

REPUBLIC OF TUNISIA  
OFFICE NATIONAL DU  
TOURISME ET DU  
THERMALISME

*Sport*  
UNITED NATIONS  
AFRICAN INSTITUTE FOR  
ECONOMIC DEVELOPMENT  
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TOURISM AND AFRICAN DEVELOPMENT

by Reginald Herbold Green

Tunis, Dec. 2 - 9, 1974

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Notes Toward Ground Clearing For Strategy  
And Policy Formulation

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By Reginald Herbold Green <sup>1</sup>

The argument of exactly how much foreign exchange the country earns and what part of this actually accrues to the public sector is important, but it is not all-embracing. Equally, if not more, important are the ideological factors. Is the development arising from investment in the tourist industry helping to create a socialist Tanzania? Is the expenditure justified in view of our ultimate objectives?

- Editorial Comment, Standard <sup>2</sup>  
Dar es Salaam, 25 May, 1970

I

The development of tourism and, much more critical, tourism and development require much more systemic, systematic, realistic, and reasoned discussion than they have had to date in Africa. Excessive attention to micro project detail, astounding wishful thinking, and bland refusal to assess macro consequences seriously has typified most advocates. (3) The macro systemic analysis of opponents has usually been a slightly odd combination of an exceedingly intellectual, austere, and even apocalyptic view of the requirements for radical socio-political and political economic transformation linked increasingly with the assumption that the Caribbean tourist industry at its worst is the only model for Africa and that, therefore, no socialist solution seeking state could possibly give serious consideration to developing a tourist industry. (4) Not surprisingly, the result is a pseudo dialogue more often than a real one, because the parties are not really addressing themselves to the same issues and each is often quite genuinely unable (or unwilling) to understand what the other is saying.

Several preconditions to a serious dialogue and a scientific examination of issues - much less the acceptance of a strategic choice or a tactical synthesis - can be identified : first, a

less hysterical tone with less brandish of tourism as a diabolis (or deus) ex machina would facilitate communication. Second, acceptance that tourism (at least foreign tourism) can hardly be an end in itself should lead to the realization that its total consequences in actual African socio-political and political economic settings must be evaluated before rushing ahead to design and activate specific projects and packages. Third, the structural economic environment (including its probable near turn shifts) must be set beside proposed tourist industry development if sound assessments of even narrowly economic gains and losses are to be reached and much more if a foundation for comparing economic (including macro economic such as net import capacity for producer goods) gains - if any - with socio and political economic costs - if significant - is to be laid. Fourth, imaginative reassessment of what patterns of tourist development are possible in Africa today - drawing from, but not copying, alternative tourist industry patterns from industrial and non-industrial, socialist and capitalist states - is a prerequisite for serious analysis of systemic as well as micro effects whether direct or indirect.

## II

It is probably worth trying to elaborate each of the four points made as part of a collective approach before considering the last three in separate sections. Certainly they are not separable either in the sense that one can be dealt with independently of the other three or that one can be dealt with first, another second, and so on in the linear programming type of sequence so beloved of theoretical planners who mistake the simple, ordered reality of mathematics for the complex, interlocking reality of political economy. The process must be iterative. (5) Tedious as that may be, it is the only way to maintain a resolution among aims and programmes, macro and micro considerations (whether social, economic, or political in primary content), and observed results compared with expected outturn and therefore (presumably) influencing present and future action.

To present tourism as a deus ex machina superior to manufacturing and capable of serving as the central engine to spur growth and development is, under African conditions, patently absurd. (6) Foreign tourism (7) is a relatively high capital/output ratio, moderate capital/labour ratio, high import content, high infrastructure and skilled manpower demanding export oriented luxury consumer goods industry based on natural resources (e.g. beaches, mountains, game, sunshine) and low cost labour. In these respects it rather resembles meerscham pipe manufacturing on the one hand and electrical machinery assembly for export on the other. Its major difference is that the export is consumed in the exporting, not the importing, country. (8) Major socio-economic and political economic consequences do flow from that difference, as do potential variations in economic linkage and domestic market possibilities. (9)

Export oriented industries with limited local supply or market linkages can fuel growth and some degree of socio-political development. Singapore is an evident example and Mauritius may have little choice but to follow. But the natural resource (space) tourist requirement means that no densely populated country can depend primarily on tourism (vide Singapore again) and no realistic assessment of the likely numbers of foreign tourists to Africa would suggest that any but the tiniest states could specialize in it anyhow because of market limitations on the demand side. Even Gambia (as opposed to the Banjul agglomeration), Lesotho (10), and Tunisia can hardly hope to make tourism the dominant engine of domestic economic growth even if they can less unrealistically see it as playing a major role in incremental foreign exchange earning (import capacity boosting).

Economically, then, tourism is an export oriented industry which must be evaluated against other means to enhancing import capacity or reducing the need for it. In a broader context, once an overall view on political and social aims and their embodiment in economic structures is taken, the same comparison is appropriate including the special social and political consequences of foreign tourism's near unique nature as an export consumed at home.

Diabolis ex machina fears also seem either rather overblown or somewhat internally inconsistent. The very lack of scale -- especially relative to the size of the host states -- should save Africa from "Caribbeanization" as exemplified by 1950's Havana. Clearly there are demonstration effect consequences socially, politically, and economically, but to relate these solely to tourism (11) or to see tourism as the core of foreign espionage (or espionage as the core of tourism) (12) is simply silly and, more critical, counterproductive.

The argument that foreign tourism in a dependent state dominated by foreign and domestic bourgeois interests will benefit foreign and domestic bourgeois interest, exacerbate inequality, and provide few (or negative) gains to broad groups comprising the majority of the population is evidently valid; as it is valid for any type of economic change such a state and its ruling alliance seek to further. The argument that tourism is worse because it degrades more, or reinforces dependency structures to a degree greater than, other activities supported by such a state is a very different one and one much harder to prove. Was Havana worse than Port au Prince in the late 1950's? Did tourism delay revolution in Cuba and has its absence increased the chances for meaningful change in Haiti? Equally it is hardly self evident that foreign tourism conducted dominantly through public sector institutions in a state seeking a transition to socialism has the same results as dependent foreign private controlled tourism in a neo-colony - Bulgaria, Yugoslavia,

Rumania, Hungary, Poland and Czechoslovakia may all have assessed the consequences wrongly or may all be dependent capitalist states, but it is hardly reasonable to start with that as an unstated, unexamined premise (14).

The rather different line of attack, that with limited exceptions tourism either does not generate investible surpluses of any consequence or has internal dynamic which require that all such surpluses and more (extracted from elsewhere in the economy) be ploughed back for an indefinite period, is rarely made. If and when true (which, in Africa, is probably much more often than is supposed), such a conclusion would almost certainly lead to a discovery that net foreign earnings were negligible (15) and that no serious micro or macro economic case for it existed (16). This gap in the argument -- at least in Africa (17)-- illustrates the tendency of the opponents to take an overly long term and theoretical view and equally the rash optimism of the proponents. (18)

The socio-political setting of a country should effect the decisions taken in respect of tourism, as of any other economic sector. Foreign tourism is likely to affect domestic demand patterns both in the broader sense of the demonstration effect (for building and services as well as consumer goods) and in the narrower of actual inputs into the industry (including investment in domestic production capacity and infrastructure as well as imports and buildings). It will have psychological implications. Even though the widely asserted "subservience effect" may be overstated, as may the degree to which tourism is central to perpetuating cultural dependency or the belief in technological and technical inferiority, the problems are not trivial. Similarly, a significant "grievance effect" is likely, especially among relatively privileged citizens whose attitudes toward anyone enjoying a standard of consumption they cannot afford are likely to be quite as mixed as their attitudes toward greater egalitarianism. (19)

Political economic macro effects require equally careful analysis in a national setting. It is necessary to examine not only what the net benefits (if any) of tourist development to the overall economy are likely to be, but also which institutions, sectors, and sub-sectors will acquire net gains and which suffer actual losses. The issue of private vs. public and resident foreign ("domestic") vs national is likely to be particularly critical. Among the potential gains (or losses) government revenue and foreign exchange will require particularly close attention while among the macro costs the opportunity (alternative use) cost of investment in tourism (direct and infrastructure) will be the more critical the larger the actual or proposed sector.

