



THE INFLUENCE OF GLOBALIZATION ON TOURISM AND IMPACT OF TOURISM ON OTHER ACTIVITIES WITH AN EMPHASIS ON GREENFIELD INVESTMENTS IN TOURISM

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Abstract:

Globalization process has already affected each sector of the world economy, including tourism as an important and ever-growing industry and economic activity. To that end, this paper attempts to examine the extent and effects of globalization on tourism. Also, tourism as an economic activity exerts a significant impact on other activities, and thus, considerable attention should be devoted to measuring the extent of globalization impact and the ways in which it is reflected. Finally, since tourism cannot develop without direct foreign investment, the authors shall attempt to present the position of tourism in relation to other activities concerning the number and value of greenfield investments.

Key words:

tourism,
globalization,
economy,
foreign direct investment,
Greenfield investments.

1. INTRODUCTION

Global changes have affected almost every segment of our lives, including social, political, cultural life and the economy. Global changes in the economy are manifested through neutralization of practically every barrier, which resulted in liberalization of international trade, competition, free movement of capital and workforce independent of national borders, free movement of investments *etc.* Tourism as an increasingly important activity manifests all of these changes, especially mass tourism which can be seen in all dimensions of global changes. Tourism is an example of the strong impact of globalization, especially when looking at the development of information technologies, communication, transport *etc.* As an example of rapid growth and its increasingly important role in the world market, tourism has a significant impact on other directly or indirectly related industries. The initial idea that tourism is a consequence of economic development has evolved with empirical research into a new idea that tourism is rather becoming an important factor of economic development. Taking that into account, tourism is becoming a strong engine of development for other related industries. Also, tourism is gaining considerable potential for development having in mind the fact that this commercial activity connects the sale of goods and services, and its characteristic to bring the consumer to the producer and not vice versa. The influence of tourism can also be seen in creating possibilities for small business-

es to expand and develop their business activity which, in other conditions, wouldn't be able to breach global supply chains. Foreign direct investments (FDI) are unavoidable in the context of tourism development, and as a factor of growth dynamics, they especially need to use developing countries and economies. Regardless of the importance of FDI as a factor of tourism development, many problems occur in the analysis of this field. This happens mostly because tourism isn't labeled as a formal tourism industry in the classifications of the national accounts, which means that there isn't a trustworthy and single evidence of FDI directly connected with this industry. This situation creates many methodological issues having in mind that there is no single methodology for recording FDI in this industry. The initial efforts for outlining a single methodology have been made by forming twelve separate national accounts connected to tourism activities. When analyzing FDI forms, one can observe that mergers, acquisitions and privatization are more common forms of entering foreign markets than greenfield investments. However, greenfield investments have an advantage in certain cases having in mind their character and effects on employment, maintaining invested capital, as well as the transfer of new technologies, management, introduction of new kinds of long term services *etc.* Having in mind the listed characteristics, greenfield investments in the sector of hotels and restaurants have been analyzed (by the classification of UNCTAD), taking into account that tourism does not have full evidence of FDI.

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2. RESULTS AND DISCUSSION

This research is based on three elements that are in the focus of this analysis: tourism in relation to globalization, the relationship between tourism and economic development and influence of tourism on other industries and FDI in tourism.

2.1. Tourism and globalization

Globalization as a global phenomenon, has affected almost every sphere of social life especially in the post-war period. Definitions of this concept are numerous, so the complexity of this concept in both science and literature initiates different approaches.

