



3rd GLOBAL CONFERENCE on BUSINESS, ECONOMICS, MANAGEMENT and TOURISM,
26-28 November 2015, Rome, Italy

The Economic Effects of Tourism in the Group of the Least Developed Countries

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Abstract

Tourism is one of the largest industries in the world. Besides, it is also considered by many international organizations as having the broad impact in the group of the least developed countries. The article aims to analyze the economic effects of tourism on the group of the least developed countries and discuss the potential positive and negative effects of tourism. For our purpose of creating the groups of the similar least developed countries, we use the cluster analysis and analyze the countries according to the Economic Impact Research. As a result, we group the countries into a number of clusters based on the specific components.

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Peer-review under responsibility of the Organizing Committee of BEMTUR- 2015

Keywords: Cluster analysis; Least developed countries; Growth; Development; Tourism; Poverty alleviation

1. Introduction

Tourism is often stated to be one of the most important socio-economic sectors of our time, considered as having the broad impact among the least developed countries and as a tool for the poverty alleviation. Indeed, tourism is considered as an effective vehicle of development and has long been recognized as a growth industry. However, the connection between tourism and development is still an important area of the research (Sharpley, Telfer, 2015). Internationally, Tourism creates one in eleven jobs directly or indirectly, accounts for as much as 10 % of the world's gross domestic product and 6 % of the global exports are generated by international tourism (WTTC, 2015). The issue of the least developed countries (LDC) and their further development opportunities has long been a discussed topic at the international level. It is related to tourism, as it has been one of the sources of their

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potential economic growth and development. Tourism is already the first or second source of exports earnings for almost the half of the world's forty-eight least developed countries and one half of all the those countries already consider tourism as one of the main drivers of their development (UNWTO, 2010) .

The article aims to analyze the economic effects of tourism on the group of the least developed countries, introduce an overview of the pro-poor (PPT) tourism approaches by the international organizations and discuss the potential positive and negative effects of tourism. For our purpose of creating the groups of the similar least developed countries, we use multivariate statistical technique - cluster analysis. Based on the evaluation of the different methods in the different situations, we use Ward method in conjunction with the square of the Euclidean distance measure. In case of the non-identical measurement units we use standardization of variables. We analyze the countries according to the Economic Impact Research by the World Travel and Tourism Council and the Oxford Economics, based on the input-output model. We focus especially on the contribution of tourism to the gross domestic product, as well as other different indicators from the supply and the demand point of view. As a result, we grouped the countries into a number of clusters based on the specific tourism economic impact analysis components. The paper proceeds as follows: firstly, the theoretical discussion, following the method. The next parts present the empirical results and conclusion in the last section.

2. Theoretical framework

Since 1990s, poverty alleviation and PPT approaches has become the main development agenda by many international organizations. Among the first were The World Bank and United Nations Development Programme (UNDP), followed by the Development Assistance Committee of the Organization for Economic Co-operation and Development (OECD) that established the International Development targets (Scheyvens, 2005). Pro-poor tourism “aim to increase the net benefits for the poor from tourism, and ensure that tourism growth contributes to poverty reduction. PPT is not a specific product or sector of tourism, but an approach. PPT strategies aim to unlock opportunities for the poor – whether for economic gain, other livelihood benefits, or participation in decision-making” (Ashley, Roe, Goodwin, 2001).

Many international, governmental, non governmental and private sector organizations promote the PPT approaches with a belief that tourism can contribute to the poverty relief: United Nations (UN) agencies, for example UNWTO, UNDP, UNCTAD, UNEP, ILO; European Union, The World Bank, World Travel and Tourism Council and many more. UNEP has coordinated a major initiative for the establishment of a Global Partnership for Sustainable Tourism (GPST), a main objective of which is promoting tourism as a way of alleviating poverty (UNEP, 2010). Another UN agency - the International Labor Organization - concentrates on the poor employment conditions and decent work in the context of poverty alleviation strategies.

The United Nations Conference on Trade and Development (UNCTAD) with the participation of The United Nations World Tourism Organization (UNWTO) issued in 2001 the set of recommendations to promote the principles of sustainable tourism development in the least developed countries. Emphasis should be placed primarily to the economic aspects of tourism, to advance the principles of sustainability into legislation, integration of tourism into the strategic and tactical planning, emphasis on quality after the rapid increase of tourism over mass-tourism, establishment of the quality standards, innovations, etc. Sustainable development is often an important part of the United Nations programs. UNWTO and the Development Assistance program, focusing on the sustainable tourism support, which is a part of the Sustainable Tourism – Eliminating Poverty STEP program) and national strategies for growth and development (Benavides, 2001).

3. Method

We analyse the countries according to the Economic Impact Research by the World Travel and Tourism Council (WTTC) and the Oxford Economics, based on the information from the national accounts, macroeconomic research and the input-output model. We focus especially on the contribution of tourism to the gross domestic product, as well as other different indicators from the supply and the demand point of view. As a result, we grouped the countries into four clusters based on the specific tourism economic impact analysis components in the years 2005-2014. We have selected the LDCs according to the classification by the United Nations (UNCTAD; 2015). The

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