

CHAPTER: 5

Conclusion and Recommendation

Tourism clearly provides a significant number of beneficial economic impacts to any country or locality which receives a steady flow of visitors. International visitors are a valuable source of foreign currency. At the same time, the spending of both domestic and foreign visitors produces an up and down effect of new money through the economy via the multiplier effect. Enterprise is stimulated, and new jobs created, together contributing to increased government revenue. But there are some negative factors also to be considered. These particularly concern leakages of expenditure out of the economy, pressures for increased imports, and new utility and infrastructural costs. Also relevant are possible inflationary effects, the problems of over-dependency on a major industry (ie tourism) and also, initially at least, on issues relating to foreign capital investment, seasonality, opportunity costs and displacement effects.

In balance, the economic impacts of tourism are usually considered to be beneficial for countries and localities looking for sustained growth. It is in the field of tourism's environmental and socio-cultural impacts where the real controversies lie. Tourism's environmental and socio-cultural impacts are usually considered to have a number of positives to offset some, at least, of travel's allegedly negative effects. However, they may not always be able to do so with the same confidence that tourism's economic impacts can. There are many hidden costs to tourism, which can have unfavorable economic effects on the host community. Often rich countries are better able to profit from tourism than poor ones. Whereas the least developed countries have the most urgent need for income, employment and general rise of the standard of living by means of tourism, they are least able to realize these benefits. Among the reasons for this are large-scale transfer of tourism revenues out of the host country and exclusion of local businesses and products. The direct income for an area is the amount of tourist expenditure that remains locally after taxes, profits, and wages are paid outside the area and after imports are purchased; these subtracted amounts are called leakage. It is very important to mention the leakage effect when talking about tourism and economy because the leakage has a huge effect on the host country's revenues. Moreover, in most all-inclusive package tours, about 80% of travelers' expenditures go to the airlines, hotels and other international companies (who often have their headquarters in the travelers' home countries), and not to

local businesses or workers. In addition, significant amounts of income actually retained at destination level can leave again through leakage. In Thailand for instant:

A study of tourism 'leakage' in Thailand estimated that 70% of all money spent by tourists ended up leaving Thailand (via foreign-owned tour operators, airlines, hotels, imported drinks and food, etc.). Estimates for other Third World countries range from 80% in the Caribbean to 40% in India.
Source: Sustainable Living

There are two main ways that leakage occurs:

Import leakage: This commonly occurs when tourists demand standards of equipment, food, and other products that the host country cannot supply. Especially in less-developed countries, food and drinks must often be imported, since local products are not up to the hotel's (i.e. tourist's) standards or the country simply doesn't have a supplying industry. Much of the income from tourism expenditures leaves the country again to pay for this imports. The average import-related leakage for most developing countries today is between 40% and 50% of gross tourism earnings for small economies and between 10% and 20% for most advanced and diversified economies, according to UNCTAD.

Export leakage Multinational: corporations and large foreign businesses have a substantial share in the import leakage. Often, especially in poor developing destinations, they are the only ones that possess the necessary capital to invest in the construction of tourism infrastructure and facilities. As a consequence of this, an export leakage arises when overseas investors who finance the resorts and hotels take their profits back to their country of origin.

Local businesses often see their chances to earn income from tourists severely reduced by the creation of vacation packages. When tourists remain for their entire stay at the same cruise ship or resort, which provides everything they need and where they will make all their expenditures, not much opportunity is left for local people to profit from tourism, ended they need to get as much benefits as they can from tourists to survive during the vacation period. Other negative impacts are: Infrastructure cost Tourism. Development can cost the local government and local taxpayers a great deal of money. Developers may want the government to improve the airport, roads and other infrastructure, and possibly to provide tax breaks and other financial advantages, which are costly activities for the government. Public resources spent on subsidized infrastructure or tax breaks may reduce government investment in other critical areas such as education and health. Moreover Increase in prices is another argument that is also important here;

increasing demand for basic services and goods from tourists will often cause price hikes that negatively affect local residents whose income does not increase proportionately. A [San Francisco State University study of Belize](#) found that, as a consequence of tourism development, the prices for locals increased by 8%. Tourism development and the related rise in real estate demand may dramatically increase building costs and land values. Not only does this make it more difficult for local people, especially in developing countries, to meet their basic daily needs, it can also result in a dominance by outsiders in land markets and in-migration that erodes economic opportunities for the locals, eventually disempowering residents. In Costa Rica for example, close to 65% of the hotels belong to foreigners. Long-term tourists living in second homes, and the so-called amenity migrants (wealthy or retired people and liberal professionals moving to attractive destinations in order to enjoy the atmosphere and peaceful rhythms of life) cause price hikes in their new homes if their numbers attain a certain critical mass. Another big argument that also important is the economic dependence of the local community on tourism ;diversification in an economy is a sign of health, however if a country or region becomes dependent for its economic survival upon one industry, it can put major stress upon this industry as well as the people involved to perform well. Many countries, especially developing countries with little ability to explore other resources, have embraced tourism as a way to boost the economy. As we can see in Gambia, for instance, 30% of the workforce depends directly or indirectly on tourism. In small island developing states, percentages can range from 83% in the Maldives to 21% in the Seychelles and 34% in Jamaica, according to the WTO. “Over-reliance on tourism, especially mass tourism, carries significant risks to tourism-dependent economies. Economic recession and the impacts of natural disasters such as tropical storms and cyclones as well as changing tourism patterns can have a devastating effect on the local tourism sector”. We can’t talk about negative impacts and not mention character of jobs the seasonal character of the tourism industry creates economic problems for destinations that are heavily dependent on it. Problems that seasonal workers face include job (and therefore income) insecurity, usually with no guarantee of employment from one season to the next, difficulties in getting training, employment-related medical benefits, and recognition of their experience, and unsatisfactory housing and working conditions.

