

EXOGENOUS CHALLENGES FOR THE TOURISM INDUSTRY IN THE BEGINNING OF THE TWENTY FIRST CENTURY

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Tourism is one of the fastest growing industries in the world. Besides its sustained growth the tourism industry has shown in the first years of the twenty first century that it can deal with political, military and natural disasters. The present paper accounts some of the most important exogenous challenges that have hit the industry in different regions of the world. We have tried to present these challenges in a chronological order, not according to their importance.

Key words: crisis, international tourism, travel

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Introduction

In the second part of the twentieth century international tourist arrivals increased from 25.3 millions in 1950 to approximately 700 million in 2000, and expenditure from \$ 2.1 billions to 300 billion¹. There is a wide range of factors which can influence the demand for tourism. These factors are normally to be found within the tourist-generating countries. However, there are also pull factors which are often based on tourism attractiveness and are determined within the tourism-receiving country. In this paper we consider the factors which can influence and direct demand. These factors are not necessarily discrete and for the purpose of exemplification certain arbitrary distinctions are made. The exogenous factors that we will take into consideration in this paper are:

- the terrorist attacks of September 11
- wars in Afghanistan and Iraq
- the SARS outbreak
- the tsunami in South East Asia
- the present financial crisis.

1. September 11 – the blow to the travel industry

The events on September 11th 2001 might be the most devastating and future-shaping tragedy in the 21st century. Thousands of people died and the overwhelming majority of casualties were civilians, including nationals of over 90 different countries. Although some authors argue that September 11 appeared to have provided Washington with the green light to stop asking countries if they wanted the U.S. version of "free trade and democracy" and to start imposing it with Shock and Awe military force², we still have to accept the major implications on the politics and economy at a global level.

The year 2001 was the first in almost two decades in which international tourism suffered a negative growth of 0.6 per cent which was due to the impacts of the September 11th terrorist attacks in the USA.

1 Smith, V., Eadington, W., Tourism Alternatives, potentials and alternatives in the development of tourism, University of Pennsylvania Press, Philadelphia, 1992, p.3

2 Klein, N. The Shock Doctrine, Picador Publishing, USA, 2007, p.9.

From the tourism industry's perspective, the airline segment has been most affected and high-end hotels, restaurants, car rental agencies have also seen a marked drop in patronage, for the most part due to the reduction of business travel. Planned, package travel has also been hard hit. Motorcoach tours, and other forms of large group travel, have experienced a high rate of cancellation. The cruise industry has responded by taking ships to the passengers by opening new ports so passengers do not have to fly.³ (p 303)

Because of mass-media coverage, the September 11 attacks hit the tourism industry in London in 2001, accounting for 10 percent and 11 percent drop in visitors and spending, respectively, in comparison with the previous year. The loss in tourism business of the city was estimated at around US\$1.8 billion, and full recovery is not expected in the short term.⁴

However, a few discount airlines and start-up carriers ultimately discovered a new formula for success. The new kids on the block have managed not only to survive but to grow and achieve greater profitability than the high cost major airlines. In the United States, Southwest, Jet Blue, Air Tran, ATA, and a couple of other lowcost, low-fare airlines will soon account for about 40 percent of market share. Their growth has been a greater contributor to the huge losses and bankruptcy filings of major airlines early in the twenty-first century than the terrorist attacks on the New York, or the economic downturn that began in the late 1990s and continued into late 2003. Almost every segment of the travel industry throughout the world now feels strong pressure to reduce costs in order to remain competitive in a fast changing world.⁵

We can consider this one event with global consequences and thus, the travel and tourism industry was also affected.

2. The military conflicts in Afghanistan and Iraq

The war on terror has been characterized as the greatest security challenge in the new millennium.⁶ It started in Afghanistan in 2001 and the stated purpose of the invasion was to capture Osama bin Laden, destroy al-Qaeda, and remove the Taliban regime which had provided support and safe harbor to al-Qaeda. Two years later, in 2003, the war in Iraq began. The reasons for the invasion stated by U.S. officials included Iraq's financial support for the families of Palestinian suicide bombers, Iraqi government human rights abuses, and an effort on the part of the coalition forces to spread democracy in the country and region.