Global economy, as a specific dimension of globalization has triggered various changes, firstly in the liberalization of international trade, competition, free movement of capital and work force, investments *etc.* A special characteristic of this phenomenon is the removal of barriers for capital, goods, financial and investment flows (Vukadinović *et al.*, 2013). One of the more important economic activities in the process of globalization is tourism. This view is especially related to mass tourism which is considered one of the visible manifestations of globalization, so that development of tourism can be seen in every dimension of these processes: economic, social, cultural and even political (Halowiecka *et al.*, 2011). The same authors, based on the huge significance of tourism in global economy, stress the importance and popularity of researching these relations, particularly connected to economic dependence between tourism and globalization on a global or regional level. In research and theory, tourism is standing out as an example of a very strong influence of globalization. Important characteristics of globalization influence on the development of tourism are progress and transfer of technology, efficient transportation of travelers, open borders and other factors. Some authors (Pantelescu & State, 2008) assert that tourism is one of the examples of globalization that is the most visible because people are given the chance to spend their free time comfortably. Also, many companies feel globalization's fundamental influence. Air traffic is growing exponentially (the time it takes to get to the destination is shorter, which leads to more time spent at the touristic location itself), borders have opened, as well as free markets. Globalization has opened new possibilities for the development of tourism through development of electronic technology, communication and transport. The Internet, fast communication and smaller costs of air travel are becoming more important every day. The Internet has drastically lowered costs by reducing the importance of intermediaries or excluding them all together, it has also become one of the most sought after perks of comfortable accommodation. In general, a large number of authors agree that globalization has increased interdependence of economies, countries and people. This interdependence doesn't only include mega companies, but it also includes small and medium-sized enterprises and family businesses. The process of globalization has affected the creation and functioning of the global tourism market which expects competition on an equal basis regardless of the country of origin. Finally, globalization has opened

completely new possibilities for general development and development of tourism market. One can say that globalization has a crucial role in the growth of international tourism in the world market. The contribution of globalization in economic, political and cultural terms also affects evolution of tourism in the context of increase of travels both outside and inside borders. Globalization, the openness of borders, growth of all types of transport, especially air traffic, the Internet and increase in the number of people who can afford to take vacations and travel outside the national borders, have all influenced the strengthening of international over domestic tourism (Nedeljković *et al.*, 2013).

2.2. Tourism and economic development-tourism impact on other areas of the economy

History of the importance of tourism for economic development and its impact on development of other economic areas ranged from views that tourism is a consequence of economic development to the actual position that tourism is a factor of economic development. According to (Bošković, 2009), it has long been widely accepted that tourism is a consequential phenomenon of economic development, based on the premise that tourism could have an impact on economic development, but with the previously achieved certain level of economic development. This view is based on the notion that the most significant factors driving the tourism development are also primarily the results of economic development. Later studies, however, have pointed out that tourism affects other economic activities, which have in fact established tourism as one of the factors of economic development. In the context of globalization, international tourism continues to strengthen its role in relation to domestic tourism. Given the ever-growing importance of international tourism, Table No. 1 shows the indicators of international tourism development:

Globally, tourism has shown a steady increase in the number of tourists over the last 24 years (for the period 1990-2014). In 1990, the recorded number of tourists was 435 million and this number reached a level of 1,133 million tourists by 2014, *i.e.* 2.6 times more than in 1990. This trend is also present in developed economies, where the number of tourists rose from 296 million in 1990 to 619 million, or 2.09 times. In developing economies, this number grew from 139 million tourists in 1990 to 501 million in 2014, or a incredible 4.7 times.

Regional growth in the number of tourists is also constant. Europe has recorded growth in the number of tourists from 261,5 million in 1990 to 581,8 million in 2014, or by 2.22 times. Asia and the Pacific are becoming increasingly important tourism destinations, as the number of tourists rose from 55,8 million in 1990 to 263,3 million in 2014, or 4.72 times. America also has an increased number of tourists from 92,8 million in 1990 to 181 million in 2014, or 1.95 times. Africa is rapidly progressing towards becoming an interesting tourism destination, with the number of tourists growing from 14,7 million in 1990 to 55,7 million in 2014 or by 3.78 times. The Middle East also follows the trend of growth in the number of tourists, as their number has increased from 9,6 million in 1990 to 51 million in 2014, or by 5.31 times, which is also the largest regional increase in the number of tourists.



