

LOCAL ECONOMIC DEVELOPMENT POLICIES AND TOURISM. AN APPROACH TO SUSTAINABILITY AND CULTURE

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Abstract

The economic development of an area has been largely discussed in literature. It is linked to the economic structure and resources of a territory. Moreover, also infrastructure and investments may affect the local economic development. Tourism is an economic activity in which visitors move to an area to visit a particular destination. Tourism has different purposes and may also be complementary to other local economic activities.

As all economic activities which affect the development of an area, also tourism has to be managed on routes and specific context. The role of tourism is important in the context of local economic development. Public institutions have to be aware of the capacities of an area and try to help its development. However, if not well managed the local resources may be destroyed by tourist. A local tourism policy towards sustainability is indispensable for the future development of an area.

This paper is organized as follow. The first part will analyze the role of tourism in local area. Subsequently, a model of local economic development and its application on tourism is investigated. Latter, the role and implications for local policy of sustainable tourism are shown. Finally, some conclusions and policy implications are drawn.

Keywords: local economic development, tourism, sustainable tourism

JEL Classification: R0

Introduction

Tourism studies have been a large development since 1950s because of the improvement of the transport systems and routes. After that, many tourism destinations have developed. Especially due to globalization, local economies have been pushed to compare themselves to other local economies, located elsewhere in the world. This is true also for tourism with is obviously linked to the movement of people from a place to another. Improving transport systems and economic wellbeing, tourism has become a fundamental *glocal*¹ economic activity.

Moreover, tourism is one of the most globalized activities. For instance, the meeting between different cultures and the movement of people leads to the dissemination of global tendencies. However, globalization did not help in the explanation of convergence and divergence and the decentralization of decision. With glocalization we define the establishment of globalization, but with the respect of local entities. There is usually the contrast between local and global. However, Robertson, 1995 shows that they are not in contrast, but local is a part of global. It may be defined as the global attention to the local context. This concept helps in understanding the connections between the local economies and the global context.

¹ The concept of glocalization started with the English sociologist Roland Robertson (1995), and then was developed by Bauman (Swyngedouw, 2000).

Until 1980s studies on tourism have been confined into marketing activities on restricted sites (Agarwal, 1999). However, tourism is a crucial local economic activity. Therefore, in the 1990s the development of tourism-led economic development initiatives started, in order firstly to help resorts and secondly to enforce the local economic development programs.

In this paper, first of all we will define the role of tourism in local, national and international economy. Secondly, we will present a model of local economic development and we will implement on tourism and tourism destination. Thirdly, we will analyze the relevance of sustainable tourism for an area and finally some conclusions and policy implications are drawn.

The role of tourism in the local and global economy

In this paragraph we will investigate on how important is tourism in national, regional and local economy, as well in the international context. As shown in the introduction, tourism is an important issue for the economic development of an area. In this paper, we will not discuss on reasons and motivations that lead tourists to go to an area or another. We want to investigate the role of tourism in local economic development, and how policies may affect the results of a specific destination.

Tourism may be also a source for economic restructuring. Areas in which industrial economic tissue has been largely affected by crisis, tourism may help not just for the economic conversion of such activities (i.e. industrial museums, cultural district), but also for a new way of routing local economic development. Tourism may be also considered an option for the local development of an area, both alone or complementary with other economic activities.

A tourism destination has different life phases. Following Ejarque, 2003 a destination starts from an introduction, involvement, development, consolidation and maturity, following different flows of arrivals and the local economic development of the activities.

Over the time many areas have been converted into tourism destination, either as lonely economic activity or for the development with other complementary activities. Modern tourism becomes a key driver for socio-economic development for its effects of job creation, investment in local enterprises, infrastructure development and export revenues earned (UNWTO, 2011). Although the crisis, international tourism increases also in 2011 and 2012, following the previous year trends (see figure 1, for more details). In the first eight months of 2012, as recorded by UNWTO, there has been a growth of 4% in comparison with the same period of 2011.

