

# Tourism—Major Economic Stakes

Georges Cazes

## Introduction

This article identifies and evaluates the huge contributions tourism has made at several interrelated levels: globally, in the developing world, in Europe, and in France, both nationally and regionally. It is clear that tourism, which is sometimes neglected in economic and regional analyses, is vitally important for many areas of the world, providing foreign currency and boosting local employment and income. In an increasingly mobile world, the inherent interrelationship between transportation and tourism will most certainly be strengthened, just as the powerful economic influence of these two will become more evident.

The first special issue more than 25 years ago of the French journal *Transports* explored the relationship between tourism and transportation. Since then, the tourism sector has matured, becoming an essential partner and even a source of social order and a true economic leader in most countries, especially in the industrialized world. However, although this role is known, its true importance is still far from being recognized, especially when making important decisions concerning national and regional development. This article re-examines and reveals the scope, stakes and future outlook of the tourism sector. Although the emphasis here is on economic and financial considerations, socio-cultural and environmental considerations are also of vital importance. There are two reasons accounting for the belated and only partial recognition of the importance of the tourism sector:

- Concepts and categories in this sector are vague in general, and there is a definite lack of reliable statistics, particularly with respect to the economic impact of tourism (which has no specific official existence in most national accounting systems)
- Tourism is a multi-faceted activity which

cuts across various economic sectors. The intrinsic difficulties in truly understanding this sector, whose growth has been rapid and irregular, are complicated by the effect of fluctuations in tourist outlook and unexpected changes in behaviour patterns (lately ranging, for example, from 'eco-tourism' to 'techno-tourism').

Given this vague and ever-changing backdrop, only the major factors making economic contributions will be outlined here. I will start with a global perspective and end with a close-up of the French regions.

## Tourism Boosted by Globalization

### International trends

A detailed and ongoing study of international tourism (trips of at least 24 hours involving at least one border crossing, for business, pleasure or personal reasons) clarifies two closely related phenomena:

- Exceptional overall growth with an almost 23-fold increase in international arrivals over 45 years, from 25 million in 1950 to 567 million in 1995
- Although this growth has slowed progressively, it nonetheless remains remarkable against the context of the widespread economic slowdown.

There was an average annual increase of 18% from 1950–60, 9% and 6% during the two following decades, and about 4% thereafter. The World Tourism Organization (WTO) has recently even found it necessary to adjust their forecasts upwards; a total of 702 million arrivals in the year 2000 and 1018 million in 2010 (Table 1) is now considered likely, thanks largely to spectacular growth in the Asia-Pacific region.

- Impressive spatial distribution of international tourism now extending to almost the entire world

In recent decades, the 'active zone' has been enriched both by the emergence of new 'departure countries' (Japan and the newly industrialized countries of Asia, Latin America, Central Europe and the Near East), and the growth of new 'receiving destinations', including some countries with a past appeal for foreign travellers (China, Viet Nam, Myanmar, Cuba, Central America, Madagascar, etc.). Simultaneously, there has been an evolution in the respective positions of receiving continents: Europe, although still the leading destination, has seen its position decline relative to other continents (from 75% of international arrivals in 1970 to 60% in 1995, with a

Table 1 Current and Predicted International Tourism Destinations

Regions	1995*				2010	
	Arrivals		Revenue		Arrivals	
	million	%	\$ billion	%	million	%
Europe	337.2	59.5	189.8	51.0	525	51.6
Americas	111.9	19.7	95.2	25.6	195	19.2
East Asia and Pacific region	83.6	14.8	69.3	18.7	229	22.4
Africa	18.8	3.3	6.9	1.9	37	3.6
Middle East	11.0	1.9	6.6	1.8	21	2.1
South Asia	4.3	0.8	3.7	1.0	11	1.1
<b>Total</b>	<b>566.8</b>	<b>100</b>	<b>371.5</b>	<b>100</b>	<b>1,018</b>	<b>100</b>

\* Provisional

Source: World Tourism Organization

forecast of 50% for 2010). Conversely, the position of developing countries has progressively advanced, reaching its present level of receiving about 33% of international tourists, compared to 8% in 1960 and 16% in the 1970s.