Evidently the form of foreign tourist sector development and operation can be adjusted to fit more closely into, and to serve more effectively in reinforcing national socio-political and

political economic forces, trends, and aims. However, there are two limitations. The product must -- by definition-- be saleable to foreigners at a price and a cost resulting in a national surplus or the whole endeavour is counterproductive. Further, one cannot operate a tourist sector radically incompatible with the basic socio-political and political economic setting for long without a massive confidence trick and a grave danger of at least a minor explosion. It is not useful to say tourist development in Kenya reinforces the local bourgeoisie; otherwise it would not be promoted by the governing alliance. It is to the point to say it promotes conflicts of interest, suspicion of abuses of office, and misdirection of investment unacceptable even in the Kenyan system (the Minister after all has just lost his seat because such accusations were accepted by his constituents) and regulations framed and enforced to prevent or limit such features. Equally to propose unregulated, foreign private sector controlled, government subsidized tourist development in Tanzania (as the International Finance Corporation of the World Bank did a few years ago) is to misread totally the degree to which special enclave sectors are socially or politically acceptable to TANU or the government. (20)

At the sectoral and micro levels, the actual economic structure and environment require examination in relation to both general and specific proposals. How much linkage with the other sectors of the economy would there be? How high an import content? How heavy a call on scarce domestic resources (including high and medium level manpower)? How significant an upgrading of payments to less scarce domestic resources? (21) What will be the alteration in structures of production and in the divergence between domestic production and national use? What will the actual gain in national (not simply domestic) value added be and what will be the contribution to national investible surplus. Only if these questions are asked and answered can satisfactory micro analysis of projects be carried out, especially if there is any desire (as there should be) to compare foreign tourist development with similar export raising projects and with import substitution. (22)

Finally some examination of alternative patterns of foreign tourist sector development (and if its possible linkage to domestic tourist development) is important. The experiences of an array of countries from Antigua to Yugoslavia, Bulgaria to Zambia, Czechoslovakia to Spain should be studied with particular attention to countries whose geographic location, probable tourist market, and social-political-economic structures are relatively similar to ones own. The goal is not copying but the identification of strong and weak points to select, adapt, guard against or avoid. This can apply to institutions, promotion, contact with other sectors of the life of the host country, facilities, probable levels, distribution and time patterns of costs and benefits, infrastructural and personnel requirements.

These steps should precede planning of, and commitment to, any major tourist sector development; especially to commitments to provide cheap services, capital, and infrastructure cum fiscal incentives for its foreign development. The analysis of the socio-political and political economic framework is vital to considering whether tourism is compatible with development as seen by the decision taking group of the state (23) and if so what levels and types of tourism under what conditions. The evaluation of economic gains and losses is rational only within such a framework but -- once the framework is identified -- the economic analysis is critical to seeing what projects and project clusters (if any) have net positive effects. To do that intelligently requires some knowledge of what project and policy patterns are likely to be technically and institutionally feasible and saleable. To start with cost/benefit analysis of a single hotel is ludicrous; never to undertake a cost/benefit analysis of alternative project and sectors within a socio-political and political economic frame which indicates what costs and benefits are relevant, is almost certain to be wasteful to the point of gross negligence.

III

Socio-political and socio-economic effects of tourism are hard to measure and are to a large extent, indirect. That is not a case for not identifying them, evaluating their probable level of significance, when they are undesirable seeking to limit them, and taking them into account in sectoral and micro evaluations. The whole in any major set of economic measures or projects tends to be significantly different from the sum of the parts derived from adding up micro-analyses, if only because interactions and broader concerns are hard to evaluate accurately at that level.

This particular field of evaluation is not primarily one for political economists (especially well paid expatriate ones) still less for specialized tourist industry analysis and least of all for tourist sector entrepreneurs (foreign or national private or public sector). The reason political economists (or economists tout court) are deeply involved seems to be that they are less unwilling than historians, sociologists, political scientists, and anthropologists to give fairly definite answers with resultant action proposals when politicians or administrators ask questions demanding such answers. In any event, someone has to tackle the coordinative and macro analysis otherwise either the field will be left to the still narrower (and inevitably biased) tourist analysts and entrepreneurs or to pure political and administrative intuition minus data to make it informed judgement. Unfortunately few

political economists outside major tourist areas (and none too many there) take the field very seriously, possibly illustrating Professor de Castro's point on a specialists' civilization which is rigidly scientific in detail but so narrow and fragmented as to suffer from social, cultural, and political myopia. (24)

One major consequence is the demonstration effect, an effect inescapably flowing from the fact that tourism is consumed in the exporting, not the importing, country and is consumed by a predominantly above average (by their own country's standards) income group living well above their own habitual standard. (25) The poorer and the more egalitarian the host state, the greater the contrast and the more serious the temptation to emulate the tourist - especially for the salariat which has more than enough money for necessities but far from enough to emulate the tourist life style. (26)

The problem is not one of occasional visits to tourist facilities in and of itself. It is the tendency to want to secure a consumption pattern similar to that of the tourists including demands that buildings (especially public buildings) and services (both private and public) be of the same quality tourists receive without any comparable willingness, or ability, to pay what tourists are (or should be) charged for them. The unproductive "investment" impact in high cost villas, office blocks, vehicles, and other consumer durables can easily exceed the cost of additional consumer soft goods and services, especially in scarce resource terms. (27)

However, it is somewhat doubtful whether tourism is the dominant cause of demonstration effects under present or likely future conditions in most African countries. Resident expatriates (especially technical assistance personnel who live at much higher expenditure levels than senior citizens can afford and who make this abundantly clear) have a more profound impact. Any form of information flow on high income country - including much of socialist Europe - consumption and consumer investment patterns has similar, if perhaps less potent, effect- Only a nearly hermetic sealing of frontiers against movement of people and information (including people going abroad and returning) can remove the temptation; a simple curbing of a relatively small tourist sector is more like applying a band aid to a cut artery than a tourniquet.

The cure surely lies in achieving internalized national standards. Acceptable national patterns of consumption, of income distribution, and of living within ones means need to be



set, socially accepted, politically backed and internalized before much progress will be made. They may need to be backed by fiscal and sumptuary legislation actually banning certain luxury goods importation or local production, especially if these are very conspicuous- continuously import intensive in use - so expensive as to ruin the finances of many owners - damaging to development of alternative goods and services - sought for prestige as much as for genuine enjoyment. The prime candidate is evidently the automobile purchased for purely personal use with no serious occupational or social need (28), but it is not the only one. This is, however, not to say that some regulation and limitation of exposure to flamboyantly different patterns may not be a critical part of building up such national standards and policies. (29) "Lead us not into temptation" is sound practical advice for a broader audience than Christians and its invoker had fairly clearly a high resistance level to temptation.

The subservience effect, too, is not really rooted in tourism. It arises from a belief that certain types of work are inherently degrading and that those who do them must be somehow subhuman. Certainly this is in large measure a colonial heritage which all too many African employers of domestic staff and patrons of service establishments (including many university students and some radical intellectuals) have internalized all too well and demonstrate all too clearly in their treatment of the people holding such jobs. (30) Some "job" are degrading - 3.g. prostitution- but to claim that about cooking, cleaning, sewing, and washing says more about the maker of the assertion than about the nature of the job. (31)

However, tourism does nothing to help any such reassessment of the dignity of all useful work and a fortiori of any human being who does a useful job to the best of his ability. The degree of subservience seems rather overrated (32) but the fact remains that the typical tourist is seeking uninterrupted relaxation and is not particularly human in his reaction to anything or anyone who irritates him. Equally he usually both has his own society's condescending attitude to service employees and is very quick to pick up the much more extreme attitudes prevalent in Africa.

A severe problem in some senses may be the warping of traditional crafts and skills. There is nothing wrong in presenting cultural performances as such (most countries take great pride in this during state visits and similar occasions) nor in weaving them into a genuine - if not wholly traditional performance (vide Cairo's Ballon Theatre) but there is everything wrong with presenting the same performance or, more frequently, tawdry imitations as examples of the "curious" and "primitive". Similarly genuine national art of traditional types (e.g. many Yoruba pieces) genuinely evolving artistic forms (e.g. much Makonde sculpture and painting) and frankly commercial products which are not a debasement of any tradition (e.g. Kamba animal carvings and Senegalese

souvenir bags and necklaces) are no more to be condemned than commissioned art and multiply produced decorative pieces in general, but clear debasement of traditional art designed to pander to tourist "conceptions of Africa" (much West African carving and so called "Masai" masks) raises more serious problems psychologically, aesthetically, and in terms of the development of national artistic expression as a living force. (33)

The dependence effect is the psychological and cultural foundation of the demonstration effect but is broader in encompassing ideological and other intellectual aspects not immediately reflected in consumption patterns. Again it would appear that tourism - unless it is a dominant sector - is unlikely to be the basic cause of the continuation of intellectual, cultural and ideological dependence. Nor is attacking tourism much better than a diversionary - at best a secondary - assault on the problem.

