

**INTERNATIONAL UNCERTAINTIES:
OPENINGS AND CHALLENGES FACING THE TOURISM INDUSTRY**
Nidhi Phutela* and Deepak Gupta**

Abstract

Tourism is an important economic activity in most countries around the world. And now, its role is even recognized as a key pillar of economic growth by governments in all areas of the world. There are countries in the world, whose economy is based only on tourism. In the last decade, not only Global Travel and Tourism Industry have weathered its share of disasters from terrorist attacks along with natural disasters including tsunamis, earthquakes, floods, and cyclones, but it also has an impact of global warming which pose a grave threat to this blooming industry. Tourism industry's contribution to global GDP and employment generation was showing a positive sign, but the same got hampered due to these unhealthy situations. This paper is an attempt to reveal the impact towards openings and challenges of international uncertainties on the tourism industry and the strategies to overcome the same. It will uncover the unethical approaches adopted by the industry to encounter global uncertainties and develop global governance framework for Corporate Social Responsibility (CSR) that will conquer the constraints imposed by these uncertainties.

Key words; tourism industry, global uncertainties, openings and challenges, unethical approaches, governance, CSR

Introduction:

Travel and tourism industry is a factory of dreams where it converts dreams into reality. By this decade, it has become an important economic activity in most countries around the world. Tourism industry acts as a major driver not only for global economic development, but it's a key driver of socio-economic progress which takes place in destinations across the world, from leading capital cities and smaller towns and villages in rural and coastal areas up to even the remotest points on the planet. Being considered as one of the world's largest and fastest growing industry, it is contributing trillions of dollars

*Professor, APEEJAY Institute Of Technology, Greater Noida
E-mail: nidhiphutela@gmail.com; Mobile:093500-33199

**Professor, APEEJAY Institute Of Technology, Greater Noida
E-mail:deepakgupta1727@gmail.com; Mobile : 09717874967

annually to the global economy, creating jobs and wealth, generating exports and foreign exchange, boosting taxes and stimulating capital investments. The contribution of this blooming industry in the year 2011 is US\$ 6 Trillion to the Global Economy i.e. 9% of Global GDP while creating 260 Million jobs (both direct and indirect) worldwide. Fig 1.1 presents the rise in international tourist arrivals as well as international tourism receipts over last two decades from 1990-2010 which reached to 940 million in 2010 which was 6.6% more than the previous year.

