

Promotion of Tourism as a National Strategy

By Kojima Akira

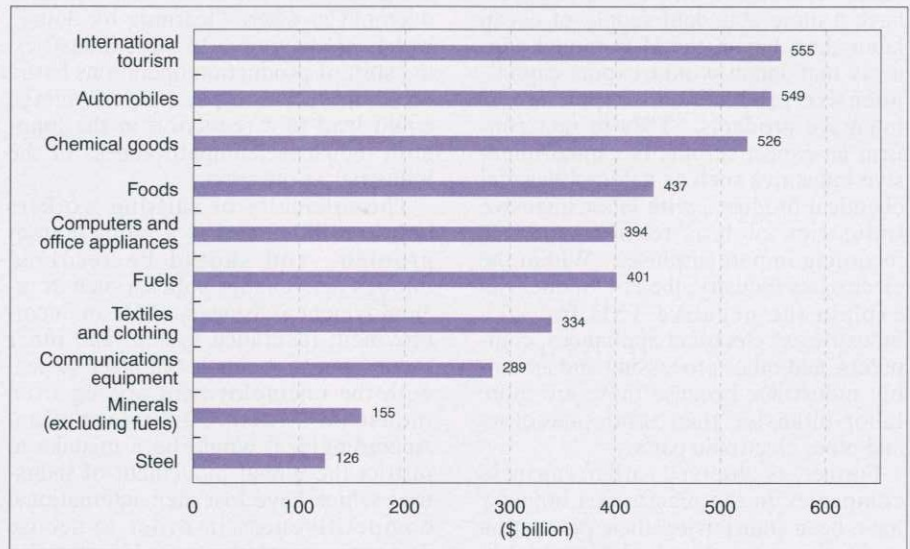
Driven by the termination of the Cold War, globalization is rapidly picking up momentum. The explosive expansion of direct investment symbolizes and constitutes the essential element of globalization. Direct investment represents the flow of an economic resource which combines capital, technology and management know-how beyond national borders. As China's phenomenal economic development suggests, direct investment tremendously expands recipient countries' production power, triggers a large-scale global division of labor and realigns this process.

The rapid expansion of human flows across national borders is another important aspect of globalization worthy of note. Ishimori Shuzo, professor at the National Museum of Ethnology, views this rapid global expansion of human flows as the advent of an "Era of Great Exchanges" and regards tourism as a mega-trend of the contemporary world.

According to statistics of the World Tourism Organization (WTO), the number of overseas tourists throughout the world totaled 699 million in 2000, a 2.5-fold increase from the 287 million in 1980. The Sept. 11 terrorist attacks on the United States seriously affected international tourism, which pushed several major airlines such as Swissair and Belgium's Sabena into bankruptcy and forced major U.S. airlines to carry out drastic staff reductions. Yet, WTO statistics showed that the number of global overseas tourists dipped only 1% in 2001 and began to increase in 2002. In its "Tourism 2020 Vision" report, the WTO projected that the number of overseas tourists would continue to grow by an annual average of 4.1% and would total 1.6 billion in 2020.

Expansion of direct investment has enhanced the economic interdependence among countries of the world more than trade (exports and imports of goods) did. The great human flows of "Great Exchanges" across national borders are also deepening the mutual understanding of people around the world. Mutual

Figure 1 Item-wise breakdown of 1999 exports (world total)



Note: The World Tourism Organization defines "International fare receipts" as the total amount of money international tourists (including day tourists) paid carriers registered in the country concerned. The tourists' destination may not be the country concerned.

Sources: World Tourism Organization, World Trade Organization, International Monetary Fund

understanding in turn helps promote peace globally. Countries receiving a large number of foreign tourists can strengthen "soft power," as Professor Joseph S. Nye at Harvard University argues.

Lately, countries around the world are taking note of the economic effects of tourism. The following statistics show why countries have begun to attach importance to tourism.

International tourism receipts and international fare receipts combined totaled \$555 billion in 1999, accounting for 8% of the global exports of goods and services. The same year, global exports of automobiles stood at \$549 billion, chemical products \$526 billion, fuels \$401 billion, computers and office equipment \$394 billion, communications equipment \$289 billion and steel \$120 billion. The figures show that the value of exports of international tourism services exceeds the value of all commodities exports. In other words, international tourism is the world's largest export commodity and makes an important export industry.