Educational reform, establishing a genuine national base for understanding - re-producing- adapting - embodying technological and other technical knowledge, building and internalizing national ideals - ideological commitments - self confidence - self respect; these lie at the core of the problem.

To the extent tourism becomes self reliant in high and medium level manpower, uses more domestic inputs (particularly in buildings, furnishings, menus and entertainment), and is tied to domestic modes of travel (including national airlines staffed by citizens) it can contribute - marginally - to reducing the dependence effect. To the extent it is the reverse of all these things - e.g. Club Mediterranee - it will secondarily, but appreciably, aggravate it.

The grievance effect is either the product of one or more of the preceding effects or the result of real or believed losses from tourism. A demonstration effect or a dependence effect is likely to produce envy, frustration, and grievance: especially in the absence of alternative internalized standards. An enforced subservience and treatment as less than human because of the job one does quite rightly gives rise to resentment and anger. The loss of fishing grounds, home sites, or farmland - especially if no or inadequate compensation, including acceptable alternative means of livelihood, is provided - gives rise to perfectly normal and reasonable grievance albeit hardly ones unique to tourism or normally beyond the correction of any state interested in the welfare of its poorer citizens. (34)

A possible additional negative effect is the exploitation effect. This is the inverse of the dependence and subservience effects and can arise if the tourist is successfully exploited. For example selling junk as art is a form of exploitation as is selling traditional dances as mod pornography. If the seller is

quite cynical about the transaction, he is unlikely to feel debased but, like any variety of confidence trickster, he is likely to be socially and psychologically warped. In the strict Marxian sense no tourist industry which does not exploit tourists is sane for a poor country, but in the normal narrower use of the term to connote covert guile, deception, trickery, and cheating the pursuit of exploitation can be damaging.

The question of whether these ill effects can - or should -- be cured by isolating tourists from the host country's society is a vexed one. Socialist European answers vary -- the USSR and Bulgaria isolate a great deal; Hungary and Yugoslavia very little; China limits numbers so stringently that all contact is in carefully controlled settings.

One odd misconception needs clearing away. It is little more rational to say that foreign tourist facilities should be freely available to citizens (even if publicly owned) than to argue that luxury exports (especially those produced by public sector firms e.g. diamonds in Botswana, Guinea, Sierra Leone, and Tanzania) should be sold domestically. The difficulty is that foreigner only facilities -- when the foreigners are dominantly of a different ethnic group -- is too reminiscent of colonial and South African racism to be psychologically acceptable; a rational (high) pricing policy for tourist facilities is a less objectionable route. (35)

Separation can flow from contempt for, or fear of, host citizens. It can equally flow from distrust of, or contempt for, tourists and their values and, more particularly, the effect these can have on citizens values and life styles. In that sense separation is like limitations on the hours of bars, bars on addictive drugs (usually excluding caffeine), sumptuary legislation proper and sky high taxes of a quasi-sumptuary nature. (36). If separation is desired on these grounds, then scenic attraction (mountains, lakes, game parks) and beach siting of tourist facilities well away from major cities is indicated as a policy which is probably posited by urban planning problems and regional development needs as well, but which does raise infrastructural costs and transportation logistics difficulties.

The socio-political cases sometimes made for tourism are either weak, incompatible with securing any economic gains, or both. The first is provision of knowledge and understanding at some level of depth and complexity. Most tourists -- including most tourists from socialist Europe (37) want no such thing. A vacation and a study tour may seem identical to the broadly concerned and habitually inquisitive intellectual, but they are world apart in the view of most (not all) other people. Doubtless all tourist programmes should provide some opportunities for such learning as options -- albeit the logistics are difficult, the

enthusiasm of most busy people for teaching tourists or having their work place shown to them is distinctly limited. -- but with fairly modest hopes.

Incidentally, many of the genuine learning oriented tourists have limited budgets and demands for luxury and will accept modest facilities. While there is little economic gain, if foreign contact on an individual level is desired these can be catered for in a domestic tourist programme. Africans do like to travel in their own countries; low cost facilities are essential to facilitating this; such a sector is providing an amenity (not a luxury) good and can have useful social and political consequences; provision of domestic vacations is desirable (if probably not a priority) type of fringe benefit of employment (38) (vide socialist country practice); there is no need for such programmes, when properly planned, to need public subsidies. Their absence is an indication of the satisfactory domestic facilities for elite internal travel and of elite preferences for foreign travel as much as lack of genuine demand, rather than one problem of public transport development is that planners and managers all drive cars and of private medical practice that it isolates the well paid from the realists of the public system.

The body bumping thesis that simply moving people about creates tangible goodwill and serious understanding should be bankrupt but keeps recurring (39). Historic experience, common sense, or simply watching a typical group of tourists for a few hours should dispel any such illusion. (40)

#### IV

Political economic factors are rather easier to define clearly and to quantify (perhaps partly, but not wholly, because the author is a political economist). These fall into four major categories: types and levels of political economic gains and costs, to whom the benefits will accrue and on whom the costs will fall, special attention to foreign balance effects, and consequences in terms of economic structure and national economic integration.

Direct gains take the form of citizens employment in tourist enterprises, the national (and perhaps the reinvested foreign domestic) investible surplus accruing to the enterprises, tax revenue collected from or through these enterprises and their employees including import duty. These are largely quantifiable after the event; both projections for existing units and for new ones are harder to do especially because this is a notoriously overoptimistic sector.

The employment impact is not very great unless the sector is very large or the country very small. 20-25,000 capital cost per job is a reasonable estimate for hotel enterprises, perhaps a little less for domestic travel and tour units. (41) For comparison an integrated textile mill of moderate labour intensity has total investment (including working capital) of 12,500-15,000 and a garment factory distinctly less. 100,000 tourists a year with an average stay of ten day might generate 5,000 direct job and require direct investment of \$100 million.

Wages are likely to run about 10% of tourist unit revenue, salaries (which may or may not be citizen)  $7\frac{1}{2}$  - 10%, and direct and indirect taxes perhaps 15 - 20% (42). These figures are not particularly high (or low) for light consumer amenity or luxury industry - they do underline the economic case for citizen skilled personnel and managers.

Domestic surpluses (whether on a unit cash basis or adjusted downward for wear and tear and upward for interest) are not likely to be very high in relation to capital employed for the sector as a whole, especially if relatively new and largely foreign managed. Outstanding successes do exist but also major failures. The need for subsidized government loans, the long pre-profit period of many hotels, and the preference of major hotel companies for leasing or managing not building and owning hotels all point in this direction as do most of the micro and sectoral data the author has seen.

Indirect gains include additional local output (or higher returns for existing output) generated by tourist sector purchases, indirect employment (including self employment) resulting from such production of goods or services, their contribution to national investible surplus, use by other sectors of infrastructure built for tourism. These are hard to quantify even after the event and little serious effort has been made to do so quantitatively in Africa. Proponents and critics alike overstate their cases and rely on assertion rather than evidence.

Domestic purchases are usually under 10% of sectoral revenue and netting out import content and diversion of resources the net can hardly exceed a third of that. It is concentrated in secondary food production, crafts, and fairly specialized services. These probably do have low capital labour ratios but even so the indirect employment effect from this source can hardly exceed the direct. However, both the production and employment of indirect effects must be increased - perhaps by a half - to take account of the wage incomes paid by the central tourist establishments, and by something more on account of government

use of increased revenue. Perhaps 5 to 10% of sector revenue as a production gain and an indirect employment gain equal to direct would be reasonable estimates.

The surpluses of this type of enterprise are notoriously interlocked with labour income and/or notoriously hard to estimate or tax. The average national tax ratio (43) to domestic monetary sector income (about 15 - 20% in most of Africa albeit up to 35% in Tanzania) might be a fair guess i.e. under 2% of gross direct tourist unit revenue.

Costs - given that the benefits have (in the economic sense) been given net in most cases turn on either losses or scarce resource diversion. Funds for investment are scarce as is sophisticated building capacity. The tourist industry - contrary to popular mythology - has a relatively high proportion of high level (managerial, professional) and middle level (skilled manual, para-professional, clerical) manpower and needs elaborate training facilities (or an inordinate number of expatriates). These are even scarcer resources than investible funds and surely have shadow costs well above the actual wage and salary rates. The possibility of "investible deficits" (especially after allowing for interest on foreign loans and wear and tear) is a very real one; for a rapidly expanding sector, in Africa, it is a probability.

