



THE ROLE OF TOURISM IN THE ECONOMIES OF BRICS COUNTRIES

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Abstract *The article evaluates the role of tourism in the economies of the BRICS countries, considered to be one of the most representative grouping among the emerging countries. Due to the impressive economic growth recorded in these countries, tourism has a growing share in their overall GDP, and large investments have been made in this sector. Taking a broad comparative approach, the article pinpoints the share of tourism in the BRICS' countries GDP, using statistics as a research tool. It concludes that tourism has a significant potential in the BRICS countries and its part to their overall economic growth is likely to increase in future.*

Key words:

BRICS, emerging countries, tourism, economic growth

JEL Codes:

L83, L80

1. Introduction

Tourism has become an important source of income for most of countries of the world. The increasing fascination with tourism has been motivated in large part due to its potential economic benefits for destination areas. International tourists' arrivals (overnight visitors) worldwide exceeded the 1 billion for the first time ever in 2012, with 1,035 million tourists crossing borders (United Nations World Tourism Organization, 2013).

According to Taleb Rifai, United Nations World Tourism Organization (UNWTO) Secretary-General, "the fact that international tourism grew above expectations confirms that traveling is now part of consumer patterns for an increasing number of people in both emerging and advanced economies" (UNWTO, 2013). This underlines the need to rightly place tourism as one of the key pillars of socio-economic development, being a leading contributor to economic growth, exports and jobs.

Over the past six decades, tourism experienced continued expansion and diversification, becoming one of the largest and fastest-growing economic sectors in the world. The market share of emerging economies increased from 30% in 1980 to 47% in 2012, and its expected to reach 57% by 2030, equivalent to over one billion international tourist arrivals (UNWTO, 2013).

Based on the information from countries with available data, the total tourism's contribution to worldwide gross domestic product (GDP) in 2013 was 9,5% and is forecast to rise by 4,3% in 2014. The direct contribution of GDP was 2,9% in 2013 and is forecast to rise by 4,3% in 2014 (World Travel & Tourism Council, 2014). Tourism's contribution to employment tends to be slightly higher and is estimated in the order of 6-7% of

the overall number of jobs worldwide (directly and indirectly). For advanced, diversified economies, the contribution of tourism to GDP ranges from approximately 2% for countries where tourism is a comparatively small sector, to over 10% for countries where tourism is an important pillar of the economy (UNWTO, 2012).

Emerging countries are become increasingly aware of their forces in world affairs. The BRICS countries, which perhaps represent best the emerging powers, claim also to represent the developing world. The BRICS countries emerged from outside not from within the members states. It come into being not due to existing trade relationships a geographic proximity but evolved out of a label put by Goldman Sachs economist Jim O'Neill on four (Brazil, Russian Federation, India and China), later five (with South Africa, which made its debut at the BRICS summit in Sanya, China, in April 2011) large emerging countries (Eurasia Review, 2011). In fact, the BRICS countries could be hardly seen as a bloc, although they are developing in that direction. Their differences are more conspicuous than their resemblances. The differences in terms of total GDP and per capita GDP, as well as the overall sizes of their economies are quite significant. Although in terms of GDP growth all BRICS countries have robust rates, China and India fare a little better than the others. Structurally, their economies are also quite dissimilar.

As they have the fastest-growing economies, rapidly expanding middle classes and promising domestic markets, the BRICS countries have the potential to overtake the G7 as the world's best performing economies by 2040.

The BRICS thesis holds that China and India will become the hub of world's manufactured goods and

services, while Brazil and Russia will become leading suppliers of raw materials, however this may not hold true for the future, as China is determined to move away from its labor intensive industries.

At present, the BRICS account for more than 25% of the world's land mass; more than 40% of world population; over 50% of world economic growth; 17.82% of world economy; around 15% of world trade; 53% of world foreign investment; and an average rate of urbanization of 44.2% (Zhao, 2011).

The remainder of this paper is set out as follows: Section 2 provides a literature review identifying the main characteristics of the BRICS emerging economies and the likely economic growth as the main indicator of economic development level. Section 3 continues the review focusing on the characteristics of the each country analyzed. Section 4 considers the method used to address the research question. Finally, Section 5 summarizes and concludes the paper.

2. The main characteristics of the BRICS emerging economies

There are many articles and studies about the BRICS countries, as the most recent emerging group of countries. Some of them approach "the BRIC mechanism" and the relationship between the EU and the BRIC countries (Oehler-Sincai, 2011). The author views the "BRIC mechanism" as a platform for coordinating the objectives of the emerging economies in order to have a stronger voice on the international stage and, at the same time, a tool to lessen some of the bilateral tensions among the grouping's members.