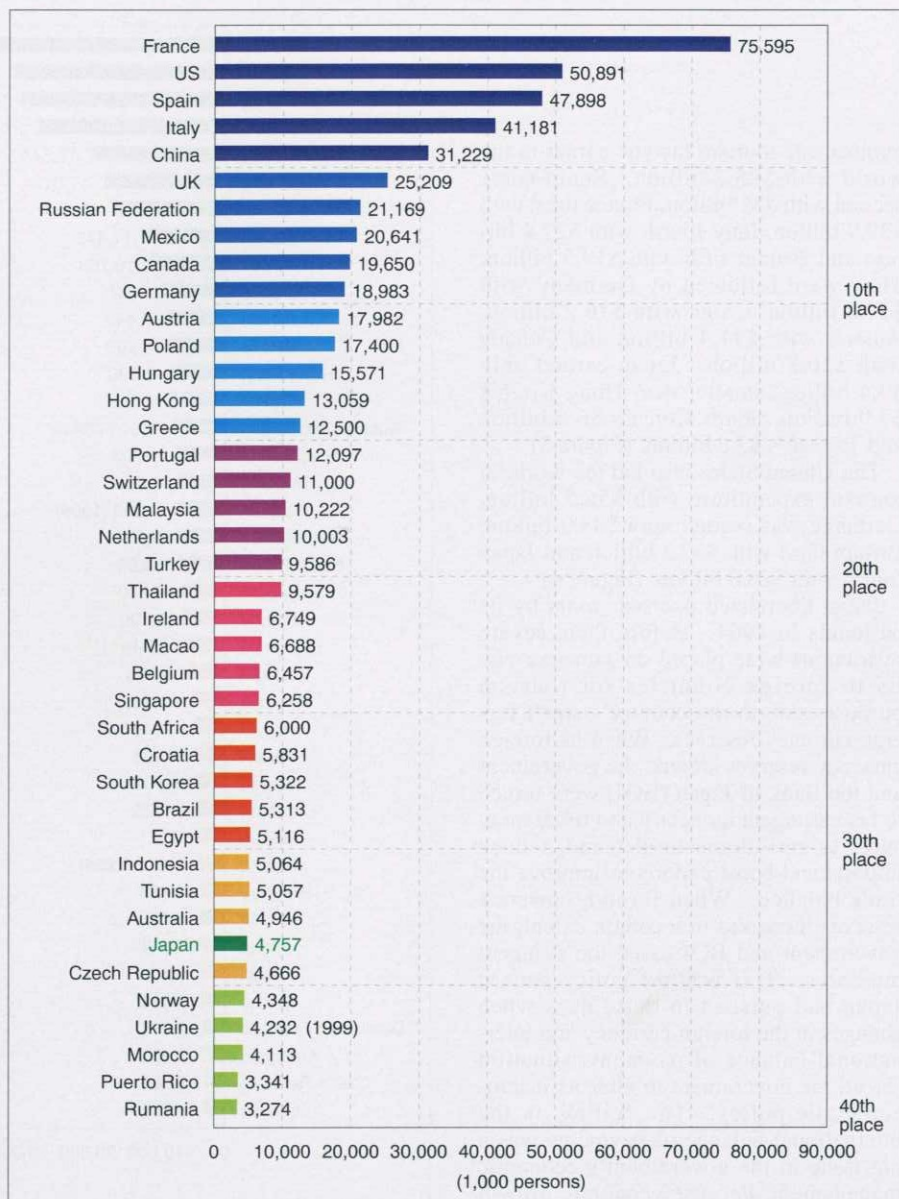
(Figure 1)

After the Sept. 11 attacks resulted in sharp reductions in international tourism revenues and damaged global economies, the countries of the world began to recognize the importance of tourism's economic and social significance as well as the expansion of the links of tourism.

According to *Kanko no 20-seiki* (Tourism in the 20th Century), edited by Ishimori, every nation of the world experienced three revolutionary changes in tourism from the middle of the 19th century to the present day. The first tourism revolution occurred in the mid-19th century, particularly in Europe in the 1860s, with the rich or leisured classes taking the lead. The second revolution was led by the middle class, mainly those in the United States, in the 1910s on the occasion of World War I. The introduction of Boeing 747 jumbo jetliners in the 1960s triggered the third revolution, mainly in the developed economies.

The trend of tourism in the 21st century is an extension of the third revolution, and the new factor notable at this stage is

Figure 2 International tourist arrivals 2000



Notes: 1) These figures are temporary figures available as of January 2002.

2) The figure for Ukraine is for 1999 since the 2000 figure is not available.

Source: World Tourism Organization

the emergence of wealthy and middle classes in Asia amidst the region's phenomenal economic development. These masses are becoming a new element in international tourism and are drawing global attention. They may play a leading role in the expansion of international tourism.

