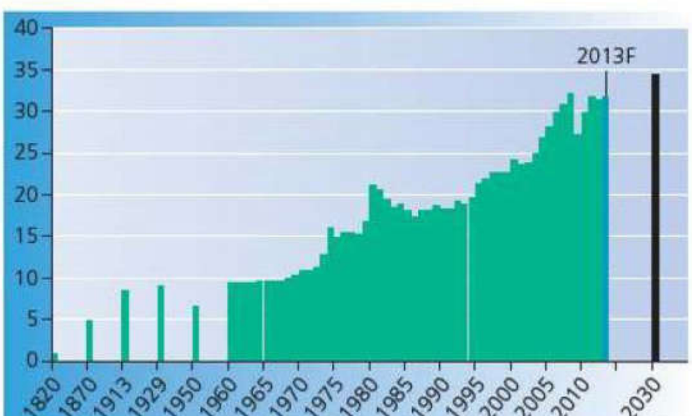
13 Global interdependence

13.1 Trade flows and trading patterns

Visible and invisible trade (imports and exports)

Trade refers to the exchange of goods and services for money. The origin and continuing basis of global interdependence is trade. The global trading system developed at the time of European colonial expansion. Here, a 'colonial division of labour' emerged in which LICs exported primary products, agriculture and minerals, while Europe and North America exported manufactured goods. This remained the general pattern of world trade until the post-Second World War period, when a more complex pattern of international trade emerged. Trade is the most vital element in the growth of the global economy. World trade now accounts for over 30 per cent of GDP – about three times its share in 1960 (Figure 13.1).



Source: Angus Maddison, IMF WEO, Standard Chartered Research in Business Insider, 7 November 2013, www.businessinsider.com/world-exports-to-gdp-ratio-2013

Figure 13.1 World exports-to-GDP ratio

Trade results from the uneven distribution of resources over the Earth's surface. Even countries with an abundance of resources and a wide industrial base cannot produce all of the goods and services that their populations desire. So they buy goods and services from other countries, providing they have the money to pay for them. Goods and services purchased from other countries are termed imports. In contrast, goods and services sold to other countries are called exports. Imports along with exports form the basis of international trade (Figure 13.2). The difference between the value of a country's imports and exports is known as the balance of trade.

A trade deficit occurs when the value of a country's imports exceeds the value of its exports. A country can make up this difference by using its savings or by borrowing, but clearly such a situation cannot continue indefinitely. In contrast, a positive or favourable balance of trade is known as a trade surplus. A trade surplus contributes to the GDP of a nation, but a trade deficit will reduce GDP.

Visible trade involves items that have a physical existence and can actually be seen. Thus raw materials (primary products) such as oil and food, and manufactured goods (secondary products) such as cars and furniture, are items of visible trade. Invisible trade is trade in services, which include travel and tourism, and business and financial services.

Global patterns of and inequalities in trade flows

Figure 13.3 indicates the growth in the value of global trade in goods (merchandise) and services between 2003 and 2013. The value of the global trade in goods increased from less than $8 trillion in 2003 to more than $18.5 trillion in 2013. Trade in services also increased significantly from about $2 trillion in 2003 to about $4.7 trillion in 2013. For both the starting and end years of Figure 13.3, the value of world trade in services was roughly a quarter that of global trade in goods. The severe dip in the trade in goods in 2008–09 indicates the strong effect the global financial crisis had on world trade. The dip in the trade in services was of a much lower magnitude.

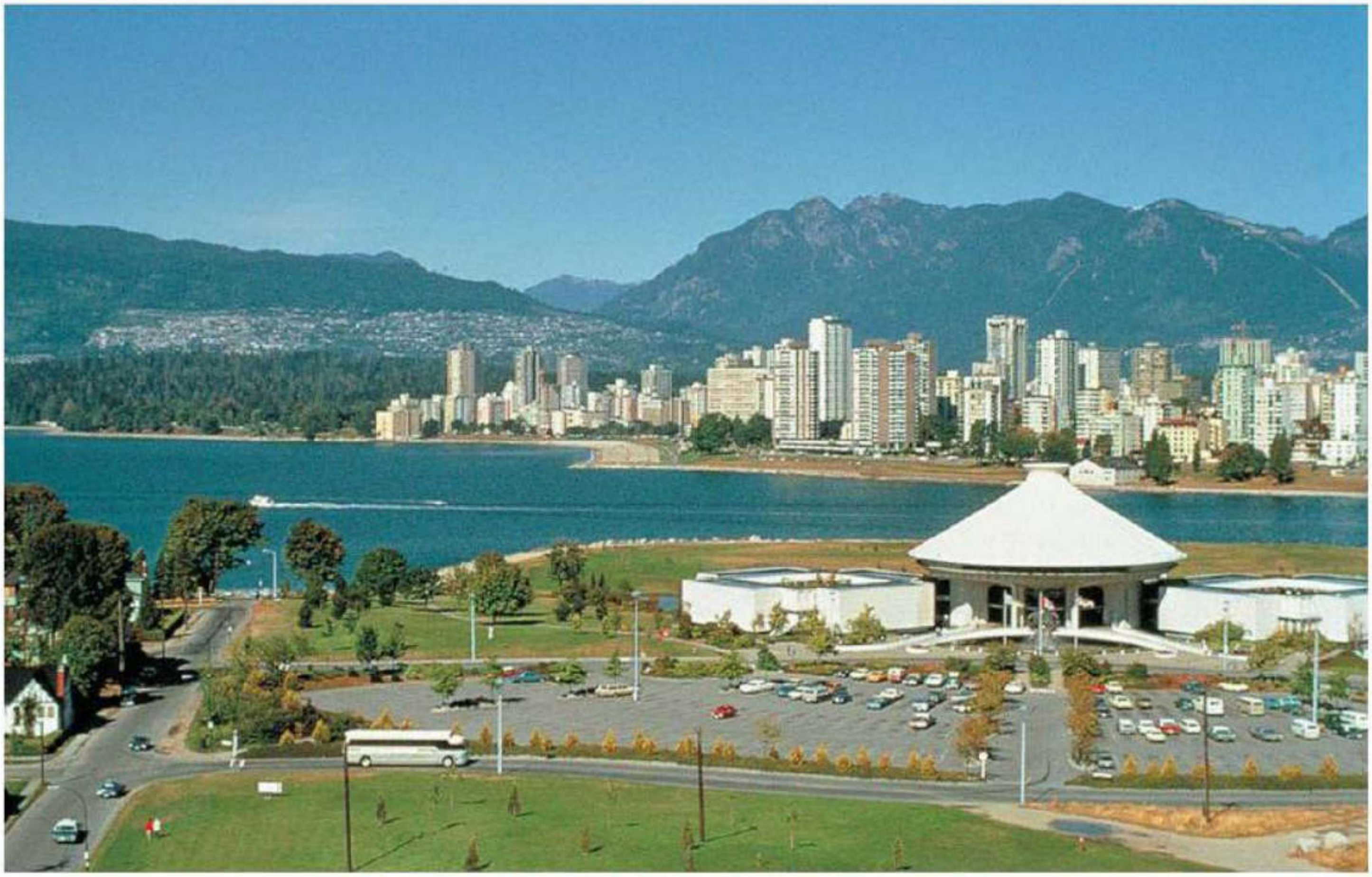


Figure 13.2 Vancouver, Canada – much of Canada's trade with Asia passes through the port of Vancouver

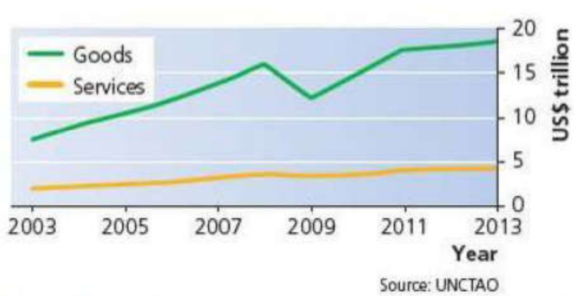
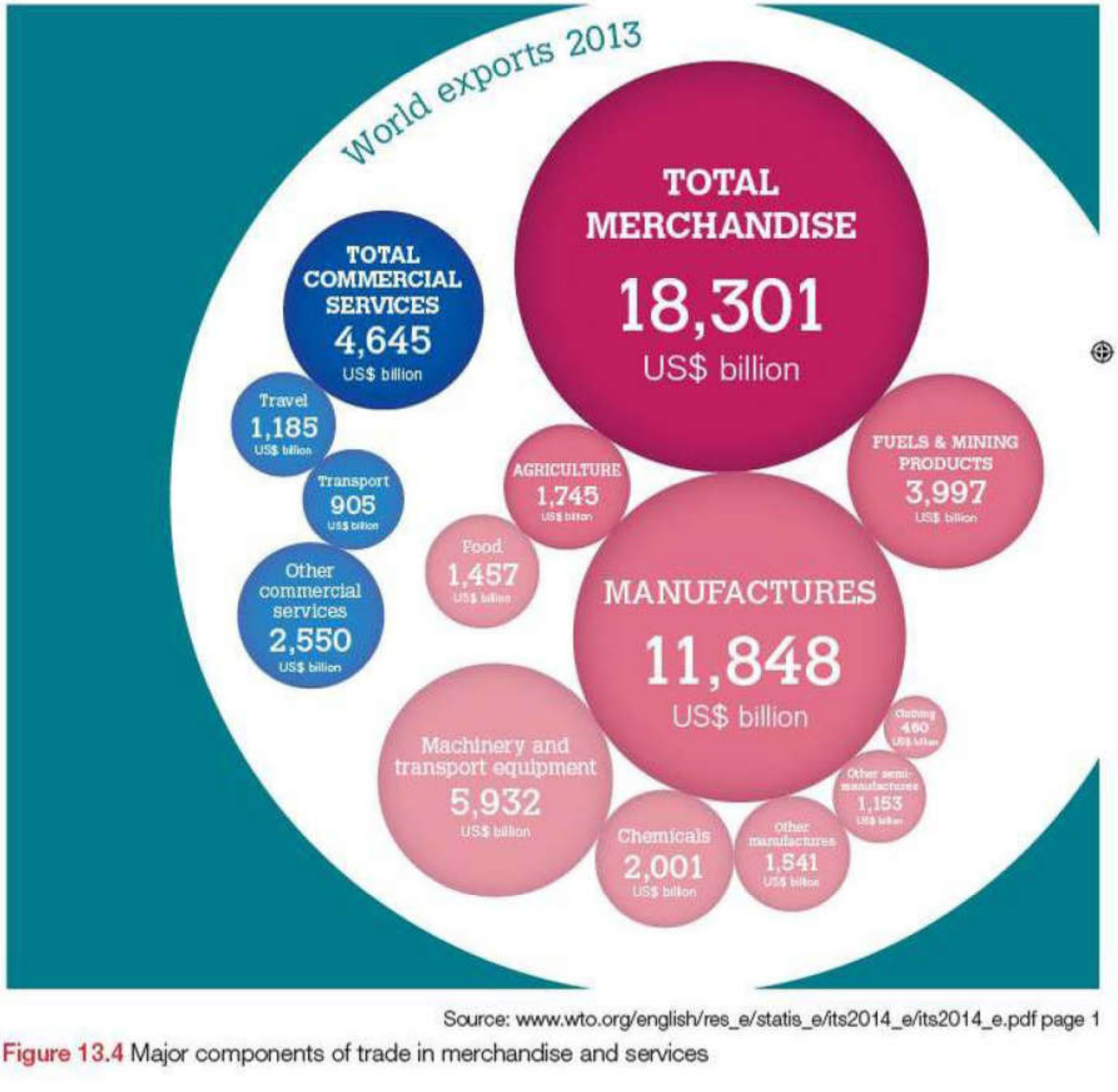


Figure 13.3 Growth in trade of goods and services, 2003–13

Figure 13.4 indicates the most important elements in the global trade in both goods (merchandise) and services. In terms of the former, manufactured goods dominate, followed by fuels and mining products, and then agriculture. Machinery and transport equipment is by far the most important element of manufactured goods. Figure 13.4 also shows the importance of **a** travel and **b** transport in terms of trade in commercial services.

Table 13.1 shows the spatial distribution of world trade in merchandise trade (visible trade) for the top 25 countries. China became the world's biggest trader in merchandise in 2013, with imports and exports totalling \$4159 billion. China recorded a trade surplus of \$259 billion, or 2.8 per cent of GDP. The USA was in second place overall, with imports and exports totalling \$3909 billion. In contrast to China, the USA had a trade deficit of \$750 billion (4.5 per cent of its GDP). Germany and Japan made up the other two places in the top four for both exports and imports. Overall, the top ten traders in merchandise accounted for 52 per cent of the world's total trade in 2013. NICs have increased their share of merchandise trade considerably in recent decades. The position of China as the world's largest trading country is the most obvious example of this trend, but other examples in Table 13.1 include South Korea, Mexico, India, Brazil, Thailand and Malaysia.

The trading positions of affluent countries with relatively small populations, such as the Netherlands, Belgium and Switzerland, is also worthy of note. The least developed countries' share of total global merchandise exports totalled only 1.1 per cent, compared to the 75.5 per cent of the G20 (group of 20 largest economies).



Source: www.wto.org/english/res_e/statis_e/its2014_e/its2014_e.pdf page 1

Figure 13.4 Major components of trade in merchandise and services

Figure 13.5 shows the economies of individual countries by the size of their merchandise trade in 2013. There are clear spatial patterns:

- Every single country in Africa is in the lowest class (under $250 billion). This class also includes most countries in the Middle East, Western and central Asia, Latin America and Eastern Europe.
- Brazil and Mexico are the only countries in Latin America outside of the lowest class.
- The countries of South East Asia are in the lower two classes, along with Australia and New Zealand.
- The major trading nations (the two higher classes) are in North America, Europe and East Asia. This group also includes the Russian Federation, India and Saudi Arabia.

Source: www.wto.org/english/res_e/statis_e/its2014_e/its 2014_e.pdf page 10

Figure 13.5 World map showing economies by size of merchandise trade, 2013

Table 13.1 Leading exporters and importers in world merchandise trade, 2013

Rank	Exporters	Value ($ billion)	Share (%)
1	China	2209	11.7
2	United States	1580	8.4
3	Germany	1453	7.7
4	Japan	715	3.8
5	Netherlands	672	3.6
6	France	580	3.1
7	Korea, Republic of	560	3.0
8	UK	542	2.9
9	Hong Kong, China – domestic exports – re-exports	536 20 516	2.8 0.1 2.7
10	Russian Federation	523	2.8
11	Italy	518	2.8
12	Belgium	469	2.5
13	Canada	458	2.4
14	Singapore – domestic exports – re-exports	410 219 191	2.2 1.2 1.0
15	Mexico	380	2.0
16	United Arab Emirates	379	2.0
17	Saudi Arabia, Kingdom of	376	2.0
18	Spain	317	1.7
19	India	313	1.7
20	Chinese Taipei	305	1.6
21	Australia	253	1.3
22	Brazil	242	1.3
23	Switzerland	229	1.2
24	Thailand	229	1.2
25	Malaysia	228	1.2

Rank	Importers	Value ($ billion)	Share (%)
1	United States	2329	12.3
2	China	1950	10.3
3	Germany	1189	6.3
4	Japan	833	4.4
5	France	681	3.6
6	UK	655	3.5
7	Hong Kong, China – retained imports	622 141	3.3 0.7
8	Netherlands	590	3.1
9	Korea, Republic of	516	2.7
10	Italy	477	2.5
11	Canada	474	2.5
12	India	466	2.5
13	Belgium	451	2.4
14	Mexico	391	2.1
15	Singapore – retained imports	373 182	2.0 1.0
16	Russian Federation	343	1.8
17	Spain	339	1.8
18	Chinese Taipei	270	1.4
19	Turkey	252	1.3
20	United Arab Emirates	251	1.3
21	Thailand	251	1.3
22	Brazil	250	1.3
23	Australia	242	1.3
24	Malaysia	206	1.1
25	Poland	205	1.1

Source: World Trade Organization International Trade Statistics 2014

The USA remains firmly in the leading position in global trade in commercial services, particularly as an exporter. What might be surprising to some people is that:

- the UK is the second largest exporter
- Japan is not as significant in the trade in services as it is for merchandise
- India is in the top ten for both exports and imports.

The top ten countries in world trade in commercial services represented half of commercial services trade in 2013. At the other end of the scale, the least developed countries (LDCs) have shown pleasing progress. Between 2000 and 2013, trade in services from LDCs grew on average by 14 per cent per year. Examples have been:

- Cambodia as the leading LDC tourist destination
- Ethiopia's expansion of air transportation services.

However, such increases are from a very low base and the LDCs' share of world exports of commercial services totalled only 0.7 per cent in 2013.

The main trend in the global share of trade in commercial services has been the declining share of North America and Europe and the increasing share of Asia. Between 2005 and 2013, Asia's exports of commercial services rose from 21.7 per cent to 26.2 per cent. In contrast, Europe's share fell from 51.8 per cent to 47.2 per cent.

Section 13.1 Activities

1 Define **a** *exports*, **b** *imports* and **c** *the balance of trade*.
2 Explain how trade deficits and trade surpluses can arise.
3 What is the difference between visible and invisible trade?
4 Describe the trend shown in Figure 13.1.
5 Summarise the information on merchandise trade presented in Tables 13.1 and 13.2.