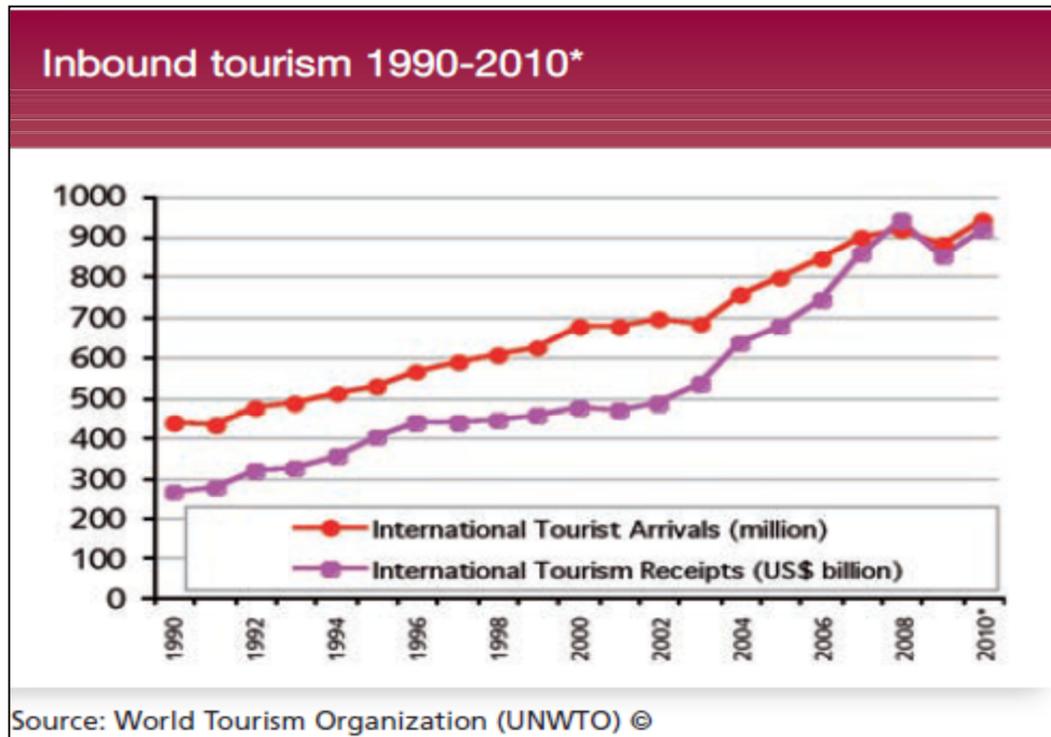


Fig: 1.1 Inbound Tourism Trend 1990-2010

Openings:

Travel and Tourism Industry has an edge over other industries in contributing towards the development of not only one single nation but the entire world. It is an interestingly source of income, employment and wealth in many countries and its rapid expansion has been considered as an interesting possibility for sustainable development (including poverty reduction) in Caribbean countries (Corthwright, n.d.).

The impacts of Travel & Tourism run deep into our economies. There are countries in the world, whose economy is based only on tourism. The role played by travel & Tourism industry in overall economic development of the world is stupendous. It is not just about the money visitors spend on travel, accommodation, activities and souvenirs – visitor exports – which, in 2011, is expected to exceed US\$1.2 trillion around the world. But, by its very

nature, the industry stimulates the engagement and collaboration of communities, tourists, governments, local suppliers and businesses throughout the supply chain. And the 260 million estimated people around the world whose jobs are supported by Travel & Tourism (100 million of whom work directly in the industry) all spend a proportion of their own income on goods and services from all parts of the economy. Furthermore, demand for Travel & Tourism – both international and domestic – stimulates investment. In 2011 4.5% of total capital investment, or some US\$650 billion, will be driven by Travel & Tourism.

The overall contribution of this dynamic industry is in boosting economies by generating income, employment, investment and exports, thus stimulating economic growth. All these developments result in generating valuable benefits (as by-products), by developing infrastructure that other industries can use or by creating positive publicity for individual countries and destinations. Hence, it helps in branding the image of a country. Its indirect involvement lies in boosting trade, skills and investment in other unrelated industries. In order to better understand the contribution of this sector in economies worldwide, results of few key indicators can be studied. We will try to throw light on these key macro-economic variables where Travel and Tourism industry is actively involved. It can be categorized into Quantitative and Qualitative Measures. The same are detailed below:

- ***Quantitative Measures:*** Travel and Tourism Industry has been contributing considerably to the world economy. In few aspects, the playing numbers can be analyzed as well which are as under:

- ***GDP:*** In spite of innumerable ups and downs, this industry witnessed 16.6% growth in its total contribution to World Gross Domestic Product, whereas its direct contribution for the same accounted for about 9.7% growth. Amongst the various economies of the world Africa took the lead by contributing as much as approximately 70% rise in GDP whereas two developed economies, Europe and North America, exhibited a decline of 10% and 5% respectively.

- ***Generating Employment:*** One of the most significant influences of this sector for the upliftment of the economy is generation of employment opportunities. In the last decade, the industry created of not less than seven million jobs, thereby raising the employment by 8.3%. This industry not only generates job opportunities in this industry, but other related and unrelated industries as well and in the similar manner for all nations of the world and not any one single nation.

- ***Infrastructure Development:*** Apart from the contributions to the above mentioned macroeconomic variables, the sector's most significant contribution can be measured in

terms of capital investments or the development of infrastructure across the globe. The growth accounts to a considerable hike of 41.8%. Except Western Europe, every economy outshined and participated heavily to increase their competitiveness. Specifically, India surpassed all the results with exorbitant rise of 600% growth in this decade.

- *Boosting Trade:* Inbound Tourism has been successful in generating approximately 30% of exports of commercial services and 6% of exports of all goods and services. As such, Tourism Industry is at fourth rank in terms of exports after fuels, chemicals and automotive products. Hence, its input towards foreign exchange earnings is of due significance.