Indirect costs include provision of infrastructure primarily for the tourist industry. These may be partly offset by indirect gains accruing to other sectors using them. For isolated hotels these costs will be very high if they are provided with roads, water, electricity and not charged the full cost of such special facilities (and they rarely are). Game reserves and parks are in a special category - conservation not tourism is their justification and it is perhaps more reasonable to view the costs as general to the country and revenue from fees to tourist enterprises as a gain. (44)

Clearly the most sectoral analysis of this kind can do is to identify about what the net impact on national product, employment, investible surplus, tax revenue will be. To determine whether - at this level - the sector is a candidate for expansion, maintenance, or curtailment spheres of economic activity and the present and potential results compared with those of the foreign tourist sector.

The question "to whom" and "on whom" are critical in respect of gains and costs. In one respect they turn on income distribution; in another on location of economic activity; in a third on private/public and foreign/ domestic ownership and control patterns. These are difficult issues to discuss in general because the distribution is moderately subject to policy intervention and because the likelihood of any particular type of intervention depends on the nature of the African state in question much more than on the nature of the tourist sector itself.

Citizen staffing from the top down, public sector ownership and control of main units, an egalitarian pay and fiscal structure, and a policy of locating units in game parks, mountains, and isolated beaches with emphasis on local food and services purchases will allow tourism to fit into an egalitarian - poverty eradication - rural development oriented strategy - if such a strategy exists. It will hardly create or be one of the starting points of such a strategy.

Some tactical issues here are vexed. A medium and small scale African business (and even a large scale landlord e.g. hotel owning and leasing) class is not likely to be a real step toward economic independence because it remains dependent on foreign business. (45) Nowhere is that truer than in tourism. However, it is much more effective barrier to any transition to socialism or social democracy than a similar small and medium scale expatriate business class. Therefore, an interim phase of foreign private owned tourism (or no expansion of tourism) may be appropriate in the context of a governing alliance favouring either of these transitions. An independent African tourist industry - even in the context of a transition to national capitalism - will require a central public sector role at least to set a frame and to conduct negotiations with foreign tourist interests in a way which makes the smaller domestic private units dependent on the national public sector institutions not the foreign enterprises. (46)

The foreign balance impact of tourism is crucial. It is logically determinable but rarely calculated with much seriousness - a gap African central bank research staffs might usefully try to fill. The East African estimates of sector import content in relation to gross receipts range from 20 - 40%. (47) Counting interest, wear and tear on imported elements of capital assets (or foreign loan repayment), foreign salary remittances and import purchases, profits remitted, and direct and indirect operational imports 40 - 50% seems reasonable as a long-term flow level but understates the ratio during a period of rapid expansion financed from domestic savings. For that reason, the average African per cent may well be over 50% (48). That is a

high share for a domestic resource based export industry but not particularly so for a labour based export oriented manufacturing industry.

Two special problems arise - how to treat the import content of additional real GNP and foreign exchange evasion loopholes opened by tourism. As any increase in GNP tends to raise imports and the genuinely local component of tourism probably does so not more than other increases, the first question really should be posed in terms of demonstration effect impact on the average incremental propensity to import and measures to control it. The second is less clearcut. Tourists bring in foreign exchange and practically prevents requiring total conversion and balance re-conversion on arrival and departure. Therefore additional opportunities for foreign exchange leakage are inevitable. Alert checking (especially on hotels), speedy and well publicized prosecutions (especially of the citizen party to weaken the demand side by raising risks), and firm publicity to tourists can limit losses but cannot eliminate them.

The impact of tourism on national economic integration can be divided into linkage (in Hirschman's sense) and balance (in Nurkse's or Rweyemamu's sense) 49 effects. Whether the former is significant or not depends very largely on policy backed by imaginative study of possibilities. The latter is simply not an area in which tourism can contribute in a low income country because no significant domestic market (much less mass domestic market) industry in any real way unified with foreign tourist facilities is possible.

The import content of tourism will remain high until African economies have integrated, broadly based industrial sectors. (50) However, it can be lowered by up to one half by systematic requirements to utilize locally produced food, (51), beverages, textiles, furnishings, building materials, architects, contractors, airlines (52), and professional/managerial staff. These are : sectors in which additional demand from tourism will normally be secondary and can augment truly domestic demand to build a sounder production structure. A little creative imagination (linked to a sensible small industry strategy) could create furnishings of considerable quality and appeal from local materials at relatively low scarce resource cost and at prices often below imports. The same holds for building design.

Unfortunately these results presuppose a reversal of the lavish tax, expatriate work permit, import licence and other concessions all too usually given foreign tourist units. Such a shift could make tourist enterprises think again about local sources and lead to a re-education of citizen staff who have



internalized the foreign models all too well. This, in turn, is unlikely to occur except as a component of an overall national economic integration strategy - so long as most of the fruit in the Dakar medina is imported and the main furnishing and household ware shops are totally foreign in contents and almost so in senior staff, it is ridiculous to suppose that the Hotel Tarranga will utilize Senegalese food, furnishings, construction materials, or senior staff except as decorative frills or where (e.g. cement) imports are prohibitively more expensive. (53)

## V

Some practical limitations of the tourist industry remain even if it passes the socio-economic and political economic macro tests for selective expansion. The first is its size relative to the overall economy in most African countries. The rather over-ambitious tourism section of Tanzania's Second Five Year Plan amounted to about 2½% of estimated gross investment and even adjusted for supporting costs not over 3%. As tourism is a high capital/output ratio sector - at least in Africa - the share of incremental GNP could hardly have exceeded 2% or \$0.25-.30 per capita over five years. This is not to say tourism is irrelevant - the same results would apply to any small sector - but to place it in perspective. (54) Tanzania is probably not atypical of most African economies as to general orders of magnitude, although exceptions must be recognized e.g. Gambia, Tunisia, Mauritius, Lesotho, and possibly Morocco and Egypt. (55) The limitations are partly on the demand side - Africa is an expensive place to reach and the number of people demanding special, new vistas (or, rather absurdly, beaches), whatever the cost, is limited and at the moment probably suffering from a short term setback and very slow medium term growth. Over 90% of industrial economy tourists visit other industrial economies because it is cheaper and because personal or interest ties are inevitably closer and denser than those with poor countries. On the supply side, the structural costs of allocating large (10% or above) proportions of investment potential, construction capacity, or high and medium level manpower to tourism are rather daunting unless continued external dependency and an increasingly peripheral export service material future is seen as inevitable (e.g. Seychelles?) or desirable (e.g. Antigua?) by the decision making elite. Of course tourism may be much more critical for selected areas - a reason for keeping it out of main towns - e.g. the rather decayed historic centres of Bagamoyo and Kilwa in Tanzania and the surrounding rural areas could benefit significantly from fairly modes scale beach plus historic site excursions (56).

The high capital cost of tourist facilities - now easily running \$25-30,000 per tourist space provided including vehicles and infrastructure in East Africa and probably higher in West and

Central - can be reduced with use of local materials and less wasteful designs but only selectively (for certain types of fishing lodges and camps) can it be cut by 25-50% as optimists believe. Tourism is selling comfort and relaxation in a setting not a setting plus austere (to the tourist) accommodation. Few tourists are intrepid explorers or passionate seekers of new vistas if discomfort is part of the price.

Perhaps more serious, the payoff is slow. Allowing two years for construction and three to build up a clientele (of tour sellers not of individuals who rarely choose independently for themselves as opposed to from an agent's or operators list of possibilities) means at least five years to relatively normal local payments and to breakeven on invested resources. That is in fairly optimistic picture if Kenyan and Tanzanian experience is typical. Admittedly the same is true for most large projects (e.g. sugar mills 5 to 6 years, textile factories 3 to 4 on the supply side assuming adequate demand), but the waiting cost on investment should not be forgotten.

The tourist industry is unstable. It rather resembles primary products in that sense and is likely to have a similar time pattern of ups and downs rendering it of minimal use as an export cornering stabilization route. The 1955-1970 tourist explosion has ended. 1975 levels are likely to be well below 1972-1974 averages and 1975-80 a period of low growth, excess capacity, and cutthroat competition among host countries. This is complicated by fashions in where to go which are very hard to predict and by the equal uncertainty as to the short term or the quantitative results of promotion.

The problem of high and middle level manpower demands has been cited earlier. Managers, data processors, accountants, logistical experts (for people and goods), purchasing officers, high quality salesmen, mechanical and electrical engineers, the business analogues to protocol officers, inventory controllers, public relations, specialists, skilled craftsmen, architects and designers, training officers, expert cooks, good drivers, knowledgeable and educated guides, aircraft personnel - the list is appallingly long and closely correlated to areas of acute manpower shortages. The macro and micro costs of a basically expatriate middle and top manpower cadre have been cited, but the alternative opportunity cost of creating local cadres rapidly and in large numbers should give pause to any advocacy of a tourist sector large in proportion to total national training facilities. Clearly micro calculations should be tested by using a shadow price of at least 150% on relevant wages and salaries but even that will not measure the systemic effects if - say - 10 to 20% of the relevant cadres are allocated (formally or via a free market) to foreign tourism.

