesh inherits a rich cultural legacy. In more than two thousand years of its history, many illustrious dynasties of kings and sultans have ruled and gone, but not without

leaving their mark in the form of magnificent cities and monuments and the desolate ruins which can still be seen in many places throughout the country. Above all, the simple and friendly people of Bangladesh - along with its tribes isolated from modern society by their own distinct culture and way of life - make Bangladesh a unique attraction for tourists.

Bangladesh Parjatan Corporation (BPC), the national tourism organization of the country, was established in 1973 with the intention of developing the tourist facilities and promoting tourism products and created a favorable image of the country. Although BPC is one of the few public sector corporations earning a net profit since 1983-84, it fails to attract foreign tourists due to some limitations.

Although the number of tourist arrivals in Bangladesh has shown an increasing trend over the years, Bangladesh has not been able to reap the full benefits in the tourism sector up to the desired level according to its potentiality. In the year 2004-2005, approximately 271270 tourists visited Bangladesh and it earned 3967 million taka whereas in 2005-2006 some 300000 tourists visited Bangladesh contributing more than 4000 million Taka to the domestic economy. Having realized the importance of tourism's multidimensional effects such as the balance of payments situation, diversification of the economy, expansion of revenues, and generation of employment opportunities directly and indirectly, Bangladesh should give top most priority to the Tourism Industry.

SECTION 5

Factors Behind the Robust Tourism Growth

❖ **Economic Growth:** The rapid growth of the tourism industry is a reflection of the Asia-Pacific region's booming and diversified economies. Economic growth has ranged between averages of 6% to 9% in the last decade, in contrast to 3% to 4% growth achieved by the rest of the world. China, which has achieved double-digit growth over the last 5 years, is poised to become one of the world's largest economies and surpass Japan in the next decade.

Strong economic growth in Asia is attributed to a focus on market reforms, export oriented industries, stable currencies, diversification of the economy, and massive injection of foreign capital. Billions of dollars are being poured into the tourism infrastructure to accommodate a burgeoning Asian tourism industry. This has intensified trade, investment, and travel within the region and with the rest of the

world. Asian governments have also sought to avoid extremes of inflation and unemployment, and are keeping budget deficits small or running surpluses. It is no wonder that the region has attracted much attention from the rest of the world regarding its success. The opening up of Indochina, Myanmar, and China to tourism, and given the increasing number of companies setting up bases and new businesses in the region, the volume of business travel will rise. This will provide ample marketing opportunities for travel-related businesses.

❖ **Increase in Income and Leisure Time:** As a result of strong economic growth, disposable incomes have soared in Asian countries and along with it, the propensity to travel. Leisure consciousness has been enhanced with travel no longer seen as a luxury. In fact, it is now seen as an affordable commodity to be enjoyed by all who choose to engage in a variety of leisurely pursuits. Some Asians may see travel as a status symbol, while others see it as relief from the pressures of work. A number of Asian countries have recorded significant growth in real per capita income over the last 5 years with Singapore (7.3%), Thailand (6.8%), and China (10.3%). Rising incomes have created a middle class of sophisticated and affluent Asians who are better educated, have more disposable income, and who appreciate the value of leisure. Mak and White (1992) have shown that increases in income levels will enable a greater proportion of Asians to travel overseas. Unlike previous generations, these generations of primarily young travelers are intent on enjoying the fruits of their labor. Although price conscious, they still demand high quality products. Since Asians are more likely to travel in groups and families, more travel products and services, such as tour packages that incorporate activities, must be designed to cater to their needs.

❖ **Political Stability/Breakdown of Political Barriers:** In recent years, the Asia Pacific region has become politically more stable than it has ever been, especially in the Philippines, where tourism was adversely affected by terrorism, civil strife, and natural disasters in the last decade. However, political, social and economic reforms of the current government have reversed the fortunes of the tourism industry. To encourage more investment, the Philippines Department of Tourism is urging financial institutions to provide funding to investors involved in tourism-related projects (Shaw 1997). Investors are showing confidence not only in the Philippines but also in Vietnam, Indonesia, and China. These nations, which were off-limits to foreigners at one time, are witnessing rapid hotel and resort developments. Even areas, which were closed or long considered inaccessible in parts of China and Indonesia, are now open to tourism. The opening of borders to both inbound and outbound travel, and the breakdown of political barriers, will provide tourists with opportunities to pursue their leisure

interests. For example, South Korea's normalization of relations with China also is expected to boost arrivals from Seoul to major cities in China when non-stop air traffic routes are inaugurated.

