The integration of developed countries and underdeveloped countries through tourism

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INTRODUCTION

The history of underdevelopment is the history of integration into the world market system. The expansion of the world market system covers a very long time and was accelerated in the era subsequent to the establishment of industrial capitalism in Europe, and subsequently in North America and elsewhere. This expansion of what could now more properly be called the *world system of production and exchange* had well-known consequences for the material composition of production in underdeveloped countries (UDCs) ; this composition was dependent upon the changing demands of the developed countries (DCs). The geographical growth of the world capitalist system resulted, in the nineteenth century, in the incorporation of the last remaining area, the African continent as a whole (1). This incorporation has been identified with the point in time at which production in Africa was converted from those products claiming only a luxury market in the DCs to the production *of materials constituting part of productive consumption,* both industrial and individual, in the DCs (2).

Te history of tourism also, both domestic and international, is associated with the development of capitalism in Europe, and its subsequent extension to other areas. This development had the following general consequences important for the development of tourism.

First, the creation of nation states, able to control the conditions over wide areas, and to protect this production from conquest, led also to the regulation and hence the increased security of *foreign travel.* Foreign travel was no longer the hazardous combination of threatened robbery, disease and customs duties of previous areas.

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Second, the development of *means of transport* to satisfy the demands of expanded trade, both domestically and internationally, gave way also to the further use of these means of transport for passenger conveyance. This applied particularly to railways, ships and aircraft, and the development of passenger transport was enhanced by the design of road transport for both individual and collective use (3).

Third, the process of *proletarianization* of large populations, whilst at first de-seasonalizing and extending working hours, also had the effect of separating labour from the 'means of recreation' it had previously enjoyed within the village community. In a subsequent period, when this new proletariat began to partake in the consumption of industrial goods itself, it was seen to have created the conditions for a new form of seasonal employment. This process of proletarianization, continuing in the twentieth century with the depletion of the petite bourgeoisie, was the process upon which the emergence of tourism, including international tourism, as an accepted component of the wage basket, was founded. The most important consequence was the successful attempt by labour organizations to win the right to holidays with pay, achieved on a wide scale in a number of industrialised countries just prior to the second world war (4).

Since the second world war, the growth of international tourism has been both rapid and extensive (5). This growth of tourism, taking place in UDCs particularly in the post-colonial period, has accompanied the expansion of production and trade in general on a global scale. Thus international tourism can be seen as just one of a number of new forms of integration of UDCs into the world system of production and exchange. It is the purpose of this paper to try and clarify *the economic rationale behind this expansion of tourism* as it concerns the UDCs in particular. This requires that we try to clarify the basis upon which the expansion of tourism in UDCs has taken place, and also to clarify the consequences of this expansion for the UDCs There are two principal reasons why such a clarification is necessary, and especially in Africa at the present time. The first reason is that Africa at present receives only a very small percentage of international tourist arrivals, and that at present only a fairly small number of wage earners in the DCs travel abroad. Both suggest that African countries can expect, in the next decade or two, to be the focus of many proposals for establishing tourism projects. These proposals will require evaluation and such an evaluation can only be properly carried out if the general tendencies in the tourism branch on a world scale are identified. The discovery of these general tendencies requires, in turn, elaboration of a general theoretical framework, such as we shall attempt below.

The second reason is that previous attempts to clarify the « economic rationale » of tourism in UDCs suffer from theoretical weaknesses, most clearly in their formulation, explicit or otherwise, of *the purpose* *of production.* The economic rationale of tourism cannot, in our opinion, be approached either by positing « the maximization of welfare » as the purpose of production, which is implicit in much of the theorising about tourism (6), nor can it be approached by positing 'the development of developing countries' as the purpose of production (7). Important as it is to try and clarify the interests of UDCs in the production of tourism, this must proceed from the basic postulate that the purpose of production within the capitalist world system of production and exchange, is *the accumulation of capital.* The starting point for an understanding of tourism in UDCs, by this argument, is not an identification, and attempted quantification, of the 'benefits and costs' of tourism to the UDC; but this understanding must be derived from an analysis of *the conditions that made the export of the production of tourism to UDCs profitable.*

In the three main sections that follow we attempt to provide a framework within which an answer to this question can be sought. In the first, basically descriptive section, we give a brief characterisation of the development of the tourism branch. In the second section we discuss some characteristics of this branch which we think can help explain its expansion in the UDCs in particular. In the third section we point out what we think should be the main focus of attention in attempts to assess the expansion of the tourism branch from the point view of the UDCs (8).

Section 1

TOURISM IN GENERAL

Tourism As A Wage Good.

The growth of *domestic tourism* has been a feature of the development of capitalism since the construction of railways in the 1840's. Domestic tourism, which still constitutes the major form of tourism, has expanded to include longer and longer periods aways from home, and to include a very large proportion of the population in the industrialised countries. This expansion was associated with various forms of commercial accommodation becoming established in relation to forms of mass passenger transport.

International tourism has been, and remains, restricted to a smaller proportion of these populations; but this restricted proportion has changed in composition, especially since the second world war. From being a preserve of high income receivers in the past, international tourism has now become an accepted activity for a wide range of income strata. Tourism has become a *wage good* in the DCs.

This phenomenon of expanded foreign travel has been associated with three factors in particular.

The first is the increase in *holiday entitlement* of many workers, as a consequence of union organisation. The second is the general increase in *real incomes* for nearly all classes in the post-war period (9). The third is the cost, and hence *price reductions* that have been achieved in the different sectors of the branch (10).