Table 1: Development of international tourism – quantitative indicators

Year	International Tourist Arrivals (in millions)							Market share (%)	Change in growth (%)			Yearly percentage (%)
	1990	1995	2000	2005	2010	2013	2014		2014*	12/11	13/12	
World	435	527	674	809	949	1,087	1,133	100	4.2	4.6	4.3	3.8
Developed economies	296	336	420	466	513	586	619	54.7	4.0	4.7	5.8	3.2
Developing economies	139	191	253	343	435	501	513	45.3	4.4	4.5	2.4	4.6
Regions by UNWTO:												
Europe	261.5	304.7	386.4	453.0	488.9	566.4	581.8	51.4	3.9	4.9	2.7	2.8
Asia and the Pacific	55.8	82.1	110.3	154.0	205.4	249.8	263.3	23.2	6.9	6.8	5.4	6.1
Americas	92.8	109.1	128.2	133.3	150.1	167.5	181.0	16.0	4.5	3.1	8.0	3.5
Africa	14.7	18.7	26.2	34.8	49.5	54.4	55.7	4.9	4.8	4.7	2.4	5.4
Middle East	9.6	12.7	22.4	33.7	54.7	48.4	51.0	4.5	-5.3	-3.1	5.4	4.7

Source: UNWTO (2015, p. 4)

The analysis of growth rate in the number of tourists in 2014 compared to 2013, shows that the achieved growth rate at a global level was 4.3%, developed economies achieved a growth rate of 5.8%, while developing economies recorded a growth rate of 2.4%. At the regional level, the highest growth rate was achieved by America- 8%, followed by Asia, the Pacific and the Middle East with a growth rate of 5.4%, then Europe with 2.7% and Africa with 2.4%.

The highest average annual growth rate in the analyzed period (1990-2014) was recorded in Asia and the Pacific with a growth rate of 6.1%, indicating the growing attractiveness of tourism destinations in the region, followed by Africa with 5.4%, Middle East with 4.7% and Europe with 2.8%. Developed countries had an average annual growth rate of 3.2% in the number of tourists, while developing economies recorded an average annual growth rate of 4.6%. The global average annual growth rate in the number of tourists was 3.8%.

In addition to these quantitative indicators, the financial indicators also point to the intense tourism development, as shown in Table No. 2.

On a global level, international tourism revenues have grown from 1,197 billion USD to 1,245 billion USD, which

shows a growth rate of 3.7%. This kind of growth was also recorded in developed economies where revenues rose from 784 billion USD in 2013 to 815 billion USD in 2014, or 3.2%. In developing economies, revenues rose from 413 billion USD in 2013 to 430 billion USD in 2014, or 4.6%. Revenue growth has also been recorded on a regional level. Namely, Europe had the biggest revenue growth amounting to 17.2 billion USD, which shows the growth of 3.6%, while the smallest growth was observed for Africa, amounting to 0.9 million USD, or 2.9%.

The effect of tourism on the development of the economy, *i.e.* the economic effects of tourism can be treated as direct and indirect. The direct effects of tourism on the economy can be viewed through a few of the most important effects: effects on the domestic product and national income, development of economic industries related to tourism sector, balance of payments, the population and employment, investments and effects on insufficiently developed areas and countries. The indirect effect is related to the industries that usually follow tourism activities; and these are primarily agriculture, industry and construction (Bošković, 2009). The effects of tourism on other economic activities are presented in “Image No. 1”:

Table 2: Development of international tourism-financial indicators

Year	International tourism revenues (% of change)				Market share (%)	Revenues (USD billion) per tourist			
	11/10	12/11	13/12	14*/13		2014*	2013	2014*	2014*
World	4.6	3.9	5.1	3.7	100	1,197	1,245	1,100	
Developed economies	5.8	3.7	5.7	3.2	65.5	784	815	1,320	
Developing economies	2.5	4.4	4.0	4.6	34.5	413	430	840	
Regions by UNWTO:									
Europe	5.0	1.9	4.2	3.6	40.9	491.7	508.9	870	
Asia and the Pacific	8.6	6.7	8.6	4.1	30.3	360.7	376.8	1,430	
Americas	4.6	4.7	4.7	3.1	22.0	264.2	274.0	1,510	
Africa	2.3	6.0	2.6	2.9	2.9	35.5	36.4	650	
Middle East	-15.6	0.9	-6.9	5.7	4.0	45.2	49.3	970	

