CHAPTER II

TOURISM INDUSTRY IN DEVELOPED REGIONS
Tourism is an industry like any other, with at its base, the commodity of travelling people. It is a product of affluent people. It is the affluent countries who benefit most from its usage and its demand.

Tourism is a major world industry is beyond dispute, with a turn over in excess of 400 billion dollars, it accounts for 5% of world trade and 1% of the world's gross domestic product.

The concerns which directly or indirectly depend on Tourism employ thousands of people, they include airlines, shipping firms, hotel chains, finance companies, tour operators, travel agents, car rental firms, caterers, retail establishments and even govt. Tourism is a valuable international activity. It brings people together and provides pleasure and relaxation to millions, it opens up the world to its inhabitants, broadening social and cultural horizons, and it also offers one means by which the income of more affluent countries may be redistributed to developing and economically weaker countries which do develop their tourist industries, are often those which are economically strong and expanding, or small countries or islands whose economic benefits from tourism have little international impact.

So only countries which are growing economically possess strong reserves, have a high level of foreign investment and
sound industry are in a position to finance tourist development and provide the kind of facilities which the tourists' demand.

Although tourism can have considerable economic advantages if well planned and controlled, it can create problems, too, and only a small proportion of the international tourist spend reaches countries with a real need.

An expansion in the tourist industry will help to preserve cultural and social values, including places of interest. Tourism can develop awareness and understanding and certainly tourism can help multi-racial relations. Also the business travel market can help to broaden and develop the role of world trade.

**TOURISM IN UNITED KINGDOM**

Tourism has emerged as an element of central and local govt. policy of growing importance in the U.K. over the last decade dating from the establishment of National Tourist Boards for England, Scotland and Wales under the development of Tourism Act of 1969.

It is important to note that 60% of the tourist arrivals to the U.K. are by air, which are less than one would expect for an island because of the country's proximity to the European continent.
Tourism survey in the U.K.

A survey is a form of planned collection of data for the purpose of description or prediction, as a guide to action, or for the purpose of analysis. A central concern in any study of tourism is an investigation of the tourists themselves, their numbers (volume), their patterns of travel, the accommodation they use, their personal characteristics, and the nature of their impact on an area. Before describing the available tourism surveys, the components of a tourism survey can be outlined, together with procedures for weighting and loading the results, and essential step in translating surveys based on sample investigations into reliable estimates of the volume and distribution of tourist activity.

Primary data to be collected in a survey of tourism should include -

(a) the origin of the visitor
(b) the destination of the visitor
(c) the purpose of the visit
(d) length of stay
(e) social characteristics (e.g., age, sex, occupation)
(f) transport used
(g) group size and composition.

The amount and details of information collected under these heads can vary greatly and may be supplemented by
particular enquiries, thus producing secondary data which could include questions on holiday planning, routes chosen, attitudes to accommodation used, expenditure, etc.

National survey

U.K. resident and foreign visitor traffic into and out of the U.K. is monitored by the International Passenger Survey. This survey has been carried out continuously since 1962 for the Department of Industry, and has as its main purpose the collection of information on migration and on the balance of payments effects on travel, aviation and shipping accounts. This survey also provides a continuous measure of the number of overseas visitors, number of bednights and amount of money spent.

Since 1976, the British Tourist Authority (BTA) and the National Tourist Boards for England, Northern Ireland, Scotland and Wales have been permitted a few additional questions covering different subjects in different years. The IPS (International Passenger Survey), therefore, while providing an important time series of data on international tourism, is of restricted value due to the limited number of tourism questions. The survey excludes visitors traffic to and from the Irish Republic, information on which is obtained annually from the central statistical office.

Local survey

The national tourist authorities in Britain have been
responsible for a variety of local tourist studies, but in this context too, the local authorities have over the years also seen a need for more information on tourism, and have been major investigators of surveys of tourists, either jointly with the tourist boards or independently. The validity of many smaller studies is questionable due to the problems of sampling and weighing.

Tourist authorities in the U.K.

The Development of Tourism Act 1969 established the National Tourist Boards for Great Britain. All the Boards and the British Tourist Authority are required to produce annual reports, and the BTA publishes the who is who of British Tourist Boards. The general functions of each organisation are to encourage people to visit their area and people living in these areas to take their holidays there, and to encourage the provision and improvement of facilities and tourist amenities.

The BTA assumed the principal responsibilities of the British Travel Organisation. The BTA's responsibilities are as follows:

(a) To promote tourism to Britain from overseas.

(b) To advise govt. on tourism matters affecting Britain as a whole.

(c) To encourage the provision and improvement of tourist amenities and facilities in Britain.
(d) To prepare, after consultation with the English, Scotti
sh and Wales Tourist Boards, general schemes of assistance for tourist projects.

The BTA's main international marketing objectives are concerned with earning foreign currency from tourism, increasing the overall level of travel throughout Britain, particularly in development areas, increasing off-peak tourism, and working in partnership with the trade, notably by encouraging support for promotional work overseas.

The Authority has five principal committees:

(a) Marketing
(b) Infrastructure
(c) Development
(d) Hotel & Restaurants, and
(e) British Heritage, together with a camping and caravan sub-committee.

All the committees are composed of representatives from both the public and the private sectors. In the year ending 31st March, 1980, total expenditure was £8 million pounds approximately.

TOURISM MULTIPLIERS IN BRITAIN

The multiplier in general economic theory

The concept of the multiplier was first introduced into
economic theory by R. F. Khan in his article (Economic Journal, June 1931). His argument in that article depended on the notion that if the propensity to consume is taken as given and the Govt. takes steps to stimulate investment, the change in the amount of employment will be a function of the net change in the amount of investment, and it aimed at laying down general principles by which to estimate the actual quantitative relationship between an increment of net investment and the increment of aggregate employment which will be associated with it. Keynes then developed the multiplier concept as a proposed instrument for national economic planning, its function being to show how variations in national income may result from injections of expenditure into the economy such as govt. spending or exports. The multiplier states, how many times a change in the amount of investment is magnified by the consequent change in the amount of the national income.

