5 Economic Responsibility

Only connect the prose and the passion…[1]

E.M. Forster

It is generally assumed that there is a large positive economic impact from tourism, oft-claimed to be the world's largest industry. Economic benefits may include foreign exchange 'hard currency' earnings; taxation revenue; modernisation through infrastructure development and contact with the international economy; and increased local demand for goods and services, which creates business opportunities and employment. The adage "it is not tourism until it is sold" is an important reminder that tourism is both an experience and a commercial activity. But there are also negative economic impacts to be considered.

The challenge is to ensure that tourism is used by the destination to contribute towards making it first, a better place to live in, and second, a better place to visit. Tourism is an export industry, which can exploit the destination or be used by people in the destination to improve their livelihoods. Responsible Tourism accepts that tourism is a consumer-driven activity, purchased and provided in a very competitive market: a market in which the consumers (and the tour operators who purchase on their behalf) are generally more powerful than the producers (in the destinations). Tourism as an economic activity is likely to grow for the foreseeable future, despite the challenges of our finite world. Ironically, those activities in destinations which are able to secure the highest prices are those which benefit from having secured access to a limited resource – for example, gorilla viewing in Rwanda, or where consumers purchase exclusivity in a resort or spa and the supply is controlled in order to maintain a premium price.

At Responsible Tourism's economic core is "harnessing tourism for local economic development, for the benefit of communities and indigenous peoples".[2] The central tenet of the Responsible Tourism movement is that all forms of tourism can be improved by taking responsibility for the economic

1 Forster (1910)

2 Cape Town Conference (2002): 2

impacts of tourism – they can be made more economically sustainable by avoiding or reducing the negative impacts and maximising the positive ones. Travellers and holidaymakers, guides, excursion providers and attractions, accommodation and transport providers, tour operators can all contribute to this. Employing local people on good terms and conditions, training them so as to ensure their progression and buying locally produced goods and services all make a difference in the destination. Individual consumers and businesses are able to make a significant difference though the purchasing choices they make. The chef at the Hotel des Mille Collines in Kigali, Rwanda, was unable to purchase jams made from local fruits for the hotel breakfast tables, so he worked with local women to create the product, and imported the jars on their behalf, demonstrating what an individual can contribute. Similarly, the holidaymaker who shuns the high-margin goods brought in from beyond the local area for sale in the hotel shop, and instead goes to meet with and buy from a local craft producer, makes a difference. He or she also has a more interesting experience. The hotel owner or manager who invites local craft producers to sell in the hotel on a rota provides another facility to the guests, contributes to the local economy and builds goodwill with the hotel's neighbours. None of this is particularly difficult and often it improves the destination experience. In each of these examples someone took responsibility to improve the local economic impact.

It is not always so simple, and it is not sufficient to look only at the positive impacts. If the purchase of crafts result in the loss of hardwood trees or endangers species, if tourism development on the beach denies access to fishermen, or a herdsman access to water, there will be negative environmental and economic impacts. Judging whether the wellbeing of a community has been enhanced though tourism is inherently more complex than considering the impacts at the individual or household level. In development processes, there are generally both winners and losers. Responsible Tourism must, therefore, require a net-benefit, triple bottom line, approach, and emphasise the importance of enabling access to the industry for those excluded from it.

Tourists create economic opportunities for tour operators and agents in originating markets. They operate in a competitive market where, for most products, supply comfortably exceeds demand – there are far more destinations in the world than there are people to travel to them. Although when terrorism deters tourists from major destinations like Egypt and Tunisia it displaces them to the benefit of other competitor destinations. The consumers are the primary beneficiaries of competition; it is a buyer's market. Tourism also presents advantages for destinations. There are no tariff barriers, other than visa charges imposed by the exporter, on the sale of tourism services. There are opportunities for local producers to capture the full end-consumer value in the destination. When a tourist buys a locally made carpet in Nepal, more of the value is captured in Nepal than if the carpet is purchased abroad. Tourism can bring infrastructure investment, and the means to pay for it, through foreign exchange earnings.

Aside from these very direct benefits, tourism is best understood as a market that creates demand for a wide range of goods and services, which are not always obviously to do with tourism. It creates work for bakers and refuse collectors, demand for printing and plumbing, and a hundred other trades and services. By definition, tourists come from elsewhere to consume in a local economy. To the extent that tourism demand stimulates local production, it generates economic development.[3] Where tourists purchase locally produced craft, local production increases, linkages are greater, employment is increased and the multiplier will be higher. Where tourists are offered, and purchase, crafts imported into the area, because the quality is better or the margins for local traders are higher, the leakages are greater. The money is being spent in the local economy but it leaks straight out, particularly if the trader is sending money home or spending their earnings on imported goods.

The economic objectives of different stakeholders vary: entrepreneurs see business opportunities; communities gain employment; national governments and regional development agencies seek to maximise arrival numbers in order to grow the economy, and to maximise foreign exchange earnings and tax revenues. National governments place great emphasis on foreign exchange earnings, which can be used to repay foreign loans and purchase capital goods or arms,[4] and sometimes seek to rebalance the trade deficit on tourism by encouraging residents to holiday at home.[5] It is surprisingly rare for governments to calculate the net foreign exchange earnings from international arrivals by subtracting the import costs incurred by the sector from foreign currency revenues. There are, of course, other costs that arise from tourism.[6] Yield research in New Zealand found NZ$429 million (US$313 million) net financial benefit for central government. The same research found that for local government tourism was largely cost neutral and that in the

3 For the contrary view, see Judd (2006).

4 Tourism is widely regarded as the major source of the foreign currency that enabled the industrialisation of Spain through the import of capital goods: Harrison (1978): 156

5 For an example in the UK, see above: 138

6 See for example Dwyer and Forsyth (2007), Jayawardena and Ramajeesingh (1989), and Jackson (2006).