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Tourism as a Development Strategy

Over the last few decades several countries have looked towards tourism as a means of promoting development and economic growth. Tourism has grown to become the world's second largest industry, directly accounting for 3.8 percent of global GDP in 2005 according to the World Travel and Tourism Council (WTTC). Experiences from various countries have shown that tourism can have significant effects, both positive and negative, on an economy. It has been noted that the very process of developing tourism and the consequences of this development imposes social, cultural and environmental costs for the country. Nonetheless, more recent studies point out tourism's potential as an anti-poverty strategy. As the Philippines attempts to jumpstart a tourism industry which has lagged behind its neighbors such as Thailand, Malaysia and Indonesia, it is worthwhile to examine the tourism industry as an agent of development as well as actions that need to be taken by the government to support the sustainable growth of this sector.

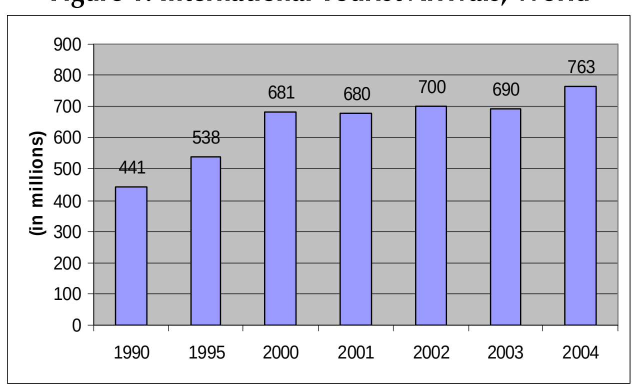
Overview of the Tourism Industry

Global Situationer

Tourism is one of the world's most important industries, employing 74.2 million persons worldwide or 2.8 percent of total world employment. It also accounts for approximately 3.8 percent of total world output in 2005 (WTTC 2005). Combining both the direct and related economic activities of tourism, the industry is estimated to employ some 221 million persons or 8.3 percent of total world employment and contribute 10.6 percent of total world output.

International tourist arrivals in the world reached an all-time high of 763 million in 2004, rebounding strongly from the setbacks experienced in 2003 due to the severe acute respiratory syndrome (SARS) scare. The 10.6 percent growth in 2004 is the highest and only double-digit growth experienced by the industry since 1980.

Figure 1. International Tourist Arrivals, World



Source: World Tourism Organization

International tourism receipts also grew in 2004 by 18.9 percent from 2003 in US dollars terms.[1] In terms of local currencies at constant prices, the World Tourism Organization (WTO)

[1] This figure is inflated by the generalized depreciation of the US dollar in the said period.

Table 1. International Tourism Receipts

	Local Currencies, constant prices (% change)		Share (%)	USD, current prices (billion)		Receipts per Arrival
	03/02	04/03	2004	2003	2004	2004
World	**(3.1)**	**9.1**	**100.0**	**524.0**	**623.0**	**820.0**
Asia and the Pacific	(9.9)	24.7	20.1	94.9	125.0	820.0
South East Asia	(16.2)	25.8	5.1	24.3	31.8	670.0

Source: World Tourism Organization

estimates international tourism receipts to have grown by 9 percent in 2004 after declining for the three previous years. The growth rates for Asia and the Pacific are more than double that of the world at 24.7 percent.

Philippine Tourism Industry

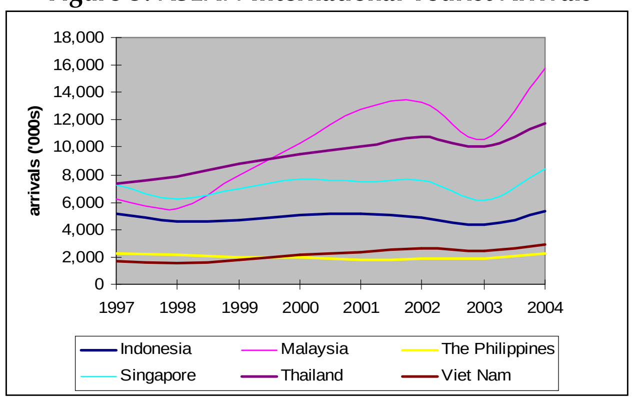
The Philippines' performance in tourism in recent years has been erratic. The country experienced steady growth in international arrivals for most of the 1990s hitting a high of 2.2 million visitors in 1997. The trend was reversed in the succeeding years, posting an average contraction of 5.1 percent from 1998 to 2001. In 2004 international arrivals grew by 20 percent with nearly 2.3 million arrivals. Recovery of the industry continued in 2005 with the country having 2.6 million arrivals. The jump in 2004 can primarily be viewed as a reaction to the generally depressed figures of 2003 due to the Iraq war and SARS. The continuing growth reflects the generally strong world economy coupled with the more focused and aggressive marketing campaign by the government.