Table 13.2 Leading exporters and importers in world trade in commercial services, 2013

Rank	Exporters	Value ($billion)	Share (%)
1	United States	662	14.3
2	UK	293	6.3
3	Germany	286	6.2
4	France	236	5.1
5	China	205	4.4
6	India	151	3.2
7	Netherlands	147	3.2
8	Japan	145	3.1
9	Spain	145	3.1
10	Hong Kong, China	133	2.9
11	Ireland	125	2.7
12	Singapore	122	2.6
13	Korea, Republic of	112	2.4
14	Italy	110	2.3
15	Belgium	106	2.0
16	Switzerland	93	1.7
17	Canada	78	1.7
18	Luxembourg	77	1.6
19	Sweden	75	1.5
20	Denmark	70	1.4
21	Russian Federation	65	1.4
22	Austria	65	1.3
23	Thailand	59	1.2
24	Macao, China	54	1.1
25	Australia	52	

Rank	Importers	Value ($billion)	Share (%)
1	United States	432	9.8
2	China	329	7.5
3	Germany	317	7.2
4	France	189	4.3
5	UK	174	4.0
6	Japan	162	3.7
7	Singapore	128	2.9
8	Netherlands	127	2.9
9	India	125	2.8
10	Russian Federation	123	2.8
11	Ireland	118	2.7
12	Italy	107	2.4
13	Korea, Republic of	106	2.4
14	Canada	105	2.4
15	Belgium	98	2.2
16	Spain	92	2.1
17	Brazil	83	1.9
18	United Arab Emirates	70	1.6
19	Australia	62	1.4
20	Denmark	60	1.4
21	Hong Kong, China	60	1.4
22	Sweden	57	1.3
23	Thailand	55	1.3
24	Switzerland	53	1.2
25	Saudi Arabia, Kingdom of	52	1.2

Source: World Trade Organization International Trade Statistics 2014

Factors affecting global trade

A range of factors influence the volume, nature and direction of global trade, including:

- resource endowment
- comparative advantage
- locational advantage
- investment
- historical factors
- terms of trade
- changes in the global market
- trade agreements.

Resource endowment

Resource endowment is a significant factor in world trade. For example, the Middle East countries dominate the export of oil. Along with a few other countries elsewhere in the world, such as Venezuela and Nigeria, they form OPEC (Figure 13.6), the Organization of Petroleum Exporting Countries.

Figure 13.6 The headquarters of OPEC in Vienna

OPEC is an intergovernmental organisation comprising 12 oil-producing nations. It was founded in 1960 after a US law imposed quotas on Venezuelan and Persian Gulf oil imports in favour of the Canadian and Mexican oil industries. OPEC's stated objective is 'to co-ordinate and unify the petroleum policies of member countries and ensure the stabilisation of oil markets in order to secure an efficient, economic and regular supply of petroleum to consumers, a steady income to producers and a fair return on capital to those investing in the petroleum industry'. The OPEC countries account for a major proportion of world crude oil reserves. OPEC has been heavily criticised at times for the allegedly political nature of some of its decisions. This has generally happened when the oil-rich Arab countries have wanted to put pressure on the USA and other Western countries with regard to the Israel–Palestine issue.

Countries endowed with other raw materials such as food products, timber, minerals and fish also figure prominently in world trade statistics (Figure 13.7). In HICs, the wealth of countries such as Canada and Australia has been built to a considerable extent on the export of raw materials in demand on the world market. MICs and LICs rich in raw materials, such as Brazil and South Africa, have been trying to follow a similar path. In both cases, wealth from raw materials has been used for economic diversification to produce a more broadly based economy.

Figure 13.7 Rubber production provides an important source of foreign currency to Vietnam

Comparative advantage

The concept of comparative advantage is an important part of classical theory on international trade. This states that different countries will specialise in producing those goods and services for which each is best endowed. Each country will then trade a proportion of these goods and services with other nations to obtain goods and services that it needs but for which it is not favourably endowed. The concept is very easy to understand with regard to raw materials, but it also applies to manufactured goods and services. It is saying that even in the complexity of the modern global economy, countries tend to concentrate on the goods and services they are best at producing. This results in specialisation in production and employment. The evidence of this is that some countries have a global reputation for particular products. Examples include German cars, Japanese high-tech products, Scotch whisky, Belgian chocolate and Swiss watches.

Locational advantage

The location of market demand influences trade patterns. It is advantageous for an exporting country to be close to the markets for its products as this reduces transport costs, along with other advantages gained from spatial proximity. For example, the tourist industry in France benefits from the large populations of neighbouring countries that can reach France relatively quickly and cheaply. Likewise, manufacturing industry in Canada benefits from the proximity of the huge American market.

Some countries and cities are strategically located along important trade routes, giving them significant advantages in international trade. For example, Singapore, at the southern tip of the Malay peninsula, is situated at a strategic location along the main trade route between the Indian and Pacific Oceans. Similarly, Rotterdam in the Netherlands is located near the mouth of the River Rhine. Many goods brought in by large ocean carriers are trans-shipped onto smaller river vessels and other modes of transport at Rotterdam, or refined or manufactured in various ways in the port's industrial area.

Investment

Investment in a country is the key to it increasing its trade. Some MICs such as Brazil and South Africa have increased their trade substantially. These countries have attracted the bulk of FDI. Such low-income 'globalisers' as China, Brazil, India and Mexico have increased their trade-to-GDP ratios significantly. On the other hand, hundreds of millions of people live in countries that have become less rather than more globalised (in an economic sense) as trade has fallen in relation to national income. However, in the poorest LICs businesses frequently operate in investment climates that undermine their incentive to invest and grow. Economic, social and political instability deters investment by making future benefits more uncertain or undermining the value of assets. Various studies show that the greater the level of instability, the lower the rate of private investment and growth. Crime and corruption represent a substantial risk to investment and increase the cost of doing business in countries where this is a substantial problem.

Historical factors

Historical relationships, often based on colonial ties, remain an important factor in global trade patterns. For example, the UK still maintains significant trading links with Commonwealth countries because of the trading relationships established at a time when these countries were colonies. Such links are weaker than they once were, but in many cases they remain significant (Figure 13.8). Other European countries such as France, Spain, the Netherlands, Portugal and Belgium also established colonial networks overseas and have maintained such ties to varying degrees in the post-colonial period.

Colonial expansion heralded a trading relationship dictated by the European countries mainly for their own benefit. The colonies played a subordinate role that brought them only very limited benefits at the expense of distortion of their economies. The historical legacy of this **trade dependency** is one of the reasons why, according to development economists, poorer tropical countries have such a limited share of world trade.

Figure 13.8 Lloyds of London – insurance is a vital factor in the movement of world trade

The terms of trade

The most vital element in the trade of any country is the terms on which it takes place. If countries rely on the export of commodities that are low in price, and need to import items that are relatively high in price, they need to export in large quantities to be able to afford a relatively low volume of imports. Many poor nations are **primary-product dependent**, which means they rely on one or a small number of primary products to obtain foreign currency through export. Although in the early years of this century some commodity prices rose significantly, over the long term the world market price of primary products has been generally low compared with that for manufactured goods and services. Also, the price of primary products is subject to considerable variation from year to year, making economic and social planning extremely difficult. In contrast, the manufacturing and service exports of HICs generally rise in price at a reasonably predictable rate, resulting in a more regular income and less uncertainty for the rich countries of the world. The terms of trade for many LICs are worse now than they were two decades ago. Thus it is not surprising that so many nations are struggling to get out of poverty. Because the terms of trade are generally disadvantageous to the poor countries of the world, many LICs have very high trade deficits.

However, it is not just poor countries that suffer because of the terms of trade. In December 2014, the Australian treasurer stated that Australia was in the grip of the biggest fall in the terms of trade since records began in 1959 because of a drastic fall in commodity prices.

Conventional neo-liberal economists generally welcome the large transfers of capital linked to high trade deficits. They say that trade deficits are strongly related to stages of economic development. The argument is that capital inflows swell the available pool of investment funds and thus generate future growth in the South. However, Marxist and populist writers argue that:

- if the expansion of trade volumes brings benefits to MICs and LICs, the accompanying expansion of trade deficits may bring considerable problems
- trade deficits have to be financed – one way is to borrow more money from abroad, but this will increase a country's debt; another is to divert investment away from important areas of the economy such as agriculture, industry, education and health
- in this way, high trade deficits in the South constrain growth and produce a high level of dependency.

Changes in the global market

The rapid growth of NICs (MICs) has brought about major changes in the economic strength of countries. An article in the *Sunday Telegraph* entitled 'Developing nations emerge from shadows as sun sets on the West' charted the financial problems that beset the West in the first decade of the new millennium, culminating with the impact of the global recession 2008–10. 'The West' is the term that many financial writers use to describe the mature economies of the USA, Canada, the EU, Japan, Australia and New Zealand.

The article highlighted the poor decisions made by Western policy-makers, contrasting this with the powerful economic growth figures of the BRIC nations (Brazil, Russia, India and China). These four countries, along with other high-growth nations outside of the established core group of nations, are known as **emerging markets**.

While the developed world (the core of the world economy) grew by an average of 2.1 per cent a year in the first decade of the twenty-first century, the emerging markets expanded by 4.2 per cent. Figure 13.9 shows the significant differences in economic growth of the advanced economies (the core) and the emerging-market economies in recent decades.

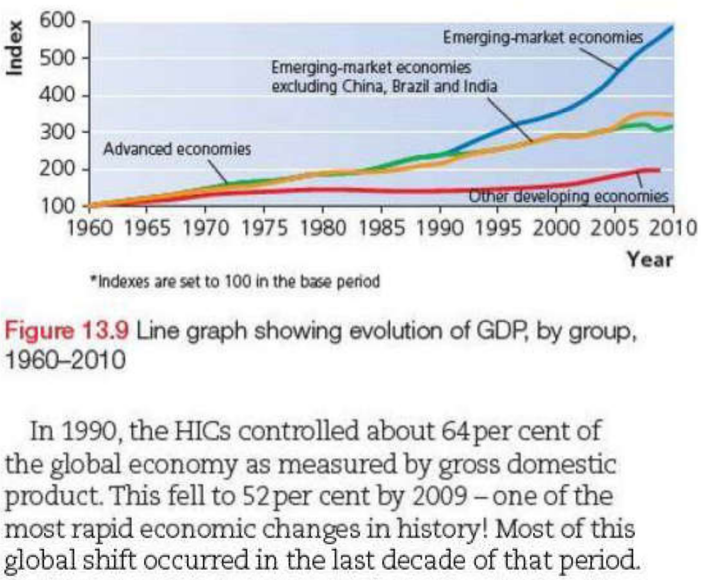


Figure 13.9 Line graph showing evolution of GDP, by group, 1960–2010

In 1990, the HICs controlled about 64 per cent of the global economy as measured by gross domestic product. This fell to 52 per cent by 2009 – one of the most rapid economic changes in history! Most of this global shift occurred in the last decade of that period. Such a huge global economic change has had major political consequences, with the emerging economies exerting much more power than they had previously in international negotiations.

Many major investors are turning their backs, at least partially, on Western nations and seeking out opportunities in the faster-growing emerging markets. There have been major changes in the distribution of the world's foreign exchange reserves. The G7 countries (USA, Canada, Japan, Germany, UK, France and Italy) held only 17 per cent of the global total between them in 2010. Japan is the only significant creditor nation in this group. In contrast, the BRICs held 42 per cent in 2010, with China alone holding 30 per cent. It is not so long ago that the USA was the world's biggest creditor. Today, it is by far the world's biggest debtor. Much of the money borrowed by the USA and other Western economies has come from the reserves built up in emerging markets. The West no longer dominates the world's savings and as a result no longer dominates global investment and finance.

At the time of writing (mid-2015), the global economy seems to be at a crossroads. After a considerable rebound following the global financial crisis, global economic growth fell every year between 2010 and 2013 (from 5.5 per cent to 3.3 per cent). For example, all four BRIC countries saw growth rates fall sharply. However, it is likely that emerging markets and developing economies will continue to grow faster than the more mature economies.

In a recent article published by the BBC, Duncan Weldon, *Newsnight* economics correspondent, stated 'We may be living through a structural change in the global economy as big as any since World War II without fully realising it. The world economy may be becoming less integrated, with one of the important drivers of globalisation (trade) swinging into reverse.' The article noted that since the global financial crisis, world trade has been sluggish and outpaced by GDP. Thus, in very recent years, trade as a share of global GDP has been falling!

Trade agreements

A **trade bloc** is a group of countries that share trade agreements between each other. Since the Second World War, there have been many examples of groups of countries joining together to stimulate trade between themselves and to obtain other benefits from economic cooperation (Figure 13.10). The following forms of increasing economic integration between countries can be recognised:

- **Free trade areas** – members abolish tariffs and quotas on trade between themselves but maintain independent restrictions on imports from non-member countries. NAFTA is an example of a free trade area.
- **Customs unions** – a closer form of economic integration. Besides free trade between member nations, all members are obliged to operate a common external tariff on imports from non-member countries. Mercosur, established on 1 January 1995, is a customs union joining Brazil, Paraguay, Uruguay and Argentina in a single market of over 200 million people.
- **Common markets** – customs unions that, in addition to free trade in goods and services, also allow the free movement of labour and capital.
- **Economic unions** – organisations that have all the characteristics of a common market but also require members to adopt common economic policies on such matters as agriculture, transport, industry and regional policy. The EU is an example of an

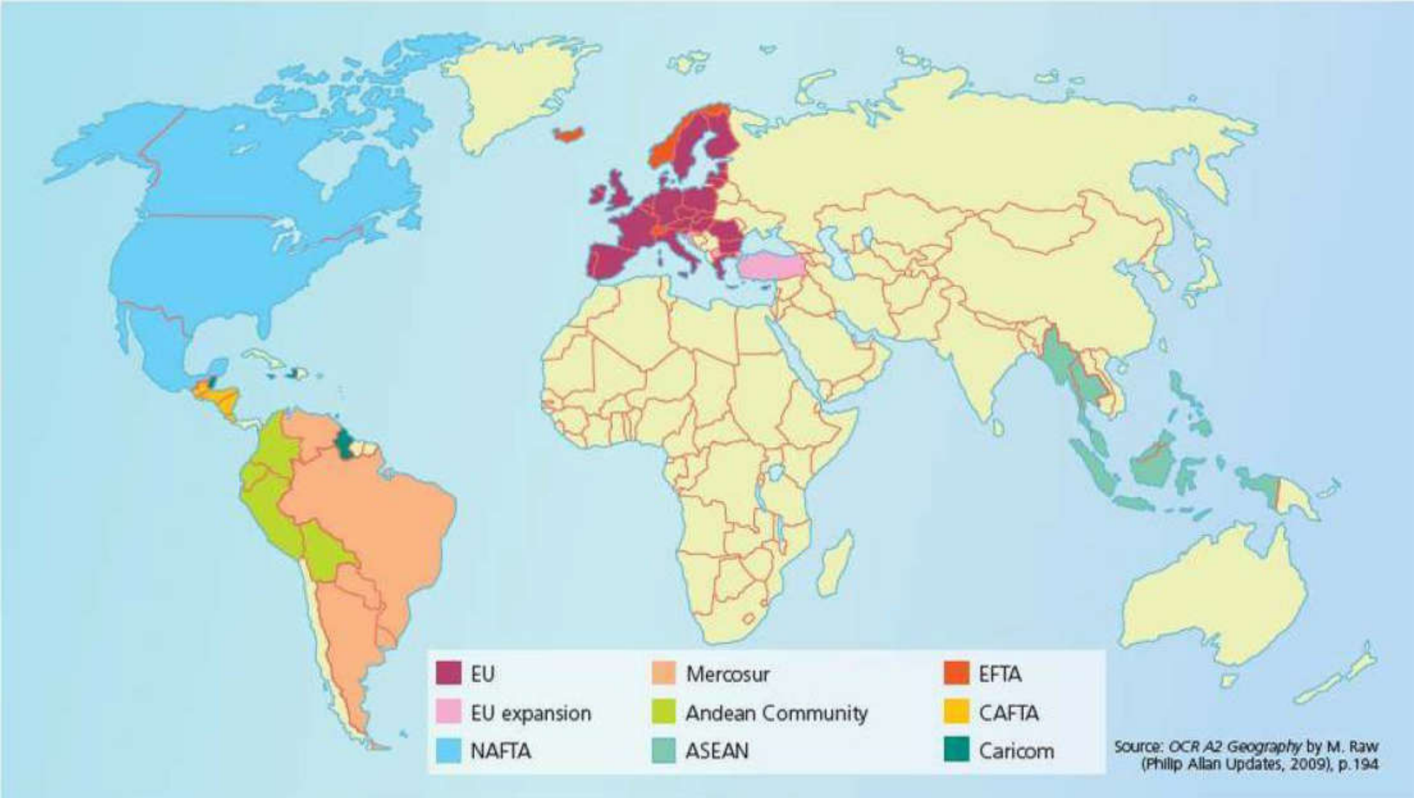


Figure 13.10 World trade blocs

economic union, although it must be remembered that its present high level of economic integration was achieved in several stages. When Denmark, Ireland and the UK joined in 1973, the organisation could best be described as a common market. The increasing level of integration has been marked by changes in the name of the organisation. Initially known as the European Economic Community, it later became the European Community and finally, from November 1993, the European Union. Some nations in the EU have been more in favour of greater integration than others. Figure 13.11 shows that one of the most recent members, Romania, is very enthusiastic about a high level of integration.

Regional trade agreements have proliferated in the last two decades. In 1990, there were fewer than 25; by 1998, there were more than 90. The most notable of these are the European Union, NAFTA in North America, ASEAN in Asia and Mercosur in Latin America. The United Nations (UN) (1990) refer to such organisations as 'geographically discriminatory trading arrangements'. Nearly all of the World Trade Organization (WTO)'s members belong to at least one regional pact. All such arrangements have one unifying characteristic: the preferential terms that trade participants enjoy over non-participating countries. Although no regional group has as yet adopted rules contrary to those of the WTO, there are some concerns:

Figure 13.11 Street banner in Bucharest, Romania – 'The answer is more Europe'

- Regional agreements can divert trade, inducing a country to import from a member of its trading bloc rather than from a cheaper supplier elsewhere.
- Regional groups might raise barriers against each other, creating protectionist blocks.
- Regional trade rules may complicate the establishment of new global regulations.

There is a growing consensus that international regionalism is on the ascendency. The EU, NAFTA and ASEAN+ (associated agreements with other countries) triad of regional trading arrangements dominates the world economy, accounting for 67 per cent of all world trade. Whether the regional trade agreement trend causes the process of world trade liberalisation to falter in the future remains to be seen.

Apart from trade blocs, there are a number of looser trade groupings aiming to foster the mutual interests of member countries. These include:

- **the Asia–Pacific Economic Co-operation forum (APEC)** – its 21 members border the Pacific Ocean and include Canada, the USA, Peru, Chile, Japan, China and Australia; the member countries have pledged to facilitate free trade
- **the Cairns Group of agricultural exporting nations** – formed in 1986 to lobby for freer trade in agricultural products; its members include Argentina, Brazil, Canada, New Zealand, Australia, the Philippines and South Africa.

