

Tourism Development: Understanding and Effectively Managing Corruption

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Cruise Management &

E-Tourism

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Constanta (Romania), 8th – 9th of December 2016



TOURISM DEVELOPMENT

Towards a 'Healthy' Developing Economy

Tourism Development Potential

It Pays to Invest in Tourism!



Every **\$1.00** invested in **tourism** generates
\$8.55 in tourism **income** (tourists' spending)!

A Simple Model of Tourism-Led Economic Growth: *Chicken-Egg Question*

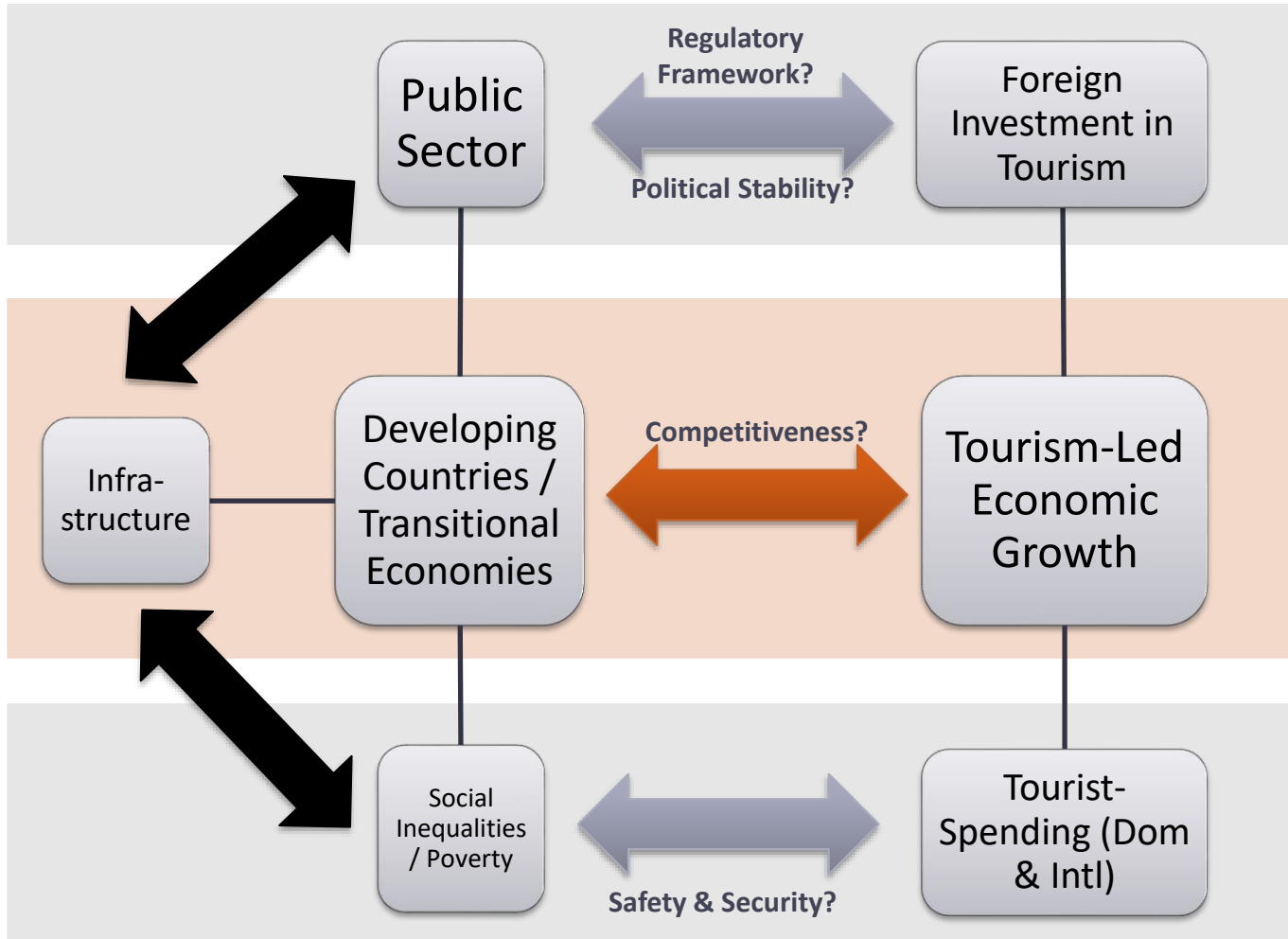
 **Travel Pays**

HOW MONEY
TRAVELS



Tourism – A Viable Way Out of Poverty?

