

CHAPTER 2 THE INTERNATIONAL TOURISM INDUSTRY

2.1 INTRODUCTION

Travel and tourism is probably the single most important industry in the world. It currently accounts for at least 6 per cent of the world's gross domestic product (GDP), and employs 127 million people worldwide. According to the most recent estimate by the World Tourism Organisation, some 663 million international trips were made in 1999, with worldwide tourism receipts (excluding the cost of international fares) reaching USD\$456 billion (Holloway, 2002)

2.2 INTERNATIONAL TOURISM

International tourism is generated for the most part within the nations of Europe and Asia Pacific, the result of attractive destinations, low prices and frequent flights. Data collected by the WTO as of January 2003 reveal that market share of international tourist arrivals has shifted and more interestingly the growth rates among regions also vary.

Table 2.1: International Tourist Arrivals by (Sub)region in millions

Region/ Year	2000	2001	2002
World	696.10	692.90	714.60
Europe	402.80	401.10	411.00
Asia & The Pacific	115.30	121.00	130.60
Americas	128.30	121.00	120.20
Africa	27.0	27.70	28.70
Middle East	22.70	21.80	24.20

Source: The World Tourism Organisation (2003)

Table 2.1 clearly shows that the Asia Pacific region ranks second after Europe in terms of tourist arrivals between year 2000 and 2002. Although Europe, America and the Middle East experienced a small decline in tourist arrivals between year 2000 and 2001,

these regions continued to record a positive increase the year after, except for the American region. Generally analysts attributed the downward trend to the terrorist attack on the World Trade Organisation in New York in September 2001.

Table 2.2: International Tourist Arrivals Growth Rate by (Sub)regions in percent.

Region/ Year	2001/ 2000	2002/ 2001
World	(0.5)	3.1
Europe	(0.3)	2.4
Asia & the Pacific	6.0	7.9
Americas	(6.7)	(0.6)
Africa	2.5	3.7
Middle East	(3.9)	10.6

Source: The World Tourism Organisation (2003)

The Asia Pacific region as shown in Table 2.2, records the second highest growth rate globally following the Middle East between 2001 and 2002. This is quite interesting as Europe the largest international tourist recipient for the same period only achieved about 23 percent of the growth of the Middle East. Continuous assessment carried out by the WTO states that the countries such as Iran, Turkey and The United Emirates have been actively promoting themselves while becoming more liberal towards visiting foreigners.

Table 2.3: World's Top 5 Tourism Destination by international arrivals 2002.

Country	Ranking	Market Share (%)
France	1	10.7
Spain	2	7.20
United States	3	6.40
Italy	4	6.00
China	5	5.10

Source: The World Tourism Organisation (2003)

Table 2.3 reveals that France and Spain are the favourites amongst the majority tourists for the year 2002 capturing almost 18 percent of the world market share.

According to the WTO World Tourism Barometer, the prospects for international tourism is getting better. The data collected from about ninety major destination countries for the first four months of 2003 reveals that the effect of the Iraq war and SARS are subsiding. Although the world economy is rather weak, a positive change is expected to take place in the second half of the year. Over one hundred tourism experts consulted have expressed a more optimistic outlook for the rest of the year. The National Tourism Administrations, Tourism Boards and tourism businesses are better prepared to adapt to the abrupt changes brought about by SARS. They are focusing on shifting or reducing capacity and cost control.

The tourism industry enjoyed exceptional years in 2000 and 2001. Although international tourists arrivals declined by 0.6 per cent in 2001, the first year of negative growth for international tourism since 1982, it was in line with the trend over the past decade had it not been for the magnitude of the increase in tourist arrival the previous year. The Americas suffered the most (6.0%) decrease, followed by South Asia (4.5%) and the Middle East (down by 2.5%).

Worldwide tourism receipts in 2001 decreased by US\$ 10 billion (2.8%), almost half of which was earned in Europe (The World Tourism Highlights, 2003).

In contrast to the Americas, East Asia and the Pacific continued with strong world growth in 2001, averaging 5.5%. China together with Hong Kong and Macau is becoming the unrivalled leader of Asian tourism, followed by Malaysia and Thailand. Outbound tourism is inevitably linked with the general economic situation. The figures published by The International Monetary Fund revealed a general reduction in growth among the developed countries while, economic growth for the emerging markets such as the members of ASEAN were either maintained or slightly raised.

The WTO'S Tourism 2020 Vision forecasts that international arrivals are expected to reach over 1.56 billion by the year 2020. Of these arrivals, 1.18 billion would be intra- regional and 377 million would be long- haul travelers.