Asian countries are already responding to the advent of the "Era of Great Exchanges," which is underlined by the opening or construction of giant airports in the region. The newly opened international airports include Hong Kong's Chek Lap Kok, Malaysia's Kuala Lumpur International Airport (or the so-called Sepang New Airport), South Korea's Incheon and China's New Pudong International Airport (Shanghai). Airports currently under construction include Thailand's New Bangkok International Airport.

What is Japan doing amidst such swirling global waves of tourism? Simply put, Japan has failed to ride on the current and is being left behind.

Japan rhetorically positions tourism as the foundation of its nation-building and emphasizes the importance of international tourism. The 2002 government white papers on tourism ("The Annual Report on Tourism for Fiscal 2001" and the "Tourism Measures to be Taken in Fiscal 2002," both of which were published in May 2002) analyzed the current situation of tourism as follows:

"As tourism spending has wide economic effects, tourism is expected to play the role of a leading industry which boosts the development of other industries.

"Currently, Japan's international tourism is virtually one-way traffic, with foreign tourists coming to Japan accounting for only a quarter of Japanese tourists going overseas. Not only from the viewpoint of promoting mutual understanding with foreign countries but also from the viewpoint of economic effects, such as improving the international balance of payments, supporting domestic industries and protecting employment, various measures for increasing the number of foreign tourists should be taken positively."

One-way traffic is the most serious problem for Japan's tourism. While Japan still registers huge surpluses in the trade of goods, direct investment in Japan from overseas remains at an extremely low level

against Japan's overseas investment. Similarly, the tourism balance of payments is in a huge deficit. Amidst economic globalization, Japan suffers huge deficits in the balance of payments in direct investment and in international tourism, which represents the one-way traffic flows in the two "Great Exchanges."

In the WTO's 2000 international ranking of tourist arrivals, Japan ranked 34th in the world.

More specifically, France ranked first in the world as a destination of foreign tourists, with 75.60 million foreigners visiting the country. The United States came

second with 50.89 million visitors, followed by Spain with 47.9 million, Italy with 41.18 million and China's 31.23 million. Japan ranked a distant 34th with only 4.76 million, even below Hong Kong's 13.06 million and Singapore's 6.26 million. (Figure 2) On the other hand, Japanese tourists going overseas totaled 17.82 million, nearly four times the number of foreign tourists Japan receives.

Now, let us examine the balance of international tourism from the viewpoint of economic effects.

In 2000, the United States was the

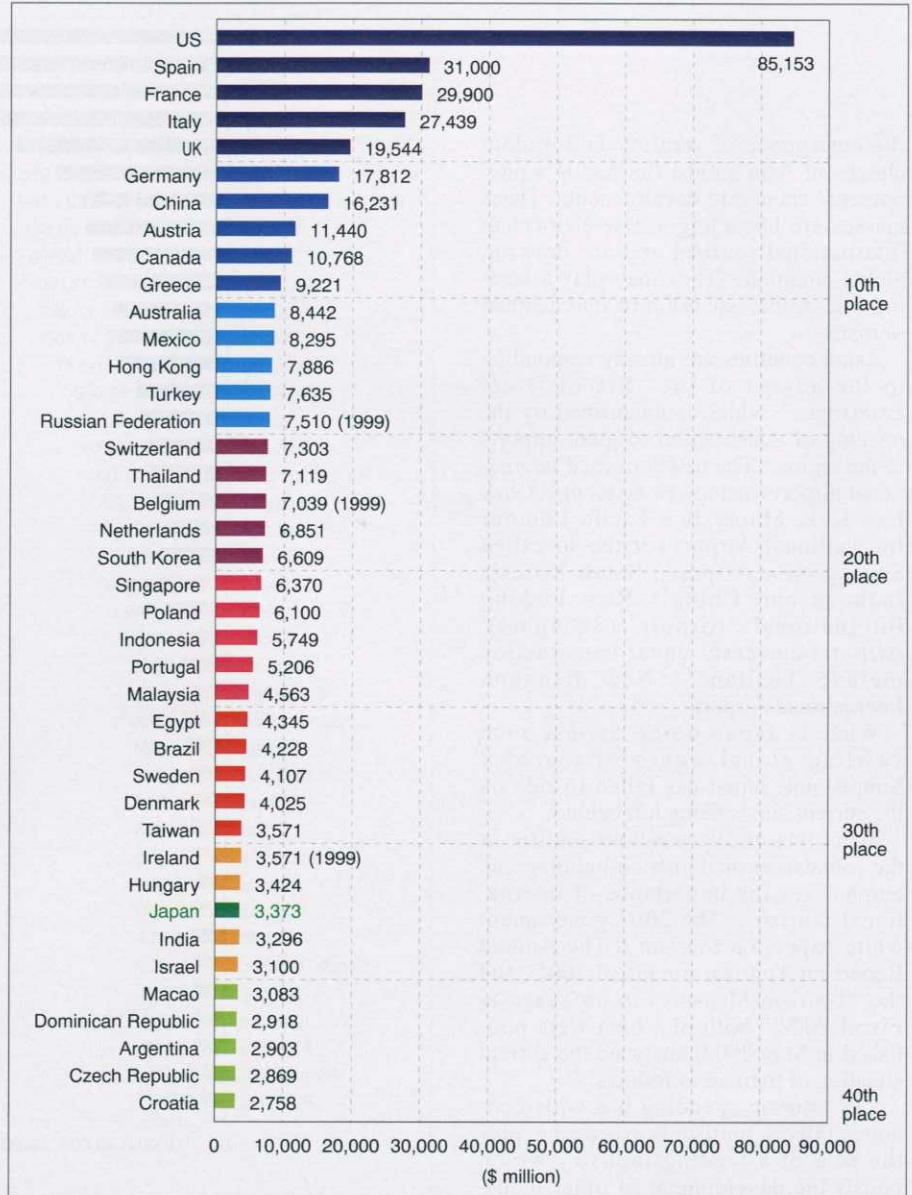
Figure 3 International tourism receipts 2000