Over time, in the past decades, there has been an increase in the number of destination (UNWTO, 2011). Therefore, tourism in modern age has become a key driver for socio-economic progress. Moreover, tourism is the key factor for the creation of jobs and enterprises, for the infrastructure development and help in the increase of the export revenues. The overall export income which is generated by inbound tourism exceeded US\$ 1 trillion in 2011. Tourism exports count for about 30% of the world's exports of commercial services and 6% of overall exports of goods and services. It is the fourth industry for exports. The World Tourism Organization estimates tourism contribution to worldwide GDP at about 5%, in Italy it is about the 10% (UNWTO, 2011).

There have been many changes during the past years. Worldwide there has been an increase in international arrivals, also in the past year. Following data from UNWTO 2012b, the strongest increase from 2011 to 2012 is in Asia and the Pacific (+7%) and Africa (+6%), followed by Americas (+4%) and finally Europe (+3%). Emerging economies, especially in BRICS countries have increased of about 5%. In particular, China and the Russian Federation see the highest growth in tourism expenditure (UNWTO, 2012b). In 2010, China gains the third place worldwide for arrivals, following France and United States. Spain and Italy follow (UNWTO, 2011).

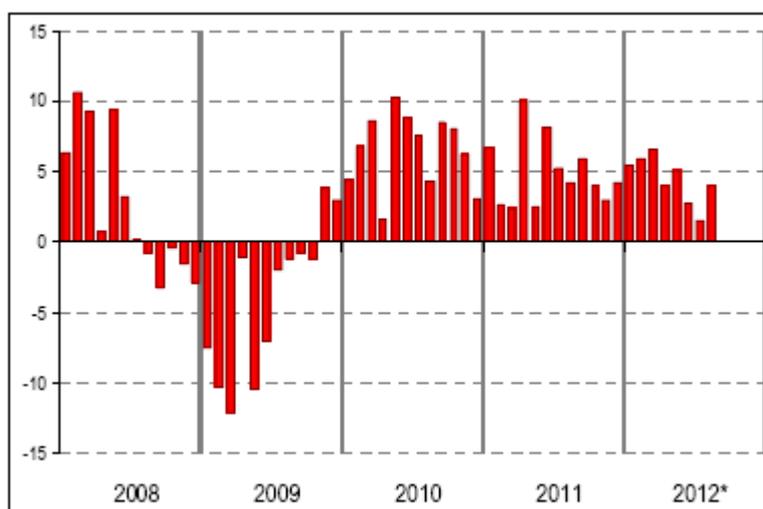


Figure 1: International tourist arrivals, monthly evolution (% change)
Source: World Tourism Organization, 2012b.

From January to August 2012, the number of International tourists has increased up to 705 million worldwide, with a growth of 4% comparing with the same period of 2011. Global growth is due to the increase of the number of tourists in new developed countries (such as China, India etc.). Across the world, there will be an increase in the number of tourists, despite the economic uncertain scenario. According to WTTC (*World Travel and Tourism Council*), in Italy, the expectations are towards a increase of the total contribution of Travel and Tourism to GDP (WTTC, 2012).

Tourism in the framework of local economic development context

Local economic development has become a global issue. The concept involves different themes, actors involved and there is not a definition which may help to understand in synthesis what local economic development is. For the single territory, it is the challenge of enhancing prosperity and well-being (Pike, Rodríguez-Pose and Tomaney, 2010). For a Nation as a whole, a chance of development on a global scale starts from the local one.

