

## Tourism as an Economic Development Tool: A Theoretical Debate

Masudur Rahman\*

***Abstract:** The crucial problem might be the fact that tourism sector fails to draw adequate attention as there is a lack of appreciation and enthusiasm for tourism by civil society and business leaders as well. Unfortunately tourism is not often understood properly and its economic benefits are unclear. So, policy level planning and implementation of the plans to improve the tourism industry are often lacking the required level of devotion, sincerity, and pace. Many developing countries are using tourism as a key development tool for economic development and are thus incorporating it in their national economic development plans. Tourism has become a significant industry both in poor and rich countries due to its positive impacts on the economy, people's livelihoods, and socio-cultural development. This article thus attempts to examine the existing concepts of economic development, tourism development, and attainability of tourism as an economic development tool reviewing the related key literature.*

***Keywords:** economic development, tourism development, development tool, UNWTO*

### 1. Introduction

The tourism industry is related to the most important economic dimensions. It contributes to three high-priority goals of any country: income generation, employment creation, and foreign exchange earnings. Therefore, if these fundamental economic development dimensions are considered, then tourism industry might play a significant role as a driving tool of economic development. Depending on the stages of economic development and specific characteristics of each country the tourism industry might have different impacts on the economy.

Globally tourism has been one of the economic development success stories following World War II and now has evolved into one of the world's largest economic sectors contributing 35% of global exports of services (UNWTO, 2008). The two billion USD

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\* **Dr. Masudur Rahman**, Professor, Department of Marketing, University of Dhaka, Dhaka1000.

per day earnings from the tourism industry in 2006 and the 6.5% growth in international tourist arrival per year throughout 1950 to 2006 made the claim authentic and also proved the sustainability of this sector (UNWTO, 2008). The United Nations World Tourism Organization (UNWTO) forecasts 1.6 billion international tourist arrivals worldwide by 2020 and it further proves the prospects of this sector (UNWTO, 2008). According to UNWTO international tourism is to continue robust growth in 2013.

*International tourist arrivals grew by 4% in 2012 to reach 1.035 billion, according to the latest UNWTO World Tourism Barometer. Emerging economies (+4.1%) regained the lead over advanced economies (+3.6%), with Asia and the Pacific showing the strongest results. ... By region, Asia and the Pacific (+7%) was the best performer, while by sub-region South-East Asia, North Africa (both at +9%) and Central and Eastern Europe (+8%) topped the ranking (UNWTO, 2013:1).*

Tourism has been considered as an effective vehicle for economic development of many countries in the world (Sharpley, 2009). Globally it is regarded as the fastest growing industry, with economies benefiting from its positive impacts (UNWTO, 2008). With its strong forward and backward linkages, it promotes economies by creating and improving infrastructure and other relevant issues (World Travel and Tourism Council, 1998 and Saayman *et al.*, 2000). Tourism has become a significant industry both in poor and rich countries due to its positive impacts on the economy, people's livelihoods and socio-cultural development (Shah and Gupta, 2000). With appropriate government support, the economic benefits from tourism can expedite the process of economic development of developing countries and improve the standard of living of local communities (Sharpley, 2009). Governments can play two roles in the tourism industry: first to create a forum which can help the industry to coordinate its activities and second to work as a promoter of a country's tourism resources (Ioannides, 1995).

Developing countries and least developed countries (LDC) with rich natural and cultural resources possess significant comparative advantage to attract tourists in search of new experiences (Wahab, 1974). Its economic benefit attracts policy makers and academics to use it as a tool for the development of the poor countries. However, many authors (Whelan, 1991; Din, 1993; and Hitchcock *et al.*, 1993) argue that tourism cannot be a development option for developing countries and LDC due to the extent of foreign ownership of tourism assets and leakage through repatriation of revenues, the inequality of benefit distribution and its social costs to the host community. Poverty reduction is a main concern for many under-developed countries and the UNWTO report on Tourism and Poverty Alleviation highlights:

*Sustainable tourism can be one of the few development opportunities for the poor. Let us use it wisely and soon! (UNWTO, 2002:1)*

There is widespread optimism that tourism might be a powerful and beneficial agent of both economic and social change (Wall and Mathieson, 2006). For example, Gambia is one of the smallest and poorest countries in Africa, but uses tourism as an economic and social development agent which contributes about 11% of gross domestic product (GDP) and creates 7000 jobs (Dieke, 1993 and Thomson *et al.*, 1995). But Telfer (2002) argues that whilst tourism has the potential to generate economic growth and development, it can also increase inequalities in society if only the local elites get most of the benefits.