Brazil has occupied an increasingly prominent and confident place in world affairs. Its economic growth has placed it among the world's ten biggest economies. Even it gains power, Brazil remains strongly identified with the developing world. To deepen coordination among emerging economies, it helped form the BRICS grouping. As the world's second-most-populous country and one of its fastest-growing economies, India sees itself as an emerging global power even as it maintains a steadfast commitment to national sovereignty and struggles with serious internal challenges. Like Brazil and India, South Africa is a regional power with global aspirations. It is economically less powerful than its partners but has arguably taken a more assertive continental role. As Africa's largest economy and one of its most heralded democracies, South Africa sees itself as a key player in the region's stability and development and has pushed actively over the past decade for greater international influence. Like Brazil and India, South Africa sees itself as a leader and a representative of the developing world (Carothers and Youngs, 2011).

Significant economic asymmetries and divergence of interests limits the group's influence and political relevance. However, "the initiative has become a useful lever for members to seek legitimization of their statuses as important global players and to strengthen their positions in negotiations with the most developed countries" (Znojek, 2011).

The main long-term objectives of BRICS and similar initiatives will remain to accelerate the shift towards a multipolar international order and to gain an adequate presence for emerging economies in reformed global institutions. In short -and medium- term perspectives these countries will strive for building and consolidating a bargaining position in various global forums. With the increasing relative economic weight of emerging economies, their pressure on transformation of global governance structures will grow (Znojek, 2011).

3. Characteristics of the BRICS countries in tourism industry

The emerging markets of the BRICS countries (Brazil, Russia, India, China and South Africa) have long been highlighted as the future powerhouses of the travel and tourism industry. In fact the BRICS have featured heavily in all three World Travel Market Industry Reports. In 2010, almost half (47%) of the industry saw the BRIC nations (minus South Africa at that stage) as one of the biggest growth opportunities until 2014, with almost one in three (28.6%) seeing them as the single biggest opportunity over the same period (World Travel Market, 2012: 22).

In 2011 almost two-thirds (65%) of the industry viewed South Africa as important as the other BRIC markets, after it was admitted to the group. Almost two-thirds (63%) organizations have changed or are planning to adapt their business model to take advantage of the opportunities in the BRICS nations (World Travel Market, 2012).

A strong Tourism and Travel Sector contributes in many ways to the economic growth and development. The potential economic benefits of tourism are a major attraction for developing countries for many reasons. Many developing countries are choosing or being encouraged to develop tourism over some of the more traditional industry alternatives such as agriculture and manufacturing.

Regarding inbound tourism to the BRICS more than half (53%) voted China as the most or second most important destination for inbound tourism to the country. China is some way in front of the other BRICS nations regarding inbound tourism with Brazil in second place on 42%. Russia and India follow in the third and fourth place with 37% and 36% respectively. South Africa is again bottom of the BRICS with 30% voting it as the most important and second most important destination

for inbound tourism, with an equal 15% split between the two places (World Travel Market, 2012: 24). China continues to build on some clear assets, including natural and cultural resources, and many World Heritage natural and cultural sites, which are among the richest in the world. Moreover, the country continues to develop its infrastructure with improvements in air and ground transport. China's tourism infrastructure remains underdeveloped with few international-quality standard hotel rooms available. The country continues also to benefit from relative price competitiveness.

Brazil benefits also from important natural resources, many World Heritage sites, a good proportion of protected land area, and the richest fauna in the world. The ground transport network remains underdeveloped with the quality of roads, ports, and railroads requiring improvement to keep pace with the economic development of the country.

Russia receives a good assessment for its cultural resources, resulting mainly from its rich World Heritage sites.

India is well assessed for its natural and cultural World Heritage sites, rich fauna, many fairs and exhibitions, and strong creative industries.

South Africa has natural and cultural resources, particularly in light of its many World Heritage sites. Infrastructure is also well developed for the region. Tourism continues to be one of the five priority sectors in the country's growth plan, and the government has reviewed tourism legislation in an effort to streamline it further (World Economic Forum, 2013).

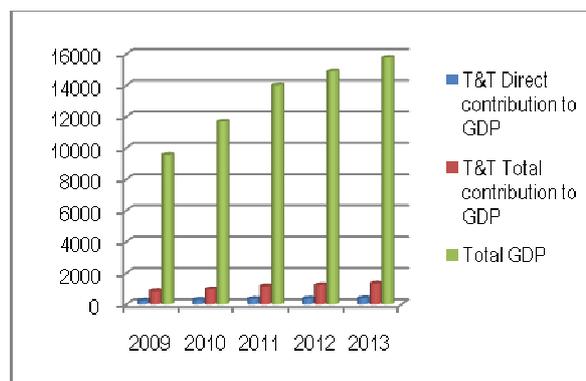
4. Methods and discussions

The economic crisis from 2008 hit very hard many economic sectors globally, including tourism. According to the economic and financial reports, the demand of hotel and restaurant industry declined sharply, and as a result, the tourism revenues have been negatively affected. However, the tourism industry has attracted the worldwide attention with its quick recovery.

