Tourism in a Global Economy

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Global tourism is frequently labeled the world's largest industry. Today, according to the World Travel and Tourism Council, an industry association (WTTC 2004), domestic and international tourism together amount to a 5.5 trillion dollar activity. The organization reports that tourism directly or indirectly accounts for 10% of the global economy and, by accounting for about one in 12 jobs in the world, the activity is also the world's largest employer. Roughly nine out of 10 tourist arrivals and dollars are spent domestically, but international tourism has seen rapid growth since the end of World War II. According to the World Tourism Organization (WTO), the Madrid-based UN agency charged with chronicling and promoting global tourism, international tourism – defined as residents voluntarily crossing recognized international borders for more than 24 hours and less than a year, has grown by about five percent a year over that period. The WTO reports 691 million international tourist arrivals in 2003 and those visitors spent $514 billion. Preliminary numbers suggest that global tourism grew by 10% in 2004, the fastest growth in decades (WTO 2005a; 2005b).[1] International trade in tourism typically amounts to about 12 percent of world exports, and is often the single largest item in non-financial services.

Table 1: World Tourism arrivals by Region – Arrivals 2004

Region	(millions)	Market Share
World	760	100
Africa	33	4.3
Americas	124	16.3
Asia/Pacific	153	20.2
Europe	414	54.6

Source: WTO 2005a

Broken down, the global tourism industry remains unevenly distributed. As Table 1 shows, more than half of all international tourism arrivals take place in Europe, and an additional 11% go to North America (WTO 2005a, 3). The top 10 countries in terms of tourism destinations account for more than half of all global arrivals and expenditures. As Table 2 shows, eight of the top 10 are wealthy countries, the exceptions being China and Mexico. Among the top 10 earners, nine are wealthy countries, with only China among developing or poor countries. That most international tourism is confined to rich areas of the world is not surprising, given that tourism is a luxury item. Nine of the 10 leading countries in outbound tourism are also wealthy countries, with the 10th, China, benefiting from inclusion of Hong Kong (WTO 2004). Despite this, the longer term trend has shown a growing share of international tourism going to poorer regions of the world. In recent years as much as a third of all

international tourism arrivals take place in poor countries, compared to about one-fifth 30 years ago.

Table 2: World's Top Tourist Destinations, 2003

Rank	Country	Tourist Arrivals (millions)
1	France	75.0
2	Spain	51.8
3	U.S.	41.2
4	Italy	39.6
5	China	33.0
6	UK	24.7
7	Austria	19.1
8	Mexico	18.7
9	Germany	18.4
10	Canada	17.5

Source: WTO (2004)

Table 3: World's Top Tourism Earners, 2003

Rank	Country	Receipts (US billions)
1	U.S.	64.5
2	Spain	41.8
3	France	37.0
4	Italy	31.2
5	Germany	23.0
6	UK	22.8
7	China	20.4
8	Austria	14.1
9	Turkey	13.2
10	Greece	10.7

Source: WTO (2004)

While changes in transport technologies, affordability and consumer tastes have contributed to this globalizing trend, it is also the result of conscious government action. Many countries have turned to tourism »exports« as a conscious policy choice.[2] Most governments have state-owned tourist promotion offices at home and abroad, and many have provided various forms of tourist infrastructure in hopes of attracting more international travelers. Indeed the World Bank has revived tourism sector lending as a development tool in recent years after a long hiatus. Tourism and development, however, is controversial at best. Proponents cite export earnings, job creation, tax revenues, and linkages to the larger economy as the primary development benefits associated with tourism. Critics contend that almost all of these are overstated. Jobs are frequently menial, part-time and seasonal. Export earnings suffer from leakage effects and promised linkages frequently fail to appear, resulting in enclave development.