## **2. Objectives**

This article aims at reviewing the existing concepts of economic development, tourism development and will critically examine whether tourism can be used as a development tool. The specific objectives of this article are -

- i) to study the existing theoretical concepts of economic development and tourism development and identify the theoretical debates;
- ii) to indicate the applicability of tourism as an economic development tool.

## **3. Methodology**

This article is the result of a desk-based research. Information used in this article is basically collected through conducting a qualitative research. In social sciences research, one of the basic instruments for collecting data is to study the documents (Blaxter, Hughes, and Tight, 1997). Secondary data were collected and analyzed to achieve the objective of the paper. Data collection was facilitated by going through the available secondary data sources like published documents and web-based materials. Documents focusing on sustainable development, sustainable tourism and related issues were considered. While selecting the documents from where data was to be extracted, the author considered the relevancy of issues to the research focus. Therefore, the author traced out the relevant literature, reviewed those, analyzed the literature, synthesized the debates, and presented the findings in an analytical form.

## **4. Economic Development**

The concept of economic development is complex and difficult to define in an inclusive manner. Initially, development has been defined in terms of Western style modernisation achieved through economic growth (Redclift, 1987). From a Western perspective, economic development means modernisation of economic systems through economic growth. Economic growth increases national productivity and per capita income and thus the standard of living of the population. It emphasizes on the production and level of

output and if achieved then its benefits will trickle down to the population as a whole. But in reality this sometimes appears not true as in many countries where the benefits of development are enjoyed by elite sections of the population, the larger population does not have access and right to enjoy these benefits.

Ray (1998) argues that economic growth indicators are only taken into account in order to measure economic development or more precisely, progress in economic development. The International Commission on International Development Issue (ICIDI) also criticised the economic growth model of development.

*... world development is not merely an economic process.... Statistical measurements of growth exclude the crucial element of social welfare, of individual rights, of values not measured by money (ICIDI, 1980:49).*

Many scholars (Seers, 1969 and Todaro, 2000) claim that development can not be seen just as an economic phenomenon and have rejected economic growth as the objective of economic development because it overlooked the 'human element' of development. In many countries economic growth was not only failing to solve social and political problems but was also causing and increasing them (Seers, 1969). Many countries had achieved their economic growth targets, but '*the levels of living of the masses of people remained for the most part unchanged*' (Todaro, 2000:14). Seers (1969) highlights some specific issues in this regard:

*The questions to ask about a country's development are therefore: what has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems has been growing worse, especially if all three have, it would be strange to call the result 'development', even if per capita income had doubled (Seers, 1969:6).*

A broader definition of economic development emerged by the 1970s which included reduction of poverty, creation of jobs to address unemployment, reduction of the inequality between rich and poor and self-reliance. Sen (1984) states that growth:

*'may matter a great deal, but, if it does, this is because of some associated benefits that are realised in the process of economic growth' (Sen, 1984:220).*

According to Todaro (1989) development is not only an economic process but rather a multidimensional process involving the reorganisation and reorientation of entire economic and social systems not just improvements in incomes and output, but also

radical changes in institutional, social and administrative structures, attitudes and customs and beliefs. Todaro (1989) says that the ultimate goal of development is:

*... multidimensional process involving major change in social structures, popular attitudes, and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of absolute poverty. Development in its essence, must represent the whole gamut of change by which an entire social system, tuned to the diverse basic needs and desires of individual and social groups within that system, moves away from a condition of life widely perceived as unsatisfactory and toward a situation or condition of life regarded as materially and spiritually better (Todaro, 1989:89).*

Therefore, development is not only involved with the increasing economic well-being of populations of a particular nation it also involves their minds and desires to have a good quality of life. In the Human Development Report (1990) of the UNDP, economic development is defined in a similar manner - development is the enlargement of people's choices the most critical being to lead a long, healthy life, to acquire knowledge and to have access to the resources needed for a decent standard of living. Thus, the term development has several meanings.

*"... economic growth, structural change, autonomous industrialisation, capitalism or socialism, self actualisation, and individual, national, regional and cultural self-reliance" (Harrison, 1988:154).*

Therefore, in the beginning, the term development only included economic growth but later it included social, moral, ethical and sustainability considerations.

## **5. Tourism and Development**

*As tourism emerges from the shadow of economic policy to a centre-stage position, it has become imperative to evaluate its role in economic development. The industry is shrouded in myths and stereotypes, and there is a need to examine critically recent trends in tourism, its economic organization and its contribution to economic development (William and Shaw: 1991:2).*

WTTC (2008) predicts a steady growth for world travel and tourism between 2009 and 2018, with average growth of 4.4% per annum over the period, supporting 297 million jobs and 10.5% of global GDP by 2018. Since 1960s academic approaches towards tourism have been considering it as a development stream (Peters, 1969 and Kadt, 1979). Tourism provides foreign exchange, increases employment, attracts foreign investment and domestic private capital for development and promotes economic independence

(Britton, 1982). The developing countries and LDCs have considered tourism as an effective tool for achieving economic development.