However, there is not a clear strategy or program to develop local economic development. In this paper we will try to show how analysis on local economic development may influence also tourism analysis. Following the simple model shown by Pike, Rodríguez-Pose and Tomaney, 2010 (see figure 2), we will point out what it may happen when a local policy fails in the development of an area. The four axes on which local economic development may start with are local firms, inward investment, infrastructure and labour skills. All these four elements are essential for the development of an area. In the absence of one or more of the axes there may be risk in the long term the sustainable development of the area. A weakness in the local industrial tissue could lead to the lack of attraction of other firms which may enforce the local industry also through spill-over, knowledge diffusion and investment in the local area. Investments are essential for the development of the area, both from inside and outside the territory. Education and skills among local people and community are the driven factor both for the social and human capital involved in the local economic structure. Local skills are connected also with the local labour force. Accessibility and infrastructure represent another axe on which the local and regional economic development is found. In areas in which there are not the suitable infrastructure and there is not an institutional and political will to build them, an industry may not be enough supported to develop the specific local territory.

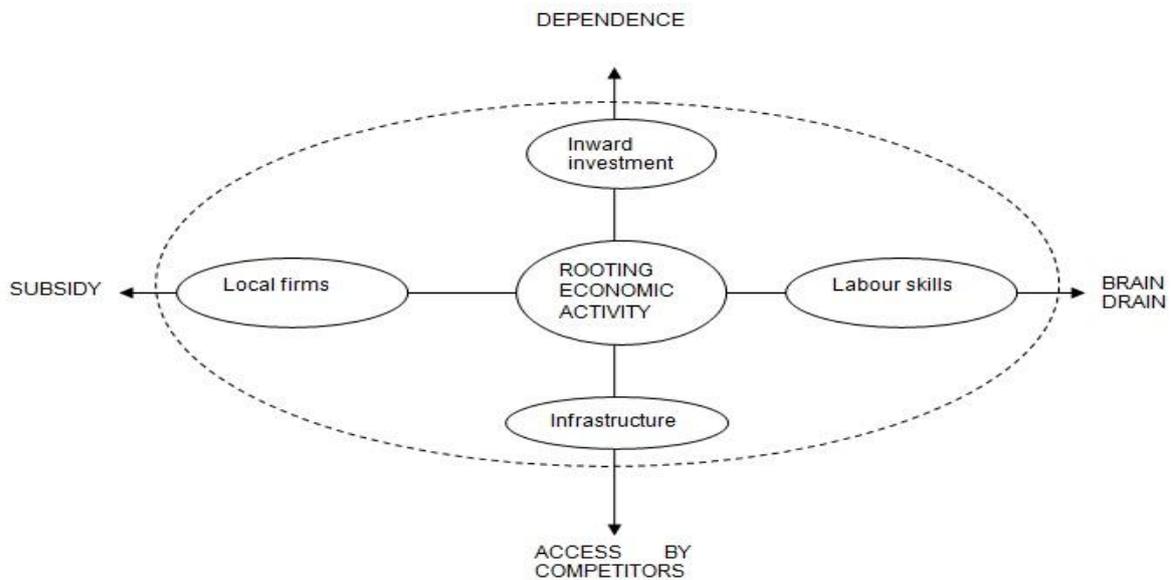


Figure 2. The bases and risks of local development strategies.

Source: Pike, Rodriguez-Pose and Tomaney, 2010.

Local economic development involves different strategies and issues, first of all, the relationship between private and public in the development of an area. The institutional framework and rules and norms involved are essential for the good governance of an area (North, 1990). On the other hand, the local context and community and the partnership between private and public sector are essential for the development of all aspects and strategies involved.

Another cause of failure of traditional policies is the tendency to replicate standardized policies in different areas without a complete analysis of the local economic, social and institutional context. Moreover, traditional policies usually address to the promotion of specific industrial sectors, whereas local policies may address more to the development of networks and values chain in different sectors.

Another aspect connected with local economic development is the territorial competition. Territories compete to attract labour and investments, which may create competitive assets for the local development. Moreover, territories may compete to attract foreign firms in order to invest in the local production.

For the single enterprise, the territory may be considered as a resource, from which it gets inputs and skills for its activity (Martini, 2005). The area in which an enterprise is located is not just considered the location, but also a place where elements like institutions, social relations, capabilities and culture is integrated.