The research question for this paper is the following: is there a positive correlation between the overall economic growth of the BRICS countries and the development of the tourism industry in these countries? This paper uses the data provide by the World Travel & Tourism Council (WTTC) throughout 2009-2014. The analysis aims to identify the link between the share of tourism industry in the GDP in the BRICS countries and the level of national GDP, including the growth for each member of this grouping. The analysis presents the direct contribution of Travel & Tourism (T&T) on GDP – GDP generated by industries that deal directly with tourists, including hotels, travel agents, airlines and other passage transport services, and the activities of

restaurant and leisure industries that deal directly with tourists – as well as the T& T total contribution to GDP – GDP generated directly by the T & T sector plus indirect and induced impacts (WTTC, 2014).

Chart 1. Evolution of GDP, T&T direct contribution to GDP and T&T total contribution to GDP for the BRICS countries group (billion USD)



Source: Data provided by WTTC and UN Statistics (2009-2014)

Overall, the BRICS GDP growth between 2009 (year of the first summit BRIC) and 2013, although within the grouping the GDP evolution was rather different. A significant growth has characterised China, followed by Russia, the growth being directly correlated with the direct and total contribution of T&T to GDP. For Brazil and South Africa, countries in which T&T contribution to the GDP is important - 9.2% (Brazil) and 9.5% (South Africa) - 2013 was a year of stagnation and even regression both in terms of the contribution of tourism activity to GDP and the value of national GDP. India has evinced a similar situation with Brazil and South Africa in 2012 in comparison to 2011, but in 2013 has recorded a slight grow in terms of total contribution (113.2 billion USD), without reaching the 2011 figures (116.8 billion USD), whereas in terms of direct contribution, a constant growth has been recorded throughout the whole period under consideration.

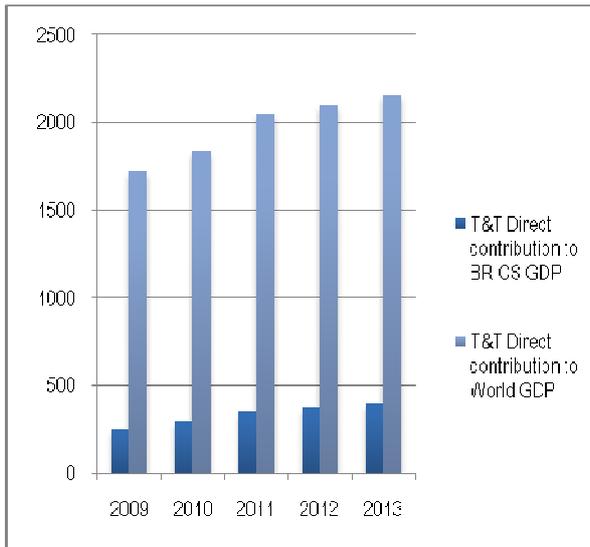
Table 1. BRICS countries T&T Contribution to GDP in 2013

Country	T&T Total contribution to GDP		T&T Direct contribution to GDP		GDP (billion USD)
	(billion USD)	%	(billion USD)	%	
Brazil	205.6	9.2	77.0	3.5	2,226.88
China	850.1	9.2	241.8	2.6	9,222.05
India	113.2	6.2	37.2	2.0	1,836.61
Russia	124.6	5.8	29.9	1.4	2,131.00
South Africa	33.4	9.5	10.7	3.0	351.30

Source: Data selected by author from WTTC (2014)

Data show that there is a co-integrated relationship between GDP as a macroeconomic variable and the tourism development. Tourism was one of the sectors with one of the quickest recovery pace after the recession period. Most destinations acquired positive developments at different speeds, but the UNWTO draws attention particularly to the emerging economies, which are leading in the recovery period.

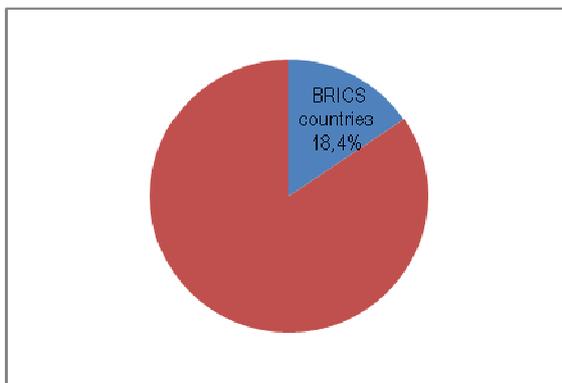
Chart 2. T&T Direct Contribution for the BRICS countries and World GDP (billion USD)