number one tourism income earner in the world with \$85.2 billion. Spain came second with \$31 billion, France third with \$29.9 billion, Italy fourth with \$27.4 billion and Britain fifth with \$19.5 billion. They were followed by Germany with \$17.8 billion, China with \$16.2 billion, Austria with \$11.4 billion and Canada with \$10.8 billion. Japan earned only \$3.4 billion, smaller than Hong Kong's \$7.9 billion, South Korea's \$6.6 billion and Taiwan's \$3.6 billion. (Figure 3)

The United States also led the world in tourism expenditure with \$56.5 billion. Germany was second with \$48.9 billion, Britain third with \$32.3 billion and Japan fourth with \$28.8 billion. (Figure 4)

Japan liberalized overseas tours by its nationals in 1964. Before then, severe restrictions were placed on Japanese visits to foreign countries for tourism purposes due to the country's small foreign currency reserves. When its foreign currency reserves shrank, the government and the Bank of Japan (BOJ) were forced to take stringent monetary and fiscal measures to curb domestic demand, reduce imports and boost exports to improve the trade balance. When foreign currency reserves increased to a certain extent, the government and BOJ eased the stringent measures. This was the policy pattern Japan had pursued in those days when changes in the foreign currency and international balance of payments situation forced the government to alter its macro-economic policy. The ceiling on the international balance of payments was a big issue in the government's economic management, because economic growth even for a short duration pushed the nation's international balance of payments into deficits and reduced its foreign currency reserves. Individuals were therefore banned from buying foreign currencies and individual foreign tours for leisure purposes were severely restricted.

Since the 1964 liberalization, Japan's balance of tourism has changed in parallel with the changes in the number of foreign tourists coming to Japan and Japanese tourists going abroad. Despite these changes, Japan's international tourism balance has been constantly in the red for some 30 years after the liberalization. The deficits have been rapidly expanding since the 1980s with the acceleration of the yen's appreciation. The



- Notes: 1) These figures are estimates as of August 2001.
 2) The figures for the Russian Federation, Belgium and Taiwan are for 1999 since the 2000 figures are not available.
 3) The World Tourism Organization defines "International tourism receipts" as "expenditure of international inbound visitors, including their payments to national carriers for international transport. They should also include any other prepayments made for goods/services received in the destination country."