There is a real danger that the sector will develop a self generating momentum in a particularly perverse way. If one

starts from a low base capital and startup costs will mean sectoral (as well as individual project) net foreign exchange drains and negative investible surpluses in early years. If the initial ventures then move into both foreign balance and investible surplus positive positions there will be a temptation to plough all these surpluses - and more - back into a new round of expansion. This may be quite sensible for the proprietor (even if he be a public institution) and doubtless builds up national assets and GDP but, at the national level, it keeps postponing the day when the tourist sector adds to, rather than subtracts from, resources available to other sectors. That approach can be justified for dynamic basic wage, intermediate, or producer goods industries because these do increase citizen welfare directly and contribute to national economic balance, interlinkage, and development. For a supposedly supporting foreign exchange, tax revenue, and investible surplus generating adjunct to the economy it would appear exceedingly difficult to defend. (57)

In a sense this brings the argument back to the initial sketch of the nature of the industry. It produces a luxury market export product for local consumption. Assuming its socio-economic and socio-political consequences are acceptable or containable, it can be justified only if its net foreign exchange tax revenue and investible surplus (58) contributions exceed those of alternative export industries (59) and of import substitution (and are positive not negative). Whether these conditions can be met and a saleable product produced and marketed is a factual question for examination country by country and project by project. Even the sum total of positive answers is likely to yield a relatively small contribution to incremental (let alone total) net foreign exchange earnings and a still smaller one to national investible surplus or product. An illustrative example of these and certain other points appears as an annex.

## VI

It is worth looking briefly at some of the alternative tourist sector patterns (other than the ancient regime Havana - Port of Spain - Copacabana model) which might offer guidelines for African use and to note a few of the implications and problems of following each.

This is not to imply a copying or even a simple adaptation of any one strategy is ideal - elements from several plus particular new elements would probably suit any African country's needs rather better. (60)

The Chinese pattern involves controlled numbers of foreign visitors of controlled types with all contacts with citizens controlled. For these numbers special facilities are available entirely within the public sector and charges are at levels yielding an investible surplus. The sector is growing moderately but is minute and presumably more a self supporting service to business (especially foreign trade and technology transfer) and foreign publicity than an economic activity in its own right.

The Bulgarian pattern is one of low to medium charge, high volume tourism centred on the Black Sea and other natural attraction resort areas. A three way division of the industry exists: domestic, soft currency (i.e. Socialist European), and hard currency (i.e. Western) with the last enjoying much better facilities and services but quite tightly segregated from the general public and from the other categories of tourist. The sector is wholly public, has a low import content, and is clearly analyzed in terms of shadow foreign exchange prices (one for CMEA and a higher for convertible currencies) and it almost certainly shows a bookkeeping loss in local currency terms on its Western and perhaps its socialist European sub-sectors. It is a large net foreign exchange earner in a fairly typical poor country primary product dominated export pattern.

Hungary offers a wide range of tourist service and price levels albeit little at the luxury end of the range. Its tourist sector is large but is closely integrated into the domestic urban and established vacation area facilities and infrastructure. Tourists are not kept separate from domestic travellers or the general public. The direction and main units are public sector, some smaller service (and perhaps hotel) units are co-operative or private (family) owned. Again prices appear to be set to take account of a high shadow foreign exchange rate but, as the sector is under some compulsion to achieve moderate investible surpluses on its domestic costs and revenues, this is largely handled by special exchange rates for tourists not abnormally low prices charged by tourist enterprises. The foreign exchange contribution is not insignificant, though lower than in the case of Bulgaria, and is in a basically manufactured goods export sector including vehicles and pharmaceuticals as well as processed foods and luxury consumer soft goods and household furnishings. Except for fuel the import component is negligible.

Yugoslavia resemble Hungary in price range, in catering to large numbers of tourists, and in handling the shadow foreign exchange price by special conversion rates not special low domestic currency prices. However, the tourist sector is much newer and more concentrated in new resort areas not integrated into existing structures. While domestic tourism is significant,

foreign is dominant (Yugoslavia is considerably poorer than Hungary). Central government control of tourism is fairly limited; state (i.e. region), decentralized public sector self managed, co-operative, and private units are dominant. In a number of cases minority foreign participation and management has been sought or accepted. The foreign exchange contribution is significant and is in the context of a weak physical goods export performance (mixed primary products and manufactures) propped by large remittances from Yugoslav workers in Western Europe. The import content is higher than that in Hungary because of a less integrated economic structure and than that in Bulgaria because of less stringent import controls but is still probably below 10%, much of that fuel.

Some of the implications of these structures, if transplanted to Africa, can be sketched briefly. The Chinese pattern - even if modestly enlarged and operated on a higher amenity/higher price/higher surplus basis - would make tourism very insignificant indeed, rather analogous to one export industrial plant or a group of artistic and craft export workshops (e.g. wood and ivory carving (62)). The gain would be yet further limited by the high (absolutely and in contrast to China where it approaches nil) import content. Certainly negative macro-effects would be limited indeed and time given for building a national tourist industry cadre with a view to subsequent expansion when import content might be lower, alternative export options scarcer, and the national standards more firmly internalized (63)

The Bulgarian model poses different problems. Mass low charge tourism is unlikely to yield either adequate rates of investible surplus or significant foreign balance gains given African capital costs, import content, and manpower gaps (leading to numerous expatriates if mass tourism is sought). Equally the degree of segregation of tourists practiced by Bulgaria is - at least for large numbers - quite beyond the capacity of African states to copy. (64)

The Hungarian system seems inappropriate to any African state other than Egypt because the established urban and old resort facilities and infrastructure and the volume local tourism do not exist. (65). The handling of the foreign exchange shadow price by a special exchange rate (putting the burden squarely on the government and avoiding arguments about automatic subsidies to tourist units) is worth consideration .

The Yugoslav pattern is, on the face of it, the most easily adaptable at least for Mediterranean Africa; for sub-Saharan Africa the cost of airfares means that mass demand at viable prices probably does not exist. However the fact that Yugoslav manpower availability and economic integration are much higher means that such an adaptation would be much less linked to the

rest of the economy and a much feebleness net foreign earnings generated in Africa than in Yugoslavia. Further, Yugoslavia's decentralization - even with a stronger national framework, ideology, and party than exists in the vast majority of African states - has often led to amazingly cross purpose decisions and to opportunities for external exploitation and/or penetration. Given the rather lesser experience and toughness of probable African private or public sector anti negotiators (as contrasted to Yugoslav), very real dangers of wholesale unequal exchanges and foreign penetration would arise. (65)

On the face of it sub-Saharan African states should seek specialty, limited number, high charge tourism. This may well be less true of Egypt, Tunisia, and Morocco who should be able to reduce import content and foreign manpower inputs much more readily and who can charge higher prices for any grade of facility because transport costs from Europe are much lower. Such a sector would necessarily seek tourists globally - not from Europe alone -- and via high quality/high cost arranged tour agencies and travel agents who arrange trips for individuals, not via the cut price dealers like the late Court Line group. It is fairly clear that the socio-economic and socio-political costs of tourism, and even more the difficulty of limiting them, rises more than in proportion to the number of tourists relative to that of the country. The more limited numbers will fit into relatively isolated hotel complexes with some ease; mass tourism will not vide Malindi/Mombassa and Banjul. Further the ratio of charges to facilities seems to be much higher at the upper end of the market and the tendency to cyclical fluctuations potentially less severe. The resource misdirection dangers, and those of needing to use foreign resources extensively, as to manpower and investment, would be curbed by the smaller sector size and, if prices were higher, the ratio of surplus to investment raised. With smaller demand the possibilities of seeking out and building up local inputs from small scale production units would rise reinforcing the reduction of foreign exchange drain achieved by lower foreign financial and manpower inputs.

It is quite true that a large proportion of the -- quite limited -- number of genuinely potential visitors who wish to learn to understand African realities could not afford these rates. However, they are the one group who would accept facilities at a utility standard designed for a moderate income African internal tourism and travel sector. Such a sector is not justified for them but it has claims to some priority in its own right and could accommodate them.