Source: WTTC statistics, 2009-2014

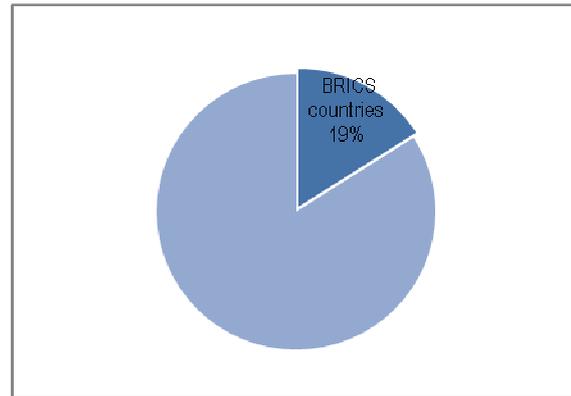
Chart 2 presents the correlation between the growth of direct contribution of worldwide tourism activity to GDP and the growth of direct contribution of T&T in the BRICS emerging economies. This positive evolution of tourism activity in both cases proves the economic role of tourism activity in the BRICS emerging economies in future.

Chart 3. BRICS Countries T&T Direct Contribution to World T&T Direct Contribution on GDP in 2013



Source: WTTC statistics 2014

Chart 4. BRICS Countries T&T Total Contribution to World T&T Total Contribution on GDP in 2013

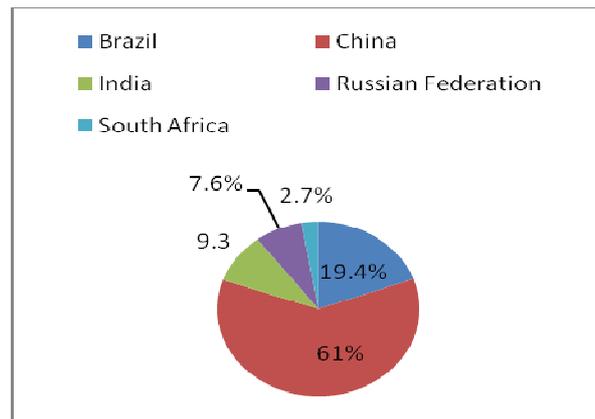


Source: WTTC statistics 2014

T&T direct contribution of the BRICS countries to the GDP of the BRICS countries in direct contribution to T&T World GDP is similar with the T&T total contribution of the BRICS countries to the GDP of the BRICS countries in the total contribution of T&T to World GDP, i.e. approximately 19%.

Chart 5 presents the share of T&T direct contribution to GDP for each member of the BRICS grouping. China contribution is more than half, which testifies for the asymmetries among the members of the grouping and the strength of the T&T sector in the country's economy. Moreover, Brazil's contribution is more than double that of India in T&T direct contribution to GDP.

Chart 5. Share of each BRICS countries to T&T Direct Contribution to the BRICS countries GDP in 2013



Source: WTTC statistics 2014

Increasing importance of mega events – particularly sporting events such as the Olympics and the FIFA World Cups provide the window of opportunity for highly significant upgrades in infrastructure, human resources, products and quality. Most importantly, the 2010 FIFA World Cup hosted by South Africa has shown how an

emerging country in a developing continent can be a wonderful host and achieve success. The most recent event was the Olympics Winter Games (Sochi) in the Russian Federation, which took place in February 2014. It was also a success, which showed the capacity of another emerging power to manage this event. Organizers focused on modernizing the telecommunications, electric power and transportations infrastructures of the region. The budget expanded to over USD 51 billion, surpassing the estimated USD 44 billion cost of the 2008 Olympics Summer Games in Beijing as the most expensive Olympics in history. Brazil at the FIFA World Cup 2014 and the Olympics Summer Games 2016 has the opportunity, the experience and skills to achieve similar successes. The huge touristic potential, a strong labour market and a growing economy are the main assets that sustain the T& T sector in these countries. According to WTTC forecast, for example, India will be a tourism hotspot from 2009 to 2018, having the highest 10-year growth potential. The onset of the financial crisis in 2008 delayed the realization of his potential, which resumed in 2010.

5. Conclusions

Tourism is an important activity with social, cultural and environmental implications, involving large numbers employees. Global T&T growth is still being driven by emerging economies, particularly those in Asia, including China and India. The T&T sector has rapidly grown in terms of economic significance and public awareness. The globalization of tourism has provided significant growth and employment opportunities, particularly for developing and emerging countries. While in the second half of the 20th century the economic growth, including the T&T sector, has been driven by the developed countries, the first half of the 21st century is likely to see the growth engine relocated in the emerging and developing countries, particularly the BRICS countries.

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