The emergence of tourism, and international tourism in particular, as a wage good in the DCs has been brought about under different conditions for the accumulation of capital in the DCs themselves. For capitalism in general the period since the second world war has been characterised by two major sub-periods. The first, extending up to the late sixties from the reconstruction period of the 1940s and early fifties, saw favourable conditions for the expansion of capital, restricted only by the establishment of new socialist countries. But since the late-sixties the expansion of capital has been restricted by the internal contradictions of capitalism, resulting in slower overall rates of growth of production and income.

Moreover, the emergence of international tourism as a wage good, in both sub-periods, has been *restricted* by the competitive growth of other products — for example, washing machines, refrigerators, record-players, televisions, and especially cars and houses, — each of which share the characteristic of tourism that expenditures upon them constitute a large share of annual income, but differ from tourism in the durability of the services provided by them. Competition *between* these different products for a share in the growing incomes of all classes in the DCs has depended partly upon the arrangements for financing items of consumption, (especially the conditions of credit for cars and houses) but also upon the *costs of producing* the competing products; and this competition has increased with the slower growth of real incomes since the late sixties. This competition developed over time, some products entering the wage basket before others; and in this process international tourism was the last to enter generally into workers consumption, thus putting it in the most vulnerable position in the current period of declining real incomes. This competitive process embodies the *general* tendency for capital to cheapen the different elements of the means of consumption in order to create the incomes necessary for realizing future accumulation.

Thus, foreign travel has been only one element in the diffentiation of the 'consumption basket' that has characterised the DCs since the second world war. In addition, this differentiation took place without a change in the proportionate distribution of the whole social product between capital and labour. Hence its' precondition was a large increase in productivity in all branches of production, brought about within a competitive context, and involving the routinization of the labour process in all branches of production.

The growth of international tourism has taken place predominantly within the DCs themselves (11). The growth in demand for travel to destinations outside the DCs, which generally involves long distances, has depended not just upon the rise in incomes, nor just on the declining costs of production, but also on the continued *inequality* of incomes in the countries of origin. This continued inequality of incomes has allowed a growth in demand for travel to UDCs, which has grown faster than average for arrivals. Moreover, this relatively rapid rate of growth has been associated with much larger expenditures per arrival for UDCs than for DCs (1). This has encouraged a large number of UDCs to embark on investment programmes in the tourism branch, and for a few tourism has come to take a major proportion of production in the country.

The expansion of tourism in general has taken place, not only in competition with other products within the consumption basket, but also *within the branch* itself. This competition operates at all levels of the branch; between domestic tourism and international tourism, among the DCs themselves in the market for international tourists, between destinations in the DCs and destinations in the UDCs, and between the separate UDC destinations themeselves. This highly competititve expansion within the branch has had its' consequences for the forms of production of international tourism.

Structure of the tourism branch.

To attempt to describe the structure of the tourism branch is to describe someting that is constantly in flux, partlly as a result of the competitive conditions of the branch itself and partly as a result of the overall tendencies in accumulation conditions. But in the period of rapid expansion of international tourism up until the early seventies, a fairly clear structure did emerge (13). This structure included an international transport sector, and a transport sector, an accommodation sector, and non-accomodation sector at the destination. But it also included retailers and wholesalers in the tourism market in the DCs. The retailers (travel agents) are the sales agents directly for the transport and accomodation sectors, but increasingly for the wholesalers (tour operators) as well. The tour operators emerged as the most influential sector within the branch, pursuing a function that was demanded by the competitive conditions of production. Their function, essentially, is to organise package holidays, that is, holidays that are pre-organised and pre-paid. This function is performed by centralizing (and later controlling) information on the transport and accomodation sectors; and then choosing different packages from among the whole (world-wide) services that these sectors provide. Their acceptance as an intermediary between the transporter and the travel agent was based on the potential they offered for expanding the tourism demand for specific routes and places, based on their ability to choose a 'cheap package holiday' for marketing.

In relation to tourism to UDCs, there is a mixed interest among enterprises from the DCs and UDCs within this structure. Enterprises from the UDCs have invested in the accomodation and non-hotel sector, and partly in the transport sector, especially airlines. Enterprises from DCs have invested heavily in the tranport sector and also in travel agencies and tour operators. In addition, there has been considerable investment from DCs in the accomodation sector in the UDCs, but also in the non-accomodation sector. The most important characteristic is that no UDC directly owns or controls any tour operators in the DCs themselves (14) ; and given the central role of tour operators in the branch, UDC capital is often reduced to the status of subcontractors, catering at preferential rates for any business the tour operators bring.

This branch structure has been subject to considerable change, as is illustrated by two tendencies of ownership within the branch. The first tendency is the increasing number of enterprises operated by the same multi-national enterprise. This tendency has appeared in the sectors of air transport (as a multiplication of routes by the same airline), of ground transport (car-hire and tours), and of hotels. The effect of this multiplication of enterprises is that innovations in the sector can be rapidly transmitted throughout the chain of enterprises, and so increase the competitive advantage of any of these enterprises in their specific markets. The overall effect of this tendency, where competition still prevails within the specific markets and between them, is to reduce the costs of production of tourism on a world-wide scale.

The second tendency is toward vertical integration between the different sectors in the branch. The integration of these different sectors initially took the form of long-term contract agreements (for example on the sale of airline seats) but although these forms are still retained, increasingly tour operators, airlines and hotels are coming under common ownership. This tendency is directed at more securely preserving a share of the tourist market; but it is also directed at reducing the overall costs of production, through eliminating separate profit margins. In addition, the travel agent as a separate entity in the sales process is being eradicated through the use of existing retail outlets such as supermarkets and banks.

These tendencies — which can be summarised as a rapid *concentration of capital* within the branch — illustrate the competitive conditions to which the branch is subject. Competition for a restricted market, for travel to UDCs especially, has required a reduction of costs in the branch, and this is associated with a compensating widening of the market to a mass market. But the consequence has been declining profit margins within the branch (15), and hence increasing rationalization of the branch structure itself.