3 Key Questions...



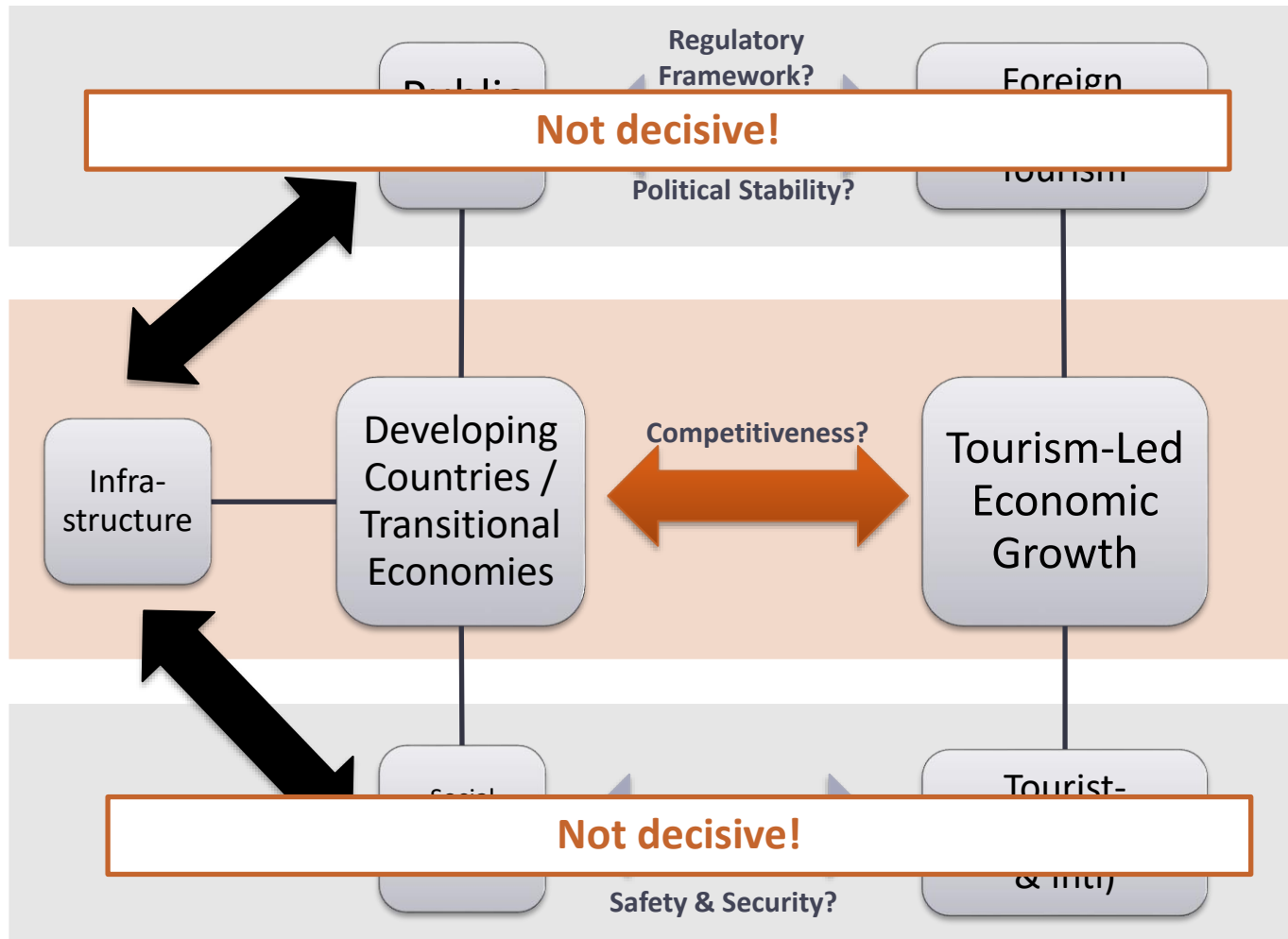
To what extent is a country in a position to attract foreign investment for the development of tourism?

To what extent does tourism contribute to the economy of a country?

To what extent are tourists willing to visit a country and spend money outside the confines of their 'protected' resorts?

Tourism – Forgiving Sector?

Existing Tourism Research Findings



The effect of political stability and Regulatory Framework is not decisive (Steiner, 2010; Cristea, 2014)

Tourism seems indeed 'forgiving to the potential ails' of a developing economy and justifiable as an economic development strategy!

There is insufficient evidence connecting criminality and safety issues to tourists' spending (Brunt, 2000; Larsen et al, 2009)

Tourism presents significant economic **prosperity** potential and is very **resilient** to the inherent structural problems of **developing economies**.