Figure 2. Philippine International Tourist Arrivals

Source: Department of Tourism

These figures pale in comparison though to the country's ASEAN neighbors', with regional leaders Malaysia and Thailand posting tourist arrivals of 15.7 million and 11.7 million, respectively, in 2004. Viet Nam's tourist arrivals, which used to lag behind the Philippines', surged ahead in 2000. It has since maintained its lead with 2.9 million arrivals in 2004.

Figure 3. ASEAN International Tourist Arrivals



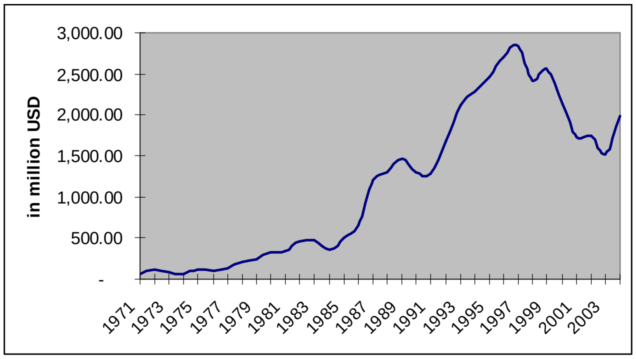
Source: ASEAN Statistical Yearbook

Income from tourism receipts reflects the pattern of tourist arrivals. In the Philippines, tourism receipts grew at an average of nearly 15 percent from 1991 to 1997. This is attributed to the increase in receipts from USD 1.8 billion in 1991 to as high as USD 2.8 billion in 1997. Tourism receipts then went to a period of decline, before picking up again to reach nearly USD 2 billion in 2004.[2]

Not surprisingly, regional leaders Thailand, Malaysia and Indonesia also had the highest

[2] No data available for 2005 as yet.

Figure 4. Philippines International Tourism Receipts



Source: Department of Tourism

levels of international tourism receipts. In 2004, tourist expenditure in Thailand reached USD 13 billion, far more than any other ASEAN country. Malaysia had USD 6.8 million while Indonesia received USD 5.2 billion for the same period. Compared to other ASEAN countries, Philippine tourism receipts are relatively low.

Table 2. ASEAN International Tourism Receipts

Country	USD Million		% of Exports	
	1995	2004	1995	2004
Cambodia	71	674	7.3	20.8
Indonesia	n/a	5,226	n/a	5.8
Laos	52	n/a	12.8	n/a
Malaysia	5,044	6,799	6.1	5.7
Myanmar	169	98	12.9	3.1
Philippines	1,141	1,991	7.7	4.6
Thailand	9,257	13,054	13.2	11.4

Source: World Development Indicators 2006

There are no recent official data on tourism's contribution to the economy. The last attempt to measure tourism's impact on the economy was in 1998, when the Department of Tourism and National Statistics Coordination Board attempted to compute a tourism satellite account (TSA). Below are the highlights of the results:

- *On economic growth.* Value added of tourism-related industries was estimated at P200 billion in 1994 and P 334 billion in 1998. These represent 12 percent and 13 percent of the country's GDP, respectively.

- *On employment.* In 1994, tourism directly and indirectly accounted for 20 percent of total employment for the whole economy. This figure rose to 23 percent in 1998. Sixty three percent of persons employed by the tourism industry were male while 37 percent were female. Female employment in tourism however accounted for a larger share of the total employment (24 percent in 1994 and 25 percent in 1998) as opposed to males (17 percent in 1994 and 20 percent in 1998).

Tourism Potential

An indicator of the potential of international tourism in the Philippines is estimated by the WTTC.[3] It forecasts output of the tourism industry to grow in nominal terms to P 295.92 billion or 2.72 percent of total GDP by 2013.