Along side – and intertwined with – issues of economic development are those of power. International tourism is a luxury item, but as a service it also brings producer and consumer together face to face in a social as well as economic relationship. Host and guest exist in a hierarchical relationship. Often in North-South tourism these terms resemble those of past colonial relationships between master and servant. Yet the economic dependence of particular regions and countries upon tourism requires host governments to frequently engage in »smile campaigns« and other urgings of their own population to be more welcoming to foreign visitors. At times the juxtaposition between wealthy tourist and exploited tourist worker may be extreme, such as those chronicled by the UK alternative tourist activist organization Tourism Concern (»Sun Sand Sea and Sweatshops,« http://www.tourismconcern.org.uk/campaigns/ssss.html).

The debate between pro and con over tourism has been a long but not altogether fruitful one. A related but alternative manner of conceptualizing the impact of global tourism is to inquire about the distribution of benefits. Tourism certainly provides economic benefits. The key question is over how they are distributed and why. The answer, however, is elusive, in part due to the fragmented nature of the activity. Tourism is not one industry, but instead is made up of several overlapping industries, each with their own organization. The section below details the international organization of three main industries within tourism, the hotel, airline and cruise line sectors. Together they help in better examining two related questions central to political economy: where do the primary benefits go and where does power lie?

Hotels

Most tourist expenditure goes toward lodging. While several options are available for travelers (staying with friends or family, camping, etc), the hotel/motel sector lies at the forefront of the sector. Hotel chains date roughly from the era of World War II and the chains have evolved into transnational corporations (TNCs) with a global reach. Table 4, below, summarizes the largest hotel chains operating in the world as of 2003, ranking them by number of rooms. As the table demonstrates, seven of the top ten are headquartered in the United States and all 10 are from wealthy countries. In fact, all of the 20 largest chains by rooms are headquartered in just five nations, all five coming from either the US or European Union (*Hotels* 2004). Most operate multiple brands in what has become a highly segmented market. This is of particular concern for developing countries, which may prefer local ownership and control of the domestic hotel industry in order to maximize economic benefits.

In fact there is strong evidence that tourists from the Global North often prefer familiar names while traveling abroad. Well known brands help reduce uncertainty and promise a certain level of quality for those far from home, thus giving international chains a competitive edge over local competitors. Perhaps more important than the size or origin of chains is that of the terms of their entry into local markets. The hotel business is essentially two businesses: real estate and lodging services. One crucial aspect of hotel chains has been their ability to separate their branding from actual ownership of hotels. Many of today's largest chains enter into local markets through licensing agreements, franchising, leasing, and/or management contracts. For example, Cendant Corporation, best known for its brands such as Days Inns, Travelodge and Howard Johnson's, franchises all 6,402 of its properties; it owns none

of its own hotels but has become the world's second largest hotelier through contractual arrangements (it has also integrated into other tourist-related areas such as on-line travel agencies and rental cars). Rather than investigating significant capital into what is now recognized as a capital intensive industry, most international hotel brands enter through these contractual agreements while leaving capital requirements to other, often local investors. As several commentators (Britton 1981; Dunning and McQueen 1982; Clancy 1998) have noted, the terms of these agreements are generally short in duration and tend to benefit contracting chains. Many received revenues based on gross revenues or portions of bookings on computer reservations systems (CRS). Frequently terms of the contracts are short, with big international chains frequently moving from property to property. Chains therefore often gain effective control over assets but have few sunken costs in the local market. In other words they are able to gain a significant portion of benefits while avoiding many of the risks associated with capital costs.

Table 4: World's Largest Hotel Chains (by rooms, 2003)

Rank	Chain	Country	Rooms
1	InterContinental	UK	536,318
2	Cendant	US	514,873
3	Marriott Int'l	US	490,564
4	Accor	France	453,403
5	Choice	US	388,618
6	Hilton Hotels, Corp	US	348,483
7	Best Western	US	310,245
8	Starwood Hotels and Resorts	US	229,247
9	Carlson	US	147,624
10	Hilton Group, PLC	UK	98,689

Source: Hotels (2004)