Figure 13.12 details trade agreements between the EU and New Zealand, and the EU and the ACP.

Trade and development

There is a strong relationship between trade and economic development. In general, countries that have a high level of trade are richer than those with lower levels of trade. Countries that can produce goods and services in demand elsewhere in the world will benefit from strong inflows of foreign currency and from the employment their industries provide. Foreign currency allows a country to purchase from abroad goods and services it either does not produce itself or does not produce in large enough quantities.

An Oxfam report published in April 2002 stated that if Africa increased its share of world trade by just 1 per cent, it would earn an additional £49 billion a year – five times the amount it receives in aid. The World Bank has acknowledged that the benefits of globalisation are barely being passed on to Sub-Saharan Africa and may actually have accentuated many of its problems.

EU and New Zealand bilateral trade agreement in agricultural products	
Background	**Agreement**
Before the UK joined the EU in 1973, New Zealand had a special trade relationship with the UK: 90 per cent of New Zealand's meat and dairy products were exported to the UK. Special trading arrangements were negotiated between the EU and New Zealand to secure the latter's main export market. Although New Zealand's major export markets have increasingly shifted to Asia and the Pacific rim, the EU remains New Zealand's second largest trading partner (for sheepmeat, dairy produce and wine). The UK remains New Zealand's most important trading partner within the EU.	Initially the EU imposed a common external tariff of 20 per cent on New Zealand imports. This was later reduced to 10 per cent and then to 0 per cent with a voluntary limit on the volume of New Zealand exports. The Uruguay round of WTO negotiations in the 1990s changed this arrangement and introduced Tariff Rate Quotas (TRQs). New Zealand's lamb exports to the EU were allocated a tariff-free quota of 227 000 tonnes/year. Any imports exceeding the quota attracted a 12.8 per cent tariff. New Zealand has, none the less, complained that trade in lamb is unfair. Whereas New Zealand sheep farmers receive no government subsidies, EU farmers can lower their prices because they get a ewe subsidy of €21 per head.
EU and bilateral trade agreement with ACP banana growers	
Background	**Agreement**
There is a long-running dispute between the EU, ACP banana growers, Latin American banana growers and the WTO. The UK and France have close political, historic and economic ties with many small countries in Africa, the Caribbean and the Pacific (ACP) which depend heavily on banana exports. The special trade agreements concluded between the UK, France and the ACP banana growers were adopted by the EU. Meanwhile, other banana exporters, especially in Latin America (e.g. Ecuador, Nicaragua, Mexico) complained that these arrangements were unfair. They argued that they should have the same access to the EU market as ACP growers. However, growing conditions in Latin America are more favourable, the scale of production is much greater (with large plantations owned by US TNCs) and therefore costs are low. Free trade would mean that ACP growers could not compete and that most would go out of business.	The 2000 Cotonou trade agreement between the EU and ACP provided a 775 000 tonne tariff-free quota for ACP bananas. At the same time Latin American producers faced a €230/tonne tariff for their banana exports to the EU. In 2007 WTO ruled that this agreement violated global trade rules, giving an unfair advantage to ACP growers. Although the tariff for Latin American bananas was reduced to €175/tonne the WTO insists that the revised trade arrangements remain unacceptable. By the end of 2008 the dispute was still unresolved.

Source: OCR A2 Geography *by M. Raw (Philip Allan Updates, 2009), p.196*

Figure 13.12 Examples of EU trade agreements

Section 13.1 Activities

1 Explain the importance of resource endowment as a factor in world trade.
2 What do you understand by the concept of *comparative advantage*?
3 How have **a** locational advantage and **b** historical factors influenced global trade patterns?
4 Define *terms of trade*.
5 Why have trade agreements increased significantly in recent decades?
6 Briefly examine the link between trade and development.

The World Trade Organization

The World Trade Organization deals with the rules of world trade. Its primary function is to ensure that trade flows as freely as possible.

In 1947, a group of 23 nations agreed to reduce tariffs on each other's exports under the General Agreement on Tariffs and Trade (GATT). This was the first multilateral accord to lower trade barriers since Napoleonic times. Since the GATT was established, there have been nine 'rounds' of global trade talks, of which the most recent, the Doha (Qatar) round, began in 2001. A total of over 140 member countries have been represented at the talks in Doha. The Doha round was still in progress in 2015. Its work programme covers 20 areas of trade. This round of negotiation is also known as the Doha Development Agenda, as a major objective is to improve the trading prospects of LICs.

The most important recent development has been the creation of the World Trade Organization (WTO) in 1995. Unlike its predecessor, the loosely organised GATT, the WTO was set up as a permanent organisation with far greater powers to arbitrate trade disputes. Figure 13.13 shows the benefits of the global trading system according to the WTO.

1 The system helps promote peace.
2 Disputes are handled constructively.
3 Rules make life easier for all.
4 Freer trade cuts the cost of living.
5 It provides more choice of products and qualities.
6 Trade raises incomes.
7 Trade stimulates economic growth.
8 The basic principles make life more efficient.
9 Governments are shielded from lobbying.
10 The system encourages good government.

Source: WTO

Figure 13.13 The ten benefits of the WTO trading system

Although agreements have been difficult to broker at times, the overall success of GATT/WTO is undeniable: today, average tariffs are only a tenth of what they were when GATT came into force and world trade has been increasing at a much faster rate than GDP. However, in some areas **protectionism** is still an issue, particularly in the sectors of clothing, textiles and agriculture. In principle, every nation has an equal vote in the WTO. In practice, the rich world shuts out the poor world from key negotiations. In recent years, agreements have become more and more difficult to reach, with some economists forecasting the stagnation or even the break-up of the WTO.

Trade wars: Steel

Four months after the WTO launched a new round of global trade talks in Doha, the USA imposed tariffs of up to 30% on steel imports to protect its own fragile steel industry. More than 30 US steel producers went bankrupt between 1997 and 2002. Those that remained were considered to be inefficient and high cost compared with most of their foreign counterparts. Management consultants have largely put this down to the strength of the steel unions and their demands for high wages and health insurance. The crux of the problem is that world steelmaking capacity, estimated at between 900 million and 1000 million tonnes, is 20% higher than current demand. Although restructuring has already occurred, more is bound to happen both in the USA and in other parts of the world.

The reaction of America's trading partners was not difficult to predict. Trade unionists warned that the new trade barriers could result in 5000 job losses in the UK and 18 000 in the EU as a whole. The countries affected by the new tariffs argued that the USA was in breach of WTO rules. They also announced that they would demand compensation from the USA for the effect of the tariffs. However, as it could take up to two years for the WTO to reach a judgement, significant damage could be done in the intervening period to the steel industries of those nations affected. To its credit the EU stated that any retaliatory action would be within WTO rules. Overall this dispute was the last thing that the global steel industry, worth an estimated $500 billion, wanted.

Figure 13.14 Trade war in the WTO

Relations between the USA and the EU were soured in the early 2000s by the so-called 'banana war', and by disagreements over hormone-treated beef, GM foods and steel (Figure 13.14). Leading agricultural exporters such as the USA, Australia and Argentina want a considerable reduction in barriers to trade for agricultural products. Although the EU is committed in principle to reducing agricultural support, it wants to move slowly, arguing that farming merits special treatment because it is a 'multifunctional activity' that fulfils important social and environmental roles. Many MICs and LICs have criticised the WTO for being too heavily influenced by the interests of the USA and the EU.

The WTO exists to promote **free trade**. Most countries in the world are members and most of those countries that are not currently members want to join. The fundamental issue is: does free trade benefit all those concerned, or is it a subtle way in which the rich nations exploit their poorer counterparts? Most critics of free trade accept that it does generate wealth but they deny that all countries benefit from it. The non-governmental organisation (NGO) Oxfam is a major critic of the way the present trading system operates. Figure 13.15 shows the main goals of its 'Make Trade Fair' campaign.

Supporters of the WTO say that it is scarcely credible to argue that the poverty of poor countries is the result of globalisation since they are all outside the mainstream of free trade and economic globalisation. Critics of the WTO, on the other hand, say that the WTO and other international organisations should be paying more attention to the needs of these countries, making it easier for them to become more involved in, and gain tangible benefits from, the global economic system.

1. End the use of conditions attached to IMF-World Bank programmes which force poor countries to open their markets regardless of the impact.
2. Improve market access for poor countries and end the cycle of subsidised agricultural overproduction and export dumping by rich countries.
3. Change WTO rules so that developing countries can protect domestic food production.
4. Create a new international commodities institution to promote diversification and end oversupply in order to raise prices for producers and give them a reasonable standard of living.
5. Change corporate practices so that companies pay fair prices.
6. Establish new intellectual property rules to ensure that poor countries are able to afford new technologies and basic medicines.
7. Prohibit rules that force governments to liberalise or privatise basic services that are vital for poverty reduction.
8. Democratise the WTO to give poor countries a stronger voice.

Figure 13.15 Oxfam's 'Make Trade Fair' Campaign

Critics of the WTO also ask why it is that HICs have been given decades to adjust their economies to imports of textiles and agricultural products from LICs, when the latter are pressurised to open their borders immediately to banks, telecommunications companies and other components of the service sector in HICs. The removal of tariffs can have a significant impact on a nation's domestic industries. For example, India has been very concerned about the impact of opening its markets to foreign imports (Figure 13.16).

Since India was forced by a WTO ruling to accelerate the opening up of its markets, food imports have quadrupled. Large volumes of cheap, subsidised imports have flooded in from countries such as the USA, Malaysia and Thailand. The adverse impact has been considerable and includes the following:

- Prices and rural incomes have fallen sharply. The price paid for coconuts has dropped 80 per cent, for coffee 60 per cent, and pepper 45 per cent.
- Foreign imports, mainly subsidised soya from the USA and palm oil from Malaysia, have undercut local producers and have virtually wiped out the production of edible oil.

Figure 13.16 India – the impact of the removal of agricultural tariffs

The new emphasis on exports, in order for India to compete in the world market, is also threatening rural livelihoods. For example, in Andhra Pradesh, India, funding from the World Bank and the UK will encourage farm consolidation, mechanisation and modernisation. In this region, it is expected that the proportion of people living on the land will fall from 70 per cent to 40 per cent by 2020.

Farmers, trade unionists and many others are against these trends, or at least the speed at which they are taking place. They are calling for the reintroduction of import controls, thus challenging the basic principle of the globalisation process – the lowering of trade barriers.

Opposition to the WTO comes from a number of sources:

- many LICs and MICs, who feel that their concerns are largely ignored
- environmental groups concerned, for example, about a WTO ruling that failed to protect dolphins from tuna nets
- labour unions in some HICs, notably the USA, concerned about **a** the threat to their members' jobs as traditional manufacturing filters down to MICs and LICs and **b** violation of 'workers' rights' in MICs and LICs.

Case Study: The trade in tea

Tea, like coffee, bananas and other raw materials, exemplifies the relatively small proportion of the final price of the product that goes to producers. The great majority of the money generated by the tea industry goes to the post-raw-material stages (processing, distributing and retailing), usually benefiting companies in HICs rather than the producers in LICs.

A report by the Dutch Tea Institute in 2006 drew particular attention to:

- the problems of falling prices and rising input costs
- the consequent pressure to limit labour costs of tea production workers
- the urgent need for improvement of labour, social, ecological and economic conditions throughout the tea sector in the LICs.

The global tea market is dominated by a small number of companies including Unilever and Sara Lee. About half of all the tea produced is traded internationally. Annual export sales of tea in its raw material state are worth almost \$3 billion. The retail value of the global tea business is of course much higher. The large tea companies wield immense power over the industry. As many countries now produce tea, they have to compete with each other in an increasingly competitive market. Global supply is rising at a faster rate than consumption, keeping prices low.

Tea producers complain that the global trading system prevents them from moving up the value chain (Figure 13.17) by processing and packing the tea they grow. This is mainly because they would have to compete with very powerful brands, and they would find it very difficult to achieve the economies of scale of the global tea companies.

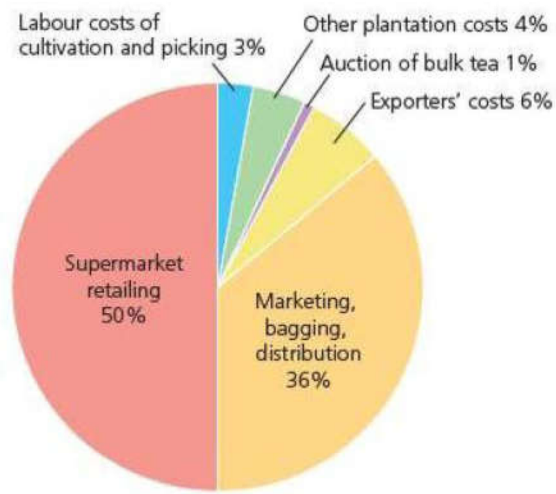


Figure 13.17 Tea value chain

The nature and role of Fairtrade

Many supermarkets and other large stores in HICs now stock some 'fairly traded' products. Most are agricultural products such as bananas, orange juice, nuts, coffee and tea (Figure 13.18) but the market in non-food goods such as textiles and handicrafts is also increasing. The **Fairtrade** system operates as follows:

- Small-scale producers group together to form a cooperative or other democratically run association with high social and environmental standards.
- These cooperatives deal directly with companies (cutting out 'middlemen') such as large supermarkets in HICs.
- HIC companies (through their customers) pay significantly over the world market price for the products traded. The price difference can be as large as 100 per cent. This might mean, for example, supermarket customers paying a few pence more for a kilo of bananas.
- The higher price achieved by the LIC cooperatives provides both a better standard of living (often saving producers from bankruptcy and absolute poverty) and some money to reinvest in the farms of producers.

Figure 13.18 Fairtrade tea

Advocates of the Fairtrade system argue that it is a model of how world trade can and should be organised to tackle global poverty. This system of trade began in the 1960s with Dutch consumers supporting Nicaraguan farmers. It is now a global market worth £315 million a year, involving over 400 HIC companies and an estimated 500 000 small farmers and their families in the world's poorest countries. Food sales are growing by more than 25 per cent a year, with Switzerland and the UK being the largest markets. Figure 13.19 compares the prices received by plantation workers under 'normal' trading conditions with those received by workers in a Fairtrade scheme.

In 1993 a group of farmers in Ghana formed a cooperative to sell their own cocoa. It was supported by SNV, a Dutch NGO, and the UK Department for International Development. The cooperative ensures farmers are paid for what they produce and are not cheated by middlemen. It includes:

- *Kuapa Kokoo Farmers' Union*. This is a national body made up of 45 000 cocoa farmers who elect representatives.
- *Kuapa Kokoo Farmers' Trust*. This is responsible for distributing money for community projects, generated from the Fairtrade Premium. Projects include providing clean water supplies and mobile health clinics, building schools and improving sanitation.

In 2008 Kuapa Kokoo sold 4250 tonnes of cocoa to the Fairtrade market. This means that the farmers receive a guaranteed price. For example, even if the world price of cocoa falls to US$1000 per tonne, the Fairtrade price remains at US$1600 per tonne. The minimum Fairtrade price is $1600 – if the world price goes higher farmers will receive the higher price, plus the social premium of $150 per tonne, and these prices have been reviewed and will be increased.

In 1998 Kuapa Kokoo came together with the NGO Twin, supported by The Body Shop, Christian Aid and Comic Relief, to found the Divine Chocolate company. As Kuapa Kokoo is part owner of Divine it not only gets a fair price for its cocoa but also has an influence on how the organisation is run and a share in the profits it has helped to create. Divine Fairtrade chocolate is sold in the UK, the Netherlands, Scandinavia and the USA.

Kuapa Kokoo farmers spread cocoa beans out to dry

Like all food production, fair trade will only work as a solution if it is sustainable in the long term. Income, and therefore food security, depends on maintaining soil health and water supply through good agricultural management. In Africa, a continent riven by war, conflict and corruption, political stability is equally important. Fairtrade can contribute to this stability by reducing poverty.

Figure 13.19 Kuapa Kokoo Fairtrade Cooperative

Section 13.1 Activities

1. Examine the role of the World Trade Organization.
2. Why has the WTO been so heavily criticised?
3. Describe and explain the nature and role of Fairtrade.
4. Comment on the tea value chain presented in Figure 13.17.

13.2 International debt and international aid

Debt: causes, nature and problems

Experts from a variety of disciplines blame the rules of the global economic system for excluding many countries from its potential benefits. Many single out **debt** as the major problem for the world's poorer nations. Here, debt is considered at the national scale rather than the personal level. The term 'debt' generally refers to **external debt (foreign debt)**, which is that part of the total debt in a country owed to creditors outside the country. Unpayable debt is a term used to describe external debt when the interest on the debt is beyond the means of a country, thus preventing the debt from ever being repaid. A country's external debt – both debt outstanding and debt service – affects a country's creditworthiness and thus its overall economic vulnerability.

Many poor countries are currently paying back large amounts in debt repayments to banks, lending agencies and governments in HICs while at the same time struggling to provide basic services for their populations. Sometimes an ever increasing proportion of new debt is used to service interest payments on old debts. The **debt service ratio** of many poor countries is at a very high level compared to their ability to pay. The debt service ratio is the proportion of a country's export earnings that it needs to use to meet its debt repayments. Some countries need to put aside 20–30 per cent of their export earnings to meet their debt repayments. A larger number of countries have a debt service ratio of between 10 and 20 per cent. These figures would be very significant for affluent countries, but can prove to be a crippling burden for nations with very low incomes. Figure 13.20 is a Christian Aid newspaper advertisement illustrating the plight of Haiti, one of the world's poorest countries, after the devastating earthquake of January 2010. Other organisations such as Oxfam, CAFOD and Islamic Relief mounted similar campaigns to cancel debt.