WTTC research also estimates that the Philippine international travel and tourism industry will continue to employ around three percent of total labor force. In 2013 they predict this industry to contribute 1,056,340 jobs or 2.9 percent of the total.

Taking into consideration the industry's broader economic impact, WTTC estimates that travel and tourism will contribute P831.76 billion or 7.65 percent of total GDP in 2013. WTTC also reckons that the industry will directly and indirectly employ 3.3 million persons or 9.18 percent of total employment in the Philippines in 2013.

Impact of Tourism on the Economy

The experiences of countries using tourism as a tool for stimulating development have been varied. Partly it is because of the many forms that tourism takes as well as the varying abilities

[3] It should be noted however that the WTTC annual "Travel and Tourism Economic Research" provides mainly estimates for the year ahead and is based only on modeled figures rather than actual statistics. The accuracy of the figures used by WTTC naturally relies on the comprehensiveness of the source data which is better for some countries than others. Nevertheless, given the paucity of comparable tourism economic data for most countries, the WTTC data has proven to be quite useful for research.

Table 3. WTTC Generated Travel and Tourism Industry Aggregates, 2006-2013

Philippines	2006E	2007E	2008E	2009E	2010E	2011P	2012P	2013P
Direct Impact Only								
Employment ('000s)	933.21	950.49	964.9	981.51	1,000.00	1,018.10	1,036.72	1,056.34
Gross Domestic Product (Php billion)	158.45	173.93	189.9	207.66	227.34	248.4	271.19	295.92
Direct and Indirect Impact								
Employment ('000s)	2,889.52	2,942.36	2,992.21	3,047.88	3,108.81	3,169.73	3,232.37	3,297.73
Gross Domestic Product (Php billion)	430.83	474.4	520.75	572.37	629.65	691.49	758.67	831.76
Direct Impact Only								
Employment ('000s)	3.03	3.02	3	2.99	2.97	2.96	2.95	2.94
Gross Domestic Product (Php billion)	2.7	2.71	2.7	2.7	2.71	2.71	2.71	2.72
Direct and Indirect Impact								
Employment ('000s)	9.39	9.36	9.31	9.27	9.25	9.22	9.2	9.18
Gross Domestic Product (Php billion)	7.34	7.38	7.41	7.45	7.5	7.55	7.59	7.65

Source: WTTC: Philippines 2005 Travel and Tourism Economic Research

of destinations to attract visitors, and to cater to their needs. The absence of a widely accepted consensus on the impacts of tourism has raised substantial debates on its viability as a development strategy.

On one side of the debate, those who favor the traditional mainstream and commercial tourism models believe that the foreign exchange and employment generated by the industry far outweigh the environmental and socio-cultural costs. At the other end of the spectrum, critics of mainstream tourism tend to believe that the industry is destructive and exploitative of the local environment, economy and culture. Thus they believe that tourism is best avoided unless it is so small-scale, indigenously-owned and environmentally sensitive without regard to economic viability.

While tourism is certainly not the only cure for underdevelopment in the Philippines, experiences of other countries indicate that the industry exhibits certain characteristics that make it relevant and useful for tackling some of our development problems. Nonetheless, there are also particular constraints inherent in the industry that would limit its potential contribution to economic growth. The positive and negative characteristics are as follows:

Positive Characteristics

Economic Growth

Several studies show that tourism has an overall positive economic impact. A few of these studies have used Computational General Equilibrium (CGE) modeling to simulate the impact of tourism in the country and have found tourism to have positive impacts on the economy particularly in terms of increased real gross domestic product (GDP), employment, welfare and exports, among others.

In Tanzania, Kweka (2004) used a CGE simulation to test several scenarios for tourism expansion and its possible impact on the economy. He found that tourism expansion has a substantial impact on the economy of Tanzania as shown by increases in real GDP, total welfare and exports. Based on his simulations, he found that infrastructure improvement appreciably amplified the effects of tourism expansion and tourism taxation had a favorable impact on tax revenues and welfare.

Sugiyarto et al. (2002) also used a CGE model to simulate the effect of increased tourism on the Indonesian economy. The study found that a 10 percent increase in foreign tourism demand will increase GDP by 0.1percent and employment by 0.2 percent. The foreign tourists' real consumption increases by 9.4 percent and welfare improves, as domestic consumption and investments increase by 0.1percent and household real consumption increases by 0.2 percent respectively. Exports increase more than imports, resulting in an improvement in the trade balance by 0.7 percent. The same improvement also applies to the balance of payments deficit which is reduced by 2.2 percent.