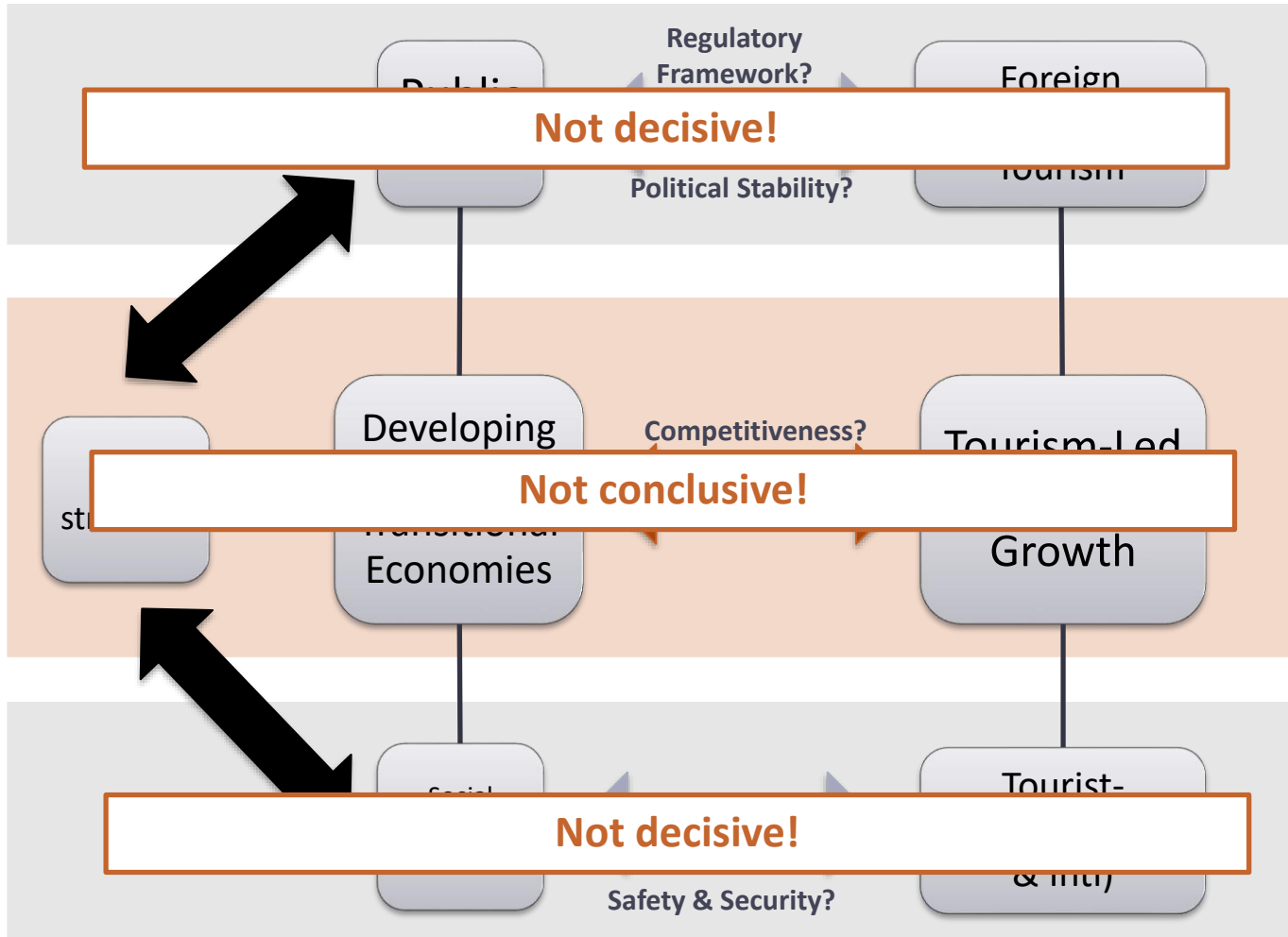
The background of the slide is a grayscale photograph of ocean waves. The waves are breaking, creating white foam and spray. The sky is overcast with soft, diffused light. The overall tone is somber and contemplative.

TOURISM GROWTH \neq ECONOMIC DEVELOPMENT

The Symptoms and Causes of the 'Beach Disease'

Tourism – Beach Disease Effect?

... There is a Still a 'Catch'!



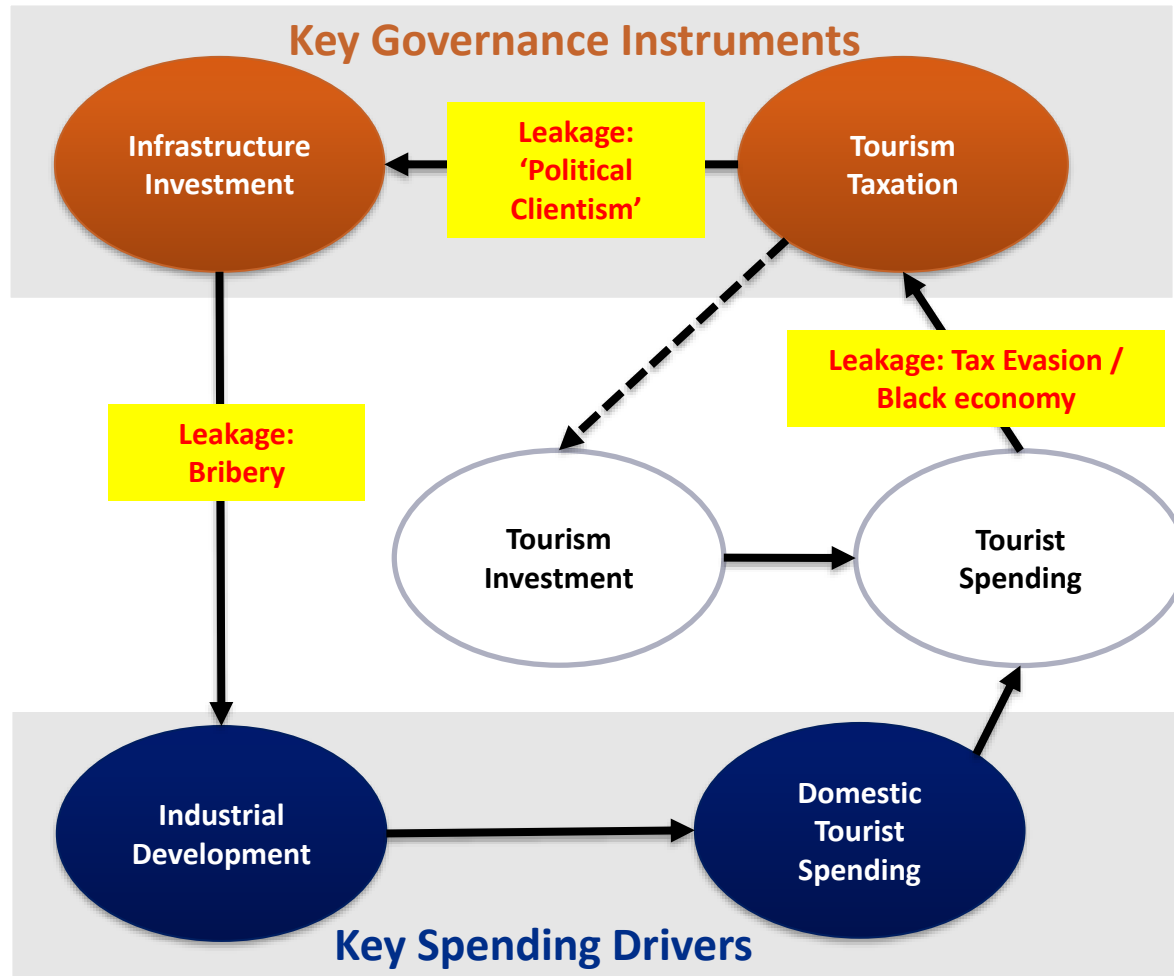
The effect of political stability and Regulatory Framework is not decisive (Steiner, 2010; Cristea, 2014)