More recently the multiplier concept has been adopted and refined for use at the regional level of economic planning. In particular the Keynesian assumptions of no foreign trade (or imports from other regions) and no supply constraints have been changed in order to establish realistic assessments of the economic impact of particular investments or expenditures in regional economies. As is shown later the smaller and the more specialised the regional economy the greater will be the "leakages" and the smaller the multiplier.
Types of multipliers

There are three basic types of multiplier, output, income and employment. The choice depends on the relevant economic objective.

The output (or sales) multiplier measures the total output induced in the economy, per unit of extra spending, in the form of a multiplier co-efficient. When used in comparative evaluation for different industries, the co-efficient is a useful estimator of relative contribution to economic activity. Output multipliers are useful predictive indicators, but they do not indicate the extent to which the satisfaction of a particular final demand involves the rest of the economy. A small or a wide range of industries may be involved, but will not be identified.

The income multiplier shows the relationship between extra spending and changes in income. Using input-output data it is possible to isolate the value added at each stage of economic activity, and thus the process of calculating the income multiplier indicates the net contribution of various sectors and industries to the satisfaction of final demand.

The employment multiplier indicates the primary and secondary employment generated by extra spending, and is usually calculated through the use of the Ad Hoc Model.

If comparisons are being made between various industries,
it is important to distinguish which type of multiplier is being used. In calculating income and employment multipliers, indirect and induced demand are counted as well as direct demand. Direct demands refer to the first round of expenditure, indirect demand refers to the second and further rounds of expenditure, and induced demand reflects the consumer expenditure of the earnings derived from the rounds of expenditure designed to fulfil a particular economic activity. For example, the expenditure by a tourist in a hotel (direct) results in expenditure by the hotel on food etc. (indirect) and expenditure by the hotel's employees in local shops (induced). The local shopkeepers spend this income and so on through the economy.

U.K. MULTIPLIERS: FINDINGS

Output multiplier

The output multiplier expresses the total output generated in the economy per unit delivery of final tourism demand. In the U.K. the tourism sub-sector multipliers are all relatively low, ranging between 1.22 and 1.37, and are matched among other sub-sector multipliers. Tourism products are for the most part labour intensive and incorporate few "intermediate" goods. Backward and forward linkages of the tourism sector are not strong. The transport sectors, however, make fairly substantial demands on the metals, engineering and vehicles industries, and the hotels and catering sector obviously creates demand in food,
drink, and furniture industries. But the general impression is of a relatively independent, self-sustaining sector. The corollary of this is that tourism has a very high value added content as it is very largely a service industry with a high proportion of labour relative to the purchase of materials. This is of importance for regional development as there is likely to be less leakage of income outside of a region than with most manufacturing industries.

**Income multiplier**

It is important to note that in the U.K. the induced effects accounts for as much as 49% of the income generated by tourism spending. An income multiplier of 3.16 for tourism is a multiple of the direct income generated. This becomes a multiplier of 1.68 when the total income generated (direct + indirect + induced) is expressed as a proportion of tourism final demand.

**Employment multiplier**

Nearly half of the employment created in tourism in U.K. is a result of induced demand. Employment directly or indirectly due to tourism in the U.K. is due to agriculture, extractive, food, drink, and tobacco, chemicals and allied industries, metals and vehicles, textiles and clothing, construction, gas, electricity and water, road transport, rail transport, communications and distributive trades.
USES OF THE MULTIPLIER IN TOURISM

At a regional and local level, income and employment multipliers can be used to indicate the effect on residents resulting from an injection of tourist expenditure. Provided it is possible to estimate the number of tourists visiting a particular area and their expenditure, the economic effects on residents can be calculated by using multiplier co-efficients. If the multiplier co-efficients for the particular area have not been derived through a special survey, multiplier co-efficients for other similar areas can be adapted for use.

The gross contribution of tourism in an area that stays in the area can be objectively evaluated and comparisons can be drawn between the economic effect of the various types of tourist, for instance between those tourists staying in hotels and in caravans, or between those travelling by car and by train. For policy purposes this may have limited application, because there are definite limits to how far tourism demand can or should be diverted between various types.

If there is equivalent information for other forms of economic activity, a reasonable basis of economic comparison exists between tourism and those other activities. In fact, it seems that tourism has been subjected to this form of very detailed, local, economic assessment far more than any other industry, so comparisons are rarely possible. Even if they were, application of the information in practical terms is
problematical because the opportunities for one economic activity rather than another, within a whole region, are always likely to be strongly influenced by the natural and man-made influences of supply and demand in the region.

Multiplier analysis permits the various stages of the economic process to be distinguished. Anyone with specialised interests can thus ascertain the extent to which revenue from tourism creates income and employment in the other sectors of the region (through indirect and induced effects) as well as in those businesses directly affected by tourism. Also, analysis for rural or urban or seaside communities can show how effects vary in particular specialised parts of the local economy. This flexibility helps to make the results comparable to those for other studies in which the results are presented in a different manner. The economic prosperity created by tourism can be measured for progressively larger geographic areas. Such an analysis shows the income and employment created in the community where the tourist spends his money, and also the further economic activity created regionally, and more still nationally. In moving out into larger areas, the fundamental parochial bias of much multiplier work is reduced.

Tourism income and employment multiplier studies are of interest, as examples of detailed applied economic analysis of small open economies. They help us to understand more clearly the working of our economic system for one particular industry, on a small scale. There is now a high degree of sophistication
in the work, thanks to the skill of several specialists, and enough material is probably available to generalise, from the particular case studies, for similar areas. For instance, for relatively undeveloped rural areas it would now be possible to estimate what the effects are, without the need for any further surveys.