Blake's (2000) study used a CGE model to analyze the effects of tourism in Spain. The study found that a ten percent increase in foreign tourism demand would result in a 27.7 billion peseta increase in welfare equivalent to 0.05 percent of GDP. The increase would also cause a 0.61 percent appreciation of the real exchange rate and small increases in real private consumption and investment.

Employment Generation

Mitchell and Ashley (2006) also point out that the most important pro-poor impact of tourism is the local employment generated by the industry. Tourism is significantly more labor-intensive than other non-agricultural sectors as supported by cross-country comparison data. Furthermore, tourism employment relatively favors the marginalized sector as a higher proportion of women workers relative to other similar industries are employed. Also it employs more semi-skilled and unskilled labor.

Table 4 shows that the rate of employment to output ratio for tourism is just a little below 1 in most countries with the Philippines having a rate of 0.97. It shows that labor intensity in tourism is higher than other economic sectors with the exception of agriculture and investments in the sector have higher propensity to generate employment.

Forward Linkages

In the Philippines, several studies have shown some empirical evidence of the positive effects of tourism in the selected areas. Tourism creates new enterprises; hence generate new employments and source of income for the locals. Acejo et al.'s (2004) case study on Tagbilaran City in Bohol showed an example of how the rise of many micro- and small enterprises came alongside the growth of tourist arrivals in the region. Tourism results in additional income earned by local enterprises from goods and services bought by tourists, wages to households in connection with tourism-related employment and income to the government through tourism-related taxation and fees.

The industries that benefit from tourism can be gleaned from the survey conducted by the Department of Tourism on the average daily expenditure of a tourist. The highest beneficiary of tourism is the hotel industry as accommodations account for 34.7 percent of the average daily expenditure of a tourist in 2004. The restaurant industry as well as retail sector largely benefit from tourism as they

Table 4. Comparison of Labor Intensity* in Tourism With Other Sectors

Employment: output ratio (1996)	Indonesia	Philippines	South Africa	Thailand	New Zealand
Tourism	0.74	0.97	0.84	0.93	1.15
Manufacturing	0.51	0.43	0.58	0.57	0.71
All non- agricultural	0.67	0.72	0.54	0.67	0.97
Agriculture	2.75	2.07	9.70	3.67	1.35
Average for whole economy	1.00	1.00	1.00	1.00	1.00

Source: Bennet, O; Roe, D and Ashley C (2000). Sustainable Tourism and Poverty Elimination Study, Deloittes, London, UK.
**The whole economy contributes the same to GDP (100 percent) as to employment (100 percent). A labor intensive sector would contribute more to employment than to GDP (above average jobs per unit of output), so have an EOR of above 1.*

Table 6. Average Daily Expenditure of Tourists* in the Philippines, 1997-2004

	1997	1998	1999	2000	2001	2002	2003	2004
Total (USD)	***144.13***	***127.44***	***132.26***	***117.49***	***102.89***	***100.92***	***88.25***	***90.76***
Major Items (% share)								
Accommodations	36.3	33.1	35.6	35.7	40.7	39.3	38.5	34.7
Food and Beverage	11.9	16.4	20.2	18.1	18.9	17.1	19.1	21.6
Guided Tour	0.2	1	0.5	0.2	0.3	0.1	0.1	0.1
Entertainment and Recreation	28.4	21.1	17.1	14.1	11.8	9.4	10.1	11.2
Local Transport	3.4	3.8	4.9	3.4	6.5	6	6.9	6.8
Shopping	15.3	16.3	15.1	13	12.9	14.7	17	18.6
Miscellaneous	4.4	8.3	6.6	15.4	9	13.4	8.3	7
Total	100	100	100	100	100	100	100	100

Source: DOT
**Includes foreign tourists and overseas Filipinos*

account for an average of 21.6 percent and 18.6 percent of the average daily expense of a tourist in 2004.

Tourism also involves international linkages and foreign expertise which lead to technology and knowledge transfers in favor of the local economy. A common pattern in the Philippines' accommodation industry is for a hotel or resort to be operated through a management contract with a foreign company that has world-class management skills as well as brand recognition, market profile, and marketing and reservation infrastructures. Management contracts allow local owners to access internationally-competitive management and marketing while still retaining their equity in the property (Pantig and Smith, 2005).