The first studies on the impacts on territory by tourism are in 1960s. They were about the spaces involved in tourism. For instance, Toschi, 1959, analyses the relationship between space and tourism, through the difference between three regions, the departure, the transit and the arrival. As we will explain in this paper, the strong relationship between territory and tourism.

Tourism is first of all an economic activity which helps local areas to develop towards a tourism destination. According to the World Tourism Organization, tourism is the movement of people from a place to another for more than one night for different reasons. From this movement of people many effects may arrive. Some of them are quite linear consequences (e.g. the birth of hospitality and travel industry) whereas many of them are indirect effects also on local community. The positive effects are for example the enhancement of well-being and the growth of the local economies. Local firms influenced by tourism are not only the direct ones, but also the induced economies which obtain new customers, although indirectly. Other effects concern the environment and the social –cultural context which may be affected by the arrival of new cultures and styles of life, but also but an overcrowding in

the local area and therefore the pollution and disruption of the territory and the local natural life. In the case of tourism, territorial competition concerns with competition among destinations. Territories which have a tourism vocation compete on the attraction of new tourist towards a destination. The strategies may be different, from promotion to new attractions (Franch, 2010).

However, following the previous model of analysis, we will now discuss on how the four axes may help in the development of tourism. Tourism is connected first of all with the accessibility of an area. In order to develop a tourist destination, transport systems and infrastructures help tourists in arriving to a destination. On this point, the role of public institutions and policies is crucial, in order to create the local structures and infrastructures to be accessible. Education and local skills, together with local culture and traditions, are often the element which attracts tourists to a destination. The tourism management has to be educated to receive people as tourists, with adequate skills. After the first tourists, the local industry tissue must be organized and created, in order to receive more tourists. Inward investments are essential for the development of an area.

Tourism destinations have some peculiar features in the development of the area. First of all, the importance of infrastructures is the key factor for the future development of the area. However, the local natural resources may be exploited and in some cases also destroyed by the arrival of many tourists and infrastructures have to respect the local natural area. The second characteristic of tourism destination is the importance of the context and the local community. Especially in community tourism destinations,² where a local community is resident in the area, one of the attraction may be the local community itself with its traditions and culture. Thirdly, more often and especially in rural communities the investments are from outside the community and there is also the exploitation of the local natural and labour resources without the real and sustainable economic development of an area. Finally, the local industry tissue of a tourism destination is composed by many different enterprises and industry, often small and medium size enterprises. The hospitality sector is not the only involved in the development of a tourism area. There are also restaurants, travel agencies (both inside and outside the area), tour operators, tourist information offices, amenities, attractions. Moreover, there are also enterprises which are not directly involved in the tourist process of production, but they are induced industries, such are transport enterprises, associations, the local community itself and the local public institutions.

In a tourism destination, all these enterprises have different aims and strategies. The systemic vision of the area and the involvement of all the actors it is therefore quite difficult. Generally speaking, there must be strategies and policies in the economic development of an area, which aim at the local strategic governance and territorial systemic view. In figure 3, it is shown the territorial systemic strategy.

² In the literature there is the difference between community and corporate tourism destinations (Martini, 2005). The first ones are based on a community and a place in which there are residents before the arrival of tourists. The second ones are created often from scratch and are places in which the aim is the tourism economic activity (e.g. holiday village, themes parks etc.). In this paper, if it is not specified, the reference is to community tourism destination.