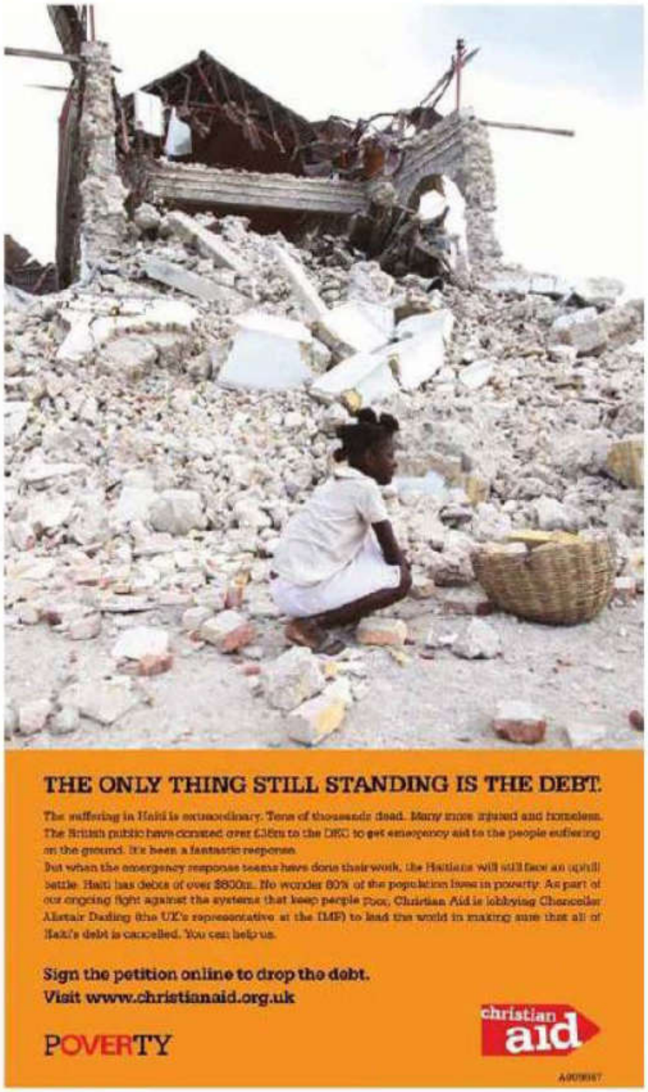


Figure 13.20 Christian Aid Haiti campaign

Table 13.3 shows the key debt indicators for developing countries by region, while Figure 13.21 illustrates the debt service-to-exports ratio for both LICs and MICs between 1995 and 2010.

Table 13.3 Debt indicators for LICs

Country group	Debt outstanding/ GNI, 2010	Debt outstanding/ exports, 2010
East Asia & Pacific	13.5	37.0
Europe & Central Asia	43.0	121.6
Latin America & Caribbean	21.7	102.1
Middle East & North Africa	14.1	42.5
South Asia	19.2	94.3
Sub-Saharan Africa	20.0	54.0
Top 10 borrowers	18.4	67.9
Other LICs	27.9	70.0

Source: World Bank Debtor Reporting System and International Monetary Fund, quoted in Global Development Finance 2012

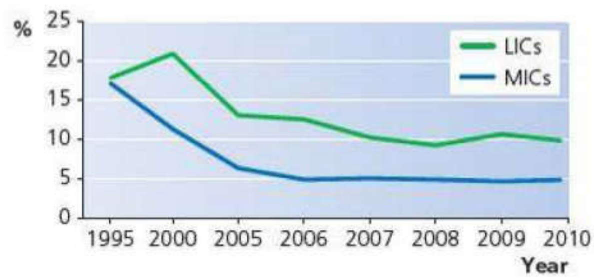


Figure 13.21 Debt service-to-export ratio, 1995–2010

Although external debt is still a major global problem, LICs and MICs improved the sustainability of their external debt between 2000 and 2010 (Figure 13.21). The average debt-service ratio for all developing countries in 2010 was 9.8 per cent. The higher figure for MICs such as China compared to LICs largely reflects the greater economic strength of the former group of countries.

The debt-service ratio of the LICs fell from 17.2 per cent in 1995 to 4.8 per cent in 2010 (Figure 13.21). Two significant reasons for such a considerable change have been:

- increased export earnings
- debt restructuring and outright debt relief from official and private creditors through the HIPC and MDRI (both discussed below).

While supporters of globalisation argue that economic growth through trade is the only answer, critics say that HICs should still do more to help the LICs through **debt relief** and by opening their markets to exports from LICs.

The USA owes more money to the rest of the world than any other country. Some other rich countries such as the UK and France also owe substantial amounts. However, these countries have huge assets against which they can borrow, so their debts are thought to be manageable, although the recent global financial crisis has called this into question. However, in general, debt repayment by rich countries is very different from the immense struggle that poor countries have in trying to pay their debts.

According to the World Bank, the total external debt stocks owed by LICs increased by $437 billion over 12 months, to reach $4 trillion at the end of 2010. When a LIC has to use a high proportion of its income to service debt, this takes money away from what could have been spent on education, health, housing, transport and other social and economic priorities. Multilateral debts are obligations to international financial institutions such as the World Bank, the International Monetary Fund and regional development banks. Multilateral debt service takes priority over private and bilateral debt service.

In 2012, the IMF highlighted countries it said were at risk of not being able to pay their debts: Afghanistan, Burkina Faso, D.R. Congo, Djibouti, Gambia, Grenada, Kiribati, Laos, Maldives, São Tomé and Principe, Tajikistan, Tonga and Yemen.

How did the international **debt crisis** come about? Development economists have pointed to a sequence of events that began in the early 1970s as the main reason for the debt problems of many LICs. It began with the Arab–Israeli war of 1973–74, which resulted in a sharp increase in oil prices. Governments and individuals in the oil-producing countries invested so-called petrodollars (profits from oil sales) in the banks of affluent countries. Eager to profit from such a high level of investment, these banks offered relatively low-interest loans to poorer countries to fund their development. These countries were encouraged to exploit raw materials and grow cash crops so that they could pay back their loans with profits made from exports. However, periods of recession in the 1980s and 1990s led to rising inflation and interest rates in Western countries. At the same time, crop surpluses led to a fall in prices. As a result, the demand for exports from LICs fell and export earnings declined significantly. These factors, together with oil price increases, left many LICs unable to pay the interest on their debts.

Loans can help countries to expand their economic activities and set up an upward spiral of development if used wisely. However, many of the loans that burden the world's poorest countries were given under dubious circumstances and at very high rates of interest. Critics argue that banks frequently lent irresponsibly to governments that were known to be corrupt. The term **odious debt** has been used to describe debt incurred as HICs loaned to dictators or other corrupt leaders when it was known that the money would be wasted. For example, shortly after freedom from apartheid South Africa had to pay debts incurred by the apartheid regime. Often such loans led to little tangible improvement in the quality of life for the majority for the population, but instead saddled them with long-term debt. If such countries had been companies they would have been declared bankrupt. However, international law offers no 'fresh start' to countries in such a situation.

Many development economists also focus on the legacy of **colonialism**, arguing that the colonising powers left their former colonies with high and unfair levels of debt when they became independent. Such debts were often at very high interest rates. For example:

- In 1949, Indonesia, as a condition of independence, was required to assume the Dutch colonial government's debt, much of which had been acquired fighting pro-independence rebels in the previous four years.
- In order to receive independence from France, Haiti was required to pay France 150 million francs.

In recent years, much of the debt has been 'rescheduled' and new loans have been issued. However, new loans have frequently been granted only when LICs agreed to very strict conditions under 'structural adjustment programmes', which have included:

- agreeing to free-trade measures, which have opened up their markets to intense foreign competition
- severe cuts in spending on public services such as education and health
- the privatisation of public companies.

Debt relief

Restructuring debt to LICs began in a limited way in the 1950s. The UN (Figure 13.22) and its related organisations have been fundamental in this process from the start. In 1956, Argentina was the first country to renegotiate the repayment of its debt with bilateral creditors within the framework of the Paris Club (set up for this purpose). Attempts were made by creditor nations to tackle the 'Third World debt crisis' through the 1980s and 1990s. However, these efforts were viewed as limited in nature and often self-serving. The overall debt of poorer countries continued to rise. The rescheduling of debt repayments often brought temporary relief, but with interest added over a longer time period the overall debt simply increased. It was not until the mid-1990s that a more comprehensive global plan to tackle the debt of the poorest countries was formulated (Figure 13.23).

Figure 13.22 The UN building, Manhattan, New York

Strengths	Weaknesses
• Allow a country's loans to be rescheduled in order to make them more manageable	• Often accompanied by a shift from domestic food cultivation to production of cash crops or commodities for export
• Make the country's economy more competitive	• Reduce government expenditure by cutting social programmes, e.g. health and education, and abolishing food and agricultural subsidies
• Improve foreign investment potential by removing trade and/or investment restrictions	• Privatisation of state enterprises to cut government expenditure results in assets being sold to TNCs
• Boost foreign exchange by promoting exports	• Increase pressure on countries to generate exports to pay off debt. This is likely to increase deforestation, land degradation and other environmental damage
• Reduce government deficits through cuts in spending	• Some MICs accused of protecting their own interests

Figure 13.23 Strengths and weaknesses of debt-reduction schemes

The Heavily Indebted Poor Countries (HIPC) Initiative

The Heavily Indebted Poor Countries (HIPC) Initiative was first established in 1996 by the International Monetary Fund (IMF) and the World Bank. Its aim was to provide a comprehensive approach to debt reduction for heavily indebted poor countries so that no poor country faced a debt burden it could not manage. To qualify for assistance, countries have to pursue IMF and World Bank supported adjustment and reform programmes. In 1999, a comprehensive review of the Initiative allowed the fund to provide faster, deeper and broader debt relief and strengthened the links between debt relief, poverty reduction and social policies. In 2006, the Multilateral Debt Relief Initiative (MDRI) was launched to provide additional support to HIPCs to reach the Millennium Development Goals. In 2007, the Inter-American Development Bank also decided to provide debt relief to the five HIPCs in the western hemisphere. According to a recent World Bank–IMF report, debt relief provided under both initiatives has substantially alleviated debt burdens in recipient countries.

To be considered eligible for HIPC Initiative assistance, a country should have a track record of macro-economic stability, have prepared an interim Poverty Reduction Strategy Paper (PRSP) and cleared any outstanding arrears. Completing these requirements means that the country can now receive full and irrevocable reduction in debt available under the HIPC Initiative and MDRI. To reach completion point, a country must maintain macro-economic stability under an IMF's Poverty Reduction and Growth Facility (PRGF)-supported programme, carry out key structural and social reforms as agreed upon at the decision point and implement a PRSP satisfactorily for one year.

Figure 13.24 shows the status of HIPC countries. As of April 2015, 36 nations were classed as 'post-completion-point countries' and three as 'pre-decision-point countries'. Of the former group of countries, thirty are in Africa, as are all three countries in the latter group! In terms of the former group, the HIPC initiative is providing \$76 billion in debt-service relief over time. About 44 per cent of the funding comes from the IMF and other multilateral institutions, and the rest comes from bilateral creditors.

Post-completion-point countries		
Afghanistan	Ethiopia	Mauritania
Benin	The Gambia	Mozambique
Bolivia	Ghana	Nicaragua
Burkina Faso	Guinea	Niger
Burundi	Guinea-Bissau	Rwanda
Cameroon	Guyana	São Tomé & Principe
Central African Republic	Haiti	Senegal
Chad	Honduras	Sierra Leone
Comoros	Liberia	Tanzania
Republic of Congo	Madagascar	Togo
Democratic Republic of Congo	Malawi	Uganda
Côte d'Ivoire	Mali	Zambia
Pre-decision-point countries		
Eritrea	Somalia	Sudan

Figure 13.24 HIPC countries

Debt relief frees up resources for social spending

Debt relief is part of a much larger process, which includes international aid, designed to address the development needs of LICs. For debt reduction to have a meaningful impact on poverty, the additional funds made available need to be spent on programmes that are of real benefit to the poor.

Before the HIPC Initiative, eligible countries spent on average more on debt serving than on education and health combined. Now these countries have significantly increased their spending on education, health and other social services. On average, such spending is around five times the amount of debt-service payments.

Conclusion

There can be little doubt that the HIPC Initiative and MDRI have been more comprehensive debt-relief structures than anything that had gone before. However, the initiatives have drawn criticism, both in terms of the limited number of countries involved and the total extent of debt reduction. Even if all of the external debts of these countries were cancelled, most would still depend on significant levels of concessional external assistance, since their receipts of such assistance have been much larger than their debt-service payments for many years.

Since 1990, LICs have increased their buffer for external debt and its service. Total debt services have decreased significantly since 1999, due largely to debt-relief initiatives by multilateral and bilateral donors.

Section 13.2 Activities

1 Define **a** *debt* and **b** *debt-service ratio*.
2 What do you understand by the term *odious debt*?
3 How has the legacy of colonialism contributed to the debts of a considerable number of LICs?
4 Discuss the sequence of events that are generally accepted to have led to the debt crisis.
5 **a** What is debt relief?
  b Comment on the nature and effectiveness of the HIPC Initiative and the MDRI.

International aid

The origins of foreign aid date back to the Marshall Plan of the late 1940s. This was when the USA set out to reconstruct the war-torn economies of Western Europe and Japan as a means of containing the international spread of communism. By the mid-1950s, the battle for influence between West and East in the developing world began to have a marked effect on the geography of aid. Even today, bilateral aid is strongly influenced by ties of colonialism and neo-colonialism and by strategic considerations. However, it would be wrong to deny that aid is also given for humanitarian and economic reasons (Figure 13.25).

Figure 13.25 A school in North Africa – education is often a focus of international aid

Aid is assistance in the form of grants or loans at below market rates. Most LICs have been keen to accept foreign aid because of the:

- **'foreign exchange gap'**, whereby many LICs lack the hard currency to pay for imports such as oil and machinery that are vital to development
- **'savings gap'**, where population pressures and other drains on expenditure prevent the accumulation of enough capital to invest in industry and infrastructure
- **'technical gap'** caused by a shortage of skills needed for development.

Many LICs rely on a very small range of exports for foreign currency. The prices of such products are often low compared with the goods and services they need to import, and the prices for such raw materials can also be very volatile.

But why do richer nations give aid? Is it down to altruism, or self-interest? Much of the evidence suggests the latter. Contrary to popular belief, most foreign aid is not in the form of a grant, nor is famine relief a major component. A significant proportion of foreign aid is 'tied' to the purchase of goods and services from the donor country and often given for use on jointly-agreed projects. However, the proportion of tied aid in relation to total international aid has been falling in recent decades.

Figure 13.26 shows how these factors combine to form the cycle of poverty.

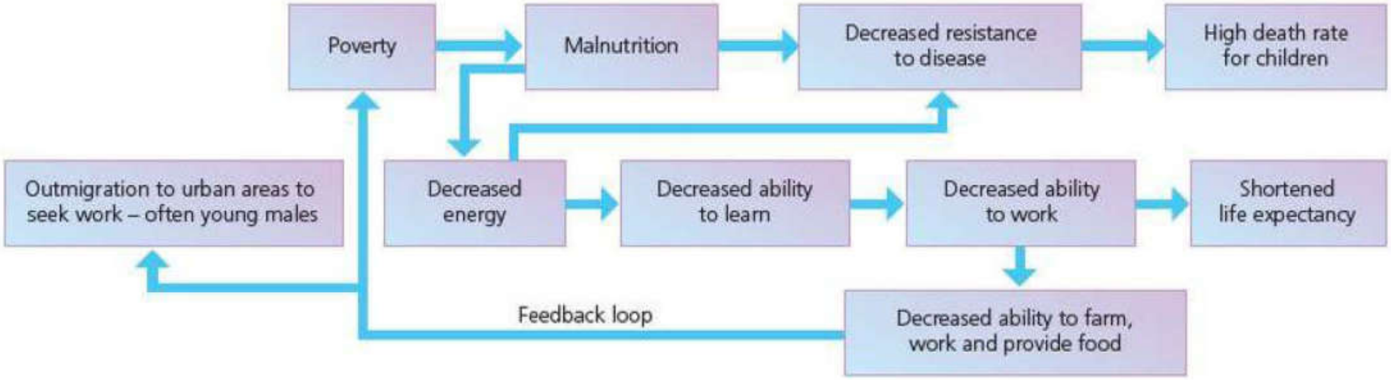
The different types of international aid

Figure 13.27 shows the different types of international aid. The basic division is between official government aid and voluntary aid:

- Official government aid is where the amount of aid given and who it is given to is decided by the government of an individual country. The Department for International Development (DFID) runs the UK's international aid programme.
- Voluntary aid is run by NGOs or charities such as Oxfam, ActionAid and CAFOD. NGOs collect money from individuals and organisations. However, an increasing amount of government money goes to NGOs because of their special expertise in running aid programmes efficiently.

Official government aid can be divided into:

- bilateral aid, which is given directly from one country to another – a significant proportion of bilateral aid is 'tied'
- multilateral aid, which is provided by many countries and organised by an international body such as the UN.



Source: *Edexcel A2 Geography* by C. Dunn et al. (Philip Allan Updates, 2009), p.149

Figure 13.26 The cycle of poverty

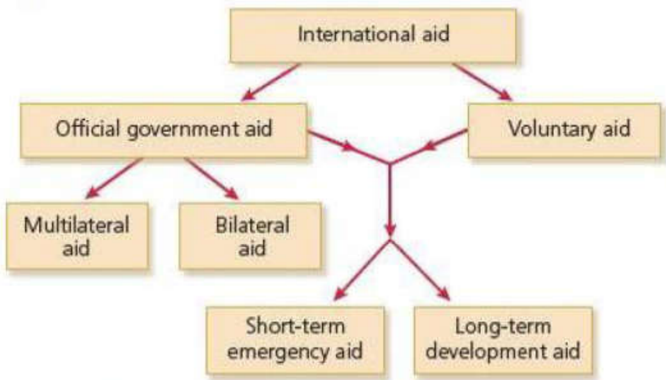


Figure 13.27 The different types of international aid

Aid supplied to poorer countries is of two types:

- Short-term emergency aid, often termed 'relief aid', is provided to help cope with unexpected disasters such as earthquakes, volcanic eruptions and tropical cyclones.
- Long-term **development aid** is directed towards the continuous improvement in the quality of life in a poorer country.