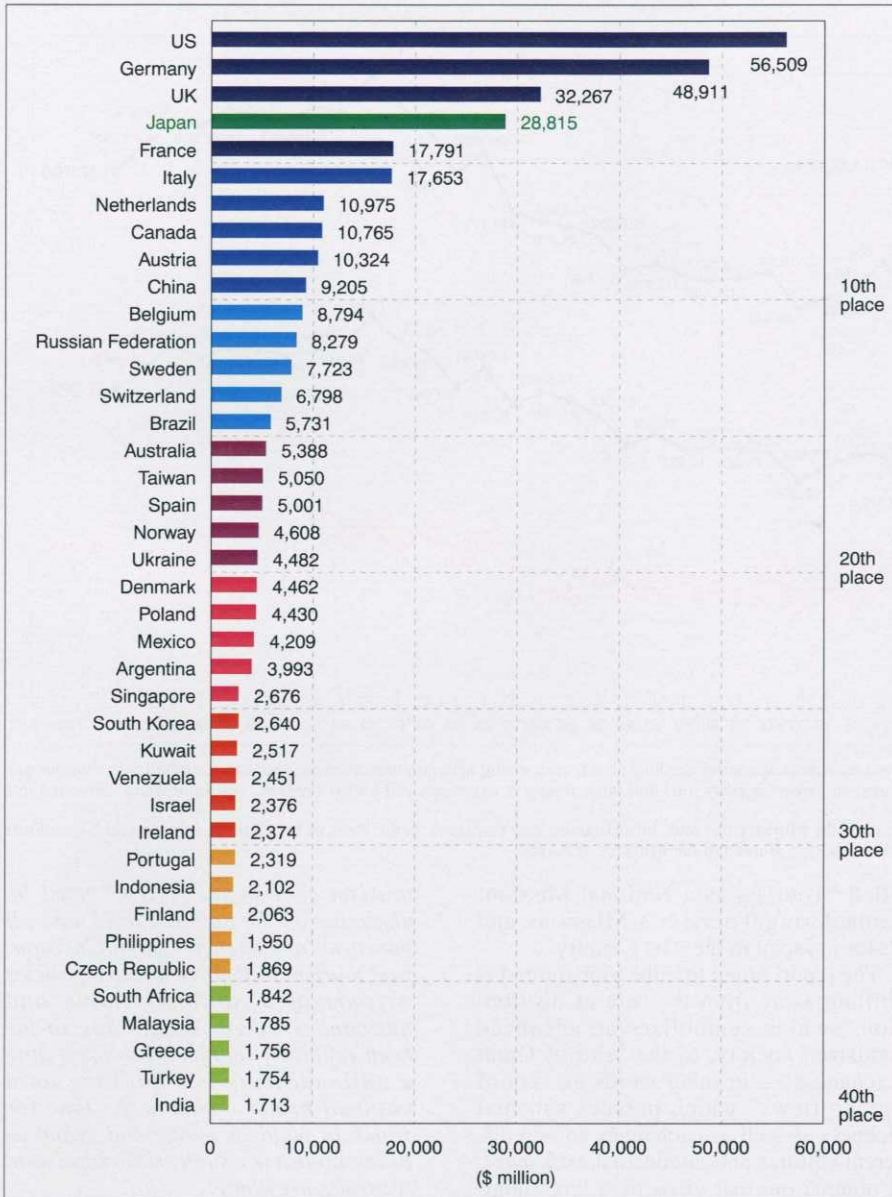
Source: World Tourism Organization

2000 deficit stood at \$28.5 billion.

The tourism white papers positioned tourism as the "leading industry for the 21st century." In reality, however, Japan's tourism policy has been lagging behind even that of other Asian countries, let alone the industrialized countries. As the massive global division of labor progresses, Japan is being forced to revise its single-minded "trade-based" policy line. Japan now finds it essential to shift the focus of its economic management from

the mass production of standardized manufactured goods to the production of knowledge-intensive and high value-added products and services, given the emergence of other countries producing manufactured goods such as China. If Japan does not do this, it will see its economy hollow out. Japan's failure to fully respond to the situation is the basic factor behind the stagnation and impasse of its economy lasting for almost 10 years.

Figure 4 Top 40 countries and regions in terms of international tourism expenditure 1998



Note: The World Tourism Organization defines "International tourism expenditure" as "expenditure of out-bound visitors in other countries, including their payments to foreign carriers for international transport."

Source: World Tourism Organization

Tourism can be a strategic pillar in the policy shift. Already, a large number of countries position tourism firmly as a strategic industry and take positive measures to promote tourism.

The United States, already one of the leading tourism countries, has been taking various strategic measures to promote tourism in recent years. In the summer of 1991, President George Bush, who was then seeking reelection, personally appeared on U.S. government-sponsored tourism promotion TV commercials aimed at Germany and Japan. In 1995, President Bill Clinton, who was also

seeking reelection, convened the White House Conference on Travel and Tourism and articulated his administration's positive stance on tourism in the 21st century. The presidential performances symbolized the fact that tourism, previously managed by the U.S. Department of Commerce, has gained a new position as a strategic industry at the White House level.

Tourism is becoming an increasingly important industry in the new century. Despite the temporary lull in tourism that followed the Sept. 11 attacks, the advent of the "Era of Great Exchanges" would