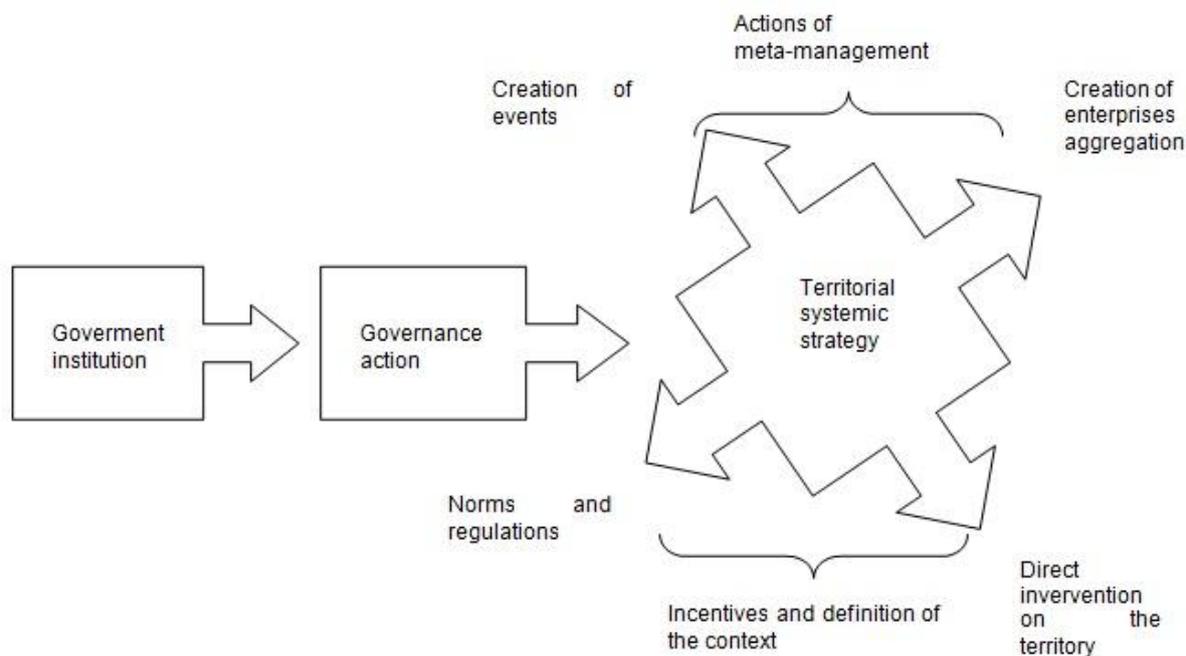


Figure 3 Territorial systemic strategy

Source: Adapted from Martini, 2005.

The territorial systemic strategy has to come from a government institution which has the power to address the local intervention guidelines, through incentives to local aggregations, direct intervention on the territory (e.g. infrastructure) and the creation of organization aimed at the local economic development. In this sense, there is a kind of meta-management or destination management. In this context, decisions on local economic development must be taken from institutions together with all parties involved, such as associations, enterprises, etc. In the local community there may be also some changes in the local culture and traditions due to the contact with tourists.

Three are the main features in a tourism destination. First of all, the complexity of the local system of supply has to be analyzed. There are different enterprises with different purposes, which may not have the same concept of what the tourism destination is and how to improve it. The second important factor to be considered is the relationship with the territory. The main attraction for tourists is the natural environment, together with the social and cultural one. The third characteristic concerns with the seasonality and all economic, social and cultural problems.

Effects of tourism on territory

In the context we have analyzed, the potential of a tourism destination is linked to the territory, especially in community tourism destination. The protection of the local context has to be the priority for the local government and local policies. Therefore, the potential policies of the local context have to be addressed to the sustainability, not only of the local economy, but also to the local natural and socio-cultural environment.

As shown before, the relationship between territory and tourism has to be strong. However, this relationship is different according to the different stages of the tourism development. Following the Tourism Area Life Cycle (Ejarque, 2003); there is a first phase of exploration, in which the local infrastructures and enterprises are not organized. Secondly, the phase of involvement, in which tourism

starts to be recognized as a source of local economic development. The third phase is development, where mass tourism and organization of the destination start to be well structured and there are also institutions which define policies on tourism. Then there is the phase of consolidation. After this first

life cycle there may be two results. The first one is a renewal, especially in cases in which there has been sustainable policies and a change in the strategies of the destination (e.g. the thermal tourism as a complementary tourism of the destination). The second result may be the decline of the destination.