Further, there is great potential for the development of complementary products within the destination. These include everything from vendors offering local handicrafts as souvenirs, service providers, money changers, to vehicle and equipment rental services, and also a number of informal industries.

The growth of the handicraft industry around tourism has been well-documented and has shown itself to be quite a significant source of economic benefits for nearby communities. Shah (2000) noted the results of a 1990 survey in Nepal showing that 14.7 percent of tourist expenditure was spent on shopping, mostly for handicrafts, curios, jewellery, carpets, garments and books. The study also cited a survey in the Kullu Valley in India that showed that on average a visitor spent Rs420 on gifts, compared with Rs600 spent on food and accommodation (approximately US$24 and US$34, respectively). Also noted was the case of Yogyakarta in Indonesia. Here the handicrafts market is composed mostly of street vendors posted around the tourist destinations (the Borobudur and Prambanan temple complexes). This market supports a web of communities in and around the city with complex systems that have evolved for production, distribution and sale of handicrafts.

Regional Development

Tourism can also have a positive impact on regional development and may help even out some of the inequalities between different parts of a country. Tourism is an industry uniquely suited to some remote and likely to be poor areas thus helping to contribute to spatially-dispersed growth. Regions away from a country's economic center may use tourism to generate income and reduce out-migration. Tourism can also serve as the stimulus towards more infrastructure investment in these remote regions.

The Philippine government articulates the need to improve access to leading tourist destinations in the country. It recognizes that the development of support infrastructure to and within major hubs such as Manila, Cebu, Davao, Laoag, and Clark-Subic Corridor would serve as a key to link "contiguous existing and emerging satellite destinations" (www.world-tourism.org). Thus, infrastructure development programs such as roads and airports are prioritized based on whether these would serve as gateway to regional centers and major tourist destinations (MTPDP 2004).

The government plans to spend more than P35 billion pesos in the next six years for tourism infrastructure. It has identified four major tourist destinations (e.g. Cebu/Bohol/Camiguin, Palawan, Manila plus Tagaytay, and Davao), and several minor and special interest destinations. The priority actions for these areas are improvement in infrastructure development, cutting travel time in between tourist sites, and aggressive promotion activities (MTPDP 2004).

Negative Characteristics

Leakages

Existing literature suggests that a significant share of the revenues from tourism does not stay in the country. Several studies have pointed out that the tourism industry generally exhibits a high degree of leakage[4] especially when there is a large proportion of foreign ownership in the industry and also due to the high percentage of import content in luxury tourism. Leakages in the Philippine tourism industry are generally created by the need to import goods (typically luxury food items, alcoholic beverages, etc.), international marketing costs, interest payments on foreign loans and the payment of franchise and management fees to foreign companies (Pantig and Smith 2005).

When leakages exceed specific levels, they can significantly neutralize the financial gains from international tourism. Leakages are often highest at the very start of a country's tourism industry due to large amounts of one-time imports needed to start-up tourism enterprises. These leakages, however, tend to decrease over time when the economy develops its domestic sources of goods and services. It is therefore important to tighten the links between domestic industry and tourism. For example, in the Dominican Republic leakages diminished between 1990 and 1995 as local industry became increasingly interested in servicing the tourism market (Diaz 2001).

While several studies have pointed out the problematic nature of leakages in tourism, the exact extent of these leakages is quite difficult to calculate. A high level of leakage generally indicates a lower multiplier[5] for tourism expenditure and as a consequence, the full economic benefits of tourism are reduced for the host country. Ennew (2003) cites data from a 1998 study by Cooper et al. indicating that for every dollar spent by tourists within the Philippines, 82 cents stays in the economy.

Table 6. Selected Multiplier Values,1998

Country / Region	Income Multiplier
Edinburgh, Scotland	0.35
Barbados	0.6
UK	1.73
Dominican Republic	1.2
Philippines	0.82

Source: Adapted from Cooper et al. (1998) cited in Ennew (2003)

[4] Leakage is the process whereby part of the foreign exchange earnings generated by tourism is not retained by tourist-receiving countries. It is either retained by tourist-generating countries or repatriated to them in the form of profits, income and royalty remittances, repayment of foreign loans, and imports of equipment, materials, capital and consumer goods to cater to the needs of international tourist and overseas promotional expenditures (Diaz 2001).