Figure 13.28 shows the types of bilateral aid provided by DFID. As Figure 13.28 shows, bilateral aid covers a number of different categories of assistance. Figure 13.29 shows how DFID can provide emergency aid to countries in need.

Financial Aid – Poverty Reduction Budget Support (PRBS) – Funds provided to developing countries for them to spend in support of a government policy and their expenditure programmes whose long-term objective is to reduce poverty; funds are spent using the overseas governments' own financial management, procurement and accountability systems to increase ownership and long-term sustainability. PRBS can take the form of a general contribution to the overall budget – **general budget support** – or support with a more restricted focus which is earmarked for a specific sector – **sector budget support**.

Other Financial Aid – Funding of projects and programmes such as Sector Wide Programmes not classified as PRBS. Financial aid in its broader sense covers all bilateral aid expenditure, other than technical cooperation and administrative costs, but in SID we separately categorise Humanitarian Assistance, DFID Debt Relief and 'other bilateral aid' as it is a rapidly declining flow.

Technical Cooperation – Activities designed to enhance the knowledge, intellectual skills, technical expertise or the productive capability of people in recipient countries. It also covers funding of services that contribute to the design or implementation of development projects or programmes.

This assistance is mainly delivered through research and development, the use of consultants, training (generally overseas partners visiting the UK or elsewhere for training programmes) and employment of 'other Personnel' (non-DFID experts on fixed-term contracts). This latter category is becoming less significant over time as existing contracted staff reach the end of their assignments.

Humanitarian Assistance – Provides food aid and other humanitarian assistance, including shelter, medical care and advice in emergency situations and their aftermath. Work of the conflict pools is also included.

DFID Debt Relief – Includes sums for debt relief on old DFID aid loans and cancellation of debt under the Commonwealth Debt Initiative (CDI). The non-CDI DIFD debt relief is reported on the basis of the 'benefit to the recipient country'. This means that figures shown represent the money available to the country in the year in question that would otherwise have been spent on debt servicing. The CDI debt cancellation is reported on a 'lump sum' basis where all outstanding amounts on a loan are shown at the time the agreement to cancel is made.

Other Bilateral Aid – Covers support to the development work of UK and international Civil Society Organisations (increasingly through partnership agreements with CSOs). It includes bilateral aid delivered through multilateral organisations including aid delivered through multi donor funds such as the Education Fast Track Initiative. 'Other bilateral aid' also includes any aid not elsewhere classified such as DFID's Development Awareness Fund.

Source: Statistics of International Development 2008, Department for International Development

Figure 13.28 UK Department for International Development – types of bilateral aid

4 December 2007

On 15 and 16 November, southern Bangladesh was hit by Cyclone Sidr. So far, over 6 million people have been affected and 2997 people have been confirmed dead. Many more have been injured, and the death toll could reach 10000 (the death toll following the cyclone in 1991 was 140000). Also, around 300 000 houses have been destroyed, as have many crops and large tracts of agricultural land.

Following an initial DFID contribution of £2.5 million, which is being channelled through the UN for immediate relief efforts, a further £2.5 million was pledged on 23 November. On 28 November, an additional £2 million was committed to help survivors to rebuild their homes and livelihoods. DFID has also provided 12 lightweight boats to reach inaccessible parts of Bangladesh, and despatched over 100000 blankets for people made homeless.

Already DFID money is helping to rebuild more than 16 000 homes, provide food to 70 000 families and clean water to 260 000 families. The UK's disaster relief aid in Bangladesh now totals almost £12 million (US$24 million) for this year, with £4.7 million having been provided in response to the severe floods that occurred in August.

Secretary of State for International Development, Douglas Alexander, said yesterday:

'Unless emergency relief supplies get to victims it is all too likely that more people will die needlessly. That is why the UK continues to provide funds to get more food, clean water, basic shelter and other emergency supplies to tens of thousands of survivors. With half a million animals killed, nearly two million acres of crops and more than a million homes destroyed, the next challenge is to help people rebuild their homes and livelihoods. UK support is meeting immediate and longer term needs as well. I continue to be admiring of the resilience and determination of the Bangladeshi people as they face these challenges.'

Source: UK Department for International Development (DFID)

Figure 13.29 DFID provides emergency aid towards Bangladesh cyclone

There is no doubt that many countries have benefited from international aid. All the countries that have developed into MICs from LICs have received international aid. However, their development has been due to other reasons too. It is difficult to be precise about the contribution of international aid to the development of each country. According to some left-wing economists, aid does not do its intended job because:

- too often aid fails to reach the very poorest people and when it does the benefits are frequently short lived
- a significant proportion of foreign aid is 'tied' to the purchase of goods and services from the donor country and often given for use only on jointly-agreed projects
- the use of aid on large capital-intensive projects may actually worsen the conditions of the poorest people
- aid may delay the introduction of reforms, for example the substitution of food aid for land reform
- international aid can create a culture of dependency that can be difficult to break.

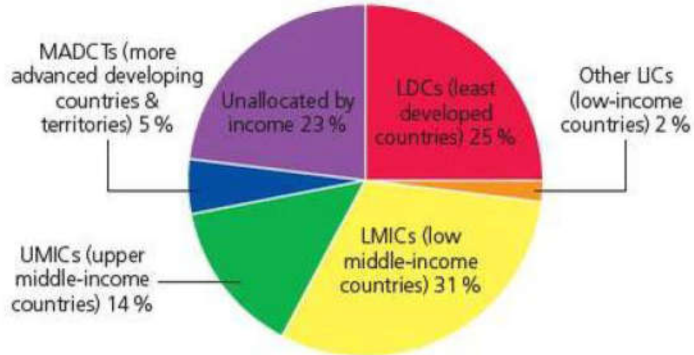
Arguments put forward by the political right-wing economists against aid are as follows:

- Aid encourages the growth of a larger than necessary public sector.
- The private sector is 'crowded out' by aid funds.
- Aid distorts the structure of prices and incentives.
- Aid is often wasted on grandiose projects of little or no benefit to the majority of the population.
- The West did not need aid to develop.

Many development economists argue there are two issues more important to development than aid:

- changing the terms of trade so that LICs get a fairer share of the benefits of world trade
- writing off the debts of the poorest countries.

Figure 13.30 shows the average official development assistance (ODA) received by the economic status of countries between 1970 and 2012. One-quarter of all ODA during this period was allocated to the LICs. Table 13.4 shows the top ten recipients of ODA in 2012–13, with the largest amounts of money destined for Afghanistan, Myanmar, Vietnam and India.



Source: OECD, September 2014

Figure 13.30 Average ODA by the economic status of countries, 1970–2012

Table 13.4 Top ten recipients of gross ODA (US$), 2012–13 average

Rank	Country
1	Afghanistan
2	Myanmar
3	Vietnam
4	India
5	Indonesia
6	Kenya
7	Tanzania
8	Côte d'Ivoire
9	Ethiopia
10	Pakistan

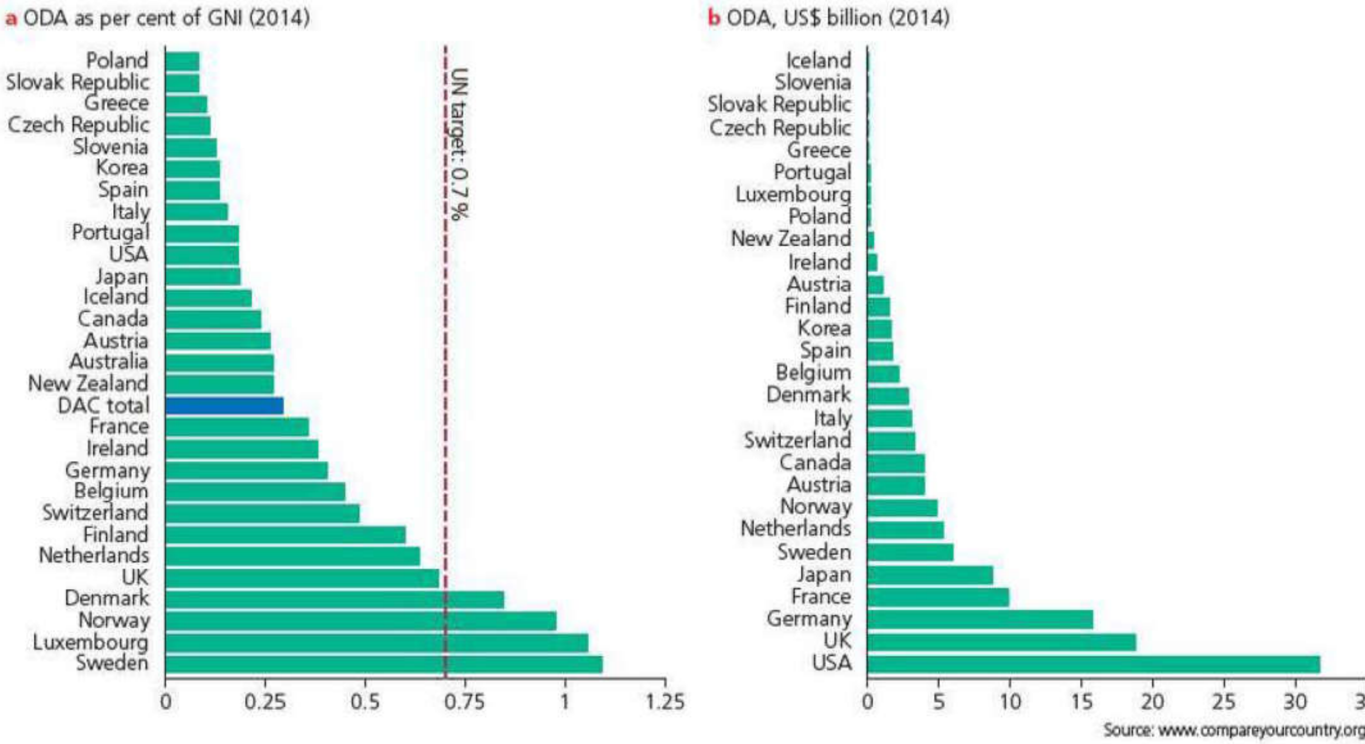


Figure 13.31 a ODA as a percentage of GNI, 2014, b ODA in $billion, 2014

The ODA provided by the more affluent countries of the world varies widely. Figure 3.31 shows the two standard ways in which ODA is measured. Figure 13.31a is the favoured method, which shows ODA as a percentage of gross national income (GNI) for 2014. In this year, only five countries met the UN target of 0.7 per cent of GNI. Figure 13.31b shows total ODA by country. Here, the USA is by far the largest donor, although it is only in 19th place as a percentage of GNI.

Over the last 30 years or so, some countries have changed from being recipients of ODA to donor countries. South Korea is a case in point. Between 1945 and the late 1990s, Korea received about $12.7 billion in aid, which assisted economic development and helped to alleviate poverty. This aid was mainly provided by the USA, Japan and Western Europe. The economic transformation of South Korea has been astounding.

Figure 13.32 A Japanese aid project in Mongolia

As one of the four Asian 'tigers', it was a member of the first generation of NICs along with Singapore, Hong Kong and Taiwan. South Korea became a donor country in 1987. The amount of ODA provided by South Korea reached approximately $200 million in 1998, $800 million in 2008 and $1200 million in 2010.

The effectiveness of aid: top-down and bottom-up approaches

Over the years, most debate about aid has focused on the amount of aid made available. However, in recent years the focus has shifted more towards the effectiveness of aid. This has involved increasing criticism of the traditional top-down approach to aid.

The financing of the Pergau Dam in Malaysia with UK government aid is an example of a capital-intensive government-led aid programme, set up without consulting the local people. Work began in 1991 and around the same time Malaysia bought £1 billion-worth of arms from the UK, leading many people to believe that the £234 million in aid was 'tied' to the arms deal.

The Hunger Project is one of a number of organisations that have adopted a radically different approach (Figure 13.33). The Hunger Project has worked in partnership with grassroots organisations in Africa, Asia and Latin America to develop effective **bottom-up strategies**. The key strands in this approach have been:

- mobilising local people for self-reliant action
- intervening for gender equality
- strengthening local democracy.

	The conventional top-down, service-delivery model	The Hunger Project's bottom-up empowerment model
Who are hungry people?	**Beneficiaries** whose basic needs must be met.	**Principal authors and actors in development** – hardworking, creative individuals who lack opportunities.
What must be done?	**Provide services** through government or charities.	**Mobilise and empower** people's self-reliant action, and stand in solidarity with them for their success.
What's the primary resource for development?	**Money and the expertise** of consultants and programme managers.	**People:** their vision, mobilisation, entrepreneurial spirit and confidence.
Who is in charge?	**Donors,** who provide the money and hold implementers to account.	**Local people:** through elected local leaders whom they hold to account.
What are the main constraints?	**Bureaucracy:** the inefficiency of the delivery system.	**Social conditions:** resignation, discrimination (particularly gender), lack of local leadership, lack of rights.
What is the role of women?	**Vulnerable group** who must be especially targeted beneficiaries.	**Key producers** who must have a voice in decision-making.
What about social and cultural issues?	**Immutable conditions** that must be compensated for.	**Conditions** that people can transform.
How should we focus our work?	**Carefully target** beneficiaries on an objective-needs basis.	**Mobilise everyone** as broadly as possible, build spirit and momentum of accomplishment.
What is the role of central government?	**Operate** centrally managed service-delivery programmes.	**Decentralise** resources and decision making to local level; build local capacity; set standards; protect rights.
What is the role of local government?	**Implementing arm** of central programmes.	**Autonomous** leadership directly accountable to people.
What is the role of civil society?	**Implementing arm** of central programmes.	**Catalyst** to mobilise people; fight for their rights; empower people to keep government accountable.

Figure 13.33 Contrasting top-down and bottom-up aid models

Source: The Hunger Project

Non-governmental organisations: leading sustainable development

NGOs have often been much better at directing aid towards sustainable development than government agencies. The selective nature of such aid has targeted the poorest communities using **appropriate technology** and involving local people in decision-making.

Case Study: WaterAid in Mali

WaterAid was established in 1981. Its first project was in Zambia but its operations spread quickly to other countries. Mali is one of the countries in which WaterAid currently operates.

Mali, in West Africa, is one of the world's poorest nations (Figure 3.34). The natural environment is harsh, and is deteriorating. Rainfall levels, already low, are falling further and desertification is spreading. Currently, 65 per cent of the country is desert or semi-desert, and 11 million people still lack access to safe water. WaterAid has been active in the country since 2001.

Its main concern is that the fully privatised water industry frequently fails to provide services to the poorest urban and rural areas. WaterAid is running a pilot scheme in the slums surrounding Mali's capital, Bamako, providing clean water and sanitation services to the poorest people. Its objective is to demonstrate to both government and other donors that projects in slums can be successful, both socially and economically.

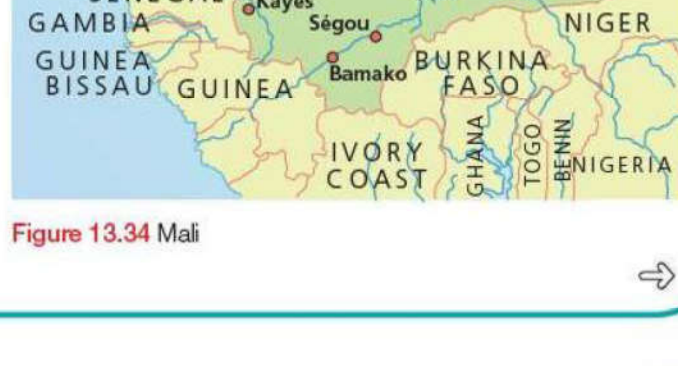


Figure 13.34 Mali

WaterAid has financed the construction of the area's water network. It is training local people to manage and maintain the system, and to raise the money needed to keep it operational. Encouraging the community to invest in its own infrastructure is an important part of the philosophy of the project. According to Idrissa Doucoure, WaterAid's West Africa Regional Manager, 'We are now putting our energy into education programmes and empowering the communities to continue their own development into the future. This will allow WaterAid to move on and help others.'

Already there have been significant improvements in the overall health of the community. The general view is that it takes a generation for health and sanitation to be properly embedded into people's day-to-day lives.

WaterAid is the UK's only major charity dedicated exclusively to the provision of safe domestic water, sanitation and hygiene education to the world's poorest people. These three crucial elements provide the building blocks for all other development. Without them, communities remain stuck in a cycle of disease and poverty. The combination of safe water, sanitation and hygiene education maximises health benefits and promotes development (Figures 13.35, 13.36 and 13.37). The combined benefits of safe water, sanitation and hygiene education can reduce incidences of childhood diarrhoea by up to 95 per cent. A child dies every 15 seconds from diseases associated with a lack of access to safe water and adequate sanitation.


Figure 13.35 Water supply is very basic in many poor countries

Figure 13.36 WaterAid's building blocks of development

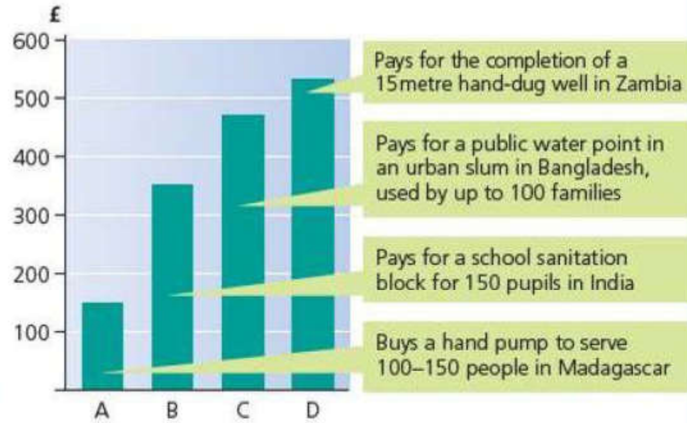


Figure 13.37 WaterAid cost examples

In the longer term, communities are able to plan and build infrastructure that enables them to cope better in times of hardship. In areas with WaterAid projects, life in times of drought is eased because:

- previously, in times of drought women in particular would spend hours in search of water, leaving little time to find food
- children would also miss out on education in the search for water
- cattle can be watered, rather than sold or left to die because of water shortage
- during famines, with sanitation, water and hygiene people are less sick and so are better able to fend off disease.