The expected benefits of tourism often fail to materialise and there is variability in the tourism competitiveness (Che Chou, 2013; Inchausti-Sintes, 2015)

There is insufficient evidence connecting criminality and safety issues to tourists' spending (Brunt, 2000; Larsen et al, 2009)

'Beach Disease' and Corruption

Tourism Investment 'Leakages'



To what extent is tourism-generated income invested appropriately?

Some Examples of Anti-Corruption Measures...

Do they help tourism development?!



Barcelona's new mayor threatens to fine Airbnb for sheltering unlicensed tax-evading tourist apartments via @Reuters

reut.rs/1K21O5f

12:08 PM - 28 Aug 2015



Barcelona mayor's tourism crackdown puts Airbnb in firing line

Barcelona's new mayor is picking a fight with home rental websites as she tries to crack down on uncontrolled tourism that she fears

reuters.com

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Business Economy

China's Anti-Corruption Measures Drag Down Catering Sector Growth to 21-Year Low

By Jerin Mathew
February 10, 2014 08:50 GMT



China's Anti-Corruption Measures Drag Down Catering Sector Growth to 21-Year Low (Reuters)

China's catering sector recorded the slowest growth in 21 years, as the government's frugality campaign and its anti-corruption measures cut down spending by officials in luxury restaurants.

BUSINESS NEWS | Tue May 24, 2016 | 12:29pm BST

Greece's VAT tax hike is counterproductive - trade association



By George Georgiopoulos | ATHENS

Increasing value-added tax will reduce state revenues rather than Greece is seeking as it tries to meet fiscal targets agreed with its lenders and medium sized businesses said on Tuesday.

Parliament on Sunday approved raising VAT to 24 from 23 percent from a list of measures Athens hopes will help unlock bailout funds needed to meet

But the Confederation of Commerce (ESEE) said the sixth VAT hike in a row will increase tax evasion and reduce the state's take, as in previous VAT raises.

"The VAT nightmare is unfortunately continuing," said ESEE head Vas

The tax hike will affect super the ESEE estimates VAT revenue will fall by 400 million euros, less than the 4

Increasing tax on transport, struggling to survive, the ESEE lower rates such as Germany, Bulgaria and Romania with 2

Greece wants tourists to spy on tax cheats

by Ivana Kottasova @ivanakottasova
March 9, 2015: 1:22 PM ET



What? Or undercover tax inspectors?

Heading to Greece this summer? You might have a secret mission complete.

The Greek government is planning to recruit tourists to spy on tax cheats as it casts around desperately for ways to stave off bankruptcy.

The idea to employ large numbers of students, housekeepers and tourists as undercover tax inspectors is one of seven reforms the Greek government has proposed before another round of emergency austerity measures is imposed by the International Monetary Fund.

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Demonetisation: Tourism industry knocks at govt doors with bag of woes

Anubhuti Vishnoi ET Bureau | Nov 17, 2016, 10:07 AM IST

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Tourism Minister
... may say there's
... his ministry is
... representations
... on the chaos
... demonetisation in
... season.

... India slogan is
... of so very
... The foreign tourist is
... spend his money,
... a drink, or hire a
... ators, told ET.

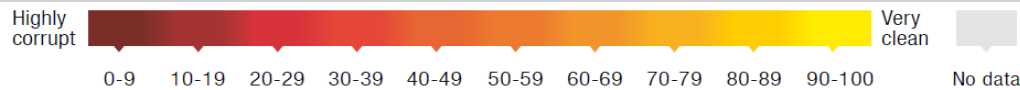
Effective **taxation** and tax-
evasion **prosecution** is not
enough! Investment
transparency and domestic
prosperity are essential.