[5] Multipliers capture the size of the secondary effects in a given region, generally as a ratio of the total change in economic activity in the region relative to the direct change. Multipliers may be expressed as ratios of sales, income or employment, or as ratios of the total income or employment changes relative to direct sales. Multipliers express the degree of interdependency between sectors in a region's economy and therefore vary considerably across regions and sectors. (Stynes 1997)

A certain level of leakage is inevitable especially since overseas marketing is an essential part of the tourism product; and identifying the acceptable level of leakage has been pointed out as a necessary activity in tourism management. Identifying the allowable level of leakage is dependent on the type of tourism being promoted in the country as noted in Diaz (2001):

> *"High-income tourism, because it requires the provision of very high quality and high priced goods, may actually result in increased leakage in some cases despite (of) the higher income it may generate. Mass tourism could have higher potential for leakage than ecological or adventure tourism because the latter value and consume local resources as part of the tourism experience. However, low-leakage tourism can also equate to low-income tourism, resulting in lower total income and therefore limiting the possibilities for expansion and development by other sectors of the receiving country's economy."*

Ennew (2003) also points out that even if high levels of leakages may lead to low multipliers, if the level of expenditure is relatively high in total, then the benefits may still be significantly greater than those which would arise from economies with low leakages but low levels of expenditure.

Many analysts nonetheless agree that the leakage in the tourism industry is generally no worse than that in other industries characterized by a high degree of foreign ownership. In fact, a study done by Mckinsey estimates that only 10 to 30 percent of sales in the Philippine electronics export sector remain in the country. The mining industry, which the Philippine government also hopes to tap as a tool for national development, has also been criticized for its high degree of leakage.

Environmental and Socio-cultural Impacts

The negative environmental, social and cultural impacts of mainstream and mass tourism have been well documented. Environmental impacts include the depletion and pollution of water resources, land degradation, increased levels of air and noise pollution, ecological disruption through the alteration of ecosystems, deforestation and greater amounts of solid waste, littering and sewage in the destination country.

Taylor et al. (2003) cites a few of the empirical studies which estimate the environmental impacts of tourism:

- Increase in traffic during the tourist season in Sochi, Russia (33 to 44 percent) lead to increased air pollution in the area (Lukashina et al. 1996).
- It has been estimated that the average tourist in Spain uses 440-880 liters of water a day compared to the average resident consumption of 250 liters resulting to increased threat of water resource depletion (WWF undated).
- Tourists in St. Lucia have been found to generate approximately twice the amount of solid waste that residents generate (Dixon et al. 2001).
- Ecosystems and natural habitat can be damaged by tourist infrastructure and tourist activities with wetlands being particularly vulnerable. In Jamaica, over 700 acres of wetlands have been destroyed since the 1960s for tourism development (Davies and Cahill 2000).
- Significantly higher fecal coliform counts have been found in waters with a high recreational boating population during peak usage. One study indicates that three different sites in Puget Sound in the US reported 70 percent, 91 percent and 62 percent of shellfish samples had contamination levels higher than allowed and this has been attributed to contamination from boat sewage discharge (Davies and Cahill 2000).

In 1997, the Department of Environment and Natural Resources (DENR) released a water quality monitoring report showing high levels of bacterial contamination in Boracay. The report indicated that the coastal areas and groundwater of the island were heavily contaminated by coliform bacteria (*Escherichia coli*). Coliform is usually found in feces and exposure to the bacteria is a common cause of gastroenteritis. The increased levels of coliform have been ultimately traced to the absence of an adequate sewerage system capable of managing the island's growing population levels as well as the number of tourist arrivals. Another study by the University of San Carlos (USC) also confirmed that Boracay's groundwater was not only contaminated with coliform but also with seawater due to the overdrawing of water. Tourism has also been blamed for this as the study pointed out that groundwater extraction in the island during the peak tourist season usually reached 2,300 cubic meters daily as compared to only 1,400 cubic meters daily during the off-season. The study estimated that the island's groundwater could take a daily maximum extraction of only 1,500 cubic meters.