Microcredit and social business

The development of the Grameen Bank in Bangladesh illustrates the power of microcredit in the battle against poverty. The Grameen Foundation uses microfinance and innovative technology to fight global poverty and bring opportunities to the poorest people. The bank provides tiny loans and financial services to poor people to start their own businesses. Women are the beneficiaries of most of these loans. A typical loan might be used to buy a cow and sell milk to fellow villagers or to purchase a piece of machinery that can be hired out to other people in the community.

The concept has spread beyond Bangladesh to reach 3.6million families in 25 countries. Muhammad Yunus highlights social business as the next phase in the battle against poverty in his book *Creating a World Without Poverty*. He presents a vision of a new business model that combines the operation of the free market with the quest for a more humane world.

Section 13.2 Activities

1 Define *international aid.*
2 Explain the difference between official government aid and voluntary aid.
3 Produce a flow diagram to show how aid can speed up development.
4 Discuss two possible disadvantages of international aid.
5 Look at Figure 13.36.
   a What do you understand by the following terms: i *safe water,* ii *sanitation,* iii *hygiene education*?
   b Why is it so important to combine these three factors to maximise the health benefits to a community?
6 Explain why healthier communities are more likely to be able to improve their living standards.
7 Explain a *microcredit* and b *social business*.

13.3 The development of international tourism

Reasons for and trends in the growth of international tourism

Over the last 50 years, tourism has developed into a major global industry that is still expanding rapidly. Tourism is defined as travel away from the home environment **a** for leisure, recreation and holidays (Figure 13.38), **b** to visit friends and relatives and **c** for business and professional reasons.

Figure 13.38 A remote island in Indonesia – a destination for a small expedition cruise ship

Under one method of economic measurement, tourism is the world's major service industry. Tourism has an economic, social and environmental impact on virtually every country in the world. In some countries, it is a considerable political issue. Without doubt, it is one of the major elements in the process of globalisation.

International tourist arrivals reached a record of 1.135billion in 2014 (Figure 13.39) This was the fifth consecutive year of above-average growth since the 2009 economic crisis. In the same year, international tourist receipts amounted to a record \$1.245billion. An additional \$221billion was generated from international passenger transport, bringing total exports from international tourism up to \$1.5trillion. Other figures for 2014 highlighted by the United Nations World Tourism Organization (UNWTO) include tourism accounting for:

- over 9per cent of global GDP
- 1 in 11 of all jobs globally (over 275million people)
- 6per cent of global exports
- 30per cent of global services exports.

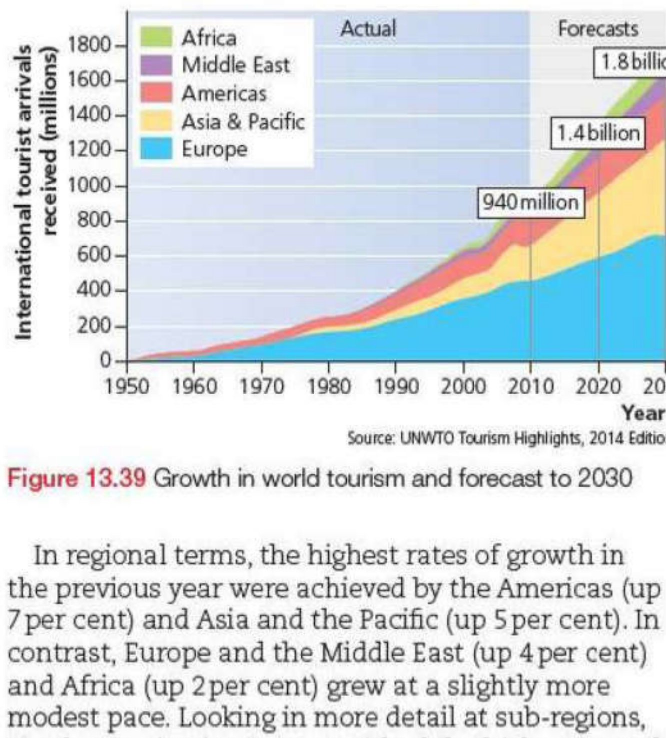


Figure 13.39 Growth in world tourism and forecast to 2030

In regional terms, the highest rates of growth in the previous year were achieved by the Americas (up 7per cent) and Asia and the Pacific (up 5per cent). In contrast, Europe and the Middle East (up 4per cent) and Africa (up 2per cent) grew at a slightly more modest pace. Looking in more detail at sub-regions, North America (up 8per cent) had the highest growth rate, followed by North-East Asia, South Asia, Southern and Mediterranean Europe, Northern Europe and the Caribbean, all increasing by 7per cent.

Europe still attracts more than half of all international tourists (Figure 13.40), a total of 588million in 2014. The number of tourists visiting the other regions of the world were, in descending order: Asia and the Pacific (263million), the Americas (181million), Africa (56million) and the Middle East (50million).

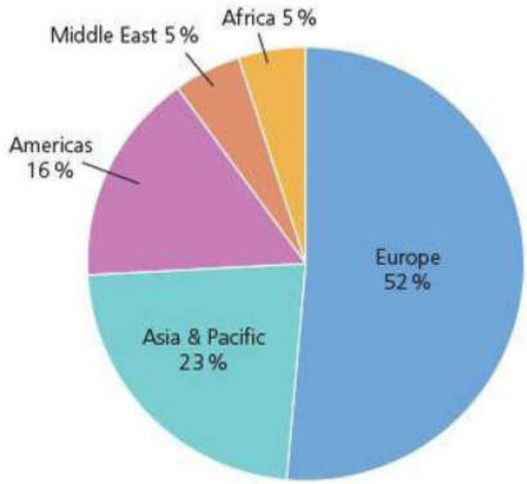


Figure 13.40 Regional share of world tourist arrivals, 2014

Table 13.5 shows international tourism arrivals by the main individual countries. Here, four countries recorded a total of over 50 million arrivals in 2013. In order of importance, these were France (Figure 13.41), Spain, the USA and China. Table 13.6 shows international tourism receipts by country for the same year. The trend is similar to that for tourism arrivals. However, it is not an exact relationship because:

- the average number of days spent in some destinations is longer than in others
- visitors spent more money in some destinations than others.

Figure 13.41 The fast Eurostar trains have been popular with tourists visiting France

Table 13.5 Top ten countries – international tourism arrivals, 2013

Rank	Country	International tourist arrivals (millions)
1	France	83.0
2	USA	69.8
3	Spain	60.7
4	China	55.7
5	Italy	47.7
6	Turkey	37.8
7	Germany	31.5
8	UK	31.2
9	Russian Federation	28.4
10	Thailand	26.5

Table 13.6 Top ten countries – international tourism receipts, 2013

Rank	Country	International tourist arrivals ($billion)
1	USA	139.6
2	Spain	60.4
3	France	56.1
4	China	51.7
5	Macao (China)	51.6
6	Italy	43.9
7	Thailand	42.1
8	Germany	41.2
9	UK	40.6
10	Hong Kong (China)	38.9

Source: UNWTO

The countries recording a total of over $50 billion in order of importance were: the USA, Spain, France and China.

Tourism is an increasingly important contributor to economic growth and employment in a significant number of countries. A range of factors have been responsible for the growth of global tourism. Figure 13.42 subdivides these factors into economic, social and political reasons, and also includes factors that can reduce levels of tourism, at least in the short term. Some of these factors have been active for a longer time period than others.

Economic	Steadily rising real incomes – tourism grows on average 1.3 times faster than GDP
	The decreasing real costs (with inflation taken into account) of holidays
	The widening range of destinations within the middle-income range
	The heavy marketing of shorter foreign holidays aimed at those who have the time and disposable income to take an additional break
	The expansion of budget airlines
	'Air miles' and other retail reward schemes aimed at travel and tourism
	'Globalisation' has increased business travel considerably
	Periods of economic recession can reduce levels of tourism considerably
Social	An increase in the average number of days of paid leave
	An increasing desire to experience different cultures and landscapes
	Raised expectations of international travel with increasing media coverage of holidays, travel and nature
	High levels of international migration over the last decade or so means that more people have relatives and friends living abroad
	More people are avoiding certain destinations for ethical reasons
Political	Many governments have invested heavily to encourage tourism
	Government backing for major international events such as the Olympic Games and the World Cup
	The perceived greater likelihood of terrorist attacks in certain destinations
	Government restrictions on inbound/outbound tourism
	Calls by non-governmental organisations to boycott countries such as Burma

Figure 13.42 Factors affecting global tourism

The medical profession was largely responsible for the growth in people taking holidays away from home. During the seventeenth century, doctors increasingly began to recommend the benefits of mineral waters, and by the end of the eighteenth century there were hundreds of spas in existence in the UK. Bath (Figure 13.43) and Tunbridge Wells were among the most famous. The second stage in the development of holiday locations was the emergence of the seaside resort. Sea bathing is usually said to have begun at Scarborough in about 1730.

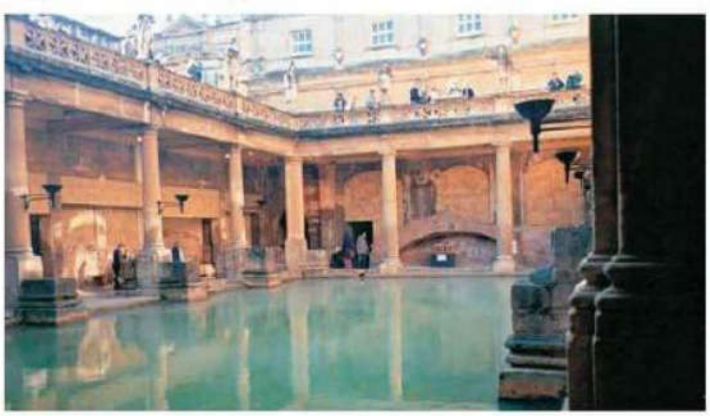


Figure 13.43 The historical mineral waters in the spa town of Bath

The annual holiday for the masses, away from work, was a product of the Industrial Revolution, which brought big social and economic changes. However, until the latter part of the nineteenth century only the very rich could afford to take a holiday away from home.

The first **package tours** were arranged by Thomas Cook in 1841. These took travellers from Leicester to Loughborough (UK), 19 kilometres away. At the time, it was the newly laid railway network that provided the transport infrastructure for Cook to expand his tour operations. Of equal importance was the emergence of a significant middle class who had the time and money to spare for extended recreation.

By far the greatest developments have occurred since the end of the Second World War, arising from the substantial growth in leisure time, affluence and mobility enjoyed in HICs. However, it took the jet plane to herald the era of international mass tourism. In 1970, when Pan Am flew the first Boeing 747 from New York to London, scheduled planes carried 307 million passengers. By 2013, the number had reached 3.1 billion according to the International Air Transport Association (IATA).

Travel motivators are the reasons that people travel. All the major tourism organisations recognise three major categories (Figure 13.44).

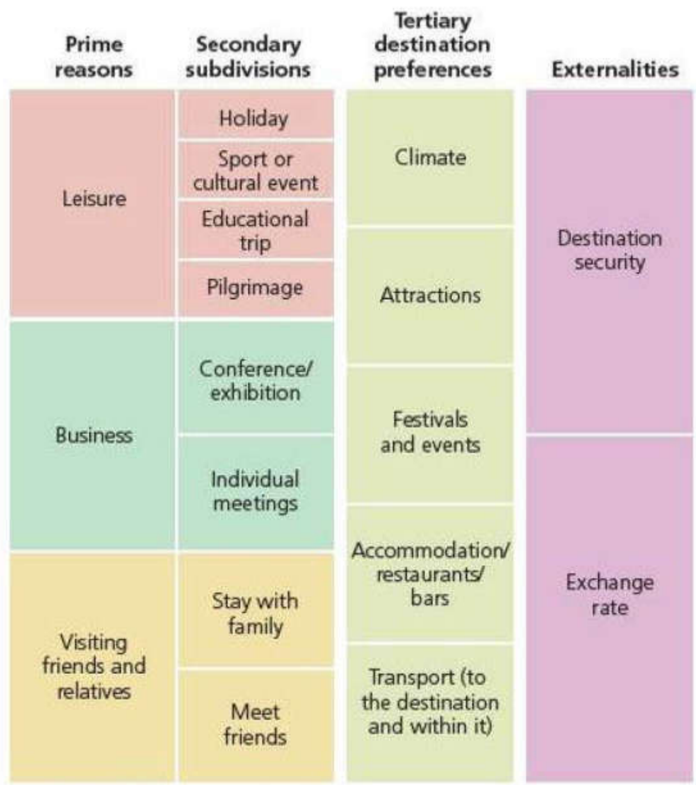


Figure 13.44 Key travel motivators

Many LICs and MICs have become more open to FDI in tourism than they were two or three decades ago. In general, there are now fewer restrictions on foreign investment in tourism in LICs and MICs than for many other economic activities. In fact, many governments in LICs and MICs have very actively promoted a range of:

- **'soft' measures** such as tourism internet sites and support for trade fairs
- **'hard' measures** such as providing incentives for foreign investors.

Recent data from the World Tourism Organization (WTO) shows that tourism is one of the top five export categories for as many as 83 per cent of countries and is the main source of foreign exchange for at least 38 per cent of countries.

Section 13.3 Activities

1. Define *tourism*.
2. Explain the terms **a** *international tourism arrivals* and **b** *international tourism receipts*.
3. Describe the changes shown in Figure 13.39.
4. Suggest reasons for the global share of tourist arrivals shown in Figure 13.40.

Variations in the level of tourism over time and space

Unfortunately, more than many other industries, tourism is vulnerable to **external shocks**. Periods of economic recession characterised by high unemployment, modest wage rises and high interest rates affect the demand for tourism in most parts of the world. Because holidays are a high-cost purchase for most people, the tourist industry suffers when times are hard.

Tourism in individual countries and regions can be affected by considerable fluctuations caused by a variety of factors:

- **Natural disasters** – earthquakes, volcanic eruptions, floods and other natural events can have a major impact on tourism where they occur.
- **Natural processes** – coastal erosion and rising sea levels are threatening important tourist locations around the world.
- **Terrorism** – terrorist attacks, or the fear of them, can deter visitors from going to certain countries, in the short term at least.
- **Health scares** – for example the severe acute respiratory syndrome (SARS) epidemic in March 2003 had a considerable short-term impact on tourism in China and other countries in South East Asia.
- **Exchange-rate fluctuations** – for example if the value of the dollar falls against the euro and the pound, it makes it more expensive for Americans to holiday in Europe, but less expensive for Europeans to visit the USA.
- **Political uncertainties** – governments may advise their citizens not to travel to certain countries if the political situation is tense.
- **International image** – a 2006 US-made film called *Turistas* has caused major concern in Brazil; it depicts a group of US backpackers whose holiday in a Brazilian resort turns into a nightmare when they are drugged and kidnapped and then their organs are removed by organ traffickers.
- **Increasing competition** – as new, 'more exciting' destinations increase their market share, more traditional destinations may see visitor numbers fall considerably.

The World Travel and Tourism Council (WTTC), in its assessment of the global performance of tourism in 2014, made particular note of the Ukraine–Russia conflict, Ebola in West Africa, political instability in Thailand, the continuation of major instability in Syria and Libya and terror attacks in Nigeria and Kenya. Since then, the terror attacks in Tunisia and Sharm el-Sheikh, Egypt have also affected tourism in those regions.

The impacts of tourism

Social and cultural impact

Many communities in LICs and MICs have suffered considerable adverse cultural changes, some of them through the imposition of the worst of Western values. The result has been, in varying degrees:

- the loss of locally owned land as tourism companies buy up large tracts in the most scenic and accessible locations
- the abandonment of traditional values and practices
- displacement of people to make way for tourist developments
- abuse of human rights by governments and companies in the quest to maximise profits
- alcoholism and drug abuse
- crime and prostitution, sometimes involving children
- visitor congestion at key locations, hindering the movement of local people
- denying local people access to beaches to provide 'exclusivity' for visitors
- the loss of housing for local people as more visitors buy second homes in popular tourist areas.

Figures 13.45 and 13.46 show how the attitudes to tourism of host countries and destination communities in particular can change over time. An industry that is usually seen as very beneficial initially can eventually become the source of considerable irritation, particularly where there is a big clash of cultures. Parents in particular are often fearful of the impact 'outside' cultures may have on their children.

Figure 13.45 Entrance to a national park in Andalucia, Spain – the graffiti refers to the number of foreigners buying up houses in the nearby village of Frigiliana

1 **Euphoria**
- Enthusiasm for tourist development
- Mutual feeling of satisfaction
- Opportunities for local participation
- Flows of money and interesting contacts

2 **Apathy**
- Industry expands
- Tourists taken for granted
- More interest in profit making
- Personal contact becomes more formal

3 **Irritation**
- Industry nearing saturation point
- Expansion of facilities required
- Encroachment of the ways of life

4 **Antagonism**
- Irritations become more overt
- The tourist is seen as the harbinger of all that is bad
- Mutual politeness gives way to antagonism

5 **Final level**
- Environment has changed irreversibly
- The resource base has changed and the type of tourist has also changed
- If the destination is large enough to cope with mass tourism it will continue to thrive

Figure 13.46 Doxey's index of irritation caused by tourism

The tourist industry and the various scales of government in host countries have become increasingly aware of these problems and are now using a range of management techniques in an attempt to mitigate such effects. Education is the most important element so that visitors are made aware of the most sensitive aspects of the host culture.

At its very worst, the impact of tourism amounts to gross abuse of human rights. For example, the actions of the military regime in Burma – forcing people from their homes to make way for tourism developments, and using forced labour to construct tourist facilities – have brought condemnation from all over the world. The tourist industry has a huge appetite for basic resources, which often impinge heavily on the needs of local people. A long-term protest against tourism in Goa highlighted how one five-star hotel consumes as much water as five local villages, with the average hotel resident using 28 times more electricity per day than a local person. In such situations, tourist numbers may exceed the carrying capacity of a destination by placing too much of a burden on local resources. The concept of carrying capacity has sometimes been taken beyond just the ability of the physical environment to accommodate tourists/visitors without resultant deterioration and degradation. One classification has identified four elements of the concept:

- **Physical** – the overall impact on the physical environment, for example footpath erosion
- **Ecological** – the number of tourists that can be accommodated without significant impact on the flora and fauna
- **Economic** – the number of tourists a destination can take without significant adverse economic implications
- **Perceptual** – the attitudes of the local people in terms of how they view increasing tourist numbers.