Of course these conflicts had influenced the world economy in general and tourism in particular. In 2002 and 2003 international tourism has been shadowed by the combination of an overall weak economy and a high level of uncertainty because of the struggle against terrorism and the looming Iraq and Afghanistan conflicts. The global economic downturn following the boom and bubble of the late nineties put pressure on expenditure resulting in an increased price sensitivity in general and cost cutting on business travel in particular (less and cheaper). The terrorist attacks of 11 September 2001 added a huge amount of uncertainty to this already difficult climate. The subsequent war on terrorism and the tension resulting from the threat of an intervention in Iraq prolonged this uncertainty even more. For tourism these abrupt changes of conditions resulted not so much in a decrease in overall volume but, above all, shifts in demand towards trips to familiar destinations closer to home by car, coach or train instead of plane. Consumers adopted a wait-and-see attitude, with late bookings as a result. Many sectors went and are still going through a difficult time, in particular airlines and all sectors dependent on long-haul traffic.⁷

3 Taylor, G., Chesworth, N., Travel styles, Global Tourism (edited by Theobald W.), Elsevier, USA, 2005, p.303.

4 Aktas, G., Gunlu, E., Crisis management in tourism destinations, Global Tourism (edited by Theobald W.), Elsevier, USA, 2005, p.451.

5 Plog, S., Targeting segments: more important than ever in the travel industry, Global Tourism (edited by Theobald W.), Elsevier, USA, 2005, p.273.

6 Miller, R., Funding extended conflicts, Praeger Publishing, USA, 2007, p.69.

7 World Tourism Barometer vol.1, no.1 June 2003

Other products or segments of the market, however, have resisted well or even benefited, such as accommodation other than hotel (apartments, country houses, etc), special interest trips with a high motivation factor related to culture, sports, entertainment, or travel for the purpose of visiting family, friends and relatives.

These conflicts had a major influence for the Middle East tourism. In the Middle East tourism continues to be one of the most dynamic economic sectors. The permanent development of tourism infrastructures, the support and investment of most governments in tourism, the low-cost airline phenomenon and the increasing cooperation regarding border facilities among the countries in the region, along with some difficulties in important generating markets, such as Saudi Arabia, in obtaining visas to the USA and Europe, are all reinforcing intraregional as well as domestic traffic.

3. SARS – Asia in trouble

In 2002, Asia was hit by another challenge – the outbreak of SARS (Severe Acute Respiratory Syndrome).

SARS clearly dominated the results of tourism in Asia and the Pacific in 2003. After a positive beginning for most countries in January and February, the following months brought decreases of over 50%. Although recovery generally came quick, most of the major destinations of the region in North-East and South-East Asia have not been or will not be able to return to end the year with positive figures.

The countries that show the highest decreases over the first eight months of the year are Malaysia (-31%), Guam (-29%), Taiwan (-28%, 7 months), Singapore (-28%) and Indonesia (-21%, 7 months).⁸

International institutions estimated that in 2003: in Vietnam 15% of industry GDP and 62,000 industry jobs will be lost; in Singapore, 43% of industry GDP and 17,500 industry jobs will be lost; in Hong Kong, 41% of industry GDP will be lost, as well as 27,000 industry jobs, representing 38% of total industry jobs in Hong Kong. In China, 25 per cent of the industry GDP will be lost and a total of 2.8 million industry jobs, or one fifth of total industry employment.⁹

4. Tsunami over South East Asia

The 2004 Indian Ocean earthquake was an undersea megathrust earthquake that occurred on December 26, 2004, with an epicentre off the west coast of Sumatra, Indonesia. The world was shocked by the sad news and images of the seaquake and following tsunami in the Indian Ocean affecting the northern provinces of the Indonesian island of Sumatra, the Maldives, the eastern coast of Sri Lanka and India, the Andaman and Nicobar islands, the west coast of Thailand, and to a lesser extent Malaysia, Myanmar, Bangladesh, Somalia, Tanzania, Kenya and Seychelles. More recent analysis compiled by the United Nations lists a total of 229,866 people lost, including 186,983 dead and 42,883 missing.