The emergence of SARS appears to be the immediate main determinant in the evolution of tourism in Asia in the first quarter of 2003. WHO's issuance of global alert on 12 March 2003 severely affected the source markets in Asia, including Malaysia. As of 24 June 2003, WHO lifted its last remaining travel advisory.

2.3 ASIA PACIFIC TOURISM TREND

Over the last decade, the Asia Pacific region has been the fastest growing tourism region in the world. Tourism is one of the most important sectors in a large number of Asia Pacific countries. Increases in economic growth, disposable income and leisure time, political stability and aggressive tourism campaigns, among other factors, have fueled the significant growth of tourism.

Tourism arrivals and receipts rose faster than any other region in the world, almost twice the rates of industrialized countries. This has been attributed to a number of factors, including the recognition of the hosts governments that tourism is a powerful engine of growth and a generator of foreign exchange earnings.

Table 2.4: The international tourist arrivals between 2000 and 2001 to East Asia and the Pacific.

COUNTRY	Yr. 2000 (‘000)	Yr. 2001 (‘000)	Growth (%)	Market Share (2000) (%)	Market Share (2001) (%)
China	31.229	33.167	6.2	28.8	28.8
Hong Kong	13.059	13.725	5.1	12.0	11.9
Malaysia	10.222	12.775	25.0	9.4	11.1
Thailand	9.579	10.133	5.8	8.8	8.8

Singapore	6.917	6.726	-2.8	6.3	5.8
Republic of Korea	5.322	5.147	-3.3	4.9	4.5
Indonesia	5.084	5.154	1.8	4.6	4.5
Japan	4.757	4.772	0.3	4.4	4.1
TOTAL	109.171	111.155	38.1	100	100

Source: World Travel & Tourism Council (2002)

Table 2.4 shows that Malaysia ranked at third place in terms of tourist arrivals growth and market share for 2000 and 2001. Singapore and Republic of Korea reported a negative growth during this period while Japan experienced the lowest growth. This is not surprising, as the Japanese are better known for visiting other countries and most trips made to Japan are often classified for business or study purposes.

Table 2.5: The international tourist receipts between year 2000 and 2001 for East Asia & the Pacific.

COUNTRY	Yr. 2000 (US\$ mill)	Yr. 2001 (US\$ mill)	Growth (%)	Market Share (2000) (%)	Market Share (2001) (%)
China	16.224	17.792	9.7	19.8	21.6
Hong Kong	7.886	8.241	4.5	9.6	10.0
Malaysia	4.936	n.a	n.a	6.0	n.a
Thailand	7.146	6.731	-6.8	8.7	8.2
Singapore	6.016	n.a	n.a	7.3	n.a
Republic of Korea	6.811	6.283	-7.8	8.3	7.6
Indonesia	5.749	5.411	-5.9	7.0	6.6
Japan	3.373	3.031	-2.1	4.1	4.0
TOTAL	82.043	82.189	0.2	100	100

Source: World Travel & Tourism Council (2002)

Table 2.5, once again conforms the findings of Table 5 as tourist receipts is linearly related to tourist arrivals.

A comparison of the tourism industry performance is made between selected Asia Pacific countries to highlight the trends and changes. Currently, tourism is the most important sector and major source of foreign exchange earnings in Thailand, New Zealand, Australia, while ranking second in Hong Kong, Malaysia and the Philippines. Japan, Taiwan and South Korea are major tourist generating countries in the region as it is reflected by the deficits in their respective travel balance of payment accounts.

The rapid growth of the tourism industry is a reflection of the region's booming and diversified economies. Economic growth ranges between an average of 6% to 9% in the last decade but China achieved a double-digit growth for the last five years. Strong economic growth in Asia is attributed to the focus on market reforms, export-oriented industry, stable currencies, diversification of economies and massive injection of foreign capital. The Asian governments also sought to avoid extremes of inflation and unemployment, keep budget deficits small if at all.

As a result, disposable income has soared in these countries and along with it, the propensity to travel. Unlike previous generations, this generation of primarily young travelers is intent on enjoying the fruits of their labour.

The opening of borders to both inbound and outbound travel and breakdown of political barriers provide tourists with opportunities to pursue their leisure interests. Historically, the demand for and freedom of travel increases when travel restrictions are lifted or eliminated. The Malaysian government's decision to allow tourists a three-day visa free stay is among the steps taken to promote tourism.

Traditionally, Asian countries have safeguarded their national flag carriers to protect them from foreign competition. However, the situation is changing as the governments realize that such restrictive policies are counter-productive to tourism.