Socio-cultural impacts include increased crime rate, higher levels of prostitution and sex tourism (which is often linked with increased levels of HIV infection), social stresses and culture clashes arising from differences between norms and income levels of visitors and locals, and the commodification of unique local culture. The study of Arroyo and San Buenaventura on tourism in Pagsanjan, Laguna (1983) has noted the existence of a link between tourism and prostitution. The high levels of income inequality between tourists and locals have in fact been posited as the likely reason for the higher crime rate and prostitution in popular mainstream tourist destinations. The Coalition Against Trafficking of Women states that the phenomenon of sex tourism is a direct result of the unequal economic levels of development between the high growth economies and the developing countries. The enhanced purchasing power of foreigners enable them to buy sexual services in Third World tourist destinations. Nicholson's case study of Davao City records that due to the booming tourist industry in the city "a large number of women and even children come to the city for the sex industry, or are pushed into it involuntarily" (Shah 2000).

Brohman (1996) cites comments raised at a church-sponsored conference on tourism indicating the strong feelings of resentment felt by many native Hawaiians towards mainstream tourism and how it degrades their indigenous culture. He also summarizes findings in a number of other studies that have pointed out how scenes that may be common in developed countries (e.g. people in scant clothing, public displays of affection, public alcohol consumption) but violate local cultural or religious taboos, may offend local populations. He further notes that local people have been known to feel a sense of alienation rooted in feelings of a loss of social control and cultural identity. Similarly, Dulnuan's (2001) interviews in Sagada also indicate a significant number of older residents' negative feelings towards the effects of tourism particularly in terms of noise pollution and waste generation. The respondents also show displeasure towards how the younger generation of locals tends to assimilate the social and cultural mores brought in by tourists at the expense of their traditional values.

The fact that tourism is highly dependent on the very same natural and cultural resources that it negatively impacts on, adds a sense of urgency towards arresting these trends. If unchecked, tourism expansion causes the degradation of the local environment and the corruption of the native culture. Then the host communities run the risk of losing the very source of their livelihood as well as some of the few advantages they have over developed countries, often in an irreversible manner.

Tourism as a Development Strategy

The impact of tourism on the economy varies depending on the tourism strategy undertaken. The fact that the tourism industry in the Philippines is still relatively underdeveloped presents policy makers with opportunities to learn from the experiences of other countries and take advantage of tourism as a development strategy. The potential for foreign exchange and employment generation makes it an attractive tool for economic development. Certainly, several issues need to be addressed to make the Philippine tourism industry more competitive. This is to ensure that the sector does not fall into the threat that it has become in other countries. Fortunately, there are mutually-beneficial steps that the government, the private sector and local communities can take to maximize the gains and minimize the losses from tourism.

Developing local industries to reduce leakages. The tourism industry in developing countries like the Philippines is particularly susceptible to leakages which, when reaching particular levels, significantly negate the potential financial gains for the host country.

Avoiding excessive leakages and thus maximizing the retained profits from tourism is normally accomplished through the strengthening of economic linkages within the local economy. This requires building a domestic supply chain for goods and services that would otherwise be purchased externally. When tourism enterprises are able to source their inputs and supplies from local producers, this allows most of the financial benefits of tourism to remain within the host country.

For governments and tourism enterprises, strengthening linkages can be accomplished in a number of ways. Immediate measures could include promoting locally owned accommodations, endorsing destinations where they can purchase local crafts and products, promoting resorts that employ local staff and using airlines from the host country. A more long-term solution is to enhance the capacity of enterprises within and around tourist destinations to intensify the production of goods and services required by the tourism sector as well as provide support to more domestic investors to further expand their participation in tourism. Establishing a government loan program, which can be capitalized through earmarked tourism-related tax revenues, that assists local start-ups and expansions to meet tourism demands may be considered.

Establishing priority tourism zones and providing incentives. There have been calls for the establishment of "tourism zones" within priority destinations with the intention of focusing spending, and attention as well to encourage and mobilize investment in tourism businesses. It is envisioned that tourism-related industries choosing to locate within the zones will also be given a number of fiscal and non-fiscal incentives to accelerate the development of tourism in these areas. The proposed fiscal incentives for locators include an income tax holiday, gross income taxation in lieu of other national and local taxes, accelerated depreciation and tax exemption for imported capital investments.