Source: UNWTO (2015, p. 5)

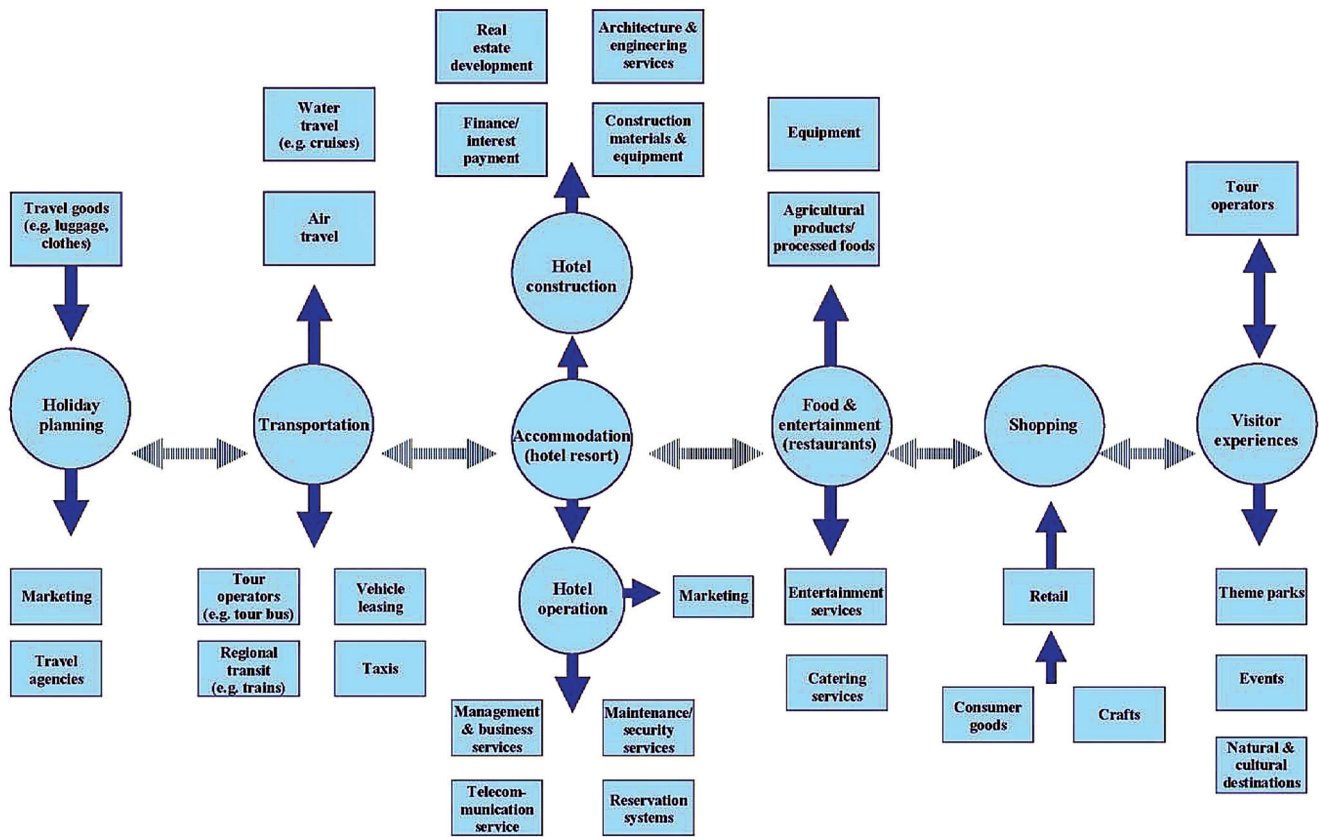


Image 1: The influence of tourism industry on other service industries and production

Source: UNCTAD (2007, p. 21)