Changing community structure

Communities that were once very close socially and economically may be weakened considerably due to a major outside influence such as tourism. The traditional hierarchy of authority within the community can be altered as those whose incomes are enhanced by employment in tourism gain higher status in the community. The age and sex structure may change as young people in particular move away to be closer to work in tourist enclaves. Changing values and attitudes can bring conflict to previously settled communities. The close ties of the extended family often diminish as the economy of the area changes and material wealth becomes more important.

However, tourism can also have positive social and cultural impacts:

- Tourism development can increase the range of social facilities for local people.
- It can lead to greater understanding between people of different cultures.
- Family ties may be strengthened by visits to relatives living in other regions and countries.
- It can help develop foreign-language skills in host communities.
- It may encourage migration to major tourist-generating countries.
- A multitude of cultures congregating together for major international events such as the Olympic Games can have a very positive global impact.

Section 13.3 Activities

1. Discuss three negative social/cultural aspects of tourism.
2. Comment on Doxey's index (Figure 13.46).

Economic impact

It is east to underestimate the economic impact of tourism. What is commonly thought of as the tourist industry is only the tip of the iceberg. Figure 13.47 shows both the direct and indirect economic impacts of tourism.

Tourism undoubtedly brings valuable foreign currency to LICs and MICs, and a range of other obvious benefits, but critics argue that its value is often overrated because:

- **Economic leakages** (Figure 13.48) from LICs and MICs to HICs run at a rate of between 60 and 75 per cent. With cheap package holidays, by far the greater part of the money paid stays in the country where the holiday was purchased.
- Tourism is labour-intensive, providing a range of jobs especially for women and young people. However, most local jobs created are menial, low paid and seasonal. Overseas labour may be brought in to fill middle and senior management positions.
- Money borrowed to invest in the necessary infrastructure for tourism increases the national debt.
- At some destinations tourists spend most of their money in their hotels, with minimum benefit to the wider community.
- Tourism might not be the best use for local resources that could in the future create a larger multiplier effect (see below) if used by a different economic sector.
- Locations can become overdependent on tourism.
- International trade agreements, such as the General Agreement on Trade in Services (GATS), are a major impetus to globalisation and allow the global hotel giants to set up in most countries. Even if governments favour local investors, there is little they can do.

Figure 13.47 The economic impact of tourism

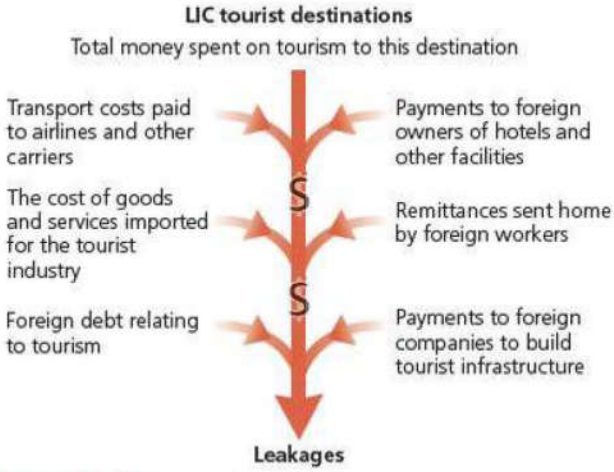


Figure 13.48 Economic leakages

However, supporters of the development potential of tourism argue that:

- tourism benefits other sectors of the economy, providing jobs and income through the supply chain; this is called the **multiplier effect** (Figure 13.49) because jobs and money multiply as a result of tourism development
- it is an important factor in the balance of payments of many nations
- it provides governments with considerable tax revenues
- by providing employment in rural areas, it can help to reduce rural–urban migration
- a major tourism development can act as a growth pole, stimulating the economy of the larger region
- it can create openings for small businesses in which start-up costs and barriers to entry are generally low
- it can support many jobs in the informal sector, where money goes directly to local people (Figure 13.50).

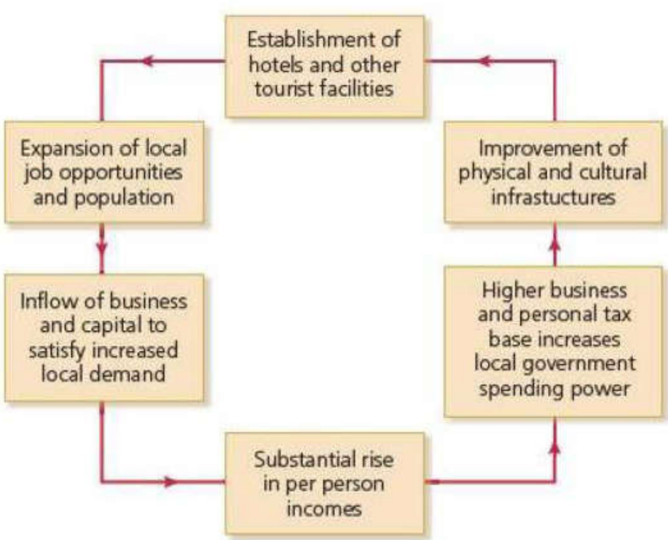


Figure 13.49 The multiplier effect of tourism

Figure 13.50 Beach artist, Agadir, Morocco – an example of informal-sector employment

Environmental impact

The type of tourism that does not destroy what it sets out to explore has come to be known as 'sustainable' (Figure 13.51). The term comes from the 1987 UN Report on the Environment, which advocated the kind of development that meets present needs without compromising the prospects of future generations. Following the 1992 Earth Summit in Rio de Janeiro, the WTTC and the Earth Council drew up an environmental checklist for tourist development, which included waste minimisation, reuse and recycling, energy efficiency and water management. The WTTC has since established a more detailed programme called 'Green Globe', designed to act as an environmental blueprint for its members.

Figure 13.51 Eco-friendly reusable water bottle introduced by the expedition cruise ship Caledonian Sky

The pressure group Tourist Concern defines sustainable tourism as 'Tourism and associated infrastructures that: operate within capacities for the regeneration and future productivity of natural resources, recognise the contribution of local people and their cultures, accept that these people must have an equitable share in the economic benefits of tourism, and are guided by the wishes of local people and communities in the destination areas'. This definition emphasises the important issues of equity and local control, which are difficult to achieve for a number of reasons:

- Governments are reluctant to limit the number of tourist arrivals because of the often desperate need for foreign currency.
- Local people cannot compete with foreign multinationals on price and marketing.
- It is difficult to force developers to consult local people.

Negative environmental impacts

In so many LICs and MICs, newly laid golf courses have taken land away from local communities while consuming large amounts of scarce freshwater. It has been estimated that the water required by a new golf course can supply a village of 5000 people. In both Belize and Costa Rica, coral reefs have been blasted to allow for unhindered watersports. Like fishing and grazing rights, access to such common goods as beach front and scenically desirable locations does not naturally limit itself. As with overfishing and overgrazing, the solution to 'overtouristing' will often be to establish ownership and charge for use. The optimists argue that because environmental goods such as clean water and beautiful scenery are fundamental to the tourist experience, both tourists and the industry have a vested interest in their preservation. That 'ecotourism' is a rapidly growing sector of the industry supports this viewpoint – at least to a certain extent.

Education about the environment visited is clearly the key. Scuba divers in the Ras Mohammad National Park in the Red Sea, who were made to attend a lecture on the ecology of the local reefs, were found to be eight times less likely to bump into coral (the cause of two-thirds of all damage to the reef), let alone deliberately to pick a piece. However, there is huge concern about the future of many coral reefs; no more so than the Great Barrier Reef, which receives 2million visitors a year (Figure 13.52).

Figure 13.52 The Great Barrier Reef

Positive environmental impacts

The environmental impact of tourism is not always negative. Landscaping and sensitive improvements to the built environment have significantly improved the overall quality of some areas. On a larger scale, tourist revenues can fund the designation and management of protected areas such as national parks and national forests.

The life cycle model of tourism

Butler's model of the evolution of tourist areas (Figure 13.53) attempts to illustrate how tourism develops and changes over time. In the first stage, the location is explored independently by a small number of visitors. If visitor impressions are good and local people perceive that real benefits are to be gained, then the number of visitors will increase as the local community becomes actively involved in the promotion of tourism. In the development stage, holiday companies from HICs take control of organisation and management, with package holidays becoming the norm. Eventually, growth ceases as the location loses some of its former attraction. At this stage, local people have become all too aware of the problems created by tourism. Finally, decline sets in, but because of the perceived economic importance of the industry efforts will be made to re-package the location, which, if successful, may either stabilise the situation or result in renewed growth ('rejuvenation').

Source: *Advanced Geography: Concepts & Cases* by P. Guinness & G. Nagle (Hodder Education, 1999), p.217

Figure 13.53 Butler's model of the evolution of tourism in a region

The model provides a useful summary of the stages that a number of holiday resorts, particularly in the Mediterranean, have been through. For example, it has been applied to the Costa del Sol and the Costa Brava in Spain. However, research has shown that it does not apply well to all locations. Prosser (1995) summarised the criticisms of the model:

- Doubts on there being a single model of tourism development
- Limitations on the capacity issue
- Lack of empirical support for the concept
- Limited practical use of the model.

Also, it does not include the possible role of local and national governments in the destination country or the impact of, say, a low-cost airline choosing to add a destination to its network.

Figure 13.54 Hurgada on the Red Sea coast of Egypt

Section 13.3 Activities

1. Discuss the indirect economic benefits of tourism.
2. Suggest how, by careful planning, you could minimise the economic leakage of a foreign holiday.
3. Find an example of the application of the Butler model to a particular destination. Write a brief summary of the example as a case study.

Recent developments in international tourism

The growth of special interest (niche) tourism

In the last 20 years, more specialised types of tourism have become increasingly popular. An important factor seems to be a general re-assessment of the work–life balance. An increasing number of people are determined not to let work dominate their lives. One result of this has been the development of **niche tourism**. Niche market tour operators have increased in number to satisfy the rising demand for specialist holidays, which include:

- theme parks and holiday village enclaves
- cruising
- heritage and urban tourism

Figure 13.55 Tourists with a local guide visiting a First World War cemetery at Ypres, Belgium

- wilderness and ecotourism
- cultural/historical interest (Figure 13.55)
- medical and therapy travel
- conflict/dark tourism
- religious tourism
- working holidays
- sports tourism.

Some aspects of special-interest tourism have now reached a very significant size. For example, one in every twelve package holidays booked in early 2009 was for a cruise.

Ecotourism

As the level of global tourism increases rapidly, it is becoming more and more important for the industry to be responsibly planned, managed and monitored. Tourism operates in a world of finite resources where its impact is becoming of increasing concern to a growing number of people. At present, just over 5 per cent of the world's population have ever travelled by plane. However, this is undoubtedly going to increase substantially.

Leo Hickman, in his book *The Final Call*, claims: 'The net result of a widespread lack of government recognition is that tourism is currently one of the most unregulated industries in the world, largely controlled by a relatively small number of Western corporations such as hotel groups and tour operators. Are they really the best guardians of this evidently important but supremely fragile global industry?' Hickman argues that most countries only have a junior minister responsible for tourism rather than a secretary of state for tourism, which is what the size of the industry in most countries would justify.

Environmental groups are keen to make travellers aware of their **destination footprint**. They are urging people to:

- 'fly less and stay longer'
- carbon-offset their flights
- consider 'slow travel'.

Supporters of slow travel suggest that tourists should consider the impact of their activities both on individual holidays and in the longer term too. For example, they may decide that every second holiday will be in their own country (not using air transport). It could also involve using locally run guesthouses and small hotels as opposed to hotels run by international chains. This enables more money to remain in local communities.

Virtually every aspect of the industry now recognises that tourism must become more sustainable. **Ecotourism** is at the leading edge of **sustainable tourism**. An example of ecotourism in Ecuador is considered below.

A new form of ecotourism is developing in which volunteers help in cultural and environmental conservation and research. An example is the Earthwatch scientific research projects, which invite members of the general public to join the experts as fully fledged expedition members – on a paying basis, of course. Several Earthwatch projects in Australia have helped Aboriginal people to locate and document their prehistoric rock art and to preserve ancient rituals directly.

Case Study: Ecotourism in Ecuador

Ecuador's travel and tourism industry directly contributed 1.9 per cent to GDP in 2014, with the total travel and tourism economy (direct and indirect) contributing 5.3 per cent. The latter amounted to $4702 million. The 118 000 direct jobs in the industry accounted for 1.7 per cent of total employment, while the total number of jobs in the wider travel and tourism economy (338 000) made up 4.8 per cent of total employment.

International tourism is Ecuador's third largest source of foreign income, after the export of oil and bananas. The number of visitors has increased substantially in recent years, both to the mainland and to the Galapagos Islands where Darwin conducted research on evolution. The majority of tourists are drawn to Ecuador by its great diversity of flora and fauna. The country contains 10 per cent of the world's plant species. Much of the country is protected by national parks and nature reserves.

As visitor numbers began to rise, Ecuador was anxious not to suffer the negative externalities of mass tourism evident in many other countries. The country's tourism strategy has been to avoid becoming a mass-market destination and to market 'quality' and 'exclusivity' instead, in as eco-friendly a way as possible. Tourist industry leaders were all too aware that a very large influx of visitors could damage the country's most attractive ecosystems and harm its image as a 'green' destination for environmentally conscious visitors.

Ecotourism has helped to bring needed income to some of the poorest parts of the country. It has provided local people with a new alternative way of making a living. As such, it has reduced human pressure on ecologically sensitive areas.

The main geographical focus of ecotourism has been in the Amazon rainforest around Tena, which has become the main access point. The ecotourism schemes in the region are usually run by small groups of indigenous Quichua Indians (Figure 13.56). The indigenous movement in Ecuador is one of the strongest in South America.

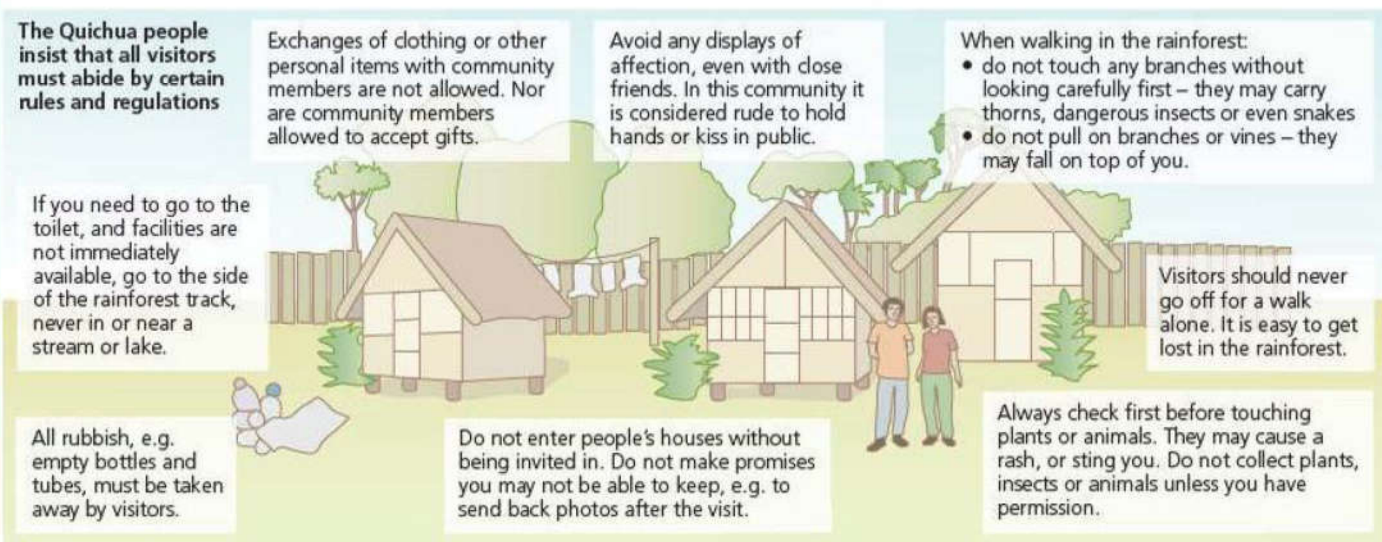


Figure 13.56 Example of ecotourism

Galapagos islands at risk

Illegal fishing, non-native species and the demands of more than 160 000 tourists each year threaten this irreplaceable ecosystem and the people who depend on it for their food and livelihoods.

Source: WWF

In early 2007, the government of Ecuador declared the Galapagos Islands at risk, warning that visitor permits and flights to the island could be suspended. The Galapagos Islands straddle the equator 1000 kilometres off the coast of Ecuador. All but 3 per cent of the islands are a national park. Five of the thirteen islands are inhabited. Visitor numbers are currently 160 000 a year and rising.

The volcanic islands can be visited all year round, but the period between November and June is the most popular. Boat trips generally cost from £700 to over £2000. An additional national park entrance fee of £65 is payable on arrival. Among the many attractions are giant tortoises, marine iguanas and blue-footed boobies.

In signing the emergency decree to protect the islands, the President of Ecuador stated: 'We are pushing for a series of actions to overcome the huge institutional, environmental and social crisis in the islands'.

The identified problems include the following:

- The population has been increasing rapidly, doubling every 11 years. The total population was estimated at 40 000 in 2014. This is putting increasing pressure on natural resources and the disposal of domestic waste.
- Illegal fishing of sharks and sea cucumbers is believed to be at an all-time high.
- The number of visiting cruise ships continues to rise.
- There are growing concerns over the increase in non-native species on the islands.
- There are internal arguments within the management structure of the national park.
- Controversially, a hotel opened on the islands in 2006.
- In mid-2007, a UN delegation visited the islands to determine whether they should be declared 'in danger'.