- *Contribution towards other industries:* Travel and Tourism Industry promotes related industries such as handicrafts, spices, coir, textiles, gems and jewelry, furnishings, etc. Besides these industries other industries also take advantage from this sector like construction firms, aviation, cruise, hospitality (including recreation, transportation, hotels and restaurants) with extraordinary high rates of contribution towards GDP. This has actually upstretched the value chain of the tourism industry. Contribution of these industries can be measured in terms of rising incomes and employment levels and in turn increasing further international tourist arrivals.

- *Qualitative Measures:* Few of the positivity of the Travel and Tourism industry lies in its qualitative aspect, which cannot be ignored. The industry also caters to add-on benefits of social and cultural nature. Basically, this sector has tried to build or retain a bonding between nations by restructuring social networks. It is so because a major chunk of international tourist arrivals come to visit friends and relatives (which was 27% of the total visitors).

- *Promotes cultural heritage:* Foreign tourists are attracted towards other nations to understand the cultural aspects of that respective nation. Therefore, for such attractions, the locals try to preserve and promote cultural heritage.

- *Improved International Relations:* The industry has led to increased global communication which has promoted better understanding between people. This facilitates more interaction thereby reducing the level of unnecessary tensions and conflicts. It also bridges the gap between nations and in so doing, enables the foreigners to visit for study, work or get a medical treatment in another nation.

- *Boosting National pride:* Tourism Industry is one such industry which creates a positive image in the minds of the foreign visitors. This can be achieved by crafting the brand image and value in the eyes of the visitors via uncovering the positive picture of the nation.

○ *Fostering World Peace:* If the barriers of communication between nations are removed, it will definitely enhance the spirit of harmony and peace amongst all the nations of the world. Although the results are immeasurable, but with peace embossed in the entire world will generate only one result i.e. Growth of World Economy.

○ *Lifeline to remote areas:* There is a remarkable role played by the industry in the upliftment of remote areas, which were almost unexplored by the people. Industry has opened an avenue to explore these unmapped areas by making them an adventurous zone and hence, providing lifeline to these isolated parts.

“Tourism – Linking Cultures’, highlights the powerful role of tourism in building international understanding and mutual respect. There is no better way to learn about a new culture than to experience it first-hand. Tourism offers a wonderful connecting thread between visitor and host community. It promotes dialogue and interaction. Such contact between people of different backgrounds is the very foundation for tolerance. In a world struggling for peaceful coexistence, tourism can build bridges and contribute to peace.”

International Tourism: Forecast 2011		
	2010	Forecast 2011
World	+6.6%	+4.0% to +4.5%
Europe	+3.2%	+5% to +6%
Asia and the Pacific	+12.8%	+5% to +6%
Americas	+6.4%	+4% to +5%
Africa	+7.8%	-2% to +1%
Middle East	+14.8%	-10% to -5%

Fig. 1.2 World & Regions Growth Rates of Tourism Industry

Challenges:

In the last decade, not only Global Travel and Tourism Industry have weathered its share of disasters from terrorist attacks along with natural disasters including tsunamis, earthquakes, floods, and cyclones, but it also has an impact of global warming which pose a grave threat to this blooming industry. Tourism industry's contribution to global GDP and employment generation was showing a positive sign, but the same got hampered due to these unhealthy situations.