The Character of Investments.

For the tourism branch to expand a range of investments are required both in the countries of origin and in the countries of destination. Apart from the enterprise investments alluded to above, there needs to be considerable government investment in infrastructure projects which may be more or less specific to the tourism branch itself. These investment include the construction of roads, railways, harbours, and airports, and the provision of direct inputs such as electricity and water (16). In many UDC destinations, moreover, government involvement has extended to promotional campaigns, and often, where profitability conditions dot not attract private capital, to investments in directly productive enterprises within the branch. We find for Tunisia, for example, that « the government has established a substantial public sector, and has proved that a hotel industry could be established in Tunisia ; it has not proved that it could be profitable » (17).

A large part of the investment within the branch consists of construction and public works. This means that there is a large fixed investment in the branch that cannot be readily scrapped, or transferred, to alternative production, if the anticipated flow of tourists does not materialize. In addition, because of the characteristic of seasonality in tourism demand — determined not just by climatic seasons but by holiday regulations at work — « a characteristic feature of fixed investment in the tourist industry (is that it) is relatively little used » (18). Taken together these imply a high capital/output ratio for the branch. Even if we consider just the non-infrastructure investment within the branch, the problem of seasonality determines a rather high capital/output ratio in a branch with a fairly high labour/output ratio.

These basic features of the branch have led to two consequences. First, the branch has been characterised by increased investments in non-hotel services. Apart from getting the visitor to spend more, this increased diversity of the tourism product can be achieved without the same heavy fixed investment as in infrastructure and accomodation. But secondly, the absolute scale of investment again makes mass consumption essentiel ; and this mass consumption, to be derived from a restricted market within the DCs, has heightened the competitive conditions in the branch.

Section 2

THE EXPORT OF TOURISM TO THE UDCs.

The Post-War Period.

One of the major characteristics of the growth of the world market since the second world war has been the export of productive capital from the DCs to the UDCs. This export of productive capital has taken four forms. First, there has been the export of productive capital to maintain and increase raw material exports from UDCs. Second, there has been capital directed towards domestic markets in the UDCs, often protected from conditions of world competition. Third, these « import substitution » industries have sometimes been expanded to serve export markets, from the point of view of the UDCs ; that is, the subsequent policy of « export promotion » has seen them exporting to other UDCs and even to the DCs themselves. Fourth, and most recent, the crisis conditions in the DCs has invoked a search, within specific branches of production, for low-cost production sites for some products or processes, forming the « export industries » of the nineteen-seventies.

The export of tourism to UDCs is part of this general tendency of the export of productive capital, and developed most rapidly in the nineteen-sixties in conditions or rising real wages in the DCs, and in the period of import substitution in the UDCs. This form of export of capital continues in the less certain conditions of the nineteen-seventies, with the continued need to cheapen tourism production.

The export of productive capital in general to UDCs has itself created a tourist market for business tourism in these countries, but clearly a restricted market. Also, the inequality of incomes in the UDCs has given rise to some demand for travel between and within these countries themselves. But of course the major investments in the tourism branch have taken place where a market has been established (or was thought to be established) for holiday tourism in UDCs involving travel from the DCs. Hence, the expansion of tourism in UDCs has taken the form of an export of produtive capital to satisfy an element of individual consumption demand originating in the DCs themselves. UDCs have thus taken over the production of tourism as an *'export industry'*, but an export industry with the unique characteristic that the product whose production is taken over is sold partly in the UDCs themselves. In this context, we must enquire what are the advantages of exporting the production of tourism to UDCs.

Advantages of production in UDCs.

Although the expansion of tourism to UDCs makes a more diverse tourism product available, this expansion would not have taken place unless there were certain advantages of production in UDCs that can be reflected in higher profit rates. Some of the advantages that we enumerate below are shared also by the other industries that have been exported to UDC locations.

First, the export of productive capital to create export industries in UDCs has taken place under *continued differences of average conditions of labour* from country to country. Between DCs and UDCs these differences are most marked in terms of the total social wage, given the extensive provision of « welfare services » in DCs. But the difference is also marked in terms of enterprise wage bills for a given flow of tourists. This difference is likely to persist to the extent that tourism is necessarily a labour intensive branch, and hence productivity increases in the DCs are unable to compensate for the absolute differences in wages. Between the UDCs themselves, wage differences allow capital to expand, not just where there are « tourist attractions », but also where the costs of production in the tourist industry at the destination — the costs of hotel operation, of ground transport, of domestic air travel, of entertainment in the UDC — are cheapest. Thus conditions of competition within the branch, constituting competition between the tourism branches of different UDCs, has led to the need to cheapen the costs of commodities which enter into the production of tourism. One method of achieving this is to substitute domestically produced for imported inputs ; but to the extent that domestically produced commodities enter into the production of tourism in all UDCs, directly or indirectly, the production of tourism will still remain competitive by wage differences between countries. And, in a dynamic context, this competition, being mediated internationally on the world market, will be determined by the cost of commodities entering tourism in the most advanced conditions of production (19).

Second, competition upon wage differences has reinforced a tendency towards *standardization of the labour process* within the branch, in particular within the different sectors. This can be seen most clearly in the hotel sector where there has emerged international chains of hotels providing similar services under similar conditions of operation created by the multinational enterprise itself. This standardization of part of the tourism product, developed in the major tourist markets which remain in the DCs, has determined the *choice of technology* of new enterprises constructed in UDCs. The competitive conditions within the industry make it imperative to adopt the technique which will provide a competitive advantage over other capitals, and thus results in the 'transfer of technology' in the branch. This transfert of standardized production, requiring large amounts of easily-skilled labour for its operation, is conducive also to the reduction of overall wage bills.