Liberalization of air transport serves to enhance trade and tourism growth and leads to more multilateral open skies agreements between countries.

Technological developments have significantly impacted the travel industry. Lowered costs, increased airline seat capacity and raised safety and comfort, encourage people to travel more. Ticketless travel has changed the way the product is delivered to the customers. The National Tourism Organization (NTO) of the Asia Pacific countries has also created custom-made destination promotion pages on the world web site to reach a global audience.

Through creative and innovative product differentiation strategies, each country has created a diverse destination product within a unique guest appeal that maximizes the value of the visitors' leisure time. Joint promotion and marketing with members of ASEANTA (Association of South East Asia Nations Tourism Organization) and travel missions by PATA (Pacific Area Travel Association) have been instrumental in promoting the travel interest through trade shows, seminars and education and training.

By 16 June 2003, according to the World Health Organization, Malaysia reported five cumulative probable cases of SARS compared with 2 in Indonesia, 14 in the Philippines and 206 in Singapore. However, the economic impact has been significant, considering Malaysia's heavy reliance on the interregional trade and tourists arrivals from East Asia.

The spillover effect was felt in the total exports and data generated by the Asian Pacific Economic Weekly (29 May) showed only 1% growth against the projection of 4.7% in March 2003 for Malaysia.

2.4 GLOBAL RESPONSE

Deeply worried over the potential damage to lives and their economies, ASEAN leaders pledged to intensify their battle against the deadly SARS virus and backed Malaysia's proposal to form a health ministerial task force to boost the effort on April 29, 2003 in Bangkok.

The leaders called on the international community not to “ indiscriminately” advise their nationals against visiting or dealing with ASEAN member countries to help restore business confidence in the region. Supporting a slew of collective anti-SARS measures discussed by ASEAN health ministers and their counterparts from Japan, South Korea and China, the leaders recognized the need for transparency and for member countries to act individually and collectively to impose stringent measures to contain the spread of SARS. Among the other key measures endorsed were:

- a. To cooperate in ensuring proper pre-departure and arrival screening at entry points of ASEAN countries
- b. To convene a meeting of airport authorities in Asean, China, Japan and South Korea in the Philippines to work out screening procedures
- c. To promote public awareness to prevent undue alarm and to establish and strengthen early warning system on emerging infectious diseases
- d. To appoint a focal point in each Asean country in dealing with SARS
- e. To call on Asia Pacific Economic Cooperation (APEC) health ministers to meet and take collaborative action and enhance cooperation with related international organizations

The Asean leaders asked the World Health Organisation to review the classification of affected countries and provide further technical guidelines on interventions relating to SARS. They also requested WHO to address the SARS issue at the forthcoming World Health Assembly in May and urged countries outside Asean to show commitment in eradicating SARS. In response to the acute increase in natural disasters worldwide, The United Nations adopted the International Strategy for Disaster Reduction to build upon the earlier work of the International Decade for Natural Disaster Reduction (1990 – 1999). It has set 4 major objectives as tools towards reaching disasters reductions for all, namely to increase public awareness, obtain commitment from public authorities to implement policies, stimulate interdisciplinary and intersectoral partnerships and improve scientific knowledge about disaster reductions

By the end of June 2003 the SARS epidemic was officially contained, with the WHO removing Hong Kong and China from its lists of areas affected. The standard for the decision was based on a 20 days, which is twice the maximum incubation period have passed since the last case was isolated. For more details of public health measures and economic measures taken by the affected countries refer to the Asian Recovery Information Center website.

Major airlines such as Cathay Pacific and Singapore International announced a rise in flight frequencies and passenger bookings. At the same time, tourism related private businesses and government organizations continued to launch massive advertising and marketing campaigns throughout Asia, Australia and the Middle East. The APEC Trade Ministers and Business Advisory Council urged local authorities to continue efforts to restore confidence of traveling public.

2.5 CONCLUSION

Tourism, one of the fastest growing economic activity worldwide continued to generate more income and employment opportunities in the new millennium. Periodic researches carried out by the WTTC, WTO and ADB show an increasing confidence among the international community. Their findings reveal that the tourism industry is performing better than expected, both in terms of arrivals and expenditure.

Although tourism growth in certain regions were far more impressive than the rest of world, namely Asia and the Pacific and the Middle East, most nations are always attempting to strengthen their ties for mutual benefits.

The SARS epidemic helped world leaders to recognize their lack of preparation for such an unseen incident. Its severity and danger reminded many of the affected countries to work collectively in combating SARS and defend their respective economies against its adverse effects.