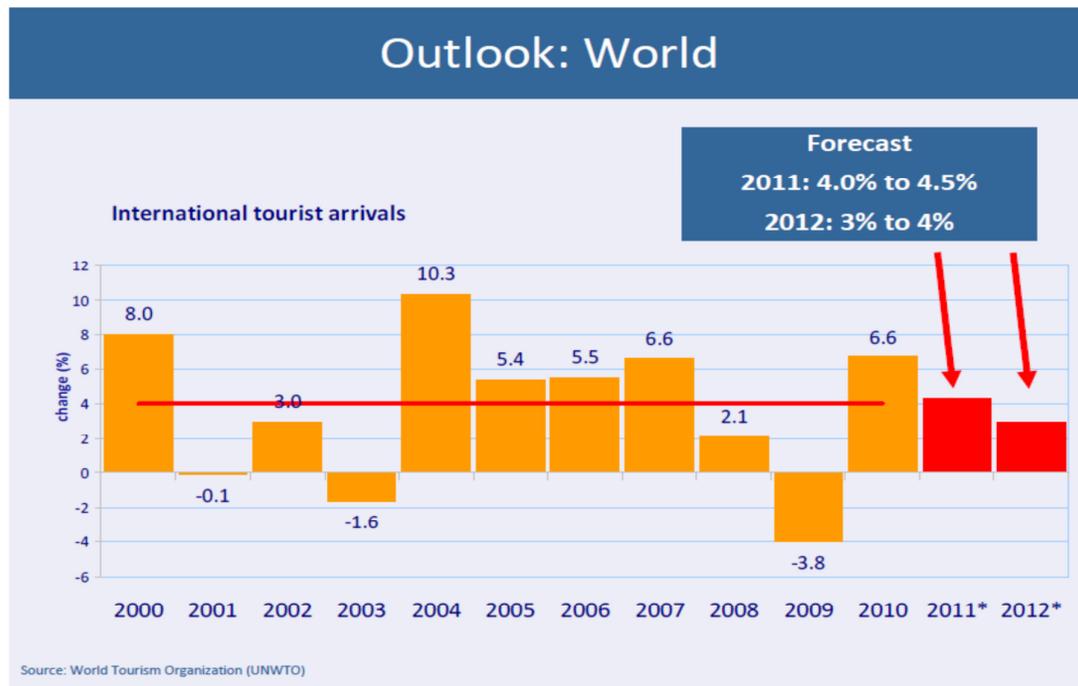


Fig. 1.3 Growth % of International Tourist Arrivals Trend Line

Fig. 1.3 represents World outlook for growth percentage of International Tourist Arrivals for last one decade while highlighting years when there was a sharp decline in the numbers because of certain reasons. A careful analysis of the same highlighted that the decline factors were related in some way or the other with any of the global uncertainties including terrorist attacks (9/ 11 in USA), IRAQ crisis and the economic recession in 2001, 2003 and 2009 respectively. All these three negativities didn't persist for long, rather, the very next year only the increase in the international tourist arrivals is more than average. Different economies recovered at different speeds – where more developed the economy, slower was the recovery.

Besides this, the industry was also conditioned by fierce competition and increasing consumer demands, thereby making it more difficult to maintain and upgrade quality in service provision. In the light of intense competition, the company's profitability as well as even survival is at stake. Holjevac (2008), highlighted in the study that in order to have quality in tourism industry, one has to follow specified code of ethics, as stated by UNWTO, whose acceptability and applicability is also increasing day by day.

Dinah and Frederic (1996) revealed that ethical pursuit of tourism lies in four crucial areas namely: need and characteristics of local communities or environment, complete fairness in employing both traditional and non-traditional employees of the industry while giving the most special treatment to its target market i.e. tourists.

Ritcher and Ritcher (1999) emphasized the travel related ethics issues involved in health, safety and accessibility while identifying individual and institutional responsibilities, informed consent, contingency planning, emergency response mechanisms while enforcing fairness and equality in treatment.

Unethical Issues & Ethical Strategies

With the increasing size of tourism industry, its responsibilities with respect to different stakeholders, whether it may be government, tour operators, individual travelers, local communities including their cultural, social and natural environments. Since, this activity involves innumerable interactions between people belonging to different tradition and culture, it raises the different aspects of ethics in this area as well. It may be ecology, economy, environment and protection of social and cultural heritage. Like the major focus of every industry, this industry also tries to stretch its earnings through every possible action. In order to achieve this objective, unethical approaches are adopted by the industry to encounter global uncertainties like Natural Calamities/ Disasters, Global warming, Terrorism, Health issues and epidemics, which have a negative impact on the tourism industry.