Tourism presents an important development potential. This constant comes out of the fact that tourism cross connects both sales of goods and services, such as accommodation, transport, entertainment, sales of agricultural products *etc.* An important fact is that tourism enables the consumer to come to the producer and not the other way around, so that even the smallest transaction becomes part of the global

economy. Every sale of goods or services to foreign tourists has a significant positive effect on small businesses, which otherwise would not be able to breach the global supply chains (UNCTAD, 2007). Apart from direct and indirect effects on the economy, it is also important to show possible positive and negative effects, as displayed in Table No. 3:

Table 3: Possible effects of tourism

POSITIVE EFFECT	NEGATIVE EFFECT
Increase of revenues/increase of standard of living	Big dependence on tourism
Employment possibilities	Increased costs of living- accommodation, food and services
Tourism infrastructure improvement	Pollution and traffic congestion
Increase of tax income	TNC* dominate the touristic market
Raising awareness and increasing resources for cultural and natural heritage	Harmful effects on cultural and natural heritage
Capital inflows	Sensitivity of business cycles and changes of business attitude
Transfer of professionalism and managerial skills	Little control of tourism development
Market connections	Unacceptable form and volume of development
Visible effects for local entrepreneurs	Invasion of open spaces

*TNC- Trans National Companies

Source: UNCTAD (2010), expanding on UNESCAP (2001) and on Kusluva & Karamustafa (2001)



2.3. Foreign direct investments in tourism

Foreign direct investments (FDI) are a factor of growth dynamics which should be principally used by developing countries *i.e.* developing economies. However, a small number of empirical analysis exist in this field, keeping in mind the small number of empirical indicators showing the effect of FDI on the development of tourism in the global economy (UNCTAD, 2007). The main problem in the research is the fact that tourism is not considered a formal tourism industry in the classification of national accounts. The complexity of tourism as an industry and the absence of a single methodology for recording FDI in tourism creates methodological problems, meaning that for example FDI in hotels and catering facilities can be found under “real estate”, FDI in transport is presented as “transport, communications and warehousing”, this in general makes big problems in the quantification of FDI in tourism, especially when related to properties, revenues or employment. However, in more recent times (WTO, 2004, pp. 13-14) and with the approval of the Statistical Commission of the United Nations (2000), a new methodological framework has been recommended, which includes twelve separate national accounts related to tourism activities. This methodology includes companies that are directly incorporated into the production and consumption of tourism services and companies that are incorporated indirectly. Research conducted by UNCTAD shows these twelve activities for which it can be assumed that are a characteristic of tourism activities in a direct or indirect way through the TSA model (Tourism Satellite Account), wherein an indicator of FDI frequency in these activities is formed. The model presents the most common TSA frequencies: hotels and similar structures, restaurants and “second homes”, occasional FDI frequencies related to transport of travelers and rent of goods and services of railway transport, and scarce FDI frequencies in air traffic services, waterway transport, services that are in the function of traveler transport, tourism agencies, cultural services, sports and other recreational services. When it comes to FDI forms, we can conclude that mergers and acquisitions are more common forms of FDI for entering foreign markets because it is more efficient and simple to buy an existing distribution network rather than starting a business from scratch, which is the characteristic of greenfield investments, and this is why they are not so frequent as mergers and acquisitions (M&A), (UNCTAD, 2010).

Foreign companies will invest in international markets if the following three terms are fulfilled simultaneously:

- 1) Ownership: the company has to have ownership as an advantage to be able to efficiently compete with the local companies;
- 2) Location: companies use the advantages of relocating to the foreign country (big land areas, cheap workforce, rich cultural heritage and pleasant climate);
- 3) Internationalization: the company benefits because it directly controls the business activity rather than relying on services of the local company;

This principle is otherwise known as the “OLI” principle (ownership, location, internationalization).

The analysis of the number and value of greenfield investments has been done based on the facts shown in Table 4 and Table 5 (M&A), (UNCTAD, 2010).