Global trends are remarkably apparent when viewed from the perspective of tourism—Africa and western Asia have reached a plateau, Latin America and the Near East have progressed with periodic booms, while the Asia-Pacific region is ‘exploding’, accounting for 80% of the recent growth in the entire developing world.

### National trends

The financial activities underlying these general international tourist flows must be clarified and understood. (However, note that domestic tourism within national borders is generally larger but much less well understood than international tourism.) I will focus on the two most reliable and complete estimates.

- According to WTO statistics, worldwide international tourism in 1995 generated estimated revenues of US\$372 billion. Of this, about 51% went to Europe, 25% to the Americas, and 19% to East Asia and the Pacific region. This huge amount is equivalent to 7% of the value of all global exports, 35% of trade in the service sector (according to experts of General Agreement on Trade in Services (GATS)), 30% of the oil trade, and 40% of agribusiness. For developing countries as a whole, gross tourism revenues total at least \$115 billion, representing almost twice the development aid provided by ‘wealthy’ countries.
- The World Travel and Tourism Council (WTTC), a powerful lobby-group for tourism businesses, using a more encompassing definition of the tourism sector, including all domestic and international travel, as well as related financial transactions, arrives at even more impressive estimates. In 1995,

**Table 2 Economic Importance of Tourism in 1995**

Regions	Total Tourism Earnings		Tourism Employment	
	\$ billion	% of GNP	million	% of total employment
Europe-Total (European Union)	1,351 (1,008)	11.9 (13.5)	36.2 (18.3)	10.2 (13.3)
Americas-Total (North America)	1,109 (956)	10.2 (10.7)	25.9 (16.4)	9.8 (11.8)
Caribbean	28	31.5	2.7	24.7
Asia-Pacific	804	10.5	133.6	11.0
Africa	58	10.5	12.1	11.5
Middle East	58	8.2	4.4	10.2
<b>World</b>	<b>3,379</b>	<b>10.9</b>	<b>212.2</b>	<b>10.7</b>

Source: World Travel and Tourism Council, 1996

total worldwide tourism revenues were US\$3380 billion (of which US\$1898 billion is directly spent by travellers on transportation, lodgings and related costs). This is equivalent to 10.9% of gross world production. The totals for other parameters show similar ratios; employment in the tourism sector (212 million people in 1995, with 338 million predicted for 2005) amounts to 10.7% of total world employment, and investment in tourism amounts to about 11.4% of world totals. WTTC figures (Table 2) show that the travel sector contributes over 13% of GNP for the European Union (EU) and Southeast Asia, and up to 31.5% of the GNP of Caribbean nations.

However, these figures represent much larger estimates than statistics dealing only with tourist activity—they are almost 100% higher than official French statistics for business revenue and employment in tourism. The difference is due mainly to the inclusion of transportation costs in WTTC estimates (air fares amount to about 33% of the estimated total). This explains why WTTC claims the tourism sector is ‘the most important industry in the world’.

### Pillar of European Economy

Thanks to the excellent work of the *European Travel Monitor (ETM)* published in Munich by the IPK Institute, EU experts recently recognized that tourism—both national and international—is an essential factor promoting collective economic vitality. Indeed, Europe, which ranks first among ‘departure’ and ‘receiving’ regions of the world, bustles with tourist activity, an activity that has become even more varied with the advent of excursions (less than 24 hours) and short stays (of between 1 to 4 days). This tourist flow necessarily depends on the services of the transportation sector.

According to the IPK Institute, Europeans spent 160 billion ECUs (European Currency Units) on vacations, with a total of 163 million pleasure trips, 29 million business trips and 22 million visits to relatives or friends; expenditure on transportation and lodging for the average trip of 9.9 days was FF4902 per person (FFr1 = US\$0.17). International tourism alone provided 5.5% of GDP and 6% of the EU’s employment, ranking among the top export earners with (as expected) a marked impact in the Mediterranean region—8% of GDP,



Nice is a world-famous resort

(Maison de la France)

9% of employment and 42% of export earnings for Spain; 8%, 10% and 40%, respectively, for Greece; and 8%, 6% and 23%, respectively, for Portugal (based on OECD reports).