❖ **Easing of Travel Restrictions:** Historically, the demand for and freedom to travel increases when travel restrictions are lifted or eliminated. With strong demand for travel, a number of Asia Pacific countries have lifted some travels restrictions. The lifting of restrictions in South Korea and Taiwan in the late 1980s, for example, contributed to a surge in the demand for outbound travel. More recently, the Taiwanese government's open door policy and the institution of a 5-day visa-free entry program to 15 countries also helped to increase arrivals to Taiwan by 10% in 1995 over the previous year (Wieman 1996a). Similarly, the Malaysian government's decision to allow tourists a 3-day visa-free stay in Malaysia, and Indonesia's granting of unilateral visa-free entry are steps in the right direction. The general trend is towards a reduction of travel barriers to promote tourism.

❖ **Liberalization of Air Transport:** Traditionally, Asian countries have safeguarded their national flag carriers to protect them from foreign competition. However, the situation is changing as governments realize that such restrictive policies are counterproductive to tourism. Singapore and Taiwan have already signed open skies agreements with the United States and similar agreements are expected between the U.S. and Malaysia, S. Korea and New Zealand (Dhaliwal 1997). Liberalization of air transport will only serve to enhance trade and tourism growth in the region. It will lead to more multilateral open skies agreements between countries.

In other parts of the region, Thailand and Australia are showing more tourism growth as a result of liberalized internal aviation policies. Indonesia, the Philippines and South Korea have followed suit with similar aviation policies. Indonesia's limited open skies policy invites foreign airlines to fly to new international destinations and participate in code sharing agreements with Indonesian airlines. As a result of liberalized air policies in the Philippines, new international gateways have emerged, and more inter-island services initiated. This will save travel time, increase convenience, and enable the promotion of more resorts in the islands.

❖ **Technology:** Technological developments have significantly impacted the travel industry in the Asia Pacific region and will continue to do so over the next decade. Developments in large and more fuel efficient aircraft such as the Boeing 777, Boeing 747, and Airbus A340 have lowered operating costs, increased airline

seat capacity, and raised the comfort and safety of air travel. These aircrafts facilitate travel over longer distances and fly non-stop over Trans-Atlantic and Pacific routes. Lower operating costs, coupled with cheaper airfares, have reduced the cost of travel, thereby making air travel the dominant mode of travel in the region. Most of the new wide bodied jets built over the next decade will be delivered to Asia Pacific airlines to meet their increasing demand for capacity. With the availability of computer-based interactive information and product buying systems, tourists can view the facilities and destinations on the Internet, video, or CD-ROM and make direct purchases. New technological developments and production efficiencies will continue to create more leisure time that will be devoted to travel.

SECTION 6

Conclusion

The new millennium and the coming decades are a crucial time for the relationship between Travel & Tourism and sustainable development. Travel & Tourism is now one of the largest industries in the world contributing over 10% to global GDP. Economically, Travel & Tourism creates jobs and contributes to a country's GDP as well as bringing in capital investment and exports. Socially and culturally, Travel & Tourism offers the opportunity of providing jobs for minority and disadvantaged groups, bringing adequate training in management skills, education and technology to local people and increasing incomes in rural and local economies, thereby contributing to the alleviation of poverty in developing countries. Environmentally, it is essential for Travel & Tourism to maintain an optimal balance of its natural resources to ensure the ongoing arrival of tourists to destinations.

The way forward for Travel & Tourism is to create strong partnerships between the private and public sectors, non-governmental organizations, institutional bodies, and local communities, in order to ensure effective active participation by all stakeholders. Governments are only just beginning to take a more decisive role in developing sustainable, economically successful tourism but strong partnerships by all players will bring valuable networking processes, workable policies and logical planning and development, transforming Travel & Tourism's sometimes negative environmental image to one of sustainability and stewardship.

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