For many practical purposes, it is crucial to appreciate that the local multiplier studies of economic gains are just that, and no more. They leave three questions unanswered. First, what are the costs? The extensive and detailed study carried out for the South West Economic Planning Board has shown that the public authority costs of tourism are outbalanced by the public authority gains, and overwhelmingly outweighed by the gross economic gain to residents. We may reasonably infer, because of the magnitude of economic gain relative to the cost, that a similarly large economic net gain would apply elsewhere. But a more important question arises from the intensely narrow viewpoint of local economic analyses, whether for tourism or any other activity. The local multipliers measure the gains locally, so what will be the gains nationally?

Evidently, as much or more economic activity accrues nationally as is gained locally - the proportions depending on the size of the locality picked for special study. Rational planning must take account of the whole benefit, not just the local benefits.

As tourism in a small area "leaks" benefits to other areas
outside, so each small area gains the indirect benefit of "leaks" from other areas. Specifically, the tourists in one area may be supplied with food produced in another one, so the loss from the first area becomes a derived gain in the other. Tourism multiplier local analyses measure what derives from local tourism, but miss out what derives from tourism elsewhere. As we have seen, the sum of all these gains from elsewhere is the essential benefit of operating in an economy without parochial barriers to trade, or parochial patterns of economic planning.

EUROPEAN TRAVEL COMMISSION

The European Travel Commission (ETC), set up in 1948, now has 23 national tourist organisations as members, active in marketing and adopting a pragmatic non-political approach to tourism issues, the ETC seeks to build a greater volume of year-round travel to Europe.

To do collectively what can only be done collectively or what can be done much better collectively was the original thinking behind the ETC's formation and remains the current principle. The Commission was founded in Stalheim, Norway, in May 1948. From the outset ETC has been a result-oriented organization which has worked closely with govt. agencies and all segments of the industry to achieve practical objectives. Members of the ETC are the National Tourist Organizations of: Austria, Belgium, Cyprus, Denmark, Finland, France, FR Germany, Greece, Iceland, Italy,
Luxembourg, Malta, Monaco, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, U.K. and Yugoslavia.

**ETC's objectives**

ETC is voluntary umbrella organization for European National Tourist Organization with the following aims:

1. To increase the level of tourism from other parts of the world to Europe as a result of its marketing activities, and
2. To provide a forum for individual members to exchange ideas and experiences for the benefit of each member or the group.

ETC is a cooperative marketing and serving organization for: (a) all members, (b) part of its membership, normally in respect of specific projects, and (c) the tourism industry.

ETC provides specific services to the members or part of its membership based on the exchange of ideas and set on a year-to-year project basis to match members' requirements. Activities undertaken concentrate on marketing or subjects supporting the marketing activities. ETC undertakes only that which can be carried out more effectively, collectively than separately. ETC tries to ensure that common activities are in the interest of all members. ETC does not undertake activities which belong to the objectives of other organisations, which can be more effectively carried out by another organisation, or in which a substantial number of members are not interested in the long term.
European Tourism Action Group (ETAG)

Following an ETC in-depth study of the prospects for European tourism up to 1990, the need for improved technical liaison between the different sectors of the industry was apparent. The Commission took the initiative and the European Tourism Action Group (ETAG) was formed.

The 11 members of ETAG are:

- Association of European Airlines (AEA)
- European Travel Commission (ETC)
- International Air Transport Association (IATA)
- International Automobile Federation (FIA)
- International Chamber of Commerce (ICC)
- International Hotel Association (IHA)
- International Road Transport Union (IRU)
- International Touring Alliance (ITA)
- International Union of Railways (IUR)
- Passenger Shipping Association (PSA)
- Universal Federation of Travel Agents Association (UFTAA).

At its first meeting the Group surveyed a list of the problems affecting the growth of European tourism as set out in the 1990 study. A selection was made of those deterrents on which it was felt that ETAG could take remedial action.

Flexible working procedures have been established. ETAG meets quarterly, for informal discussions. Papers are exchanged
which set out the viewpoints of individual organizations. On matters where collective action is desirable action papers or appropriate memoranda are prepared. They are circulated widely to all interests concerned. For instance, in the case of facilitation a lengthy expression of views was sent to the OECD where the Tourism Committee is about to complete a major study on obstacles to the growth of tourism. Similarly Action Papers were circulated on Economics Possible in Air Routing, the Retention of Duty-free Facilities, etc.

The members review the value of the ETAG from time to time. The feeling is that the Group is serving its purpose of information exchange between the different sectors of the industry in Europe, securing cooperation in dealing with deterrents to growth and with joint sponsorship of projects.

TOURISM AND THE EUROPEAN COMMUNITY

Tourism has become a social phenomenon. In the 1960's and 1970's its turnover in Community states increased ten-fold. Community citizens now spend 7% of their household budgets on holidays. The importance of developing a Community policy for this sector has been stressed, in turn, by the European Commission, the European Parliament, the Economic and Social Committee and the Council of Ministers. The Community's Heads of State or government have also approved recently a report by the Ad Hoc Committee for a People's Europe which recommends, among other things, a series of measures in the tourism field.
One of the missions of the Community is to promote closer relations between its Member States or government have pointed out, the Community must live up to the expectations of these people by adopting measures which promote its image and identity more effectively. Tourism is an ideal vehicle. It increases contacts between citizens of different States and helps them to deepen their knowledge of the rich variety of cultures in Europe and the common values which underpin them.

Tourism provides people with a way of using their spare time, of pursuing leisure activities and expanding personal horizons. A democratic community should ensure that these opportunities are extended to all.

Finally, tourism is an important economic fact of life. It covers a significant proportion of the balance of payments deficit of countries such as Greece, Italy, Spain and France. It helps to distribute wealth from the North to the South of the Community. It can make a contribution to the development of less-favoured regions and help to generate new jobs.