In tourism, the territory becomes the supply of the destination. Therefore, the use of the territory has to be in a sustainable view of the tourism in a destination.

There are different effects of tourism on a destination. In figure 4 there are the positive and negative effects of tourism on the destination.

Positive effects	Negative effects
<ul style="list-style-type: none"> • Recovery and valorization on an economic and social point of view of declined areas • Protection and conservation of natural, social and cultural heritage • Development of local communities • Creation of employment and income for local population • Social and educational function • Foreign currency into the destination Nations • Incentive to the development and improvement of infrastructures • Valorisation of natural, artistic and cultural resources 	<ul style="list-style-type: none"> • Energy and water consumption • Pollution • Impact on local system of garbage management • Loss of biodiversity • Needs in transport and mobility • The place in which there is income is not the same place in which the tourism is enjoyed

Figure 4. Possible effects of tourism on territory

Source: own elaboration

The positive effects are obviously connected with the economic local development of population. The increase in income and employment is the main positive effect of tourism on a defined area. A second important effect concerns the valorization of areas in which there had been industries and where they left from the area. Such area may have high unemployment and risks connected with the decline of the area. Natural parks may attract tourists and therefore have the money for the protection of the natural resources.

However, there may be also negative effects. The first one is pollution and the deterioration of the environment. The natural, social and cultural environment may be deteriorated by the use of tourism, especially in the development phase, when mass tourists are coming.

Implications for sustainable and cultural tourism

Tourism uses the territory and the environment of a destination as its first resources. Therefore, local policies have to be addressed to the sustainability and environment respect. The sustainable tourism is not to exceed in own carrying capacity, when tourism activities develop without changing the natural, social and cultural environment. Moreover, TCI, 2005 add also that tourism has not to obstacle the development of other social and economic activities. Following this criteria, all tourism activities have to be aware of the potential effects on the environment.

Tourism, therefore, is sustainable when does not exceed the own carrying capacity. The logical consequence is that the tourism activities develop to be active in an infinite period of time, without changing the natural, social and cultural environment. Moreover, tourism activities should not obstacle the development of other social and economic activities (TCI, 2005).

The Brundtland report in 1987 first define the sustainability of tourism and its activities, in order to be an activity also for the future generations. In 1992 there has been the program Agenda 21 for travel industry.

In past decades, there has been an increasing attention towards themes of sustainability, especially in tourism, through the intervention of public and international institutions. Moreover, there is also new demand of nature-oriented forms of tourism (such as green tourism, countryside tourism).

In developed countries, territories have been submitted to more safeguard, especially in cultural and artistic centres.

According to WTO, 1999, the carrying capacity is the capability of an environment of support a specific change or pressure. The carrying capacity is the maximum use of an area which does not damage the environment. There are different capacities. First of all, the relationship with the environment and therefore the natural resources. Secondly, the experience and beauty of the cultural tourists' expectations. Finally, the socio-economic capacity, so the social and economic satisfaction of the local population.

Sustainability is usually addressed just to the conservation of a natural environment, in order to preserve all the features for the future generations. However, sustainability involves also the culture and traditions of the local population. The cultural issue in tourism has become essential to understand the trend, especially in location such as Italy. The historical and cultural heritage is the aim of the travel and the purpose for tourists to visit a specific area.

Conclusions

In a local economic development perspective, the interaction between tourism and territory becomes fundamental. Tourism has become one of the most important industries. It is based on globalization and its role in the global development, whereas its dimension is local and it is connected with the local tissue of enterprises.

Starting from a model of local economic development, institutions have to be aware of the problems and risks of a not well organized and sustainable program of intervention on the territory.

Government intervention has to declare routes for the local economic development, especially for what concerns sustainability.

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