TOURISM INVESTMENT ≠ TOURISM GROWTH

The 'Beach Disease' Stigma and Side-Effects

Transparency International... Corruption Perceptions Index*



CORRUPTION PERCEPTIONS INDEX 2014

RANK	COUNTRY/TERRITORY	SCORE
1	Denmark	92
2	New Zealand	91
3	Finland	89
4	Sweden	87
5	Norway	86
5	Switzerland	86
7	Singapore	84
8	Netherlands	83
9	Luxembourg	82
10	Canada	81
11	Australia	80
12	Germany	79
12	Iceland	
14	United Kingdom	
15	Belgium	
15	Japan	
17	Barbados	
17	Hong Kong	
17	Ireland	
17	United States	
21	Chile	
21	Uruguay	
23	Austria	

24	Bahamas	71
25	United Arab Emirates	70
26	Estonia	69
26	France	69
26	Qatar	69
29	Saint Vincent and the Grenadines	67
30	Bhutan	65
31	Botswana	63
31	Cyprus	63
31	Portugal	63
31	Puerto Rico	63
35	Poland	61

RANK	COUNTRY/TERRITORY	SCORE
47	Costa Rica	54
47	Hungary	54
47	Mauritius	54
50	Georgia	52
50	Malaysia	52
50	Samoa	52
53	Czech Republic	51
54	Slovakia	50
55	Bahrain	49
55	Jordan	49
55	Lesotho	49
55	Namibia	49

69	Brazil	43
69	Bulgaria	43
69	Greece	43
69	Italy	43
69	Romania	43
69	Senegal	43
69	Swaziland	43
76	Montenegro	42
76	Sao Tome and Principe	42
78	Serbia	41
79	Tunisia	40
80	Benin	39
80	Bosnia and Herzegovina	39
	El Salvador	39
	Mongolia	39
	Niger	39
	Niger Republic	38
	Nigeria	38
	Paraguay	38
	Peru	38
	Poland	38
	Portugal	38
	Romania	38
	Russia	38
	Slovenia	38
	Slovakia	38
	Spain	38
	Sweden	38
	Switzerland	38
	Taiwan	38
	Tanzania	38
	Togo	38
	Turkey	38
	Ukraine	38
	United Kingdom	38
	United States	38
	Uruguay	38
	Venezuela	38
	Yemen	38
	Zambia	38
	Zimbabwe	38

'Tourism Performance and Corruption' Hypothesis Testing

		Tourism Contribution to GDP	Domestic Tourism Spending	International Tourism Spending
Corruption Perception Index Score	Pearson Correlation	,207*	,225*	,217*
	Sig. (2-tailed)	,031	,019	,023
	N	109	109	109

** Correlation is significant at the 0.01 level (2-tailed).

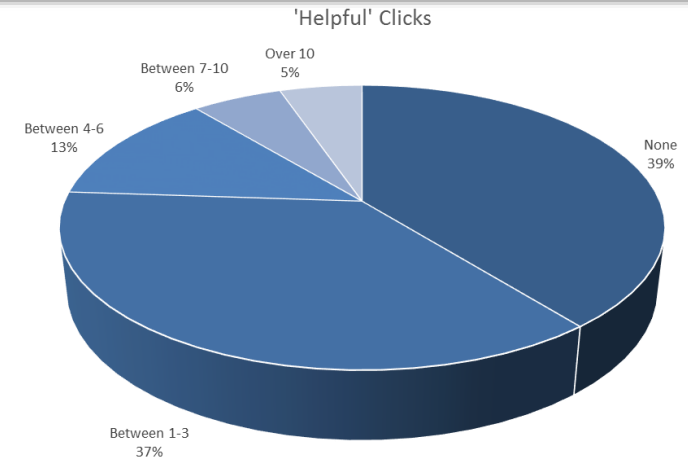
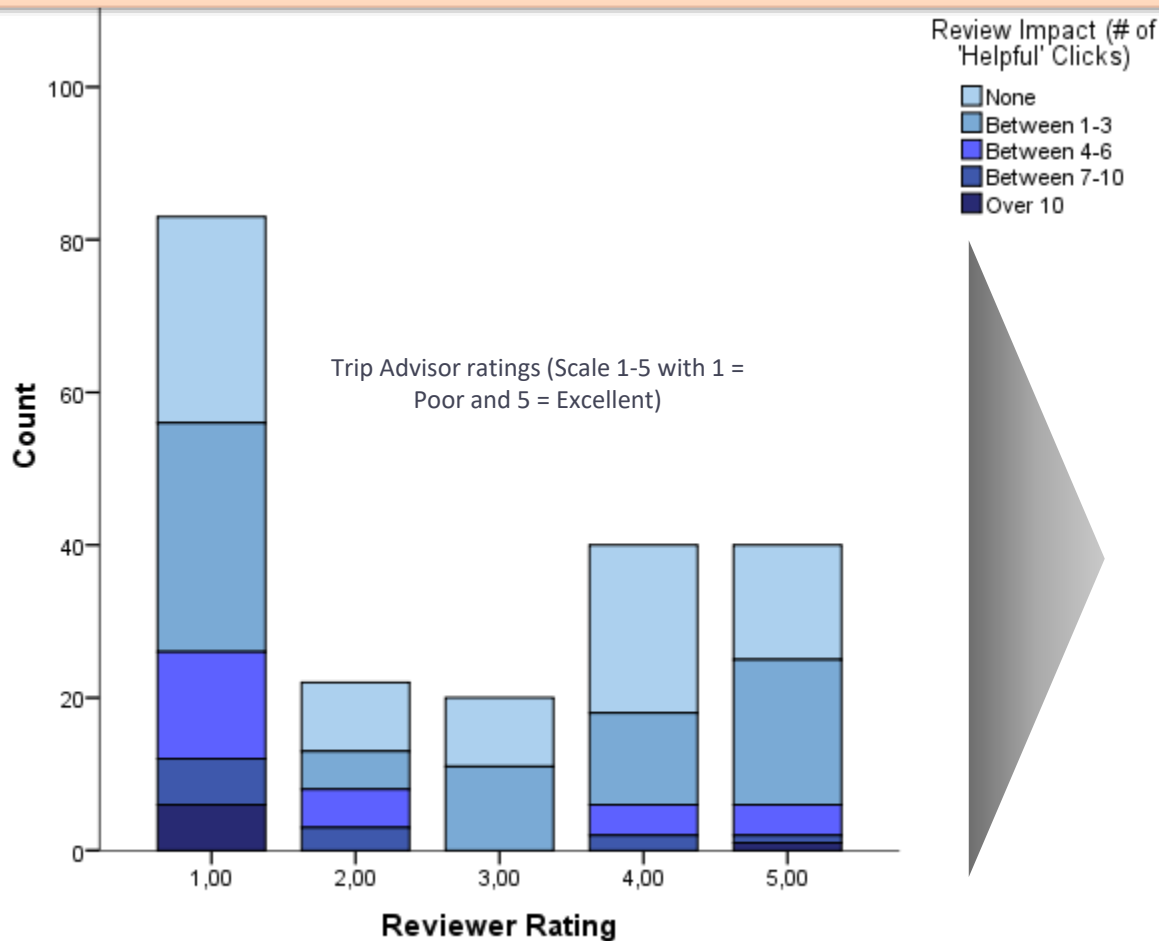
*. Correlation is significant at the 0.05 level (2-tailed).