Third, production of tourism in UDCs has been enhanced by the *economies of distance* in travel (20). This feature characterises air travel in particular, which is essentiel to the tourism branches of UDCs remote from the major market areas. Moreover, this technical characteristic of the means of transport has given rise to different forms of sales arrangements within the airline and tourism branches, which have attempted to take advantage of economies of scale through, for example, block bookings of aircraft seats at discounts, providing not only cheaper travel to the tourist, but the revenue with which the tour operators carry out their whole-sale functions. This feature has been so marked as to undercut price-fixing arrangements within air travel agreed on an international scale.

Fourth, although *technological changes* have taken place within the different sectors of the branch, these changes have been slight in relation to other branches of production : In the field of air transport, the expansion of demand has not been sufficient to warrant very extensive use of large 'jumbo jets' brought into service at the beginning of the nineteen-seventies, and the sector is characterised by the long operating life of existing aircraft. In the field of ground transport, there has been very little change in the methods of production of motor vehicles in the last ten years, and in fact car production is one of the branches that are at present also being exported from the DCs to UDCs. In the accommodation sector, the high element of buildings and other construction already referred to, again with a long operating life, and the relatively small proportion of spectialised machinery in investment and operating costs, has retarded cost reduction through innovation, especially in the nineteen seventies when the rate of expansion of the branch has slowed down. This *slow rate of advance of technology*, relative to other branches of production in the DCs, has enhanced the importance of wage differences in location decisions. In this sense tourism is a typical export industry, seeking low-wage locations because unable to generate rapid and sustained productivity increases within the DCs.

Fifth, the climatic features of UDCs has allowed a *lengthening of the* period of operation of tourism plant. The demand for tourism within the DCs is highly seasonal, and although attempts have been made to diversify the market by offering cheap holidays in off-peak seasons, still it is the case that a large proportion of tourism enterprises operate for a limited number of months of the year, perhaps as few as five months in some parts of Europe. For hotel tourism this constitutes a problem, as referred to above. Even with maximum occupancy rates within the holiday season, the capital-output ration for the year must remain high. Production of tourism in UDCs is also seasonal, but climatic conditions allow a much longer period of operation at full rates, and in most places there is no actual closures on a seasonal basis. Seasonality here is determined more by leave regulations than by climate. The implication of this, where tour operators have been able to find a market for tourism to UDCs at all times of the year, is that the tourism enterprises can be operated at fairly full occupancies for a much longer period in each year. The consequence is that the fixed capital costs are spread over a larger flow of tourists; or, in other words, that the capital/output ratio in the UDCs for the same standard of accommodation and other services, is much less, than the capital/output ration in the DCs. This reduction of capital/output ration, achieved by longer periods of operation within each year, is not associated with increases in other inputs into tourism production; in particular the labour/output ratio remains the same in the two case of high and lower capital/output ratios, and hence the *saving of capital* constitutes an effective increase in the rate of profit in the branch in UDCs compared to DCs.

Sixth, and finally, although the production of tourism in DCs has been *subsidised* in various ways by governments, this is also true of the production of tourism in UDCs, and probably to a greater extent. The common elements are the provision of infrastructures, and the provision of investment incentives. But these have occurred in different contexts. Only in a very few DCs does tourism constitute a major proportion of foreign exchange earnings, and so subsidy schemes for tourism have been restricted in size and scope. Moreover, not all DCs are subject to persistent balance of payments difficulties, in contrast to all the UDCs who have established major tourism industries. Hence, as a foreign exchange earner, and a competitive industry, tourism has attracted a substantial subsidy from the government of UDCs, constituting a subsidy of an element of consumption in the DC, and a subsidy to profits within the individual operating enterprises.

Qualifications.

The reduction of costs achieved through the expert of the production of tourism to UDCs, and its significance, must, howewer, be qualified on a number of counts. The first of these is that the diversity of location and activity which international tourism contains, especially for inter-regional tourism, includes some destinations able to attract a *high income market.* For some destinations, questions of quality and uniqueness predominate over questions of cost that characterise *mass tourism* destinations. Also it should be recalled that cost reductions in inter-regional tourism have been achieved as much within the air transport sector as in the UDCs themselves, and not all inter-regional travel is travel to an UDS. Hence for some destinations in UDCs cost reductions through low wages may not assume the same importance as for others.

The second qualification relates to the cheapening of construction and operating costs through *import substitution within the branch.* Clearly some countries are more able to substitute domestically-produced goods — construction materials, food, beverages, spare parts, cleaning materials — than others, but this process itself may meet with resistance based upon the requirement to maintain and increase commodity exports from DCs. This tendency is captured in the following quotation : « a tourist trades with the home country (UDC) only in so far as he buys goods and services produced by the home country. In so far as the tourist comes to the home country with his income and spends it there on imported goods, the flow of goods must be interpreted not as *international* trade, but as a geographical extension of the domestic trade of the foreign country » (21). In relatively protected markets the export of productive capital in tourism has served to provide the origin of initial investment goods and subsequent material and non-material inputs, as exports of commodities from DCs. Hence, within any market for tourism there are *two counteracting tendencies;* the one to cheapen, for competitive reasons, the costs of production of tourism, and the other to create and sustain a market for the export of commodities, produced in DCs, to operate the tourist industry in UDCs, which may imply a limit on the cost reductions that are possible (or serve to emphasise the need to cheapen as far as possible the remaining non-exportable commodity, labour). For UDCs serving a mass tourism market where highly competitive conditions prevail the need to cheapen costs through substitution of local for DC wage costs may be irresistable. For UDCs serving a smaller tourist market, some protection of the market may be afforded by the high income character of the tourist, and marketing strategies based on special attractions, and here the export of commodities from DCs may operate more freely.