UNWTO (2002) argues that through its potential for job creation, linkages with the local economy, foreign exchange earnings and its multiplier effect, tourism can lead to economic growth and economic development. Developing countries are usually characterized by their dependence on agriculture for export earnings, poverty, low per capita income, uneven distribution of income and wealth, low level of industrial development, high unemployment, small domestic market, small amount of disposable income and uneven regional development.

A considerable body of literature (Thirlwall, 1983; Wall and Mathieson, 2006) find that export expansion is a major factor contributing to sustained economic growth. It has been argued that, in developing countries, a transformation from a traditional agricultural economy to an industrial economy is required for modernization and economic development. Such transformation demands huge capital and foreign earnings. This has encouraged governments in developing countries to use tourism as a way to generate financial resources required for economic development (Wall and Mathieson, 2006).

*Whether for good or ill, the development of tourism has long been seen as both a vehicle and a symbol at least of westernisation, but also, more importantly, of progress and modernisation. This has particularly been the case in Third World countries (Roche, 1992:566).*

Jenkins (1980) points out a number of reasons why LDCs want to use tourism as a development tool. According to Jenkins, these reasons are: international tourism has been continuously growing since 1960 because of the introduction of long-haul travel. Tourism in theory helps to redistribute the wealth from rich countries to poor countries. In the case of tourism, there are no trade barriers as there is for other international trade and compared to other industries, tourism requires low capital investment. For this reason, many countries regarded tourism as an important and integral tool of their development strategy (Jenkins, 1991).

*Tourism can make an important contribution to a country's balance of payments. It offers the 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 towards reducing the administrative, monetary and border formalities that affect international tourism mobility. With only a few exceptions, the terms of trade for developing countries, i.e. the ration between the prices that a country receives for its exports and the prices it pays for its imports have traditionally been unfavourable because of the fluctuations in the prices of raw*

*material exports. But in the case of international tourism, if the index of average international tourist expenditure is taken as the expression of the price of the international product, the prices received have enjoyed greater stability than the prices of raw materials (Taleghani, 2010:415).*

It is not only LDCs, rather most of industrial countries have also realised the contribution of tourism in economic development and given emphasis on its planned development. In Western Europe there has been evidence of government support for the tourism sector even dating back to the 1920s and 1930s (Shaw and Williams, 1994).

*... tourism-along with some other selected activities such as financial services and telecommunications have become a major component of economic strategies (Shaw and Williams (1994:1).*

Hall (1993) also points out the potential of tourism in the economic development process of Eastern Europe, in countries like Poland, Estonia and Lithuania. National development plans for most developed countries now incorporate the assumption of 'trickle down' tourism benefits as a general stimulus to other sectors of the economy (Mowforth and Munt, 1998). However, tourism not only contributes to economic development, but it also reduces the discrimination of income and infrastructure development between core and periphery. Christaller (1963) argues that tourism can be used to achieve economic development in peripheral regions because tourists travel from core metropolitan areas to the periphery too.

## **6. Conclusion**

The contribution of tourism to the economic development of a country has not escaped criticism. Some academics (Bryden, 1973; Turner, 1976; Kadt, 1979; Britton, 1991; Mowforth and Munt, 1998; Torres and Momsen, 2005) express their reservations about the role of tourism in economic development. Torres and Momsen (2005) argue that growth of tourism increased dependency on foreign imports which in turn compete with the development of local agriculture and small industry, while also leaking foreign exchange. Kadt (1979) criticizes tourism as a strategy for economic development because it is associated with dependency upon external and often fickle sources of growth. In LDCs, benefits of tourism often do not reach local people, as the lion's share of the benefits are transmitted to large trans-national companies, non-local entrepreneurs and national governments (Bryden, 1973; Britton, 1991; Mowforth and Munt, 1998). Wolfson (1967) suggests that there has been a tendency for policy makers in some developing countries to use tourism as an easy means of economic development. Especially for many third world developing countries, tourism has become the most important economic activity resulting significant foreign exchange earnings.

The above discussion about the contribution of tourism in the economic development of a country might not provide a clear conception of whether it is a blessing or blight for a particular country. Whether tourism is advantageous or disadvantageous for the economic development of a country, depends on the scale of the tourism demand, the structure of the tourism industry and the pattern of the economy.

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