Base Data: WTTC (2015), Transparency International (2016)

Trip Advisor Online Review Analysis Summary

Sample: 205 Reviews related to Corruption Incidents

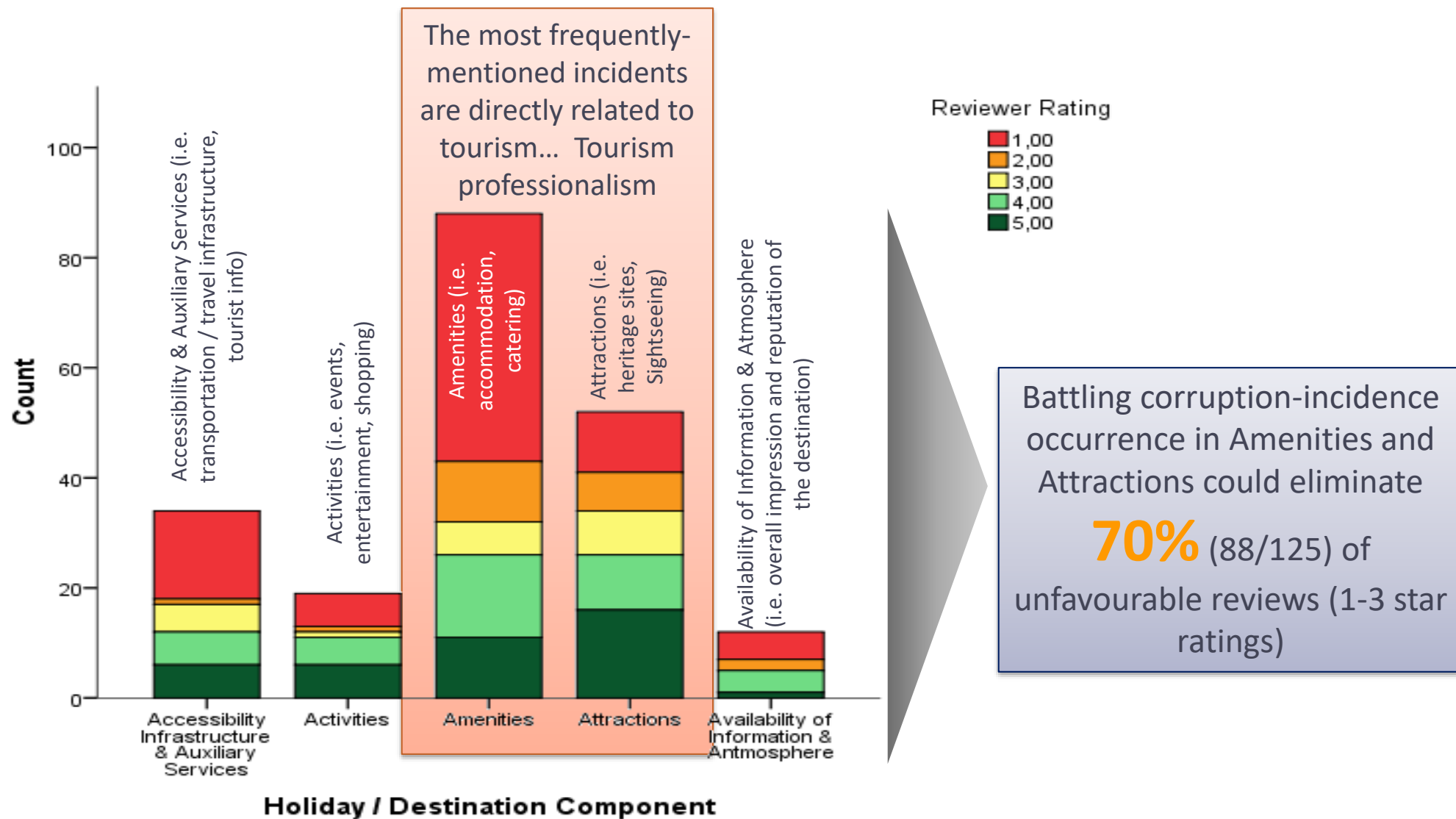
There is a relationship between review-rating and review-impact: The Pearson correlation test resulted to a value of: -0.136 which was significant at the 0.05 level. Simply stated, the lower the review rating, the higher the review-impact and vice versa.