The European Community wants to promote 'social' tourism and means of diversifying holiday dates and places to the benefit of regional development.

Social tourism: in all Community countries efforts are made to provide holidays for the least well-off groups in society. These efforts are usually confined within the boundaries of individual States. In many cases, installations could be used
more effectively if this social tourism was made international.

**Rural tourism**: few people realize that cheap holidays are possible in areas untouched by package tours and where local farmers are anxious to increase their earnings. The Community can extend the support it already gives to farm holidays, partly through helping farming organizations to make the benefits better known to their members and the public alike.

**Cultural tourism**: less subject to the varies of climate than other forms of holiday making, cultural tourism exploits the historical and artistic marvels to be found in the poorer regions of the Community and allows community citizens to broaden their knowledge of the wealth of their common heritage. The Community already helps to finance a number of cultural events, such as the European Music Year in 1985. With a little extra cash, it would be possible to give a shot in the arm of cultural tourism and to create a substantial number of jobs.

Other community measures could make a contribution - albeit long-term in many cases - to a better distribution of tourist activity across the community and throughout the year. The benefits would fall to holiday makers, the trade and tourist regions alike. The community could increase the aid it already gives to tourism projects in less-favoured but comparatively unvisited regions. It could also lend its weight to the efforts of national authorities, the tourism trade and transport forms to encourage a wider spread of holiday destinations and the
staggering of holiday times across national frontiers, on the basis of a region by region analysis of tourist movements.

Travelling more easily in European countries

The community transport policy is particularly sensitive to the needs of tourists.

Road Transport: Safety standards had been decided by the community which had declared 1986 the Year of Road Safety. A programme was implemented aiming at reducing the number of accidents and their victims by new legislative measures as well as actions to stimulate public awareness. At the same time the European Commission had called for a Community solution to problems caused by the financing of road improvements. The aim was to straighten out the motorway bottlenecks and get rid of discrimination resulting from tolls and tax systems. There was also a range of community measures to assist international coach services but specific tax and administrative improvements were needed to ease frontier crossings.

Railways: The Community recently decided to allow rail companies greater commercial independence in international traffic, to allow them to develop a more attractive price policy and to encourage greater cooperation in the provision of services suited to consumer needs.

Air Transport: The European Commission has proposed that airlines should also be allowed to tailor their fare structures
to the needs of tourists. Greater competition would be beneficial in the unscheduled charter flight sector. A European directive already exists to promote new air-links between regional airports in the Community countries.

Sea Transport: A study is made of the seasonal spread of ferry boat traffic, on the minimum equipment necessary for private pleasure sailing and the competitive conditions in the sea-cruise market.

No matter what form of transport they use, the quality of infrastructure is vital to travellers. It is still little known that the Community had helped to finance a considerable number of important European transport links, both through direct grants and loans from the European Investment Bank (EIB) and New Community Instrument (NCI). In 1984 alone the EIB gave 790 million (ECU) of its own funds and those of the NCI for road, rail, air and sea transport improvements in the Community. A further 90 million ECU was invested in priority transport projects in a pilot programme as a prelude to the creation of a specific Transport Fund to promote the integration of national networks and straighten out bottlenecks. The European passport is being gradually introduced from 1985. It has also been decided to create a Community driving licence and to abolish checks on car insurance at Community borders. A people's Europe will not be finally created, however, until all formalities are abolished at internal frontiers. The Community Heads of State or Govt., the European Parliament and the Commission have all urged rapid
progress in this direction. Member States have agreed to reduce waiting times and the extent of frontier formalities, for instance, substituting spot-checks for systematic controls and by creating lanes reserved for Community citizens at ports and airports. The European Commission believes it is necessary and possible to go even further, following the example already set by the Benelux countries, France and Germany.

CONCLUSION

Recent Developments

U.K. visitors are increasing to Austria, Belgium, F.R. Germany, Italy, Portugal and Spain. These are static or fluctuating to France, Gibraltar, Malta, Cyprus, Greece, Netherlands and Switzerland. They are in fact declining to the U.S.A.

Tourism on which so many countries depend for precious foreign exchange, is proving an increasingly fragile industry. Its main enemies are political upheavals and terrorism. The countries of Europe are facing a massive setback because Americans are staying home.

Those who depend on the tourist industry for their livelihood in France and other European countries have been affected the most. They faced a lean summer of 1986 as Americans frightened by the prospect of terrorist attacks and alarmed by the Chernobyl radiation clouds cancel their European travel plans.
Upto 50% of Americans planning to France on holiday annually had cancelled their trips. Air France reported cancellations, mainly by Americans. The British industry was also reeling, with visits by Americans down by as much as 50%.

Approx. 1.45 million people employed by what is billed as Britain's fastest growing industry will likewise feel the pinch. In 1985, the three million Americans who visited Britain spent more than 4.5 billion dollars, a major share of total tourist spending.

Hotel operators in London believe their North American trade will be down anywhere from one-fifth to two-fifths compared with last year. Their only consolation is that business is even worse in the Mediterranean.

North Americans now consider the Mediterranean's beaches and cruise ships a tourist no-man's land. To demonstrate the safety of travelling in Britain; American travel writers are being flown in by the plane load.

THE UNITED STATES

Since 1951 the Pacific and Far East have been holding or increasing their share of the overall United States travel market. The proportion of United States tourist visiting this region since 1947 is generally a rising one, and is part of a long-term development interrupted in 1942.
Tourism is today the third largest in the U.S.A. after grocery and car sales and yet, it is at or near the bottom of the policy sectors of interest to President Reagan. What happened to the old dictum that economic power dictates political realities? The experience of U.S. tourism policy refines that notion considerably.