The unethical issues that arise in case of Tourism Industry can be numerous including:

- *From the point of view of Host Communities:*
 - Political pressure to facilitate tourism in the name of economic development, where tourists are given preferences over the general citizenry.
 - Host communities also act unethically when they create troubles for foreign tourists by extracting funds/ money exorbitantly.
 - One major issue which cannot be sidelined is, wrong/ criminal acts by the host country in the form of kidnapping, attacks, assaults, etc.
- *From the point of view of Tourists:*
 - In light of enjoyment or leisure acts, the social and cultural norms of the local communities are violated (intentionally). It is so because on vacation, people are more apt to be careless or behave more recklessly than at home.*
 - Indulgence into any kind of criminal or alike activities which are considered as offended by the local populations.
 - Sometimes, tourists even try to exploit the local population including: children, women and minorities.
 - Accidents are another major source of injury and fatalities for travelers.

Although, these issues appear to be less in number, but these issues cannot be ignored, rather these should be considered due weightage to form the ethical strategies.

Framework

The industry cannot flourish if it is not able to overcome the above mentioned challenges. Rather, the development of industry is directly dependent on the application of ethical code of conduct by all stakeholders including government, tourist companies, tourists as well as locals. Everyone involved (actively or passively) in this activity, needs to perform his role very ethically so that everyone in the system benefits.

UNWTO developed the *Global Code of Ethics for Tourism* which works as a roadmap for tourism development. It is guided by the beliefs that tourism can make very meaningful contributions to the lives of people, whosoever it may be, tourists, tour operators, host communities and the economy worldwide. They were established with an objective of maximizing positive influences by tourism industry in promoting sustainable development, poverty reduction as well as understanding between nations. Simultaneously, it also focuses on lessening its possible negative impact on environment of destination and cultural heritage of the nation. Currently, there are ten articles which form the basis for ethical code for tourism.

- *Article #1* Tourism's contribution to mutual understanding and respect between persons and societies.
- *Article #2* Tourism as a vehicle for individual and collective fulfillment
- *Article #3* Tourism, as a factor of Sustainable Development
- *Article #4* Tourism, a user of the cultural heritage of mankind and contributor to its enhancement
- *Article #5* Tourism, a beneficial activity for host countries and communities
- *Article #6* Obligations of stakeholders in tourism development
- *Article #7* Right to Tourism
- *Article #8* Liberty of tourist movements
- *Article #9* Rights of the workers and entrepreneurs in the tourism sector
- *Article #10* Implementation of the Global Code of Ethics for Tourism

The importance of this framework lies only if the mechanisms/ framework laid down has been put into action to safeguard the sustainable tourism development, where all the

stakeholders think only of long-term social and environmental benefits, via foregoing the short – term results.

Once implemented successfully, it results in respect for social and cultural traditions across boundaries. Special focus is also laid on the equality of everyone to remove every kind of exploitation (be it of women, children or minorities) via protecting natural resources. In the direction of preserving cultural heritage of the nation, financial resources should be effectively utilized for upkeep, development and enhancement of the monuments. The other side of the coin, tourist professionals should provide objective and honest information to the tourists for their decision regarding travelling. To achieve this, lays a critical role to be played by the local governments.

Global Code of Ethics for Tourism was developed in the year 1999 and since its adoption; WTO Secretariat conducted three surveys in regard to its implementation. Result indicates that 49 countries indicated that they have incorporated the principles of code into their legislature texts, while 48 countries opined that they have used the same principles as a basis for establishing national laws and regulations for assuring sustainable development of tourism.

Conclusion

Although the travel and tourism industry is facing multiple challenges either from terrorist attacks, like 9/ 11 or health alarms to natural calamities, demand is still showing a positive signal, in the coming decade as well. Annual Research Report, (March 2011) of World Travel and Tourism Council forecast the growth of 4.5% and 5.1% as a contribution of GDP in 2011 and 2012 respectively, but even the same have been downgraded to 3.2% and 3.3% due to continuing Eurozone debt crisis and deteriorating financial conditions. International Uncertainties lead to short-term negativity, but in the long run these negative issues also fades away.

As per the latest research conducted by World travel and Tourism Council (WTTC), the Global travel and Tourism Industry will grow by 2.8% in the year 2012 (faster than the global rate of economic growth which is expected to be 2.5%). The industry's contribution to GDP is expected to be approximately two trillion US \$ while generating more than hundred million job opportunities. Therefore, it can be stated as “trips can become amazing, if tourists meet with some kind strangers, i.e. the locals of the host communities.”

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