The need for a central framework emerges from all these patterns -- perhaps less clearly from the Yugoslav. Because of the knowledge and business power of foreign tourist enterprises and the high costs of promotion and infrastructure a

state negotiating and financing role is inevitable if any semblance of national control over the direction of development or division of gains is to be maintained. (66) For the broader systemic reasons outlined above, the state role should be much broader and lay down guidelines and frameworks within which tourism development is acceptable and barriers and constraints to unacceptable patterns. The nature of financial and management requirements is such that large units are needed. In practice these can be public sector or foreign private sector controlled. Local private ownership will, in fact, mean foreign control. (67) Smaller units can be decentralized public or local private or even mixed foreign-domestic with limited macro impact if the central framework and institutions are national public sector controlled. In tourism, as in most other sectors, it is only too clear that -- whatever ones desires -- capitalism in Africa will rarely if ever be African capitalism and then only if it is dependent on an African public sector which is genuinely African in control and aims as well as personnel. (68)

## VII

At least a few conclusions do flow from the foregoing analysis :

- A. The foreign tourist sector should be evaluated in the perspective of national social, political, and economic aims, structures, history, and trends not simply in sectoral or micro economic terms.
- B. From such an approach key questions as to who and what sectors should benefit and whether that result is attainable can be asked (assuming that the analysis at "A" does not rule out tourist development at least for the time being as it has to date in the cases of China, the Korean Democratic Republic, and the Peoples Republic of Vietnam) and answered.
- C. After these two stages have been accomplished, a general set of guidelines for the foreign tourist sector can be worked out. Within (and only within) such a context meaningful micro analysis of costs and benefits, of net foreign exchange impact of investment requirements and probably investible surplus generation, of linkage effects and demands for scarce resources can be carried out for individual projects.

- D. After the micro-analysis the tourism options should be compared with alternative export oriented goods production possibilities in particular and with other foreign balance improving projects in general.
- E. It is likely that the analysis will suggest some tourism development is desirable in most African countries but that in few should it play a major role even in foreign exchange generation. This is a conclusion based as much on the demand side as on social and political or economic desirability considerations on the supply side.
- F. Given the levels of knowledge, personnel and finance necessary to deal with foreign tourist interests on anything like an equal basis, the main African institutional units will need to be public sector or they will be de facto foreign controlled whatever their formal ownership. Smaller units will be dependent on larger so that their ownership is normally less critical.
- G. Mass market tourism maximizes risks, dangers of inadequate returns in relation to resources utilized, the risk grossly distorting the pattern and trend of the economy, and socio-political and socio-economic costs. More attention should be paid to attempting to develop high charge, limited numbers types of tourism concentrated in areas of natural attractions where their local secondary effects will be more significant and the socio-economic and socio-political stresses easier to contain than in major urban centres.
- H. Domestic tourism for groups broader than a very small elite has little in common with foreign tourism. It is, however, a sector with some claim to attention in its own right and deserves more, and more seriously thought out, attention than it has received. (70)



ANNEX

## SCHEMATIC SECTORAL ANALYSIS

A

Number of Foreign Visitors	100,000 per year
Bed Nights	1,000,000 per year
Total Expenditure	\$50,000,000 per year
Lodging and Meals	\$30 per day
Domestic Tours/Travel	\$15 per day
Other	\$ 5 per day

## Capital Cost of Industry (1974 Prices)

Hotels (5,000 beds)	\$75 million
Vehicles	\$15 million
Service Facilities	\$10 million
Working Capital	\$10 million
Public Infrastructure	<u>\$10 million</u>

Total Major Tourist Units	<u>\$120 million</u>
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## Capital Makeup

Domestic Loan (8%)	\$30 million
Domestic Bank (8%)	\$10 million
Foreign Loan (10%)	\$30 million
Foreign Equity	\$ 5 million
Domestic Equity	\$45 million (including public infrastructure)

B

Major Tourist Unit Revenue/Costs

Receipts	\$45,000,000
Wages	4,500,000
Salaries	4,000,000
Other Domestic Purchases	4,500,000
Operating/Maintenance Imports	16,250,000
Depreciation	7,500,000
Interest	6,200,000
Hotel Taxes	<u>3,000,000</u>
Total Costs	45,950,000
Net Loss	<u>950,000</u>

b.

Operating Surplus	\$12,750,000
Loss	( 950,000)
Depreciation	7,500,000
Interest	6,200,000
Operating Surplus/Unit Capital	11.5%
Net Profit (Loss)/Unit Equity	(-2)%
(Unit Capital and Equity there exclude Public Infrastructure)	
Direct Employment	6,000
Capital/Labour Ratio	\$18,333

C

Foreign Outflow

Salaries (50--75%)	2,000,000 - 3,000,000
Domestic Purchases (10--20%)	450,000 - 900,000
Imports (less tax)	11,250,000 - 12,500,000
Depreciation (60--62/3%)	4,500,000 - 5,000,000
Interest (less tax)	2,625,000 - 2,625,000
	<hr/>
	20,825,000 - 24,025,000
	(47 - 53%)

D

Government Revenue/Expenditure

Hotel Levy	4,000,000
Import Taxes	3,750,000 - 5,000,000
Domestic Input Taxes	450,000
Direct Income Taxes	1,000,000
Interest Remittance Tax (12½%)	375,000
Indirect Income Tax *	1,000,000
	<hr/>
	10,575,000 - 11,825,000

\* Banks - say - 850,000 other 150,000

Administration	1,500,000
Promotion	1,000,000
Maintenance Infrastructure	<u>1,000,000</u>
Cash Expenditure	<u>3,500,000</u>
Surplus for other uses	7,075,000 - 8,325,000
Less "Interest" on Infrastructure	<u>1,000,000</u>
"True Surplus"	<u>6,075,000 - 7,325,000</u>

Employment (From \$9.7 -- \$10.975m) 1,500

If total government revenue is -- say --  
\$500,000,000 this is 1.3 - 1.5%

E

### Spread Gains

* Additional Payments Domestic Factors (already in use)	450,000
** New Production	<u>1,125,000</u>
Total	<u>1,575,000</u>

Additional Employment 2,000 -- 2,500

- \* 10% domestic purchases
- \*\* 25% domestic purchases

F

### G.P Effect (Adjusted)

Wages	4,500,000
Salaries (25%)	1,125,000
Government Surplus (say)	8,000,000
Spread Effects	1,350,000
Domestic Interest (less tax)	<u>2,350,000</u>
Total	<u>17,325,000</u>

If GDP is of the order of \$1,500,000,000 this is 1.2%

Total Employment Generated 9,500 - 10,000

Applying a 40% activity ratio to a population of 15,000,000  
would be about 1.5% of economically active citizens.

G

### Foreign Exchange Effect

Gross Inflow	\$50,000,000
Sectoral Outflow (say)	23,000,000
Government Tourist Service Outflow	1,150,000
Illicit Transactions (pro forma)	<u>850,000</u>
Total Outflow	<u>↓25,000,000</u>
Net Earnings	\$25,000,000

d.  
If gross foreign exchange earnings on goods and services total ₦650,000,000 and net ₦520,000,000 (20% average import content of exports which is fairly high if most exports are agricultural primary products) then tourism would produce 7 3/4% of gross and 5% of net foreign exchange earnings.

H

National Investible Surplus (Gross)

* Tourist Units	6,450,000
National Financial Institutions (Pro forma)	1,200,000
Government (assuming 20% of net incremental revenue so used)	1,700,000
Spread Effect (10%)	<u>135,000</u>
Gross	9,485,000
Less Foreign Loan repayments (Pro Forma)	<u>3,000,000</u>
Net	<u>6,485,000</u>

If gross domestic savings are 20% of GDP this would be 2.1% of a total of ₦300,000,000.

NOTES:

1. These figures are for a hypothetical economy similar to Tanzania, but they are not actual or even attempted approximate Tanzanian figures.
2. The domestic Financial Figures have been treated pro forma as ₦850,000 tax, ₦1,000,000 post tax profit, ₦1,350,000 operating costs (including interest to depositor). Of the latter ₦200,000 is assumed to be non-cash costs or interest recipient savings.
3. The domestic Financial institutions and goods/services suppliers are presumed to be national (public or private sector) institutions or individuals and to employ few expatriates. Otherwise the Foreign Outflow will be higher.
4. The tourist sector is taken as operating normally with no new units in the breaking in phase.

5. No costs of expansion are included. Evidently a 10% expansion of capacity would entail costs using up all the investible surplus and reducing the foreign exchange gain to ₦21,500,000 assuming ₦7,000,000 (of \$12,000,000 total investment import content, ₦3,000,000 from foreign loans, and ₦200,000 loan interest). Employment and G.P. gains would be raised by the impact on construction.
6. These illustrative data seek to show the probable parameters of a modest sized tourist sector. They do not show how it compares with alternative sectors either on average or incrementally. Such comparisons would require similar parametric exercises for the other sectors and incremental programme analysis for them and for tourism along the general lines of this format.
7. Socio-political and socio-economic issues are presumed to have been resolved and the cost of limiting costs in these fields included in the cost structure. However, unavoided costs could be entered as offsets to sectoral surplus and GNP gains albeit that is an artificial way of handling them.
8. Public/private sector divisions will depend on main unit ownership. If this is dominantly national public then in this example about 80 - 95% of the net investible surplus would accrue to that sector. Foreign exchange control (including allocation) will determine whether basic (wage, producer), amenity, or luxury goods result from the foreign exchange surplus and which groups in the country benefit thereby.