**Importance of tourism in the U.S. economy**

The tourism industry in the U.S.A. is worth 225 billion dollars ($10^9$). By some accounts nearly one dollar in every five is spent on tourism. Of the 50 states 46 have tourism as one of their top three sources of revenue, and tourism is the leading revenue source in four of the five U.S. territories. Over 25.3 Billion dollars are collected in local, state and national taxes from the industry. Even international tourism, only a small component of the industry, earned 13.8 billion dollars in 1983, making it the number one business services export.

Currently, tourism accounts for approximately 8% of the nation's total payroll employment and fully 18% of all new jobs in the last 10 years.

Tourism revenue is unusually dynamic in the economy. As a service sector rather than a capital-intensive industry, tourism characteristically has a high multiplier effect. This term refers to the number of times a dollar circulates in the
economy before its impact fades. Though some have called this concept 'mystification multiplied', it is still considered by most social scientists to be a helpful indicator of an industry's ability to generate economic activity. While the multiplier varies according to location and type of tourism, the state tourism study reported a rate of 3.7. The average for the large cities has not been analysed but an indirect measure is the report of the International Association of Convention and Visitors Bureaus (admittedly not a disinterested source) which contends that city tourism revenue may turn over 10 times before the impact fades.

Tourism is also an unusually resilient industry in the U.S.A. Even during the recessions of the 1970s and early 1980s tourism revenue increased. Obviously, not all destinations benefitted evenly, but most did well. One explanation is that the growth potential for U.S. tourism is immense. Currently only about half of all Americans take an annual vacation in contrast to much higher percentages in Western Europe. Yet, the importance of travel for health and status is accelerating and builds on a base of tourism for recreation and education. The growth in leisure time, discretionary income and education should further accelerate tourism role in the economy. Further, because 96% of all U.S. tourism is domestic, currency fluctuations and international politics are not likely to influence travel patterns in the U.S.A.

Also since most tourism is domestic, U.S. tourism is
U.S. Travelers to Foreign Countries (Thousands)

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<td>22,846</td>
<td>23,064</td>
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\(^1\) Estimates may be larger than the total number of travelers. (Visitors to interior only)
\(^2\) Preliminary
\(^3\) Includes cruise travel by military personnel and other government employees stationed abroad. Since some travelers visit more than one country, the total of estimated visits is larger than the total number of travelers.
\(^4\) Includes travelers in transit.
\(^5\) Visits to interior only.

threatened relatively more by success and its attendant
crowding, noise and inflation than it is by outsiders in a
position to disturb cultural mores and traditions. Nor are
there the racial or imperialist connotations to the host-guest
relationship that so often create problems for tourism in
less affluent countries. All this is a matter of degree, for
many locales and even states like Hawaii do at times feel under
siege.

Tourism politics and policy

National level: The time has come for the Federal Govt.
to properly recognize the important role travel and tourism
play in U.S.A.'s economy. The time has come to develop a
realistic but ambitious vision of the future role that it might
play in the future of U.S.A.'s economic well-being.

The rhetoric is persuasive but at the national level tourism
politics in 1985 is scarcely on the public agenda. Except for
those who combine the Congressional Records or read appropriation
hearings for amusement, tourism as a policy area is almost
invisible. The exceptions, of course, are the investigative
reporter who writes continual accounts of the abuse of travel
by politicians, and politicians - both elected and appointed -
who single out tourism-related activities, e.g. business travel
deductions and government tourism agencies, for elimination.

Some of the dynamics of tourism politics at the national
level can be captured in a quick synopsis of federal tourism
policy and particularly in the organizational evolution of the national tourism programme.

The U.S.A. is an underdeveloped country when it comes to the national government utilising tourism for economic and social development. Despite the fact that Americans are the world's most numerous tourists, as an industry, the federal government's role has been slight.

Role of federal government

How one measures that role depends on whether one includes associated activities in the calculation, e.g. airport construction, immigration clearance, or the National Park Service. Most efforts to assess the federal role begin with the 1940 Domestic Travel Act designed to encourage travel within the U.S.A. and away from the turmoil abroad. Its impact was soon aborted by U.S. involvement in World War II, petrol rationing, and the need for transport to be directed at movement of troops.

Americans were so successfully lured abroad that by 1960 a travel deficit developed accounting for nearly 30% of the total U.S. balance of payments.

The Kennedy administration was the first to establish a central agency, the U.S. Travel Service, charged with promoting international travel to the U.S.A. It was a product of the 1961 International Travel Act, considered by many travel industry
writers as a turning point in U.S. national policy.

A travel deficit continued until 1979, when aided primarily by the weak U.S. dollar and more energetic state promotion, the number of foreigners coming to the U.S.A. exceeded that of Americans going on vacation abroad. Throughout the Kennedy and Johnson administrations tourism programmes were encouraged, but support was fragmented and miniscule.

**Tourism Resources Review Commission**

In 1973 after a two-year study by the Tourism Resource Review Commission reports on the state of federally supported tourism were presented to Congress and the President. Amidst over 40 recommendations came two central conclusions:

1) The government tourism efforts were in confusion and disarray. Over 100 programmes were found in more than 50 agencies that directly concerned some aspect of tourism. Coordination and further study were essential.

2) The study recommended (as subsequent studies would also) that a national tourism organization be established to execute a national policy on tourism.

**Tourism under the Reagan administration**

However, the actions of key members of the Reagan administration and even the appointments the President has made with respect to tourism seem to believe any serious interest
in a national tourism policy.

**STRUCTURE OF TOURISM IN THE U.S.A.**

Several features of U.S. tourism encourage its political neglect at the national level and to a lesser extent at the state and local levels. Unlike groceries and cars which are the only two larger industries, tourism is overwhelmingly a service industry. While service industries are becoming increasingly dominant in the U.S.A. and are a growth area of employment and urban revenue, such industries have not captured the attention of government, business, and even academic research that product-oriented industries enjoy. The government is still preoccupied with saving obsolete industries that can never be competitive again. Only recently has the Department of Commerce even had a specific division for service industries in general.