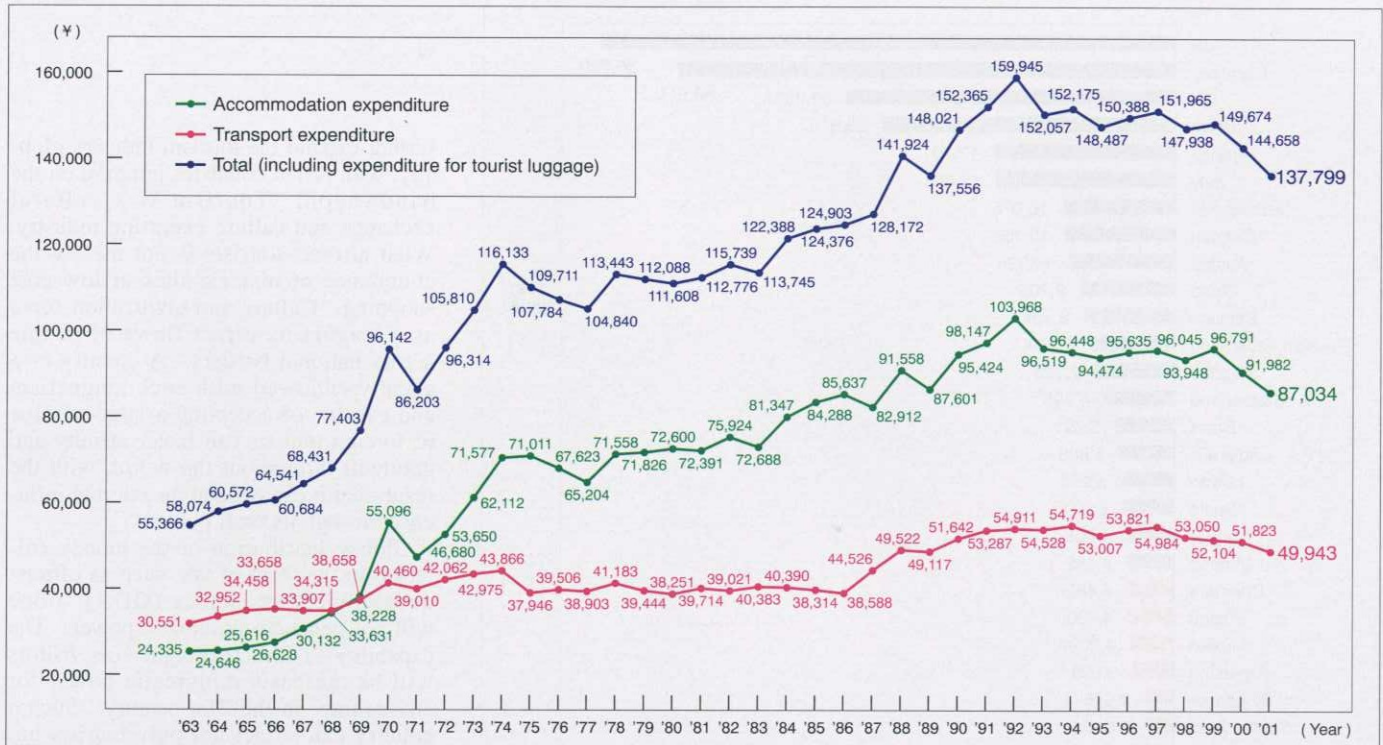
further expand the tourism industry globally, with Asian countries jumping on the bandwagon. Tourism is a cultural exchange and culture exporting industry. What attracts tourists is not merely the abundance of historic sites or low-cost shopping. Culture and civilization serve as a magnet to attract flows of people across national borders. A country or a society endowed with such magnetism and capable of accepting a large number of foreign tourists can foster affinity and goodwill throughout the world, with the result that it can expand its external influence through its "soft power."

Global distribution of the money collected in the form of tax, such as official development assistance (ODA), alone will not generate diplomatic power. The capability to attract foreigners as visitors will be the basic diplomatic power for any country in the 21st century. Such a country can attract not only tourists but also talented students and researchers.

The Japan Federation of Economic Organizations (Keidanren), which merged with the Japan Federation of Employers' Associations (Nikkeiren) to become the Japan Business Federation (Nippon Keidanren) in May, presented in 2000 a document titled "Position Paper Concerning Tourism in Japan in the 21st Century." Keidanren, which was Japan's largest business body at the time, emphasized in the document that Japan should positively promote tourism as an important industrial sector. Reflecting the government's positive stance on tourism, Prime Minister Koizumi Jun-ichiro said in his policy speech in the 2002 regular Diet session that he would like to "make efforts to seize this opportunity (Japan's co-hosting of the FIFA World Cup with South Korea) to introduce our country's cultural traditions and rich tourism resources to the entire world and increase the number of travelers who visit Japan, and thereby restore vitality to the local areas throughout our country."