Highly negative and highly positive ratings have the highest impact on review readers. On average each review impacts **1 to 3 review readers**

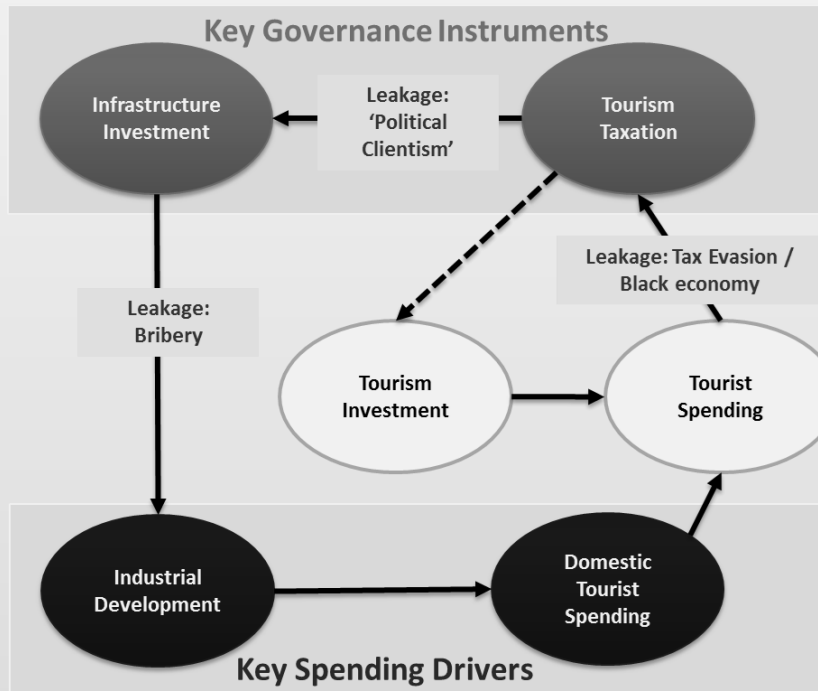
Trip-Advisor Online Review Analysis Summary

Sample: 205 Reviews related to Corruption Incidents

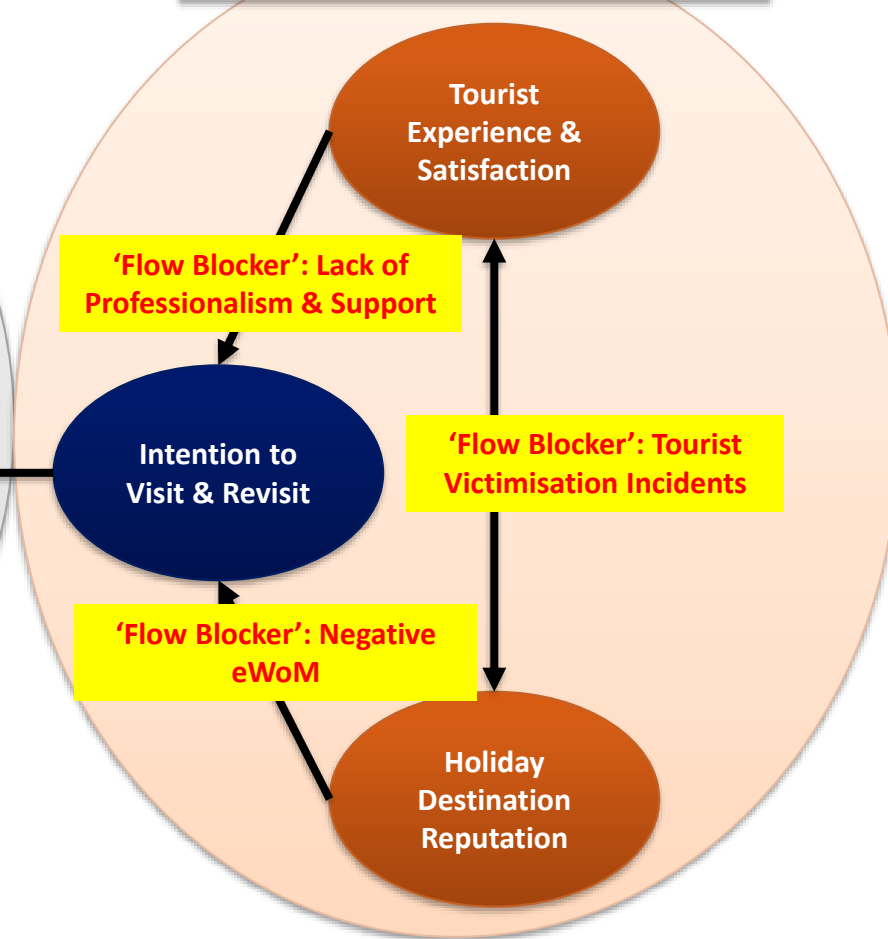


From 'Waterproof' Tourism Investment... ... to Sustainable Tourism Growth

Ensuring that the 'Money is used correctly and wisely'



Ensuring that the 'Money keeps coming'



Hospitality is a **Promise** and
depends on **Reputation** and
Trust! Tourism-related
Corruption destroys both.