Table 4: Number of greenfield projects by industries, 2010-2014

	2010	2011	2012	2013	2014
Services	7 533	8 422	8 066	7 816	7 280
Electricity, gas and water	335	394	285	319	237
Construction	176	166	198	176	223
Trade	805	810	712	859	638
Hotels and restaurants	268	176	128	170	76
Transportation, warehousing and communication	954	1 019	996	1 140	963
Financial services	1 321	1 569	1 401	1 141	1 198
Business services	3 321	3 898	3 945	3 698	3 622
Education	102	113	127	71	68
Health and social services	64	82	60	39	71
Social and personal service industries	142	164	186	163	150
Other services	45	31	28	40	34

Source: UNCTAD (2015)

In the observed period, a total of 818 greenfield projects have been implemented in the tourism industry, with the largest number of projects implemented in 2010. Namely, in this year the decrease of these projects also begins from 268 to 76 in 2014. The largest number of greenfield projects was implemented in the business services sector amounting to 18.484 projects. The tourism industry assumes the seventh place based on the number of implemented projects out of eleven analyzed industries.

The value of implemented greenfield projects is visible in Table No. 5:

Table 5: Value of greenfield projects by industries, 2010-2014 (million USD)

	2010	2011	2012	2013	2014
Services	331 654	355 508	318 019	402 615	340 773
Electricity, gas and water	67 990	90 258	65 543	93 638	65 054
Construction	36 793	36 426	57 389	38 510	63 257
Trade	29 400	25 899	19 426	26 606	23 808
Hotels and restaurants	26 684	18 568	13 801	20 815	8 955
Transportation, warehousing and communication	52 697	56 445	42 355	65 883	60 522
Financial services	43 278	48 577	44 437	36 253	36 073
Business services	62 587	67 346	58 908	112 268	72 659
Education	1 468	1 618	1 662	864	898
Health and social services	2 012	1 291	2 040	399	2 331
Social and personal service industries	6 237	6 309	10 912	6 183	6 611
Other services	2 510	2 773	1 546	1 197	605

Source: UNCTAD (2015)



The value of implemented greenfield projects in the observed period in the tourism industry has accounted for 88.821 million USD. The largest value of implemented projects was generated in the energy industry and amounted to 382.482 million USD. The tourism industry assumes the seventh place in terms of the value of implemented greenfield projects out of a total of eleven analyzed industries.

3. CONCLUSION

Globalization as a process had brought about significant changes in all spheres of social, political and economic life. Global economy, as a result of the globalization impact, has also led to certain changes that can be seen primarily in the liberalization of international trade, free movement of capital, workforce and goods, as well as the provision of services breaking down the barriers. Tourism is an industry that can be considered an increasingly important industry within the global economy, especially mass tourism. We can also conclude that the globalization processes, which have initiated changes in the field of transport, communications, new technologies and the Internet, exert a strong impact on tourism development. This influence can be observed in a constant rise in the number of tourists and travels, as well as in constantly rising revenues in the tourism industry with continuous reduction of costs, through industries following tourism. It can be concluded that globalization processes which have been causing changes in the global economy, especially in tourism-related industries, have severely affected tourism development, principally mass tourism. The development and progress of tourism also produce certain changes that exert a strong impact on related industries. In that sense, the view of tourism as a consequence of economic development has evolved into a new view of tourism as a factor of economic development. A conclusion like this is grounded on the fact that tourism cross connects certain industries so that their interdependence becomes greater and the dependence on tourism development. The economic activity of tourism has direct and indirect effects on economic development which are increasingly visible in time so the fact that tourism influences economic development and not vice versa cannot be ignored anymore. Foreign direct investments are an important factor of tourism development dynamics, especially in developing countries. However, there are many methodological problems of quantifying the effect of FDI on tourism development in this field, and thus

new models are being developed to overcome this issue. So far, the accepted models used to define the quantification of the effect of FDI on the development of tourism are: the TSI model and "Oli" model. According to the UNCTAD classification, there are eleven service industries in the statistical database. Tourism assumes the seventh place according to the number and value of greenfield projects.

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