Domestic travel should not be overlooked, especially given the general backdrop of declining spending. According to the *ETM*, domestic travel in 1993 accounted for FFr93 billion in Italy, FFr85 billion in France, FFr80 billion in Germany, and FFr65 billion in the UK. According to WTTC, total spending on tourism (transportation, lodging, amusement and associated services) was 523 billion ECUs. This figure grows to 966 billion ECUs (equivalent to 13.4% of the EU's GNP) after adding 192 billion ECUs of private investment in the sector, 101 billion ECUs in public investment, 34 billion ECUs in foreign-visitor spending and 116 billion ECUs in associated spending.

### France—A Leader in International Tourism

Several recent publications<sup>(1)</sup> provide analyses of the French tourism sector and its economic implications. There are five approaches as summarized below:

#### Travel account

This classical approach focuses on the role of tourism—more precisely the 'travel' ac-

count—plays in the balance of trade. To quote a recent official report, tourism in France is seen as an 'export champion' due to the large and frequent surpluses over the past 30 years. The 60 million foreign tourists—a figure that has remained stable for the last 3 years—generated about FFr137 billion in gross revenue, representing a surplus of FFr55 billion (Table 3). Comparison with other sectors, which are frequently perceived

**Table 3 Revenues, Expenditures and Balance of 'Travel' Account in France**

FFr million	1990	1995*	Difference (%)
Revenues	109,924	136,790	+24.4
Expenditures	67,656	81,363	+20.2
Balance	+ 42,268	+ 55,427	+31.1

\* Provisional

Source: *Mémento du Tourisme, 1996-97*

**Table 4 Internal Tourist Spending in France in 1995\***

	FFr million	%
• Spending related to visits	365.5	64.1
• Transportation between residence and destination	166.1	29.1
• Other tourism expenses	27.0	4.7
• Non-commercial spending	11.3	2.0
<b>Total</b>	<b>569.9</b>	<b>100.0</b>

\* Provisional

Source: *Mémento du Tourisme, 1996-97*

**Table 5 Salaried Workforce in Typical Tourism Services for 1984 and 1994**

	31 Dec. 1984	31 Dec. 1994*	Difference (%)
• Total—Hotels	126,662	156,106	+23.2
• Other lodging	41,183	39,389	-4.3
• Catering	158,132	272,625	+72.4
• Cafes, smoking and beverage establishments	47,346	36,338	-23.2
• Travel agencies and tourist information centres	23,648	34,271	+44.9
• Hot spas, etc.	16,012	7,651	-52.2
• Chair-lifts	6,642	7,857	+18.3
<b>Total—Salaried Workforce</b>	<b>419,625</b>	<b>554,237</b>	<b>+32.0</b>

\* Provisional

Source: *Mémento du Tourisme, 1996-97*

to be of more strategic importance for the French economy and the balance of trade, highlights the often-overlooked role played by tourism. France's net inflow of tourism currency exceeded that of the agrifood sector (FFr60 billion versus FFr57 billion) and was more than twice that of the auto manufacturing sector. Thanks to the contribution of tourism, France's balance of trade in services is in the black and the general trade balance, which had long been in deficit until 1992, has been brought in line.

Experts are quick to point out that one special quality of tourism is that it generates more profit than normal exports—the 'import portion' of tourism consumption is only 5%, compared to 25% for France's automobile manufacturing sector.

### Internal tourist spending

Although there is no official recognition of tourism in France's national accounting system, for several years, there have been a variety of estimates of 'internal tourist spending', which take into account expenditures by French citizens and foreign visitors to France. The so-called 'T2' estimate (including diverse spending during tourist visits, travel expenses between the place of residence and destination, and pre-trip purchases and non-commercial tourist services) amounted to approximately FFr570 billion in 1995 (Table 4); this is apparently the most reasonable figure to use for comparison. Yet again, these comparisons (even if the evaluation methods should be better harmonized for consistency) are significant, given that France's GNP amounts to FFr7676 billion and its international trade is valued at



Mountain railcar at Chamonix (Maison de la France)

