

5

The Political Economy of Tourism and International Tourism

By the end of this chapter, the reader will be able to:

- Identify and describe the various approaches to the political economy of tourism
- Describe factors that influence bilateral tourism flows
- Define tourism as a form of international trade in services
- Explain the politics of visa requirements.

Introduction

International tourism is influenced by both small and big 'P' politics. Political factors influence who can visit a country and who is not welcome. Tourism is not devoid of political interference, nor is the political economic situation under which it evolves value free. The political economy of tourism influences the path governments take to develop the sector, including the level of government intervention as owner, operator and policy decision-maker. Artal-Tur et al. (2015) note the impact of diplomatic relations on tourism flows is immense. Political relationships influence international air service agreements and through the General Agreement of Trade in Services, controlled by the World Trade Organization (WTO), influence the internationalization of tourism .

Political economy of tourism

Tourism scholars have generally paid little attention to issues relating to the political economy of tourism. Understanding how we arrived at our system of economic production is important for it provides insights into the stages of economic evolution.

■ Capitalism

Fletcher, Fyall, Gilbert and (2018, p. 615) define capitalism as “*a social system based on individual rights where goods and services are produced and exchanged with minimal government interference*”. This simple definition encapsulates three important elements: a social system, exchange, and minimal government interference. Obviously, this definition is not universal, for the understanding of the term ‘capitalism’ is contested and continues to evolve. Views on the role that government should play in marketplace operations constitute the key points of difference in the standpoints adopted by various schools of economists. Li, Liu and Song (2019) identify three standpoints, the first being those who believe that the market is able to operate efficiently with little or no government intervention. This viewpoint is typified by the *laissez-faire* approach advocated by Adam Smith in the 18th Century and more recently by the neoclassical school that rose to prominence in the 1980s. The second group is broadly identified as the Keynesian school that believe that government intervention is essential for stabilising economic activity. The third and most recent standpoint is characterised by new Keynesian economics which models macroeconomic operations with micro foundations. In their analysis, Li et al. (2019) ignored the neo-Marxist school which takes a contrasting view of economic organisation based on the role of labour and capital.

Leaving aside issues related to the structure of ‘social systems’ outlined in Fletcher et al.’s (2018) definition of capitalism, many economies operate with a mix of State Owned Enterprises (SOE) and Privately Owned Enterprises (POE) and with varying levels of government intervention in the economy. The Chinese version of capitalism for example features both SOEs and POEs, both of which are subject to high levels of state oversight. Other countries such as the USA and the UK practice a version of capitalism that lies much closer to the principles of classical *laissez-faire* capitalism where labour markets are largely deregulated, and the state has largely withdrawn from operating state-owned enterprises. From a tourism perspective, an understanding of the form of capitalism adopted by specific countries is important. In China for example, POEs generally have close connections with state agencies and actors and are sometimes assigned roles in carrying out government policy (Milhaupt & Zheng, 2015). This is not the normal practice in western economies.