## NOTES

1. Dr. Green is currently associated with the Institute of Development Studies at the University of Sussex. From 1966 through 1974 he was Economic Advisor to the Tanzanian Treasury and Honorary Professor of Economics at the University of Dar es Salaam.

2. Reprinted in Tourism and Socialist Development, I.G. Shivje (editor), Tanzania Publishing House, Dar es Salaam, 1973, p.2.

3. Tourism and Socialist Development illustrates both of these propositions. Frank Mitchell's contribution (pp 23-34) is breath-taking in the latter regard.

4. The systematic refusal of most critics to discuss the socialist European Tourist sector is, to say the least, peculiar - and when tourism is being discussed in the context of, say, Tanzania or Algeria, comes close to being wilful distortion.

5. That is, one must proceed forward, backward, and sideways several times to secure an "answer" which is possible, internally consistent, and (in terms of the goals set when setting up the exercise) reasonably efficient.

6. This should be self evident but Mitchell op cit is an example that some academicians argue otherwise even after doing research on the topic while "U.S. 'Think-tankers Develop Tourism For Africa" (Christian Science Monitor. 15 December 1970, (pp 90-93 in Tourism and Socialist Development) illustrates similar views on the part of ~~supposedly~~ hard headed businessmen. Incidentally, A.D. Little was never commissioned to write Tanzania's 10 years Tourist Plan, but to prepare detailed proposals for such a Plan. As it happens, there were largely rejected as unsatisfactory or socio-political and unrealistic on economic grounds.

7. Domestic tourism is a separate issue. Unless otherwise specified this paper treats foreign tourism. In a poor country what is likely to be desirable or practical for domestic tourism for more than a minute elite is unlikely to be saleable to most foreign tourists. Local elites (including resident foreigners) sometimes oppose large scale foreign tourism because it pushes charges to them for luxury goods and services to more reasonable (i.e. Higher) levels.
8. The difference is a major one. To discuss diamond mining and cutting as directly analogous to tourism is to miss the point ; diamonds in Hatton Garden do not have the same impact in Dar es Salaam as tourist at downtown and beach hotels.
9. Because it is a "local export" tourism does offer a protected market for local inputs. The institutional barriers to overcoming this should be surmountable - Florida oranges in Trinidad and Jaffa oranges in Dar es Salaam are economically absurd. The production pattern consequences of doing so in a large scale way, however, not be very satisfactory if the tourist goods are radically different from local market items.
10. Lesotho is a very special case. The tourists ate South African and the special attractions pornography, sex, gambling, and a less repressive atmosphere. The alternative employment - at present - would be in South Africa. Evidently neither has much to commend it. See C. Winai-Ström "The Influence of Multinational Corporations on Lesotho's Politics and Economics", IDEP, CS/2562-14.
11. Haiti, after all, escaped a tourist boom under the late President Duvalier but exhibited oppression, repression, and exploitation at least as severe and economic deprivation rather worse than that in Cuba under Batista.
12. For some reason this rather naive idea (not that some tourists may be foreign agents but that tourism is essential or central to espionage) is a recurrent one. Several illustrations (and a common sense refutation at P. 73) can be found in Tourism and Socialist Development.

.../...

13. Arguments that tourism is income distribution equalizing (e.g. Mitchell) are unconvincing, especially when linked to wholesale denunciations of industrialization illustrated with "facts" flowing from an a parent conviction that markets usually reach walrasian equilibria, Paretian optima, and Lorenz curve equalization rapidly and effectively. Successful tourism is a high, not a low, surplus to capital employed and a relatively high salaries to wages ratio-sector.
14. Cf pp 2-17 of Tourism and Socialist Development and- more notably as it was written after the question of socialist European tourist sectors had been posed squarely - Shivje's "Preface".
15. Many individual projects clearly fail to pass this test. A major IFC sponsored set of proposals in an E st African country rather less than an equal investment in the same general area in sugar production.
16. Nobody seriously claims positive demonstration effects for tourism which would outweigh its being an economic liability, at least not for a poor country.
17. Rather more detailed literature on this topic exists for the Caribbean and suggests relatively low net national value added effects and surplus generation rates.
18. INcluding those who really are putting up funds and have something to lose by bad judgment. Businessmen are not omniscient and the thought that the foreign party lost too is little return on wasted national resources.
19. This is particularly likely to be true of some (by no means all) university faculty and students who often feel a need to justify their own very privileged status by being constructively radical and at the same time wish to do so in ways not likely to reduce their own welfare (such as proposals that they work with the rural population in national service schemes do - witness the initial response in Tanzania, Ethiopia, and China).
20. The A.D. Little proposals tended to have the same drawbacks plus proposing tourist investment at a level which appeared recklessly risky (a view later events have justified), and, more critically, inevitably resource diverting



on a grand scale from more critical sectors.

21. e.g. will domestic staff and other service industry employees earn more by moving to hotels ? Will wages in these sectors also rise ? Will prices of goods such as fillet steak rise because a larger specialty market exists and if so how much of the gain will get back to the cattle raiser ?

22. That a project is viable and desirable in both macro and micro terms is a necessary but not a sufficient condition for proceeding with it to be logical. For the latter, one needs to know what alternatives there are and how scarce total resources are - hopefully, more projects meet minimum desirability and viability tests than there are resources to implement.

23. If one believes that decision taking group is itself incompatible with development (often a very reasonable belief), rather different issues arise. Is change by transformation or mutation possible or is violent revolution essential ? In either case tourist development is likely to be a side issue. However, if one believes it so harshly highlights contradictions and so grossly illustrates Fanon's vision (Wretched of the Earth eg. p. 30) as to be desirable for speeding the day of judgement or that it so strengthens reactionary against progressive governing elite forces as to create negative evolution of class alliance power balances, then, tourist development remains relevant even in this context.

24. Geografia da Fome (Geography of Hunger), Cruzeiro, Rio de Janeiro, 1952.

25. This is not per se a criticism of the tourist ; a desire to relax, to rest, and to be comfortable and free from cares from time to time is not abnormal or objectionable in itself. The generalization applies to socialist industrial economy tourists as much as to capitalist judging by observations and views expressed in Cairo and Alexandria.

26. This point was made forcibly by Tanzania's Ministry of Tourism in 1970 - see Tourism and Socialist Development, pp 86-87 and on pp. 72-74 a similar statement by a critic of the tourist sector as it existed (albeit not of tourism).

27. These comments do not hold for relatively low capital, low scarce resource, high labour content service and workshop enterprises. e.g. medium to high quality restaurants and "hand-made" quality furniture, so long as they use local materials, are among the more desirable amenity and luxury goods (a view which production patterns and trends suggest is shared by China). This is not an argument for giving such sectors priority over basic goods.

28. The Tanzanian regulations of 1971 did limit new (or under three year old) car purchases to individuals and institutions proving a public need (or to expatriates paying in foreign exchange). It did cut imports and was enforceable (prior to a complete ban for foreign exchange reasons in 1974). At least some middle managers and civil servants agreed it did save them from a "status need" to buy and to run a car they could not afford, and it has raised the level and quality of articulation of criticism of public transport.

29. If the elite want no such standards they will block them, tourism or no tourism, unless the political power alliance can enforce a code of conduct on them in which case the removal of temptation may be critical.

30. For example, Tanzanian official survey forms spoke of "Houseboys" and "Nursegirls" until 1973. Even then, while backed by several senior Tanzanian officials, the change came from quite a limited number of critics' demands.

31. It is perfectly reasonable and possible for a person to relate to his secretary and his domestic staff as colleagues and friends, to visit their homes, to share their joys and sorrows, to help them humanly (and be helped in return) as well as with money, to keep in contact with some after the job relation is over, to be with them in sickness and mourn at their graves.

The author does state this from personal experience, not pure theorizing. wishes he could say it was also usual since to him it seems morally imperative.

32. cf. Shiyje in "Tourism and Socialist, p ix.

33. This is equally true of African literature published with European sales in mind but tourists are not a significant book market.

34. The problem can be complex if a social or belief lose, not a material, is involved, but genuine dialogue can naturally resolve such issues, e.g. one self help water pipeline venture in Tanzania required ceremonial propitiation and moving of several local tutelary spirits to secure acceptance and support.