The incident happened when finally the South-Asian destination were having a prosperous period. Sri Lanka, India, Bangladesh and Maldives all posted double digits.¹⁰ Its greatest impact in tourism terms was on Thailand. In 2004, there were 11.68 million visitors to Thailand, just missing the 12 million target because of the tsunami in the last week of the year. Tourism accounted for 6.4 per cent of the country's US \$164 billion economy in 2004. The tsunami killed more than 5400 people in Thailand, half of them tourists. Although the direct impacts in terms of

8 World Tourism Barometer, volume 1. no.2, October 2003, p.7.

9 http://www.wttc.org/eng/Tourism_News/Press_Releases/Press_Releases_2003/Impact_of_SARS/ last access 3rd May 2009

10 World Tourism Barometer, volume 2. no.1, January 2004, p.7.

destruction of coastal infrastructure were substantial, the greatest effects were with respect to the image of the destination in terms of safety in area affected by the tsunami.¹¹

5. The present financial crisis

Around the world stock markets have fallen, large financial institutions have collapsed or been bought out, and governments in even the wealthiest nations have had to come up with rescue packages to bail out their financial systems. Globally, many people are concerned that those responsible for the financial problems, for example banks, are the ones being bailed out, while on the other hand, a global financial meltdown will affect the livelihoods of almost everyone in an increasingly inter-connected world.

International tourism registered solid growth in the first half of 2008 at around 5% between January and April, compared to the same period of 2007.

The slowdown began with the summer holidays in the northern hemisphere. The panel of experts of the UNWTO World Tourism Barometer¹², which up until then maintained favorable views of the sector's situation, now shows a perceptible loss of confidence regarding the short-term outlook.

Early in 2008, signs of an economic downturn emerged. In considering these matters, the members of the UNWTO Executive Council confirmed the deterioration in their own markets, while maintaining the long-term confidence in the resilience of the tourism sector. The challenge lies ahead for late 2008 and the first half of 2009, when the economic slowdown is expected to be more widely felt and consumers might decide to cut back further on their travel expenditures.

Conclusions

One of the most significant observations of flows of international tourists is that there is a great deal of year-to-year stability in aggregate travel patterns. This situation has long been recognized. Nevertheless, identifying causal factors remains useful.¹³

Also we can conclude that all the above mentioned events have taken their toll on the tourism industry. But as we have seen, tourism is expected to continue to grow. The total of international arrivals has grown from 682 millions in 2000 to 924 million in 2008, and we can notice that because of the globalization of tourism different regions were able to sustain the industry while countries were hit by different challenges. However, the nature of this growth and development will in many ways be quite different from that of the previous five decades. As has become abundantly clear over the past several years, the period of the 2000s proved itself to be dramatically different from that of the previous three decades. As a global community we are living through widespread changes whose scope and significance are barely perceptible at this point in time.

Still, the industry has to take care of the endogenous challenges also. The issue of ethics has become increasingly important in both commercial and social life. Ethics refers to the codes by which human behaviour is guided – how people respond to each other, how they travel, how business is done. “In travel and tourism, ethics is concerned with how tourism is managed at the level of both the industry and the individual tourist”.¹⁴

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12 World Tourism Barometer, volume 7. no.1, January 2009, p.1-2.

13 Cooper, C., Hall, M., Contemporary tourism – an international approach, Butterworth – Heinemann, USA, p .58

14 Sharpley, R., Travel and tourism, Sage Publications, London, 2006 p.155

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