The aforementioned 2002 white papers on tourism said the Japanese government had implemented various measures under a tourism promotion program, known as "The New Welcome Plan 21," aimed at doubling the number of foreign tourists coming to Japan to 8 million in or around 2007. The white papers outlined the following specific measures implemented under the New Welcome Plan 21:

Figure 5 Changes in tourism-related expenditures by Japanese nationals



Note: The figures represent the total of annual tourism-related consumer spending per household, comprising accommodation expenditure (accommodation charges and pack tour expenses), transport expenditure (railway fares, air fares, highway tolls and other transport expenses) and tourist luggage. All figures are converted into 2001 prices.

Source: Compiled by the Tourism Department, Policy Bureau of the Ministry of Land, Infrastructure and Transport on the basis of the "Family Income and Expenditure Survey" and "Consumer Price Index" compiled by the Statistics Bureau of the Ministry of Justice

1. Establish a clear image of Japan as an attractive tourist spot. Change Japan's image as an industrial country focused on manufacturing. Boost publicity activities portraying Japan as an attractive tourist destination by focusing on unique characteristics such as nature, arts and traditional culture. Offer tourism-related information through multi-language website. (see Japan National Tourist Organization website at www.jnto.go.jp. The website receives 17-million hits annually.)
2. Promote new discoveries and interchanges with people of other countries beyond language barriers, specifically, interchanges on the private-sector level and support for goodwill volunteer interpreter services.
3. Make tourism less costly.
4. Promote tourism-related international conventions and other activities.
5. Promote tourism-related exchanges with other countries.
6. Simplify immigration and emigration procedures for foreign tourists.

Meanwhile, the Japan Economic Research Institute, a think tank representing the Japanese business world, compiled in June 2002 a research report

titled "Tourism as a National Mission: Considering Tourism's Missions and Roles in Japan in the 21st Century."

The report noted that the global trend is shifting away from the "era of distribution," which symbolizes an advanced industrial society, to the "Era of Great Exchanges" – in other words an "era of human flows" which pursues spiritual richness as well as exchanges among different cultures and intellectual exchanges. It pointed out that visits by a large number of foreign tourists will not only bring economic effects but will also promote mutual understanding between visitors and local residents, which in turn will promote world peace and help ensure national security.

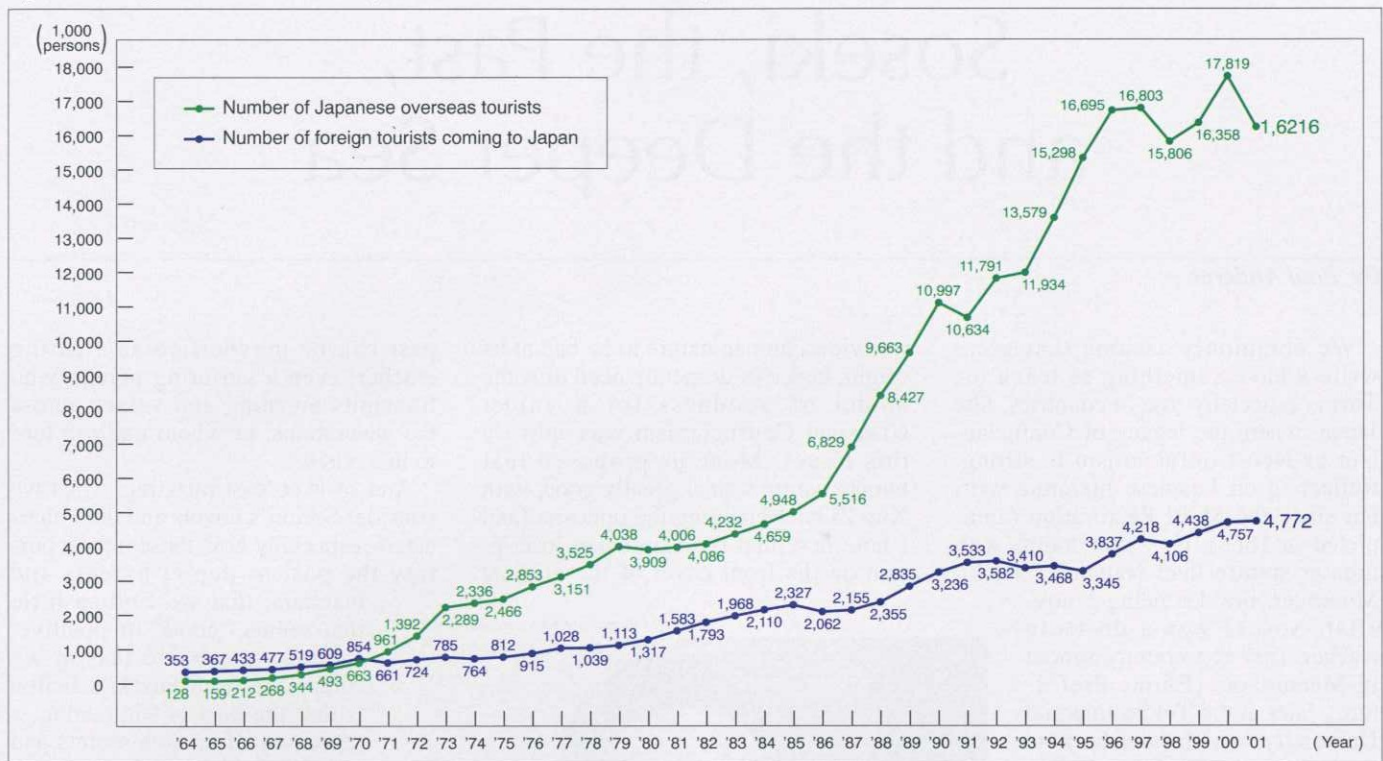
In this connection, the report emphasized the importance for Japan to make itself more attractive to foreigners. It made a 10-point proposal on the promotion of tourism that included the following points:

1. Japan should position tourism as an important part of its overall national policy. Tourism should be recognized as a comprehensive, social issue to be handled by all government ministries and agencies. The matter of "Japan's

tourism as a social system" must be discussed on the national level, and all ministries and agencies should incorporate tourism in their respective policies as part of a national vision and national strategy. Japan has so far been relatively indifferent to projecting a national image or building up a national brand. Now is the time for Japan to build its image and brand as other countries such as Britain and Australia are doing.

2. Japan should promote a "Visit Japan" policy. Many member countries of the Organization for Economic Cooperation and Development (OECD) recognize the importance of international tourism and position tourism as a national policy. Japan should grasp international tourism as a culture export industry and launch an aggressive international publicity campaign. Foreign tourists' visits to Japan will help to change the international image of Japan as a "faceless country" and foster mutual understanding with foreign countries and ensure national security.
3. Each region should promote "regional renaissance" programs by enhancing its beauty. Tourism will provide incen-

Figure 6 Changes in the number of Japanese overseas tourists and foreign tourists coming to Japan



Note: The number of foreign tourists coming to Japan represents the number of foreign nationals entering Japan (as shown in the "Annual Report of Statistics on Legal Migrants" compiled by the Ministry of Justice), deducted by the number of foreign nationals residing in Japan, plus others such as foreign nationals landing on Japanese soil for a brief period.

Source: Compiled by the Tourism Department, Policy Bureau of the Ministry of Land, Infrastructure and Transport on the basis of statistics compiled by the Ministry of Justice

tives for regions to make themselves more attractive.

4. *Japan should build social infrastructure for streamlining human flows. As part of the measure, tourism information offices should be set up in all local districts.*

As China, where wages for industrial workers are one-twentieth to one-thirtieth of those in Japan and other Western industrialized countries, is emerging as a huge supplier (producer and exporter) of manufactured goods, concern is growing in Japan over the threat posed by China and over the hollowing out of Japanese industries, with more and more production bases of Japanese manufacturing industries shifting to China.

But China's emergence as a producer of industrial goods represents only a segment of changes in the worldwide division of labor against the background of an explosive expansion of global direct investment, and is in conformity with the trend of the times. China does constitute one factor of the hollowing-out of Japanese industries. But more fundamental reasons for the hollowing-out are the following factors: 1) the delay in Japan's

domestic adjustment to the great division of labor in old manufacturing industries and 2) the delay in Japan's response to the new reality shifting toward a new paradigm in industrial technology, including higher value-added and information-based technologies.

The 20th century, when industries based on standardization and mass production prospered, was upheld by an industrial paradigm, known as Fordism, which, through belt-conveyor flow systems introduced by Ford Motor Co., enabled the mass production of low-priced automobiles. Japan's Fordism-type industries developed remarkably in the 20th century and made a great success story. But the paradigm shift symbolized by the Internet has been taking place from the closing years of the 20th century to the present day. The shift of the center of gravity of Fordism-type industries to China is a relevant phenomena and an inevitable trend of the times.

Finally, Japan's current economic and industrial stalemate has resulted from the fact that while a paradigm shift is taking place in industry and industrial technology as the trend of the times, Japan has been delaying the paradigm shift in its

economy, industry and society. The paradigm shift will be achieved neither by economization nor cost reductions alone. Adjustment of economic, social and management systems to the trend of the times will be a challenge for Japan and the other industrialized countries.

As long as Japan uses the "Chinese threat" as the pretext for its domestic stalemate, it will be left hard-pressed to resurrect itself. Japan will be required to deal with such problems in terms of the paradigm of the new times. It will be necessary to clearly see that even the significance of tourism changes according to the changes of the times. JTI

(This is the last article of Kojima Akira's series)

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