FFr3421 billion. In 1990, internal tourist spending reached FFr475 billion, while production figures for typical tourist services (hotels, other lodging, cafes, restaurants, travel agencies, hot spas, etc.) totalled FFr293 billion. For comparison, the added value of agricultural production reached FFr214 billion (FFr382 billion when the agrifood industry is included), FFr229 billion for the energy sector, FFr321 billion for construction, FFr224 billion for transportation, and FFr672 billion for all business. There is every indication that the tourism sector, if it were genuinely recognized and accounted for (evaluated separately from intermediary spending), would be among the most financially important sectors of the French economy. This is confirmed by observing employment patterns, which are likewise complicated by semantic and statistical vagueness. In 1994, direct employment (including the self-employed and entrepreneurs) in the sector was reasonably calculated to be 900,000, with 554,000 of these positions being salaried (Table 5). Experts put the total at 1.9 million (8.6% of the national total) when sea-

sonal employment and indirect jobs are included, as they are elsewhere in the national accounting system.

Although tourism has also recently been negatively affected by economic stagnation, it has long been one of the rare sectors generating considerable employment, with an average of 20,000 to 30,000 new positions created each year, especially in the hotel and catering sector, which provides some 85% of the employment generated by the tourism sector.

**Regional soundings**

Eventually, it should be possible to gain new insights into the importance of tourism in geographical areas that are more specific than those obtained simply through national and international measurements. However, to quote the experts of the National Tourism Observatory<sup>(2)</sup>, 'It is impossible to measure and compare the economic importance of tourism within regions without first harmonizing and refining the measurements.... With respect to tourism, the establishment of precise regional accounting that conforms to standards is still only a Utopian dream.'

Therefore, we have to make do with a few regional 'soundings' (from uncoordinated specific studies). Nevertheless, estimates arrived at over recent years are significant and impressive. Nearly FFr40 billion in tourism revenues in 1990-91 in the

Provence-Alpes-Côte d'Azur region (240 million beds occupied and 24 million outside visitors, including 6 million foreign visitors); revenues of FFr11 billion in Midi-Pyrénées in 1992 and Aquitaine in 1990 (4.5 million tourists and 90 million beds occupied); tourism revenues of FFr15 billion in Nord-Pas-de-Calais (14 million tourists and 26 million day-travellers), with 51,500 permanent positions (4% of regional workforce, tourism ranked region's second largest employer); tourism revenues of FFr19 billion in Brittany (5% of regional GDP); FFr12.5 billion in Rhône-Alpes; FFr4 billion in Corsica in 1991; FFr1 billion in Ariège (8 million beds occupied) in 1990; FFr11 billion (67 million beds occupied) in 1994 in Var.

It is very difficult to obtain significant data by comparing regional or local 'tourism production' with other types of production. Furthermore, there is a lack of general and comparative records based on timely local studies, and many of these records are confidential. However, this type of compilation would give us a better handle on the breakdown and multiple impacts of tourist activities. One such group of studies, conducted by Somival regarding vacation villages in Auvergne-Limousin, is of great interest, and could be used for reference purposes.

**Tourism branches**

It is instructive to examine the economic impact of the branches making up the tourism sector, or which are closely related to it. Here, too, one must accept different methodologies and rather approximate estimates provided in tourism-related publications. Some significant values (generally business revenues) are worth mentioning:

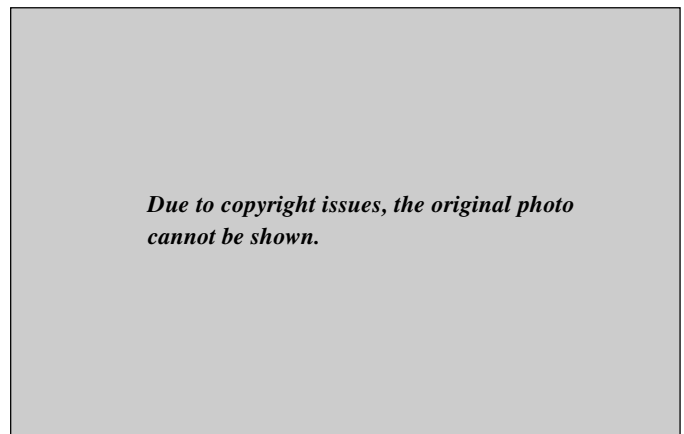
- Business tourism: FFr41 billion (1993)
- Bus tours: FFr25 billion (1995)
- 'Green tourism': FFr45 billion (1995)
- Winter sports: FFr20 billion (1993) including
  - chair-lifts: FFr4.3 billion (1995)
- Hotel chains: FFr19.5 billion (1993)
- Tourist residences: FFr5 billion (1994)
- Fast-food outlets: FFr9 billion (1993)
- Social tourism: FFr6.3 billion (1992)
- Travellers' cheques: FFr1.6 billion (1994)
- Hot spas: FFr5 billion (1990)
- Nautical industry: FFr6 billion (1994) including
  - pleasure boating: FFr2.2 billion (1994)
- Casinos: FFr2.5 billion (1996)

**Tourism entrepreneurs**

Finally, it must be recognized that tourism—which has long been characterized by a wide variety of small enterprises—has recently promoted the emergence of a few notable firms, such as ACCOR,



Luxury suite at Chateau Hotel Manoir



Bathing in famous Vittel Mineral Water!

(Maison de la France)

Nouvelles Frontières, Club Med and FRAM. These businesses are remarkable both for their vitality and their influence. Tables 6 and 7 are based on the annual survey by *Écho touristique*, and provide a means of comparing these firms with large French transportation companies. While obviously not on a par with the latter in terms of size, they hold their own.

It is especially important to note that, while the tourism sector has not become an 'industry' per se, it has recently demonstrated an 'industrial logic' in its development, with the creation of powerful strategies of concentration (horizontal, vertical and conglomerate) and integration. Hotel chains, which in 1986 accounted for only 15% of France's lodging capacity, today control about 33%, and if the hotel and lodging associations are included, almost 60% of the French hotel business is now organized collectively. In concluding, three brief points should be made:

- The tourism sector provides an excellent cost-benefit ratio but the government's 1997 budget for promoting tourism was only FFr350 million, less than 0.02% of the national budget. This low figure should be reviewed in the light of total national tourist spending.
- It is evident that the former typical pattern of lengthy vacations has changed, at times giving way to shorter, more frequent trips. This trend will not reverse itself. In 1995, short stays outnumbered long stays of four or more nights by 18%. Short stays are more sporadic and more spontaneous.
- This increased mobility, along with new temporal and territorial tourism patterns, will help restore and consolidate the intrinsic links between the tourism and transportation sectors in the future. ■

**Table 6 100 Leading Tourism and Transportation Enterprises in France in 1993**

Sector	Number of Enterprises	Total Revenue	
		FFr million	%
Transportation	23	131,588	61.0
Total—Hotel business	27	42,608	19.7
Tours	35	30,922	14.3
Leisure parks	3	5,394	2.5
Related sectors	10	4,915	2.3
Other	2	363	0.2
<b>Total</b>	<b>100</b>	<b>215,790</b>	<b>100.0</b>

Source: *Echo touristique*, Nov. 1994

**Table 7 Ten Leading Transport and Tourism Enterprises in France (1993 Sales)**

Enterprises	Consolidated Sales (1993) FFr million	Principal Activity
Air France	55,156	Air transport
SNCF	52,947	Rail transport
ACCOR	29,115	Hotel industry
Club Med	8,147	Tours
Paris Airports	6,238	Air transport
Nouvelles Frontières	5,580	Tours
Euro-Disney	4,900	Leisure parks
Jet-Tours	3,033	Tours
TAT	2,520	Air transport
FRAM	2,500	Tours

Source: *Echo touristique*, Nov. 1994

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## Georges Cazes

Professor Georges Cazes is Director of the Tourism and Development Department in the Faculty of Geography at the Université de Paris1/Panthéon-Sorbonne, where he heads the Tourism: Places and Networks Research Group. He is a former President of the French Association of Experts on Tourism Studies, and the author of numerous tourism-related publications in the fields of geography, land development, environment and society.