

Can Tourism Be a Key Industry for Economic Growth in Japan?

By Masakazu Toyoda

If you want to know the answer to this question, I urge you to read the roundtable discussion among tourism experts that will be in the July/August 2023 issue of Japan Spotlight. My answer in this Publisher's Note, and as the moderator of this roundtable, is a definite "YES".

Tourism can be a key industry but a change in the mindset of the public and private sectors would be required. We need a "shift from quantity to quality". The following three sets of figures reveal Japan's opportunities and challenges regarding the tourism industry.

The first statistics comes from the Travel and Tourism Development Index (TTDI) published by the World Economic Forum. This index evaluates and compares the quality of the tourism related business environment of each country. In 2021, the World Economic Forum rated Japan as the best in the world in that regard. Ten years ago, Japan was not reported in the top 20, in 2013 it was 14th, in 2019 it was 6th, and in 2021 Japan moved to **First** place. I must admit that after 2015, a methodological change to the index calculations may have worked to Japan's advantage. In 2015, larger weights or proportions to the *infrastructure and natural and cultural resources* component were allocated at the expense of other factors and this may in part explain Japan's remarkable improvement over the last decade. Nonetheless, it grew from 2019.

The second relevant statistics is the actual number of foreign tourists to Japan. According to the country rankings published by the United Nations, the number of foreign visitors to Japan in 2019 was 32 million, placing Japan in 12th place. This is less than one third of the level of visitors to France who ranks First. Understandably, there are limitations to the number of foreign tourists that can visit countries that are isolated and not being land locked, such as Japan.

The third number compares tourism income. According to the United Nations statistics for 2020, and despite the Corona Disaster with its imposed bans on travel and tourism and Olympics delay, Japan ranked 13th. Incidentally, at USD 11.3 billion, it is only 13% of the US, which is in First place.

These figures tell us that despite Japan's popularity, it has relatively few visitors and its tourism earning potential as an industry has not kept pace with the country's increasing economic appeal.

So, what should be done to increase the Japanese tourism industry?

As the overall number of foreign tourists (by air or sea) seems limited, the aim should be to improve the income per tourist. As such, Japan should provide for a better infrastructure from North to South and East to West. With better services it would secure better customers willing and prepared to spend more. To support a 'shift from quantity to quality', the expert advice discussed at the roundtable was as follows.

First, capital investment. Given the generally agreed limitations on further increasing the number of tourists, the idea of providing more inexpensive services with inexpensive facilities is becoming

totally inappropriate. We cannot nor need to appeal to a wide and diverse range of tourists, Japan must attract the best customers with better facilities. Take for example the number of five-star hotels. According to data from the Five Star Alliance, there were only 28 in the whole of Japan in 2016, which is less than 4% of the 755 luxury hotels in the United States, the country with the highest tourism income in the world. A total of 28 top establishments is extremely low compared to even other Asian countries, namely China, Thailand, and India, which have 132, 110 and 84 five-star hotels respectively. The current situation may reflect the travelling needs for Japanese tourists in a society with a smaller gap between rich and poor, but this is far from sufficient to attract the world's best customers.

Second, investment in human resources. Good accommodation requires good people in the service industry. This means providing training to personnel who demonstrate an excellent attitude towards customer service and who, at the very least, speak English if not several languages. The same approach should apply to tourist guides. With better customers, the tourism industry will attract the best in human resources and the quality of Japan's tourism industry will be enhanced.

Third, the role of government. The first thing that needs to be done is to improve the infrastructure. For example, it is important to develop, maintain and improve our transport and communication infrastructures to ensure foreign tourists do visit rural areas of interest that are not necessarily well served by public transport. However, from a different perspective, the increase in the number of tourists to the countryside has already caused inconvenience to the general population in terms of transport. This is, so to speak, "cheap" tourism pollution. The solution to the congestion caused by buses is to systematically improve infrastructure while taking foreign tourists into consideration. Some of the targeted visitors could come by private jet but the infrastructure at airfields seems to be limited.

On the other hand, support for capital and human resource investment is essential. Even if the quality of tourism is improved substantially, it is highly unlikely that hotel management is financially prepared to suddenly raise salaries. A change of mindset can only be achieved through cooperation between the public and private sectors.

Of course, the government as well as the potential investors have already assessed the opportunities and benefits of further increasing the satisfaction levels of foreign tourists. A fundamental transformation is already (slowly) under way. I am convinced the tourism industry will support the Japanese economy as one of its key growth industries, both in name and reality. **JS**

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