It would seem that the tourism carrying capacity of the Galapagos Islands has been reached or even exceeded. Yet many more people will want to visit this unique environment in the future. The management of tourists in the islands has evolved with the increasing pressure of numbers. However, some radical approaches are likely to be required in the future.

Section 13.3 Activities

1 Write a ten bullet-point list on ecotourism in Ecuador.
2 Why is there so much concern about the threat from tourism on the Galapagos Islands?

13.4 The management of a tourist destination

Case Study: Jamaica

Jamaica is the third largest of the Caribbean islands, and the largest English-speaking island in the Caribbean Sea. It is situated 145 kilometres south of Cuba and 965 kilometres south of Florida, USA. Tourism in Jamaica (Figure 13.57) originated in the latter part of the nineteenth century when a limited number of affluent people, many with medical conditions, came to Jamaica to avoid the cold winters in the UK and North America. Figure 13.58 illustrates the attractions of Jamaica's climate. The first tourist hotels were built in Montego Bay and Port Antonio. The industry expanded after the First World War with advances in transportation, although it has been estimated that only a few thousand foreign tourists visited Jamaica each year in the 1920s. By 1938, the figure had risen to 64 000, and by 1952 it had reached 104 000. Growth continued in the following decades, with 345 000 visitors in 1966 and over 600 000 in 1982. Since the 1987–88 season, the number of foreign tourists has exceeded 1 million a year, partly as a result of the significant increase in the arrivals of cruise-ship passengers.

In 2014, Jamaica welcomed 2.08 million stopover visitors, along with 1 423 797 cruise visitors. This gave a total of 3.5 million visitors for the year. Tourism's direct contribution to GDP in 2013 amounted to JM$109.3 billion, or 7.7 per cent of the national total (Table 13.7). Adding all the indirect economic benefits increased this figure to JM$364.8 billion. Direct employment in the industry amounted to 82 000 (7 per cent of total employment) but the overall figure, which includes indirect employment, is over three times as large (23.45 per cent of total employment). For example, farmers supply food to the hotels and carpenters make furniture for the industry. In the most popular tourist areas, the level of reliance on the industry is extremely high indeed.

Source: *IGCSE Geography* 2nd edition, P. Guinness & G. Nagle (Hodder Education, 1999) p.205

Figure 13.57 Marine parks and national parks in Jamaica

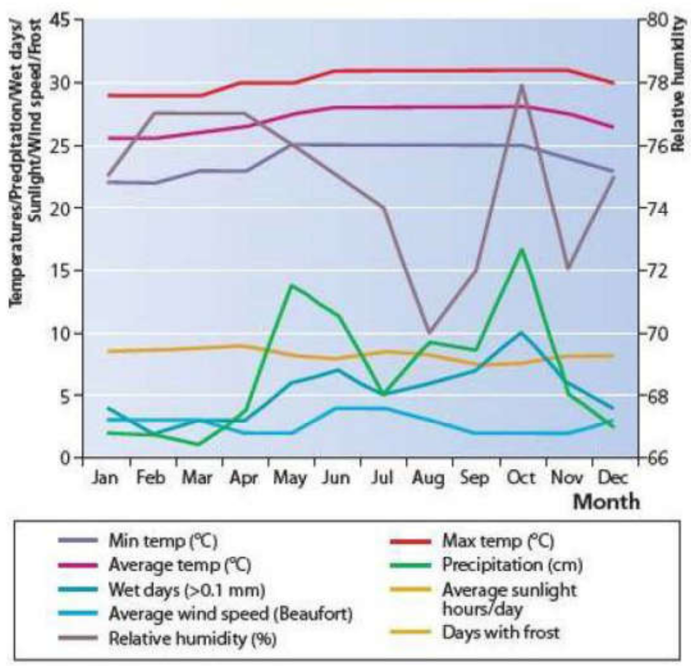


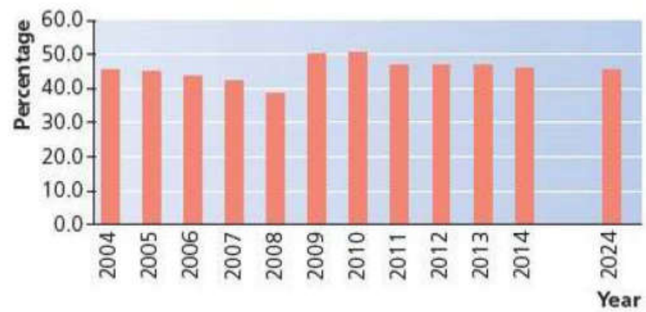
Figure 13.58 Jamaica's climate

Table 13.7 The importance of the travel and tourism industry to the Jamaican economy, 2013

	Travel and tourism industry	Travel and tourism economy
GDP % of total	7.7	25.6
Employment	82 000	275 000

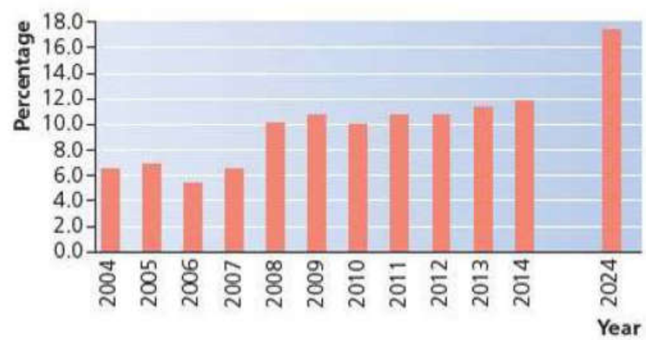
Source: From WTTC data

Figure 13.59 illustrates the importance of foreign visitor exports as a percentage of total exports for the period 2004–14, along with the forecast for 2024. It was 46.4 per cent in 2013, but has reached 50 per cent in the last decade. Figure 13.60 shows the contribution of the industry to the whole economy (GDP) for the same time period. The tourism industry accounted for over 11 per cent of total investment in Jamaica in 2013.



Source: WTTC Travel & Tourism Economic Impact 2014

Figure 13.59 Jamaica – foreign visitor exports as a percentage of total exports



Source: WTTC Travel & Tourism Economic Impact 2014

Figure 13.60 Jamaica – tourism as a percentage of the whole economy GDP

Jamaica is an example of a tourist area where there has been clear evidence of growth and development. The term **growth** refers to the increase in numbers, while **development** refers to the expansion of tourism activities such as the development of adventure tourism and ecotourism. As the tourist industry has expanded, its linkages with other industries have developed as well. But as tourism develops it also has an impact on the environment, and the question of its sustainability comes to the fore. The careful management of tourism can do much to mitigate the impact. Management techniques that Jamaica has used include:

- trying to avoid the pitfalls of mass tourism, such as the construction of high-rise hotels
- creating national parks, marine parks and other protected areas
- promoting ecotourism and other environmentally friendly forms of tourism
- encouraging community tourism
- linking the profits of tourism to social development in the country.

Jamaica's north coast, with its pleasant weather and white-sand beaches, is the centre of the island's tourist industry (Figure 13.61). The main resorts are Montego Bay, Ocho Rios and Port Antonio, although many tourists also visit the capital city, Kingston. Accommodation varies between modern high-rise hotels, elegant old-world style buildings, villas, apartments and guesthouses. The number of rooms available in Jamaica is approximately 30 000. Jamaica has a relatively good road network, with Highway 2000 linking settlements in the south and the North Coast Highway serving the north of the island.

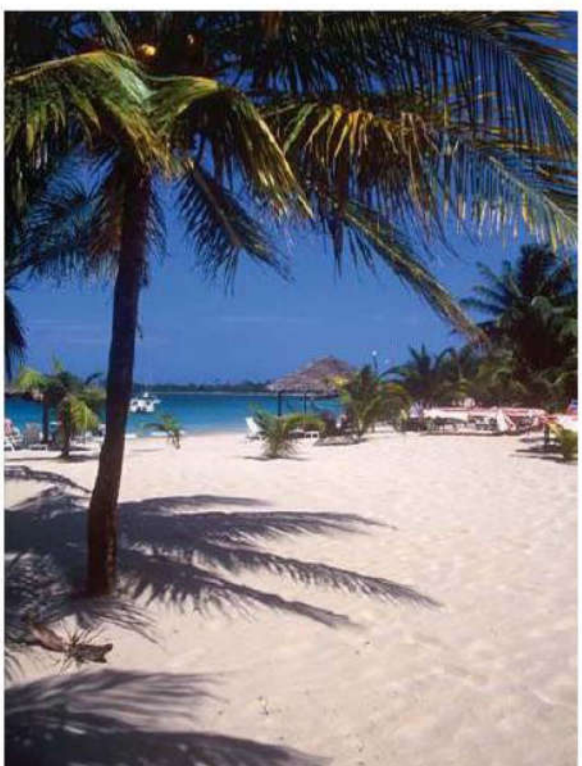


Figure 13.61 A beach fringed with palm trees in Runaway Bay

About two-thirds of visitors to the island arrive by air. Jamaica is served by two international airports: Norman Manley International in Kingston and Sangster International in Montego Bay. There is a private jet centre in Montego Bay and four aerodromes serving small carriers for inter-island travel. Cruise passenger terminals are located in Ocho Rios, Montego Bay, Port Antonio and Kingston.

While sun and sand are the main attractions of a holiday in Jamaica, the island also has other attributes, including dolphin parks, nature reserves, museums and galleries. There is a wide variety of flora and fauna, with 252 species of birds (27 are endemic), 200 native species of orchids, 500 species of true ferns and about 50 species of coral. There are excellent facilities for a range of sports including tennis, golf and equestrian activities. Jamaica's cuisine is an attraction for many visitors. There are many festivals and entertainment events during the year, often featuring Jamaica's native music, reggae.

Among the island's protected areas are the Cockpit Country, Hellshire Hills and Litchfield Forest Reserves. In 1992, Jamaica's first marine park, covering 15 km^2, was established in Montego Bay. The following year, the Blue and John Crow Mountains National Park was established on 780 km^2 of wilderness that supports thousands of tree and fern species, rare animals and insects, such as the Homerus swallowtail, the western hemisphere's largest butterfly. The Negril Marine Park was established in 1998. These decisions have been essential for the sustainability of the environment and the tourist industry itself. Jamaica wants to increase its tourist business, but more people will only visit if the physical environment retains its attractions and diverse attributes.

The industry has brought considerable opportunities to Jamaica's population, although it has also had its problems. During the 1970s, the Jamaican government introduced 'Jamaicanisation' policies designed to attract much-needed foreign investment in tourism. Policies included comparatively high wages and special industry taxes that went directly into social development, healthcare and education. These sectors are often referred to by economists as 'soft infrastructure'. However, tourism has spurred the development of vital 'hard infrastructure' too, such as roads, telecommunications, water supply and airports. Jamaica has been determined to learn from the 'mistakes' of other countries and ensure that the population will gain real benefits from the growth of tourism.

Tourism is the largest source of foreign exchange for Jamaica. The revenue from tourism plays a significant part in helping central and local government fund economic and social policies. Also, as attitudes within the industry itself are changing, larger hotels and other aspects of the industry have become more socially conscious. Classic examples are the funding of local social projects.

A paper on tourism by the People's National Party (PNP) stated that 'The momentum generated by the current round of investment in resort development has created an enormous pull factor in terms of investor confidence. This has set the stage for an even more powerful wave of investment in the next 10 years.'

The Jamaica Tourist Board (JTB) is responsible for marketing the country abroad. It has used Jamaica's status as one of the host countries for the 2007 Cricket World

Cup to good effect. The JTB also promotes the positive aspects of Jamaican culture, and the Bob Marley Museum in Kingston has become a popular attraction. Such attractions are an important aid in supporting Jamaica's objective of reducing seasonality.

The high or 'winter' season runs from mid-December to mid-April, when hotel prices are highest. The rainy season extends from May to November. It has been estimated that 25 per cent of hotel workers are laid off during the off-season.

Jamaica's government is working to reduce the environmental impact of tourism. Figure 13.57 shows the location of Jamaica's national and marine parks. A further six sites have been identified for future protection. The Jamaican government sees the designation of the parks as a positive environmental impact of tourism. Entry fees to the national parks pay for conservation. The desire of tourists to visit these areas and the need to conserve the environment to attract future tourism drives the designation and management process.

The marine parks are attempting to conserve the coral reef environments off the coast of Jamaica. They are at risk from damage from overfishing, industrial pollution and mass tourism. The Jamaica Conservation and Development Trust is responsible for the management of the national parks, while the National Environmental Planning Agency has overseen the government's sustainable development strategy since 2001.

Negril

Negril is a large beach resort town located on the west coast of Jamaica. The town's development as a resort location began during the late 1950s, although access to the area proved difficult as ferries were required to drop off passengers in Negril Bay, forcing them to wade to shore. When the road between Montego Bay and Negril was improved in the early 1970s, it helped to increase Negril's position as a new resort location. A small airport was built for North American winter tourists. Europeans also came to Negril, and several hotels were built to cater directly to those guests. Figure 3.62 shows some of the largest hotels and the transport infrastructure of Negril.

This stretch of coastline arguably has the island's best beaches. Negril's beach has been rated as one of the top ten beaches in the world by many travel magazines. To the east of the shore lies a swamp called the Great Morass, amidst which is the Royal Palm Reserve, with wetlands that are protected. In 1990, the Negril Coral Reef Preservation Society (Figure 13.63) was formed as an NGO to address ongoing degradation of the coral-reef ecosystem. This was the precursor of the Negril Marine Park, which was established in 1998. Educating people about the fragility of coral reefs (Figure 13.64) and other endangered environments is a crucial aspect of sustainability.

Figure 13.62 Map of Negril

Figure 13.63 Negril Coral Reef Preservation Society

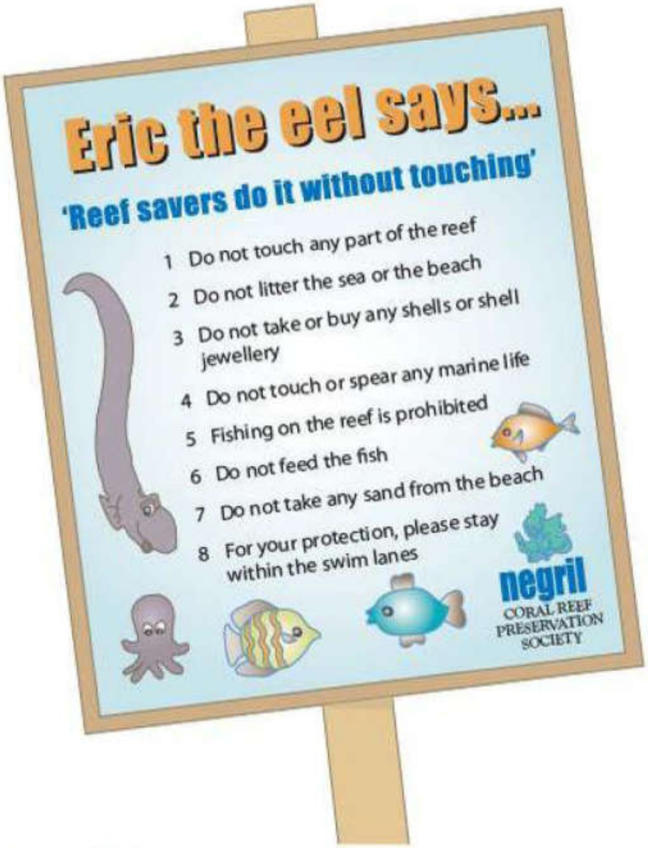


Figure 13.64 Coral reef protection society sign

Ecotourism and community tourism

Ecotourism is a developing sector of the industry with, for example, raft trips on the Rio Grande river increasing in popularity. Tourists are taken downstream in very small groups. The rafts, which rely solely on manpower, leave singly with a significant time gap between them to minimise any disturbance to the peace of the forest. Ecotourism is seen as the most sustainable form of tourist activity on the island.

Considerable efforts are being made to promote **community tourism** so that more money filters down to the local people and small communities. The Sustainable Communities Foundation through Tourism (SCF) programme has been particularly active in central and south-west Jamaica. Community tourism (Figure 13.65) is seen as an important aspect of **pro-poor tourism**.

The Astra Country Inn in Mandeville has been recognised as a pioneer hotel in community tourism. Its work with surrounding communities has included:

- promoting bed and breakfast accommodation in private homes
- training local guides
- developing community-based tourist attractions
- encouraging the development of local suppliers.

- Community tourism should involve local people in decision making and ownership.
- The local community should receive a fair share of the profits from tourism ventures.
- Tour companies should try to work with communities rather than individuals to avoid creating divisions.
- Tourism should be environmentally sustainable and not put excess pressure on natural resources.
- Tourism should support traditional cultures. It should encourage people to value and respect their cultural heritage.
- Where possible, tour operators should keep groups small to minimise cultural and environmental impacts.
- Tour guides should brief tourists on what to expect and on appropriate behaviour before arriving in a community.
- Local people should have the right to say no to tourism.

Source: *Geography Review*, January 2005, Philip Allan updates

Figure 13.65 Principles of community-based tourism

Challenges ahead

However, tourism has had its problems too. The behaviour of some tourists clashes with the island's traditional morals; people have a negative image of Jamaica because of its levels of violent crime and harassment; and despite the recent initiatives of the Jamaican government to protect the environment, much valuable biodiversity has already been lost. On a positive note, Jamaica is one of the few Caribbean tourist destinations that has done relatively well during the recent recession that has led to a decrease in visitor arrivals for the Caribbean region.

While Jamaica has undertaken several initiatives with regard to the sustainable development of tourism, the success of such initiatives has been mixed. A book entitled *Barriers to Sustainable Tourism Development in Jamaica* published in 2007 noted that initiatives often lacked adequate management and cohesion, and often had to work under significant financial constraints.

Section 13.4 Activities

1. With the aid of an atlas, describe the location of Jamaica.
2. Produce a bullet-point analysis of Figure 13.58.
3. Explain the location of the island's main resorts.
4. Describe the transport infrastructure of Jamaica. Why is this such an important factor in the development of tourism?
5. Discuss the importance of tourism to the economy of Jamaica.
6. What measures have been taken to advance the sustainability of tourism on the island?
7. Briefly discuss the development of ecotourism and community tourism in Jamaica.