**Employment**

The tourist industry typically employs even more part-time workers, particularly students, than most other service industries, and is a major source of jobs for women and minorities. While these groups constitute those most likely to be unemployed or underemployed, these employment effects do not convert easily to political power. Moreover, some economists argue that since many such service jobs are low paying they may actually undermine the local employment base.
Therefore, they are considered a mixed blessing for a community. Also, the people in such jobs are often not unionized or politically active. Thus, even if they wanted to encourage government tourism promotion, they do not constitute a salient political constituency.

Small business

Even as a business sector, the tourist industry lacks political muscle. Though there are multinational Corporations like holiday Inn, Hilton and American Express, 99% of U.S. tourist industry businesses are classified as small businesses, lacking large concentrations of power makes the organization of political influence extremely difficult, or all the political rhetoric about encouraging competition and family administration a target for extinction.

Tourism industry politically unimportant

Both Republican and Democratic national administrations have rarely acknowledged the tourism industry in national policy-making. During the 1970s the industry vulnerability came largely from the energy crisis as both the Congress and the President generally ignored the industry as the nation experimented with Sunday petrol station closing, threats of rationing, and a lifting of controls on petrol prices. In the 1980s the new threat comes in terms of anticipated tax laws which threaten to put ceilings on deductible travel related expenses.
Over-large Congressional Caucus

Though the Congressional Tourism Caucus is one of the newest and largest of such caucuses, its very size has diluted its strength and ability to pick specific legislative targets. The new caucus lacks the intensity of interest in tourism and is divided by competing tourism concerns in ways that do not threaten the cohesiveness and drive of smaller but more effective groups like the Black Caucus or the Congressional Caucus on women issues.

Nature of U.S. Tourist Industry

Similarly the industry itself is fragmented into many sectors, some of which like the hotel, time-sharing, camping and recreational vehicle components of the industry may have opposing concerns and interest, while several large lobbying organizations do exist for the industry, membership is skewed generally toward the interests of the larger companies within them. Many small travel agents, lodging and tour facilities perceive this situation and then aggravate it by not joining and marketing or lobbying organization.

Tourism is also perceived as overwhelmingly domestic in character. That image makes it easy for President Reagan and indeed earlier Presidents to see tourism as essentially the responsibility of the private sector with any public contribution assumed to be left optional at state and local levels. It is true that American tourism is to an unusual
degree sustained by its own citizens. Only four of every 100 tourists in the U.S.A. are non-American. Also the potential for tourism growth is still predominantly domestic.

Insufficient government support

Still, given the alarming U.S. balance of trade deficit, it must seem bizarre that the Reagan administration begrudges the U.S. Travel and Tourism Administration not only a mere 12 million dollars, much of which goes for overseas promotion, but indeed its very existence, foreign tourists, on the other hand, contribute 14 billion dollars to the American economy, spending per capita far more than their American counterparts. As the tourism slogan for the current National Tourism Week states: "Tourism Work Dollars for U.S. The administrations' proposed elimination of the programme comes at a time when the most recent records from the World Tourism Organisation show Mexico spending 182 million dollars, Czechoslovakia 134 dollars (million), Brazil 78 million dollars, and Spain 61 million dollars. In 1983 the U.S.A. ranked number 38 among nations spending 7.6 million dollars, yet, though their contention that the U.S. national government should spend more for tourism promotion may be valid, their comparisons are quite misleading.

The bi-partisan lack of enthusiasm of part Presidential administrations is not wholly illogical, for the industry comparisons of U.S. tourism efforts hide several key differences
in the industry structure in the U.S.A. as opposed to many other nations. For one thing, the U.S.A. does not have a national airline, has only limited jurisdiction over a scanty rail system, and only loosely regulates the bus system. Nor does it own hotels as many countries like Mexico, India, Spain, Portugal and most socialist countries do. Thus, the vast bulk of American tourism promotion is under the primary control and direction of the private sector.

Second, the U.S.A. is a federal system. Most of the public sector promotion and tourism development takes place on the state and local levels.

Tourism politics in the cities and states

State levels: Though only a few American states like Hawaii, Florida, California and New York are readily recognised world-wide for their tourism attractions, all U.S. states have public sector tourism programmes and most are growing rapidly despite national recessions. The average state programme operates with 36 full-time personnel and numerous volunteers, with employment in state tourism development one of the few areas of employment growth in state government. Several states have budgets well in excess of the USTTA. Before 1950 only 15 states had programmes and as late as 1975, 14 states had no tourism programmes. Eight have developed their programmes since 1980. Tourism programmes seem to be particularly important in states that lack strong industrial bases and in states like those in the Eastern 'frostbelt' that are losing new industry to the
energy-rich South. While the same argument could be made for cutting public sector tourism participation at the state level that President Reagan's Budget Director is making at the national level, namely, that the money should be spent by the private sector beneficiaries, the argument is more ably countered at the state and local level.

When questioned about this issue many tourism directors in fact conceded that the private sector should take the major responsibility and moreover is doing so. The efforts in that state amounted to only about 3% of private sector efforts. However, many echoed the position of South Dakota and West Virginia that while tourism was very important to the whole state, most tourism enterprises were too small and the profit margin too slim for them to take on major tourism promotion. Promoting the entire state as a destination needed state effort. Most states are also part of regional tourism organisations promoting several states at once or coordination regional festivals and tours.