Some industries have an impact also on the economy indirectly: economic crises, like the Asian crisis that hit Thailand, Malaysia and Indonesia a few years ago, can be devastating to inbound tourism flows. The financial turmoil triggered a sharp fall in tourism flows to affected countries during 1997 and 1998. Source: [Hotel-online](#)

Now let's summarize the negative impact of the tourism on the Thai economy, which is mostly the economic dependence of the local community on tourism, the Thai economy laying on tourism, this can put major stress upon it industry as well as the people involved to perform well, that form is called Diversification: Many countries, especially developing countries with little ability to explore other resources have embraced tourism as a way to boost the economy. For example, in Gambia for instance, 30% of the workforce depends directly or indirectly on tourism. In small island developing states, percentages can range from 83% in the Maldives to 21% in the Seychelles and 34% in Jamaica. So we can continue here by saying that over-reliance on tourism carries risks to tourism-dependent economies; and don't forget that Economy recession and the impact of natural disasters such as tropical storms and changing tourism patterns can all have a devastating effect.

The seasonal character of jobs is another problem that the economy of Thailand is facing with its workers which include:

Job insecurity: in other words job income and insurance. Many tourism jobs are offering less salary and small budget on the table, with no guarantee at all of employment from one season to the next. There are almost no possibility of getting training or employment-related, moreover the medical benefits and recognition of their experience. Sometime the working conditions are not sweet able.

To sum up, the negative impact that the Thai economy facing on tourism are resumed in five points that we have seen earlier which are:

- Leakage
- Enclave tourism
- Infrastructure cost
- Increase in prices
- Economy dependence
- Seasonal character of jobs

Besides the negative impact causes by tourism, we can find also a lot of positive impact that we have talked about earlier and explain them as stated;

The foreign exchange earnings as first big impact in Thailand;

- Tourism expenditures generate income to the host economy and can stimulate the investment necessary to finance growth in other economic sectors.
- Some countries seek to accelerate this growth by requiring visitors to bring in a certain amount of foreign currency for each day of their stay is the case of Thailand too
- The Thai government should know that an important indicator of the role of international tourism is its generation of foreign exchange earnings
- Tourism is one of the top five export categories for as many as 83% of countries and is a source of foreign exchange earnings for at least 38% of countries just like in Thailand

Contribution to government revenues is the next step to be considered which is explained here and should be considered by the Thai government;

- Direct contributions are generated by taxes on incomes from tourism employment and tourism businesses, and by direct levies on tourists such as departure taxes.
- Indirect contributions which come from taxes and duties levied on goods and services supplied to tourists
- The WTO estimates that travel and tourism's direct, indirect and personal tax contribution worldwide was over US \$ 800 billion in 1998- a figure it expects to double by 2010.

The employment generation is also one important impact on tourism where the Thai government is succeeding;

- The rapid expansion of tourism in international tourism in Thailand has led to significant employment creation :especially only in its hotel accommodation which offer a lot of jobs
- Tourism is generating a lot of job in Thailand directly through hotels, nightclubs, taxi and indirectly through supply of goods and services needed by tourism-related business

The contribution to local economies is a positive impact that the Thai government still working on and still in process :

- ✓ As the environment is a basic component of the tourism industry assets, Thailand tourism revenues are often used to measure the economic value of protected areas.
- ✓ Other local revenues that are not easily quantified as not all tourist expenditures are formally registered
- ✓ Thai government earns money from tourism informal employment such as street vendors.
- ✓ The positive side of informal employment is that the money should be return to the local economy and has a great multiplier effect as it is spend over and over again : in this case the Thai government should put more emphasize on this impact

So to sum up, the positive impacts of tourism in Thailand lying on:

- Foreign exchange earnings
- Contributions to government revenues
- Employment generation
- Infrastructure investment
- Contribution to local economies

In my opinion, Thailand should focus on sustainable development not just present interests. I think that even though tourism plays an important role in Thai economy, meanwhile, Thailand's government should also develop other industries, for example, high-tech industry. Moreover, more students should learn basic science, such as engineering, physics, chemistry and biology.

In conclusion, tourism plays an irreplaceable part of Thai economy through making a lot of foreign exchange to Thailand and offering jobs to people; in the meantime, Thailand's government should pay more attention to education and other industry. In addition, many negatives, such as prostitution should not be neglected.