35. Foreign currency only facilities are an intermediate solution. They are also a rather messy one and may well assist exchange control evasion (especially by the upper middle and upper classes) more than they retrieve leaking foreign currency, cf. Egyptian experience.

36. The bland assumption that it can only be from the former reasons (a thinly disguised example of which appears on pp. 92-93 of Tourism and Socialist Development) seems in itself to betray an inferiority complex (ibid p.xi). The opposite extreme is illustrated by the Cape Cod host builder letting rooms to summer tourists who, when one ventured to ask what he did when they left, dourly, announced "We fumigate".

37. For example a not untypical Soviet tourist in Alexandria on being shown a rather fine Nile tortoise, uttered that classic "Americanism" - "Oh, but we have a much bigger one outdoors in the Moscow Zoo".

38. The elite of course already have a rather less desirable type of

fringe benefit - the dubiously necessary overseas business, course or conference trip at his employers' expense.

39. Cf. expatriate ex-manager of the Tanzania Tourist Corporation at pp. 11-12 of "Tourism and Socialist Development".

40. Tourists - especially in groups - all too often show the worst side of themselves and the environment from which they come. They quite frequently behave (in Europe as well as Africa) in a way they would not do either at home or individually.

41. These estimates are in 1974 prices for East Africa. Historic costs are, of course, considerably lower.

42. The 15-20 % is for East Africa. With a lower import content, the figure would fall and - more critically - with lower taxes and more concessions it would well be 5 % as it appears to be in Cameroon and Ivory Coast.

43. Including indirect taxes and charges similar to taxes, not simply income and company tax.

44. The argument that wildlife preservation is a duty to "the common heritage of mankind" does imply that the richer sections of mankind should bear most of the cost whether in direct grants or viewing fees.

45. For a fuller explanation of this point see Samir Amin, "Neo-Colonialism in West Africa", Penguin, 1973, Part Two and R.H. Green, "The MNC and the Peripheral African Economy", IDEP CS/2562-11.

46. Whether a national capitalist tourist sector is practicable is another matter. Egyptian experience - which does include a central public sector component - is not too promising an example.

47. e.g. Mitchell, op.cit and F. Thresher cited p.5 "Tourism and Socialist Development".

48. This ignores unequal exchange underpricing of the Rosa Luxembourg/ Arghiri Emmanuel type which evidently does exist in tourism.

49. Cf. A.O. Hirshman, "The Strategy of Economic Development," Yale, 1957 ; R. Nurkse, "Balanced and Unbalanced Growth" (Istanbul Lecture) in "Equilibrium and Growth in the World Economy," Harvard, 1961 ; J. Rweyemamu, "Underdevelopment and industrialization in Tanzania", Oxford, 1973, esp. ch. 6.

50; For a fuller exposition of such a pattern see, C. Thomas "Industrialization and the Transformation of Africa" IDEP CS/2562-6 and "Dependence and Transformation", Monthly Review Press (New York), 1974.

51. In Tanzania, the Lake Manyara Hotel uses over 90 % local food (much grown on its own farm) as does the urban AGIP Motel which has the best restaurant in Tanzania.

52. There is no reason why African national airlines (if genuinely national) cannot negotiate for 50 % of charter flight rights and 50 % of scheduled services and seats, nor why they should be unable to sell charters to tour operators. The 1972-1974 progress of East African Airways while well short of those targets, demonstrates what can be achieved and led to a substantial net foreign exchange surplus and a swing into profitability. However foreign airlines and travel interests and their local allies (often including national airline board and management members) will oppose such efforts or call them "premature".

53. There are exceptions - even in Senegal - but these are usually the result of an imaginative promoter creating a low cost complex in a rural area with a particular European market in mind.

54. The small relative size of an appropriate tourist sector raises problems. It is hard to get non-specialists, whether political or technical, to pay serious attention to it which is unfortunate because tourism's macro-implications are numerous and complex. If in addition the specialists are few in number and inexperienced it is hardly surprising if the plan is open to criticism and subsequently needs sweeping revision - as has been the case in Tanzania.

55. Morocco and Egypt have locational, and Egypt unique historic site advantages but they are relatively large economies and both have fairly good alternative export development possibilities - at least compared to other African states.

56. Tourists, will not come to any but the most world famous historic sites (e.g. The Pyramids) for the sites alone (cf. how little tourism Southwest Turkey had before beaches were added to the Pergamum, Side, Ephesus, Laodicea, Attaya, Hieropolis, and Smyrna historic offerings). However, sites are good for photographs and conversation and give a feeling of something worthy done so do add to the appeal of beaches (e.g. Phoenician Carthage and the Hill where St. Louis died have been some sort of savoury to add to the lure of Tunis' beaches).

57. This does not mean no reinvestment in expansion from surplus simply that after - say - an initial ten year program of expansion the sector must show positive surplus and foreign exchange transfers to the rest of the economy after taking investment costs into account.

58. Whether tax revenue is part of investible surplus is partly a matter of choice of definition but basically one of whether added government revenue generates more recurrent expenditure at higher transfers to investment.

59. Two special costs (other than socio-political and political economic)

are use of non-renewable resources and pollution. Tourism does rate well (low cost) on the first count, and, with minimal care, better than most alternatives on the second.

60. Unless of course one has an elite who fully fit Fanon's definition of their role as compradores, colporteurs, and purveyors to more powerful and richer elites and are willing to pursue it. For them the "traditional" Caribbean pattern is satisfactory. Alternatively, the moderate cost, "Fresh provincial scene in Africa" that typifies the lower middle strata of Dakar tourism (and used to do so in Tannanrive) is at least less crude, garish and explosive than the Caribbean pattern, but it is hardly a growth sub-sector nor likely to be a very profitable one to try to establish elsewhere.

61. Evidently, curbing tourism would do little to limit demonstration effect impact with up to 1 000 000 Yugoslavs working abroad and as many returned from foreign work.

62. The comparison is not whimsical. China has given some stress to traditional and modern wood, ivory, jade, and amber carving using imported materials and turning out luxury products dominantly for export. This is a quite deliberate transformation of skills and labour into wage goods (wheat) and producer goods (machinery and technology) via the intermediary of luxury exports based on imported materials.

63. There is some reason to suppose that a moderate expansion of the foreign visitor sector is being considered in China - presumably to be an addition to luxury craft goods as a low scarce resource cost way of meeting necessary foreign exchange targets which have risen with recent emphasis on quickening technological progress in certain industrial sectors.

64. Zanzibar under the rather austere populist regime of the late Vice President Abeid Karume did have tight security and contact control, but it is a small island, had few tourists, and has one basic tourist circuit starting and ending at the single airport. (The control of tourist contact is much less market to-day).

65. Tanzanian experience suggests that the Tanzania Tourist Corporation is usually too optimistic and too micro oriented and is only partly corrected by its parent ministry. The Treasury and the Party (for overlapping albeit not identical reasons) take much more macro and critical views of tourism and resource allocation to back it. On occasions both have vetoed projects for somewhat different reasons at the same time and apparently without any prior joint consultation.

66. For a fuller elaboration see R.H. Green "Political Independence and the National Economy", in C.Allen and R. Johnson, "African Perspectives", Cambridge 1970.

67. The Lagos case in which basically local funds are being used to create a several million pound project to be controlled and run by an offshoot of Occidental Petroleum is an example.

68. African personnel "socialized" into foreign capitalist values will support and pursue them by conviction and believed self interest. For example, the very able African head board member of a London based MNC with a wealth of political and business connections in his home country is a better viceroy for the MNCs province there than any European could hope to be.

69. The framework need not be in a single document but if it is too scattered then its coherent and consistent operation and internalization is made much more difficult and risky. Tanzania's egalitarian income distribution strategy has worked without any formal written guidelines but largely because of the very deep commitment to it of the President and two successive ministers of



Finance and its consequent internalization as a test of all ( not simply fiscal and public expenditure) policy by the Treasury and much of its (wholly public sector) financial institution galaxy. This is unlikely to a satisfactory general model for frameworks or guidelines.

70. The idea that second class, tourist type hotels are appropriate is one as recurrent as it is unlikely to be correct. Tented camps, simple rooms, African meals are much more hopeful starting points. Equally, decentralization of ownership (whether decentralized public sector units e.g. District Development Corporations, quasi public bodies e.g. Vjamaa Villages, Regional Co-operatives, or local private), management and operation backed by Regional and National guideline plans and selective loan and technical assistance facilities would seem far preferable socially, politically and technically to a single centralized operation of scattered tiny units.

RG/BJS

18/10/74