Also, the substitution of locally-produced goods for imported goods depends on their relative costs; and this may be determined by the protective conditions under which the domestically-produced goods are made. But equally clearly the raising of the cost of imports into the UDCs through, for example, the imposition of tariffs, restricts the ability of the tourism branch — and other branches — to cheapen their costs of production, and thus to compete successfully within the restricted tourism market. Hence, for the point of view of the operating enterprises, faced with a competitive situation, the determining influences on the costs of production may be the *general economic policies* of the governments of the UDCs — trade, prices, wages, tariffs — rather than specific policy measures directed at the tourist industry as such (for example, tax holidays for new hotels). Cheapening of the costs of production does not rest solely with a particular branch.

A third qualification to the arguments put forward earlier relates to the standardization of production in the tourist branch. Tourism represents *directly, an element of consumption,* and so its production cannot be broken down into separate processes amenable to diffuse location. This, in the first instance, means that the most standardized components of the labour process cannot be seperated from all the components of the labour process taken together, as in other industries. Moreover, standardization within the separate sectors is restricted by the character of the product — a continuous service to people — and also by the need, in some places, to provide services of a differentiated quality. The complex character of the product also requires a form of organization and management that is able to cope with technical questions of control and repair in the context of continuous contact with the customer, and limits the extent to which elements of the labour process can be routinized, a precondition for standardization.

Tourism and other branches.

Even if we have correctly specified the reasons why tourism has been part of the export of productive capital to the UDCs, we should still try and clarify the differences between this branch and others, and thus why it deserves special investigation. Below we indicates some differences and similarities between tourism and in turn export industries, raw material exports and import substitution industries.

The establishment of export industries in UDCs takes place in order to achieve cost reductions in the context of world-wide competition in different branches. Many of these industries operate as an enclave in the UDCs, and increasingly in free industrial zones. World-wide competition also applies to tourism, but for tourism not only does competition take place at the level of the world market between different countries, but *competition takes place also at the point of production* within the UDCs. Although other export industries operate under selected and relatively stable production conditions in a chosen UDC, the conditions of production for the tourist branch are competitive within the UDCs themselves, a consequence of production *and* consumption of the product, produced for a market in the UDCs, both taking place in the UDCs. This competition may take the form of competition between productive capital of the DCs and productive capital already developing within the UDCs themselves, but more generally it constitutes an extension to the UDCs of competitive conditions prevailing in the tourism market as a whole.

Also, whereas other export industries are well *integrated into multinational production units,* the tourism branch is not so well integrated. This means that, not only is the price for tourism competitively determined, but it must also correspond to actual revenues received by enterprises in the UDCs. Integrated production units can be used, through transfer pricing machanisms, to switch profits from one country to another, depending upon the interests of the enterprise on a world scale. Within tourism this is not possible to the same extent, given the public nature of prices for tourism services, and the lack of complete integration of, for example, hotels with airlines and tour operators.

The tourism branch can also be sompared with raw material exporting sectors. In this context it is essential first to note the similarity between tourism and, for example, tea. Both are produced for a market in the DCs, and under competition with other UDCs. On a global scale neither the output of tea nor tourism can be controlled by an individual UDC. All must compete for the same market in the DCs, and if no alternative exists for them this implies that they will both inevitably be subject to declining terms of trade visa-vis manufactured exports of the DCs, in the long run.

However, *the price for tourism services is set within the UDCs* even if within a competitive framework, and this has two consequences which distinguish tourism from raw material export sectors. The first is that tourism is not as homogeneous as raw material exports, and so, in particular destinations, there may be an opportunity for genuinely *setting the price* at which tourists come. Certainly this control over prices ollows seasonal pricing when demand is temporarily excessive, but high income destinations also may be able to choose a price for tourism that will yield what they consider as a sufficient number of tourists, without the need to expand the sector indefinitely. This consideration is important where the character of tourism is constrained by natural limits to tourist « carrying capacity ».

The second consequence is that *exchange rate changes*, deliberate or otherwise, will have a different effect on the tourism as opposed to the raw material exporting sectors. A devaluation, for example, will not alter the world market price for most raw material exports, that is, will not alter the foreign exchange revenue generated by these sectors of itself, but will transfer funds to export production and marketing internally. By contrast, if tourism prices are set in the domestic currency, then a devaluation will reduce the foreign exchange generated from tourism, whilst not increasing revenues in the branch — rather reducing profitability through the associated increase in import costs. Conversely, a revaluation of the domestic currency will reduce only the domestic revenues for the raw material exporting sectors; but it will increase the foreign exchange earnings of tourism with prices set in local currency — unless the increased foreign exchange price leads to a fall in damand. This consideration is important where, within the tourism, prices are fixed many months in advance of a season to allow tour operators to draw up their programmes.

Another important difference between tourism and some other export branches is that tourism is produced with *wage, and not peasant,* labour. One of the consequences of 'transferring' labour from peasant production to wage labour is that the cost of labour for capital is substantially increased. This increase is the consequence not just of wage and social security costs directly for wage labour, but also the increased provision of government services associated with urbanisation in UDCs. In short, the full costs of reproduction of the labour force must be met by capital for wage labour, but not peasant labour, and in periods of crisis cost reductions are easier to achieve in the peasant sector, where increased labour hours, for food production for example, do not appear as a financial cost for any enterprise. Of course, in the tourism sector the process of creating a permanent wage labour force is incomplete, partly as a result of the seasonal demand for labour in the branch, with a high use of casual employment in peak periods, and partly because of the savings achieved by capital in UDCs by ensuring that some of the costs of reproduction of wage labour is still borne by the labourer and his family. In some countries migrant forms of labour in tourism bear considerable resemblance to labour employed in the estate sector of raw material exports.