Airlines

Most international tourists travel either by air or by automobile. In 2000, 40% of international tourists arrived via air, a number that increases to more than half in all areas of the world outside of Europe (WTO 2002). In contrast to the fragmented and decentralized hotel industry, international air transport has been a closely regulated economic activity between nations since its birth. It has also been highly protected. Due to its »strategic« status, air transport has been kept outside of the General Agreement on Tariffs and Trade (GATT) and subsequent World Trade Organization (WTO) frameworks that have governed the bulk of world trade since the end of World War II. Instead trade in air services is the result of tedious and complex negotiations. Any foreign carriers seeking to fly to a particular country must seek special permission resulting from government negotiations to serve that country. Nations also protect their airline industry through prohibiting cabotage, a global norm emerging from the 1944 Chicago Convention on international commercial air travel. As a result, Lufthansa cannot provide service between any two U.S. cities unless the segment is part of a larger international route.

Table 5: World's Largest Airlines (Scheduled Passenger Kilometers, 2003)

Rank	Airline	Country	SPKs (millions)
1	American Airlines	US	193,135
2	United Airlines	US	167,136
3	Delta Airlines	US	143,478
4	Northwest Airlines	US	110,199
5	British Airways	US	100,426
6	Air France	France	99,122
7	Lufthansa	Germany	96,617
8	Continental Airlines	US	91,105
9	Japan Airlines	Japan	75,907
10	Qantas	Australia	68,933

Source: IATA (2004)

As Table 5 demonstrates, US carriers dominate the world's largest airlines, as measured by combined domestic and international scheduled passenger kilometers. This owes to the US possessing roughly 40% of the world air market. All of the top 10 and 15 of the top 20 are carriers based in wealthier countries in the world. Measuring based only on international flights, the largest three, British Airways, Lufthansa, and Air France, are all European based and nine of 10 are based in Europe, North America, Japan or Australia (IATA 2004). Among the 30 largest, only six are based in developing countries, and most are based in »wealthier« developing nations such as Korea, Brazil and Malaysia. The biggest air carriers in the world have also faced a difficult competitive environment in recent years. Last year, for example, US legacy carriers lost a combined nine billion dollars. Upstart low cost carriers are changing domestic markets as well as some international ones.

Table 6: Major Airline Alliances (and major partners, 2005)

Star (16 members)	Oneworld (8 members)	Skyteam (9 members)
Unitet	American Airlines	Delta
Lufthansa	British Airways	Air France
Air Canada	Cathay Pacific	Continental
All Nippon Airways	Iberia	Northwest
Singapore Airlines	Qantas	Alitalia
Varig	Aer Lingu	KLM
US Airways		Korean Air

As a consequence of the strict international regulatory environment, most countries possess a domestic airline industry that is largely domestically owned. Until a recent wave of privatization, there was also a great deal of state ownership in airlines. Still, many nations severely limit foreign ownership of domestic airlines. For instance, U.S. law states that at least 75% of voting stock of air carriers must be held by U.S. citizens, while the president, two-thirds of the board of directors, and top managers must also be citizens (Staniland 1996: 3). As a result, airlines compete differently than

other multinationals. Most have also traditionally faced highly regulated markets on international flights based on bilateral air service agreements (ASA's), although this has begun to change over the past 12 years or so with a move toward so-called »open skies« agreements. Under the latter, commonly two governments sign a treaty making international flights between the two countries open for competition between the two nations air carriers. This does *not*, however, have an impact on the domestic market of either nation.

While regulation has limited the ability for airlines to pursue traditional strategies of expansion, in recent years they have gained a greater global reach through strategic alliances. These alliances vary in nature, and can range from coordination over baggage handling or reservations, to honoring frequent flyer miles. Taken to the furthest extreme, some carriers engage in cross investment and code sharing practices. In the latter, carriers coordinate flights to make travel more seamless throughout partner networks. By early this decade, earlier partnerships had evolved into three major global alliances: Star Alliance, Skyteam (which recently incorporated many members of the Wings alliance), and Oneworld. A fourth, Qualifier, is a newer, primarily European regional alliance that may grow into a global player. Table 6 outlines the major players in each alliance. Together they increase the global reach of partners and, importantly in the current competitive environment, help cut costs.