The state tourism office usually confine their activities to a variety of promotional projects and marketing research. Some also develop matching grants to spur city or non-profit tourism development. Ordinarily they do not become embroiled in political issues related to tourism like the desirability of a hotel tax, liquor and gambling controversies or zoning and economic development legislation. The various private interests in the state keep these issues on the public agenda.
City level: The most fiercely competitive level of tourism politics is the urban level where pro-growth coalitions of bankers, real estate developers, central city businesses and financially strapped urban government combine to promote tourism development as a way to enrich urban areas. While cities of great beauty and moderate climate may seem the logical vectors in the competition for tourists, transport links and convention bargains may be better predictors. While spectator sports, parks, zoos, theaters, good schools and safe residential areas may be the most salient factors in permanent relocation, increasingly cities see tourism appeal as vital to both tourism arrivals and industry relocation decision. As a consequence, expensive tourism projects are sold to the public (or to the interested elites in the public) as important for capturing not only tourism dollars but overall economic growth. For most large cities, tourism development is seen primarily in terms of conventions. Even small cities seek to capture their share of the convention trade, but the public stakes are particularly high when the major cities embark on massive infrastructure development to compete for the 1% of the convention market that is the international or large national convention.

Future development

Clearly as American tourism grows and becomes more international and diversified state and city tourism offices will need to become far more sophisticated and responsive to the public than they have been to date. Tourism is a highly
volatile industry where other destinations can easily substitute for those that have become blighted.

Tourism is also an industry that is an easy target for terrorism as the Philippines experience illustrates. Reckless tourism development, showy infrastructure in the midst of poverty and unresolved social decay have led to hotels and casinos becoming the favourite targets of the Philippine opposition. Selective kidnapping of tourists has also been effective in crippling the over-built industry. Tourism can also be the unplanned casualty of general violence as Lebanon and Northern Ireland demonstrate. While the U.S.A. has little of the governmental instability that plagues many societies, it is increasingly becoming a target of both foreign and domestic terrorism. Unresponsive and understood at the abstract level by national, state and city tourism offices, but it is not reflected in their planning or research. This reflects the occupational bias of those recruited to public sector tourism careers. Most of those in policy roles have marketing, advertising, or other types of business backgrounds. Those subordinate to them have, at both state and urban levels, art, media and computer backgrounds. Social scientists are rare.

Despite the fact that these offices are governmental, must lobby, draft legislation, conduct surveys, and work with interest groups, only one state tourism director had a background in political science and the other social sciences were almost equally absent. Moreover, when queried about hiring expectations
for the next 10 years, there was no expectation that the social sciences would be better represented. While a few offices acknowledged that someone with public administration expertise might be useful, it was clearly computer skills that were the anticipated need of the future.

CONCLUSION

Tourism politics is a fragmented, dynamic and important part of the U.S. policy process. The irony is that its impact is so little understood or appreciated by a national Republican administration that superficially appears ideologically supportive. While State and city governments have grown to accept tourism as a vitally important source of revenue and jobs, their enthusiasm has been much too superficial and uncritical. For tourism to be the positive force it could be in economic development, social pluralism, and political clout, both the U.S. travel industry and the public sector at all levels will have to recognize the complexities and social costs of tourism as well as its economic potential.

Today Americans are the world's number one travellers, internationally as well as domestically. Within their own country, the Americans undertook over one billion person trips in 1984, five times more than the population of their country. In other words, each American on an average took five domestic trips in a year. Tourism in the U.S. is the third largest retail industry and one of the top three employers in the
### Prospects for the U.S. and World Economies

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\(^1\) Hong Kong, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan, Thailand, India, China, Australia.

\(^2\) Hong Kong, Korea, Singapore, Taiwan.

\(^3\) Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Venezuela.
country. 22 million Americans travelled internationally in 1985 while a little more than 21 million foreign visitors came to the United States. While the U.S. was able to attract 21 million foreign visitors, its marketing at the government level is not much to talk about. 25 years ago, a tiny tourism set-up called U.S. Travel Service was established in the U.S. administration which has since become U.S. Travel and Tourism Administration (USTTA) headed by and under secretary to the government with a budget of only 10 million dollars. Since then seven attempts have been made to close down this organisation in the interest of economy as the government feels that tourism promotion should be left only to the private sector, and that it is not the function of the govt.

For 18 years, a non-governmental organisation, the Travel Industry Association of America (TIA) has been sponsoring the 'Discover America International POW WOV' to be held in a different city and a different region every year. This unusual Convention is a cooperative effort of the travel industry of U.S.A., both at national and state levels. TIA is an organisation totally involved in promoting tourism to the United States or within the United States. It enjoys the support of all American carriers as well as other travel industry sectors including the government-run USTTA.
Prospects for the U.S. and World Economies

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TOURISM IN JAPAN

INTRODUCTION

Japan's tourist administration after World War II began with a tourist Industry Council established within the Cabinet in 1948.

In 1955 the Social Tourism Research Committee started, offering a proposal that "the promotion of the tourist industry should be adopted as a national policy, and regulations and financial arrangements should be implemented for the purpose."

In 1963, Basic Laws for Tourism came into existence. These laws provide for two general goals: development of international tourism and expansion and development of healthy sightseeing travel within the nation. They also require that a report on tourism policy, called the "Tourism White Paper", be submitted to Parliament once a year.

Administration of Japan's tourism is handled by several ministries and agencies. Transportation facilities, travel agencies and lodging facilities in the private sector fall within the domain of the Transport Ministry.

The construction Ministry handles not only preparation of such facilities as highways, but also is in-charge of parks and other public green areas plus the preservation of historical sites and structures.
The Education Ministry takes care of the protection of cultural assets, including national treasures, natural monuments and intangible cultural assets.

Again, the administration of tourism in Japan embraces a very wide area and involves several ministries and agencies. In 1985, the combined governmental budget for tourism amounted to about 3600 billion yen, or 200 billion rupees, though most of the money went for expansion and improvement of infrastructure, like parks and roads, the figure represents about 6.8% of the national budget.

Private sector organizations concerned with tourism include the Japan Tourism association, the Japan Association of Travel Agents, the Japan Hotels Association and so on, each enrolling as members corporations within their own area of the industry. These bodies analyse and discuss problems and, when needed, negotiate with the government or the other organizations involved.