Finally, we can compare tourism with import substitution industries. Here we will make only two points. The first is that, unlike import substitution industries *tourism cannot be protected through tariffs.* Tourism sells to a foreign market and not a domestic one, and so the branch cannot be protected directly from competition. For this reason other forms of support — tax holidays, depreciation allowances, investment allowances, cheap loans — characterise the branch, selling as it does at a competitive price.

The second point is that in one respect tourism resembles some of the import substitution industries. Established as they were to produce for existing demands in UDCs import substitution industries often produce for *luxury rather than for productive consumption;* that is, the products often have a restricted market only among the unproductive classes in the UDCs. Tourism production for an international market obviously has the same characteristic, that , in as far as the same facilities come to satisfy a domestic demand for tourism, this demand exists only for the high income receivers in the UDCs. The consequence in both cases is that increases in productivity in the branch, by allowing reductions in price, serve merely to increase the real incomes of the higher income groups; that is, serve in no way to cheapen the costs of productive labour in UDCs. Thus increases in productivity in such branches will have no direct consequence for internal accumulation, but will result in a concentration of income. This effect within the tourism branch will not occur, only where the local population, by regulation or price, is excluded from the tourism facilities constructed for the international tourist.

Section 3

TOURISM ASSESSMENT IN UDCs

The general process of underdevelopment has two important manifestations for all UDCs. The first is the continued lack of foreign exchange or the *'balance of payments problem'*. Lacking sectors which produce means of production in the first instance, the development of industry has been restricted by the capacity of import means of production, and this in turn has resulted in a restricted level of accumulation within UDCs. This problem is also related to the prior integration of UDCs in the world market, before industrialization. This prior integration required that they produce and export raw materials under competitive world market conditions, and at the some time import industrial goods produced in non-competitive market conditions in the DCs, this assymetry of competitive conditions resulting in a general decline in the terms of trade for the UDCs. The second, and increasingly important manifestation of underdevelopment can be referred to as the *'unemployment problem'*. The development of a working class in UDCs, part of which remains as a reserve army for the industrialization process, is the consequence of many developments. In particular, declining internal terms of trade have restricted the growth of peasant incomes, invoking a search for wage employment in the towns. But the restricted character of accumulation in UDCs has meant that not all could be employed in the industrialization process.

In the context of these general conditions of underdevelopment, tourism has been presented as having two advantages in particular; the provision of foreign exchange and the provision of employment. Behind any rationalization of tourism projects, or assessment of tourism operation, lie calculations of foreign exchange generated through estimates of labour/output ratios in the tourism branch. (Often also, calculations of revenue generated for UDC governments are provided as an additional argument). But all such calculations so far undertaken are based on highly simplified theorectical frameworks (22). The first simplification is the *partial* framework of analysis, the attempt to quantify returns to any particular tourism expansion without taking into account competitive expansions elsewhere. And the second simplification is the *static* character of the analysis, not only in ignoring possible existing or future competition on a world scale, but also in ignoring the consequence for income distribution, and internal accumulation, resulting from the establishment or expansion of a tourism branch.

These criticisms of the simplistic notions of benefits applied in the tourism branch are implicit in the theoretical framework presented earlier, and we now can clarify the basis for assesment to which those arguments lead. On the one hand they suggest that *the terms of trade for the branch* should be the major focus of assessment for UDCs wishing to expand their foreign exchange earning capacity; and secondly this should be accompanied by an analysis of *the creation and destruction of incomes* consequent upon tourism production (23).

Terms of trade for the branch (24).

The price for tourism consists of two major components, the price of travel to and from the destination and the price of accomodation and other services at the destination. The competitive character of development of tourism affects both components. The provision of high cost, high price facilities at a destination can be compensated for by reductions in transport costs. Alternatively, a failure to reduce the price of transport can be compensated for by reduction in price at the destination; in both cases maintaining the competitive position of the destination on a world scale. The competitive form of production within the UDC will also assist to keep the destination price competitive on a world scale. As the tourism branch has expanded competitively on a world scale, therefore, we would have expected there to be considerable pressure on destinations to restrict price increases; and given the persistent increase in prices of manufactured imports since the middle sixties, we would have expected *the terms of trade for the tourism branch to have declined* in the last decade, from the point of view of UDCs. Moreover, this may not have been fully compensated by increases in the volume of tourism. This hypothesis, derived from tendencies in real incomes on the DCs on the one hand, and tendencies in technological change in the tourism branch on the other, should form the focus of all assessments of tourism expansion in the past and in the future.

Focusing on the terms of trade for the branch leads us to two other important considerations. The competitive conditions prevailing in mass market destinations are more acute than those prevailing in high income market destinations (25), where the character of the activity and the tourist are sufficient to allow a continuous increase in price for tourism services. Thus it is possible that in some specific destinations the influence on the terms of trade for the branch that we have identified has not been strong. But it is nevertheless clear that any tendency for a destination to *widen* its tourism market — from a specific high income market towards a more diverse mass market — *might have a contradictory impact on the terms of trade for the branch.* Such a widening of the tourism market would require a reduction in destination costs of production, to compete with other destinations. This reduction of costs would allow a reduction of price in an attempt to attract more custom; or in short a reduction in the terms of trade for the branch which would reduce its value as a foreign exchange earner.

In this connection we can understand the concern that has been shown in UDCs with the *net* foreign exchange earnings from tourism, and the identification of possibilities for substituting locally-produced for imported inputs. This concern has grown with the growth of mass tourism markets, and is shown most clearly in those countries (West

Indies, Kenya, North Africa) which have attempted to widen their markets in the last decade (26). Such an attempt to identify import subtitution possibilities is an attempt to retain foreign exchange obtained from tourism. But also, of course, the substitution of locally-produced for imported goods allows a reduction in the costs of production through the substitution of domestic for DC wage costs. If this reduction in costs is followed by a competitively-required reduction in price at the destination, which constitutes a decline in the terms of trade for the branch in the UDC, then again, *the reduction in import content may not achieve any overall increase in the capacity to import.* Other forms of reduction of « import content », for example localization of ownership, or restriction on profit outflow, may also be subject to the same tendency in relation to prices, and again may also not lead to any increase in the capacity to import.