Cruise Lines

Within the overall tourism industry, the cruise sector constitutes a small but rapidly growing sector. In 2001 more than 12 million people took cruises, up more than 700 percent since 1980 (ITF/War on Want 2000). Cruise ship travel has grown by 8.4 percent a year over the past decade, roughly three times as fast as the global economy (ICCL n.d.). The International Council of Cruise Lines, an industry peak association, predicts that by 2010 more than 21 million people will take cruises (ICCL n.d.). Cruise ship traffic at the global level has avoided the recent downturn in overall tourism from 2001-3 that has been associated with political uncertainty, economic recession and health problems (notably SARS), and may have even benefited from it.

Cruise tourism has traditionally been centered on the North American market, and within that market among older, somewhat affluent travelers, but in recent years this has begun to change. More than 60 percent of cruise travelers still originated from the North American market in the year 2000, but this is down considerably from a decade earlier. Rapid growth continues to take place in Europe and especially Asian markets. Despite this growth, the Caribbean remains the region that is most penetrated by cruise ship traffic. At any given time as many as 70 cruise passenger ships are at sea in the Caribbean at any given time (Wood 2004) and cruise tourist arrivals to the region totaled more than 16 million in 2002, compared to 3.8 million in 1980 and 7.8 million in 1990 (CTO 2005).

The cruise industry integrates the tourist product in that it brings together transport and hospitality, along with a growing number of additional services. Modern cruise ships can house as many as 3,000 passengers and contain a wide array of amenities, ranging from a myriad of restaurants, bars, discos, casinos, movie theatres and stage productions, spas, recreation facilities, shopping malls and even ice rinks. This constitutes a conscious strategy of integrating what are frequently decentralized tourist services and is similar to the »all-inclusive« resort.

Table 7: Major Cruise Companies

Company	Carnival	RCCI	Star
Major Brands	Carnival Princess Holland-America Seabourn Cunard Costa Windstar	Royal Caribbean Celebrity	Star Norwegian Cruise Lines NCL America Orient

The cruise business, while growing rapidly, has become increasingly centralized. Although there are upwards of 70 different cruise lines in the world, three companies, Carnival Cruise Lines (CCL), Royal Caribbean International (RCI) and Star Lines accounted for more than three-quarters of the world's berth's in 2002 (Kester 2002). All three lines have multiple brands aimed at the highly segmented market (see Table 7). Carnival operates 12 brands on some 77 ships with 128,000 berths. In 2003 it completed a buyout of P&O Princess Lines, winning a bidding war with RCI and paying $5.5 billion for the then fourth largest line. According to its Web Site at any give time some 170,000 passengers are at sea on one of their ships. RCI, the second largest, possesses 29 ships with 60,000 berths on its two signature brands, Royal Caribbean Cruise Lines and Celebrity. Malaysian-based Star Cruises recently bought Norwegian Cruise Lines, and its 22 ships contain some 35,000 berths. It should be also noted that with all the growth over the past decades, the cruise business has been extremely lucrative. In 2002 the three combined for $11.5 in revenues and netted profits of $1.66 billion (Klein 2003).

Conclusion

Despite interruptions associated with politics crises, natural disasters and economic downturns, global tourism continues to grow rapidly over the medium and long term. Although it has long been controversial in and of itself, the global economic organization of the activity also presents challenges. The growing size and scope of tourism-related TNCs raises the same distributional issues associated with the global economy as a whole. Most important among them, how do governments negotiate with powerful firms that possess a significant amount of control within the industry, and ultimately, where do the benefits of the economic activity go?

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Anmerkungen

1 In large part this growth reflects a recovery from a 3-year downturn in global tourism that took place after the terrorist attacks of September 11th, 2001, a global recession, and the SARS outbreak in Asia.

2 When travelers from one country visit another, their expenditure is listed as a travel service import on national accounts.