Domestic tourism in Japan

Domestic leisure travel in Japan expanded greatly with the nation's rapid economic growth in the 1960s. Exposition '70, held in Osaka, can be regarded as a symbolic event in view of the new prosperity of Japanese travel. Some 64 million persons visited Exposition '70, which, statistically, means that half the nation saw the exposition in 1970. After that, Japan's "Travel Fever" became contagious, and tourism became firmly rooted in Japanese daily life as a good way to spend leisure time.
Causes of rapid growth in Japan tourism

1. The national income per person increased more than tenfold, from the equivalent of U.S. 727 dollars a year in 1965 to U.S. 7600 dollars in 1983.

2. The number of enterprises observing the five-day work week increased from a mere 4.4% in 1970 to 50% in 1983. In terms of the amount of the nation's labour force, 18% enjoyed a five-day work week in 1970, while by 1983, 77% had Saturday's and Sundays off.

3. The national mind has changed. According to research, the number of Japanese who place emphasis on leisure and spare time has steadily increased year after year, and since 1983 has occupied the greatest portion of interest in their lives. The development of Japan's transportation network has also played an important role in the expansion of travel. The Japan's aviation system serves major communities throughout the country with about 1500 flights a day.

4. In Japan, August is the peak month for leisure travel. In August students are on summer vacation, and their parents take time off for family tours. The Japanese have the custom of returning to their hometown for a few days in summer, or during the New Year holidays.

5. All junior and senior high schools in Japan operate excursions which their students must take once during their years at each level of education. They represent not only a travel custom peculiar to Japan, but also a tremendous portion
of our domestic travel market. More than five million students enjoy these school trips every year.

Japan's travel trends

(a) **Accommodation facilities:** Most of them represent private investment. Apart from them, however, citizens' hostels and youth hostels, where the traveller can stay at modest cost, have been built with government subsidies. Now, approximately six hundred such hotels are scattered throughout the country.

Recently, many new hotels have been constructed in their major cities, and at their rural sightseeing spots, western-style tourist homes, called "pensions", and modern resort hotels are attracting more and more people, including youngsters.

(b) **Transportation:** Travel time in Japan has been reduced by the development of high-speed railways, the construction of more toll roads, and expanded aviation. And this naturally enhances tourism.

There is a recent growth in travel by private automobile in Japan. The main reasons for this are the improvement in highway conditions and the increase in private automobile ownership, the latter reflecting the nation's new affluence. While the number of rail and bus travelers remains stable, more and more persons are going by plane. To stimulate travel, they also offer discount programmes, such as, for special circuits covering designated tourist spots, or for off-season travel,
or student travel and so on, in addition to general group and round-trip discounts. The Japanese National Railways' "Full Moon Pass", a reduced rate arrangement for married couples whose combined ages total eighty-eight or more, has proved highly popular as it allows couples to travel anywhere in Japan within a set period of time for a fixed price.

(c) Travel agents: At present there are some two hundred travel agents in Japan selling package tours, and they are in keen competition. Under such circumstances, a variety of ideas and efforts are needed to expand sales. But what comes first is to secure seats on modes of transportation and guest rooms as accommodation facilities.

When planning package tours, they conduct thorough research on the travel market, classifying it according to traveller age, region, travel objective, etc., and carefully develop tours to suit practically every taste. Festivals and traditional events staged in local areas make good materials for package tours, too. So do historical monuments and places offering scenic splendor.

Also highly important is the reservation system. The Japan Travel Bureau had its own computer system to facilitate reservations. It controls about 60,000 rooms daily, which have been entrusted to them by more than three thousand hotels and inns. These rooms are available for reservation up to a year in advance. The system also connects with the reservation system of the Japanese National Railways and with those of air carriers.
They ensure that the attractive brochures must be printed for all package tours and arranged for free distribution at travel agency retail outlets.

The New Travel Industry Law, which took effect in Japan not long ago, now obliges travel agencies to carry insurance for the protection of individuals travelling on package tours.

CONCLUSION

The promotion of tourism demands the harmonious efforts of many people. The traveller’s must be grasped by studying their travel desires, and learn the status of needs through prepared statistics. At the same time, the protection of natural environment and the preservation of historical cultural assets is essential. Also highly important is to offer the consumer better travel conditions by building new and efficient transportation networks and lodging facilities.

When people have money and leisure time, they want to travel. Europe, Japan, America, India - it's all the same. People want a release from daily life. Their purposes of travel vary, of course: coming to grips with nature, a review of history, encounters with new and different people, or just an adventure.

Basically, travel agents should offer the kind of information that customers like, organize tours which will become popular among the public, and take whatever action is necessary on a national basis.
The fluctuation in the exchange rate affects the Tourism Industry indirectly. The most obvious example of this is the devaluation of the U.S. dollar in 1980, which made most European countries strong in comparison. This made the U.S.A. an extremely attractive destination for Europeans, while having the opposite effect on Americans coming to Europe. As a result one saw massive increase in the number of European travelling to the States.

As tourism is an "invisible" export, fluctuations in the exchange rate have an opposite effect on tourism as they do on exports of goods and services.

Just as a weak exchange rate is an encouragement to tourist consumption, a rising range of inflation is a deterrent. Many countries, notably in Western Europe and South America, have suffered from having a high rate of inflation in the case of European sector two of the chief examples are Spain and Italy. In South America, virtually all countries have a high rate of inflation which makes them expensive to visit. The best example for this is Mexico, which was for a long time a cheap place to visit. But over the last 5 years, Mexico's rate of inflation has made it one of the most expensive places in the America. The solution is to protect the tourist industry against inflation by special financial arrangements, as Israel has done.
Another central cost aspect is the cost of transportation, and here we have to consider the whole concept of low-cost travel. This not only affects the number of tourists but also the type of tourists and the type of tourist trips. So the trend should be to offer organised tourist trips to increasingly adventurous locations.