Creation and destruction of incomes

A transfer of the production of tourism from DCs to UDCs will result in *a creation of incomes in the DCs themselves.* This is the consequence of transferring production from a high to a low wage destination. Moreover, the competitive requirements of the branch are that the costs of production be reduced in all destinations, and this can be achieved through pressure on wages in the UDCs separately. Because of the seasonality of employment, and migrant forms of labour, labour in the tourism branch is often unorganised and cannot resist pressure on wages. Hence a new destination in UDCs will provide tourism at lower cost to the customer, and hence these tourist will effectively have their real incomes raised by construction of tourist facilities in UDCs.

It is clear, also, that in these competitive conditions, *the direct creation of incomes in UDCs in the tourism branch itself will be restricted.* In addition, the introduction of a new branch into the UDC may have serious *consequences for existing branches and incomes.* In general a commercial domestic tourism does not exist in UDCs, hence the prime consideration is not the competitive reduction of other existing enterprises within the branch itself. Rather, the problem becomes that of competing resources away from other branches, especially in the first few years of a tourism expansion. The demands of consumption of tourists from DCs in UDCs may lead to a reallocation of land and labour away from existing agricultural activities (including export agricultural activities) towards tourism directly; also the loss of regional labour to the tourism branch may reduce the productive labour force in domestic agricultural activities, for example foodstuffs. In these cases it could be true that the wage incomes created in the tourism branch and the incomes created later on for those high income residents of the UDCs, who, as the result of a competitive reduction in price, can now afford to purchase tourism services, are together less than the agricultural incomes that were prevailing; and certainly the consequence of competition for specific ressources would, in these ways, lead to a concentration of incomes. Also, the additional demand may destroy the incomes of agricultural workers through, for example, an increase in the price of foods-stuffs.

All these tendencies — shift of labour, enhanced concentration of incomes, inflationary impact — have been shown to be the consequence of establishing tourism in some small West Indies islands (27). Hence, the direct and indirect employment effects of tourism must be treated with some caution, although many destinations may not suffer from the same inelastic supply conditions for land, labour and foodstuffs. But combined with the observation made earlier, that, as an element of unproductive consumption in UDCs, technological changes in the branch itself will have the effect merely of increasing consumption internally, the overall effects of tourism on employment, in both a dynamic and comprehensive framework, must also become the focus of assessment, and not the simplistic comparison of labour/output ratios with other branches.

SUMMARY AND CONCLUSION

Tourism, both domestic and international, has developed with the development of capitalism. The expansion of international tourism to UDCs that has characterised the last fifteen years in particular, must therefore be analysed from the point of view of the accumulation process in the DCs themselves. After giving a descriptive account of the tourism branch in section 1 above, we then devoted our attention in section 2 to constructing a theoretical framework within which this analysis can be undertaken. This framework, with its emphasis on the competitive character of all tourism development, and focussing on the tendencies influencing the costs of production of tourism in UDCs by comparison with DCs, represents a departure from previous analyses of tourism, and opens up the possibility of providing an *explanation* of its expansion to UDCs, rather than simply *rationalizing* this expansion from their point of view. If the arguments put forward in this section are correct, we can expect in the future continued attempts to establish tourism branches in UDCs in an effort to cheapen further the costs of production of tourism, particularly in a period of crisis for capitalist production in general. As part of the process of integration of UDCs into the world capitalist system of production and exchange, the production of tourism obviously has some consequences for the UDCs themselves; and in section 3 we have suggested what in our opinion should become the main focus of attention for the UDCs in their evaluation of the tourism branch. The focus here should be on the *dynamic* consequences of tourism production on the terms of trade for the branch on the one hand, and on the creation and destruction of incomes and employment on the other, investigated in a *comprehensive* fromework incorporating the major tendencies within the branch on a world scale.