Whether the grant of fiscal incentives to tourism zones will accelerate investments is unclear and difficult to quantify. A case study done by Durbarry and Sinclair (2000) cite tourism investment incentives in the Caribbean show that while tax holidays were effective in stimulating additional investment in hotels, it is arguable that most of the investments would have taken place even with lower or zero incentives. The effect of the incentive was to transfer income abroad in the case of foreign-owned hotels. The same study also points out that the provision of lump sum grants to tourism enterprises, to reduce the fixed capital costs at the start of the business, was proven to be more effective than tax holidays. Hence, the government should not only focus on incentives but provide quality infrastructure and reduce cost of doing business to attract investors for tourism.

Likewise, the provision of incentives to stimulate hotel construction should also be accompanied by proper long-range planning and demand forecasting. This avoids the problem of oversupply, particularly in the accommodation sector, which could lead to diluted earnings as was experienced in the Greek island of Crete (Andriotis 2001).

Accelerating development of Tourism Satellite Accounts (TSAs). It is often stated and it bears repeating that good policy-making cannot proceed without good data. Thus the absence of tourism satellite accounts for the Philippines continues to hamper policy making for the tourism industry. While the standard data on international arrivals and receipts currently available with the DOT are certainly useful for time-series analyses and international comparisons, data on tourism employment, contribution to GDP, and other macroeconomic data which TSAs precisely provide need to be obtained on a more consistent and comparable basis. The TSA provides a standard framework for organizing statistical data on tourism as well as offering an internally coherent view of tourism that is consistent with the principles of the system of national accounts. Furthermore, the development of TSAs will generate a reliable set of data relative to the importance and magnitude of tourism using the same concepts, definitions and measurement approaches that will provide indicators of the sector's relative importance to the overall economic picture in the country. By extension, the data in TSAs will also give an indication of the role of tourism in the industries involved in the production of goods and services demanded by tourists.

The initial collaboration between the NSCB and the DOT with regards to implementing the TSA for the Philippines is certainly a step in the right direction. It is understood that developing TSAs for a country will necessitate a significant expense on the part of the government and might not be a priority. Nevertheless, most industry practitioners and policy-makers agree that it is an essential step towards maximizing the potential of tourism for the country.

Ensuring collaborative tourism planning for sustainability. Alleviating the potential negative environmental, social and cultural impacts of tourism necessitates proper long-term planning that takes into account the needs and concerns of all stakeholders- government, the private sector and local communities. Keeping in mind the fact that tourist destinations are essentially communities, tourism planners need to strike a balance between protecting the integrity of the local culture and environment and ensuring the destinations' continuing commercial viability. Thus, planners have to consider factors such as the carrying capacity of the destination in terms of visitors and essential infrastructure without losing sight of the need to make a profit. Achieving this balance requires the involvement and cooperation of all the players at all stages of tourism development. Collaborative tourism planning also helps ensure efficiency and minimizes overlaps in functions while providing a system of checks and balances that mitigate against conflicts of interest. Furthermore, collaborative tourism planning can help equitably distribute the benefits and costs of tourism among all stakeholders.

Lead a marketing strategy. There is no doubt that the Philippines' tourism industry could certainly use more money to promote the country. Notably, one of the most important components contributing to a successful tourism industry is the presence of a world-class marketing and promotions campaign to build awareness of a country's potential tourist destinations. The components of such an effort should ideally include high-profile television and internet campaigns as well as greater presence in travel agencies in the form of posters, brochures and other promotional materials. In 2004, the marketing and promotions budgets of all of the Philippines' tourism agencies combined amounted to only USD 7 million. This pales in comparison to those of regional leader Thailand which had allocated approximately USD 170 million for promotions in 2005 (Philippine Embassy, Bangkok, Thailand).

There are several ways through which the country could improve its tourism promotion efforts. The first step could be through a rationalization of international operations and promotions spending by focusing efforts on certain key markets. Disposal and privatization of a number of unprofitable assets owned by the Philippine Tourism Authority (PTA) could also generate more funds to be used for this purpose. Other potential funds may come from the imposition of tourism-related taxes (e.g. room tax) as well as income from the Duty Free Philippines and the various international airports. Furthermore, some of the wealthier local government units could possibly fund their own promotion campaigns as has been done in the case of Hawaii. The government could also ask large Filipino businesses to sponsor marketing and promotion campaigns as was done in Australia where the tourism department was able to raise USD 24.2 million from sponsorships for these purposes.

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