FOOTNOTES

1. J. Forbes Munro, « *Africa and the international economy,* 1800-1960 », London, 1976 gives a general survey of the integration of sub-Saharan Africa into the world system of production and exchange. See also I. Wallerstein, « The three stages of African involvement in the world economy », in P. Gutkind and I. Wallerstein, eds. « *The political economy of contemporary Africa* » London, 1966.
2. I. Wallerstein, op. cit., p. 31
3. Lickorish and A. Kershaw, « Tourism before 1840 », p. 10 ; and « Tourism between 1840-1940 », p. 15 and pp. 17-21, in A. Burkart and S. Medlik, eds. ; « *The Management of Tourism » ; London,* 1975.
4. L. Lickorish and Kershaw. op. cit., pp. 22-23.
5. International tourist arrivals grew from 25.3 million in 1950 to 181.0 million in 1971, an annual rate of growth of 9.8 %. See G. Young, « *Tourism, blessing or blight* », London, 1973, p. 52.
6. See, for example, P. Diamond, « On the economics of tourism », *Eastern African Economic Review,* Vol. 1, No. 2, 1969 ; and D. Bevan and D. Soskice « Appraising tourist development in a small economy », ch. VII in I. Little and Scott, eds., « *Using shadow prices* », London, 1976.
7. Discussed in J. Diamond, « Tourism's role in economic development ; the case re-examined », *Economic Development and Cultural Change,* April, 1977. See also S. Curry, « Tourism and Underdeveloped countries : a note on development ideology, University of Dar-es-Salaam, mimeo, September 1977.
8. Although it cannot be separated from other tourism, our subsequent discussion relates primarily to holiday, hotel tourism, the largest component of the branch, and the most thoroughly organized.
9. For what still remains fragmentary evidence on income elasticities of demand for foreign travel, see International Union of Official Travel Organizations « *Economic review of world tourism* », Geneva, 1968 ; and J. Artus, « An economic analysis of international travel », *I.M.F. Staff Papers,* Vol. XIX, November 1972. The average value for a number of countries presented in Artus was about 2.0 for the period 1960 to 1969, indicating a fairly high elesticity of foreign travel. However, it should be noted that these estimates are calculated for *all* foreign travel, including travel amongst the DCs themselves ; and that they are aggregate income elasticities, not calculated for specific income groups.
10. For price elasticity of foreign travel estimates, see also Artus, op. cit., p. 594, Foreign travel is on the whole more sensitive to relative price changes than to changes in real incomes.
11. Between 1950 and 1971, Europe increased its share of arrivals from 66 % to 75 % of all arrivals. This increase was largely at the expense of North America, allowing other areas to increase their share, although these shares still remain small.
12. J. Bryden, « *Tourism and development, case study of the Commonwealth Carribean* », London, 1973, p. 63 quotes figures for average expenditures per arrival as between U.S. $ 83.8 and 98.3 for all European, Meditternanean and North American countries, as 101.1 for Africa, rising to 397.9 for South and Central America.
13. The following description is based principally upon R. Erbes, « *International tourism and the economy of developing countries* », O.E.C.D. Development Centre, Paris 1973, pp. 6-19.
14. Tour operators in UDCs are generally only one link in a much wider chain, concerned largely with the provision of tours at the destination, and not the primary task of packaging the transport and accommodation sectors together in the DCs.

15. Tour operators are said to operate within « an industry of profitless growth ». See G. Young, op. cit., p. 78.
16. The expansion of the state sector has been a feature of all capitalist economies in in the postwar period. For information on the extent and form of government subsidies to tourism in particular, see Young, *op. cit.*, ch. 7 and O.E.C.D., « *Tourism policy and international tourism* », Paris, 1974, ch. 1 and Annex IV table G.
17. R. Erbes, *op. cit.*, p. 19
18. R. Erbes, *op. cit.*, p. 14
19. « The effect of integrated international competition upon the value-product of the individual nation thus takes the form of ensuring that the *reproduction costs* of commodities placed upon the market are no longer determined by the *specific* amount of labour they contain in a particular nation, but rather by the reproduction costs of commodities produced for the world market under the *most advanced* average conditions and offered on an extensive scale. This means that the nationally expended labour time necessary to provide a particular value-producet is « *internationally mediated* ». W. Olle and W. Schoeller, « *International Competition between national average conditions of labour* », Economic Research Bureau paper, Dar-es-Salaam, forthcoming, p. 27.
20. See S.F. Wheatcroft, « Transport and tourism », in A. Burkart and Medlik, *op. cit.*, for a brief discussion of factors affecting transport costs.
21. J. Rokowski, « Tariffs and the export of home goods through tourism », *East African Economic Review*, December, 1973, p. 29.
22. For some country studies, see J. Bryden, *op. cit.*; Part IV ; R. Erbes, *op. cit.*; S. Curry, « Tourist Expenditure project : Part II, the economic impact of tourist expenditure », *Report* for Central Planning Unit, Government of Jamaica, August, 1971 ; F. Mitchell, « The value of tourism in East Africa », *East African Economic Review*, Vol. 2, N° 1, 1970 ; and many consultancy reports on tourism.
23. The study by J. Bryden, *op. cit.*, in fact includes a discussion of this second form of assessment.
24 By « terms of trade for the branch » we mean here the relative movement of the prices of tourism services to the prices of *all* imports into the UDC. The arguments that follow could also apply to the terms of trade in the branch meaning the relative movement of the price of tourism services to the price of imports required directly or indirectly to provide tourism services. This more specific concept is unfortunately more difficult to estimate.
25. International tourism is very diverse in destination countries, activities and characteristics of the tourist. We use the terms « high income » and « mass tourism » to refer, in summary form, to this diversity, especially as it includes tourisms of much higher cost than others. Of course, the two forms of tourism can often be found *within* one distination country.
26. See footnote 22 above for some references containing net foreign exchange estimates.
27. See J. Bryden, *op. cit.*

RÉSUMÉ

Dans cette étude, l'auteur aborde un des sujets qui, à première vue, semble se situer en dehors des préoccupations courantes des lecteurs d'Africa Development. Et pourtant, à y regarder de près, l'approche adoptée par l'auteur le situe au premier plan de ces préoccupations. En effet, le tourisme, tel que traité dans ce texte, est une industrie d'export au même titre que les autres industries d'export installées en pays sous-développés par les pays développés pour le marché des pays développés. L'auteur propose un cadre théorique « nouveau » d'analyse de cette activité économique. Se basant sur le postulat selon lequel le but de la production et de l'échange dans le système capitaliste mondial est l'accumulation du capital, l'auteur met l'accent sur le caractère concurrentiel du développement du tou-tourisme, et insiste sur les tendances influençant les coûts de production du tourisme en pays sous-développés en comparaison avec les pays développés. Du fait de l'intégration des pays sous-développés dans le système capitaliste mondial de production et d'échange, l'industrie du tourisme a des conséquences certaines pour ces pays. En particulier, les conséquences dynamiques du tourisme sur les termes de l'échange de cette branche et la création et la destruction des revenus et de l'emploi devraient être étudiées dans un cadre plus général comprenant les facteurs qui affectent la production du tourisme à l'échelle mondiale. Sur cette base et en particulier, en réponse au souci continu de réduire le coût de production de l'industrie du tourisme dans le monde, l'auteur projette la continuation de l'expansion du tourisme dans les pays sous-développés.