Tourism Corruption or 'Yellow Tourism'

Perceived Safety & Tourism Spending!

Larsen et al. (2009):

- Actual tourists are less concerned about crime than potential tourists and that their focus is mostly on petty crime (e.g. theft)

George (2010):

- Despite own safety concerns, tourists are likely to **revisit and recommend** a holiday destination to others.

Boakye (2010):

- Tourists' feeling of safety and security do not depend so much on the visibility of uniformed personnel, but mostly on **perceptions of order and professionalism** in their surroundings

Do tourist feel they can effectively react and get support when something happens?.

Overcharging?

Bribery?

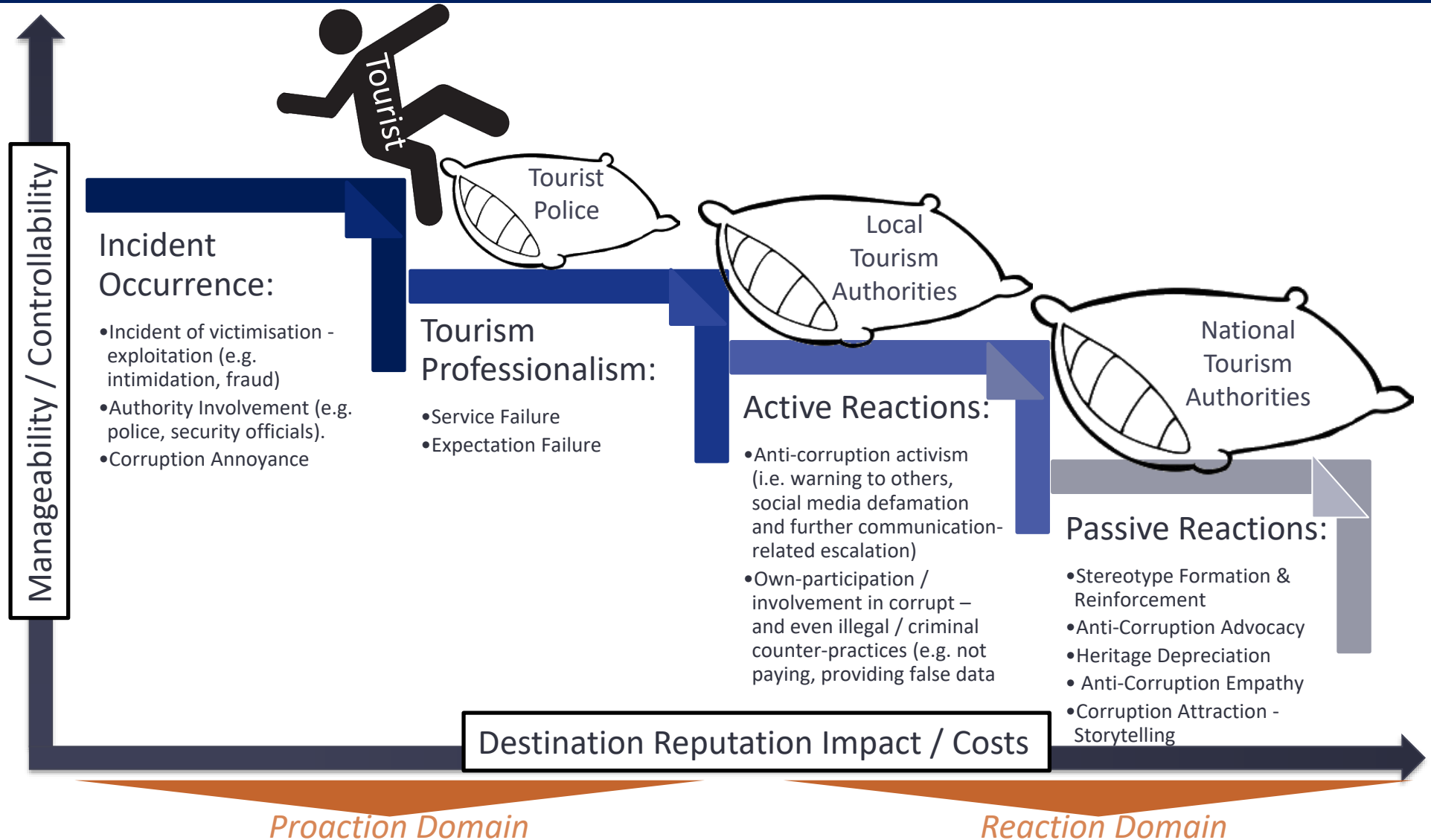
Transaction transparency?

Encounters with Public Services?

Do local's practices towards tourists demonstrate professionalism?

Safe-Guarding Reputation

The 'Tourism-Corruption Staircase'



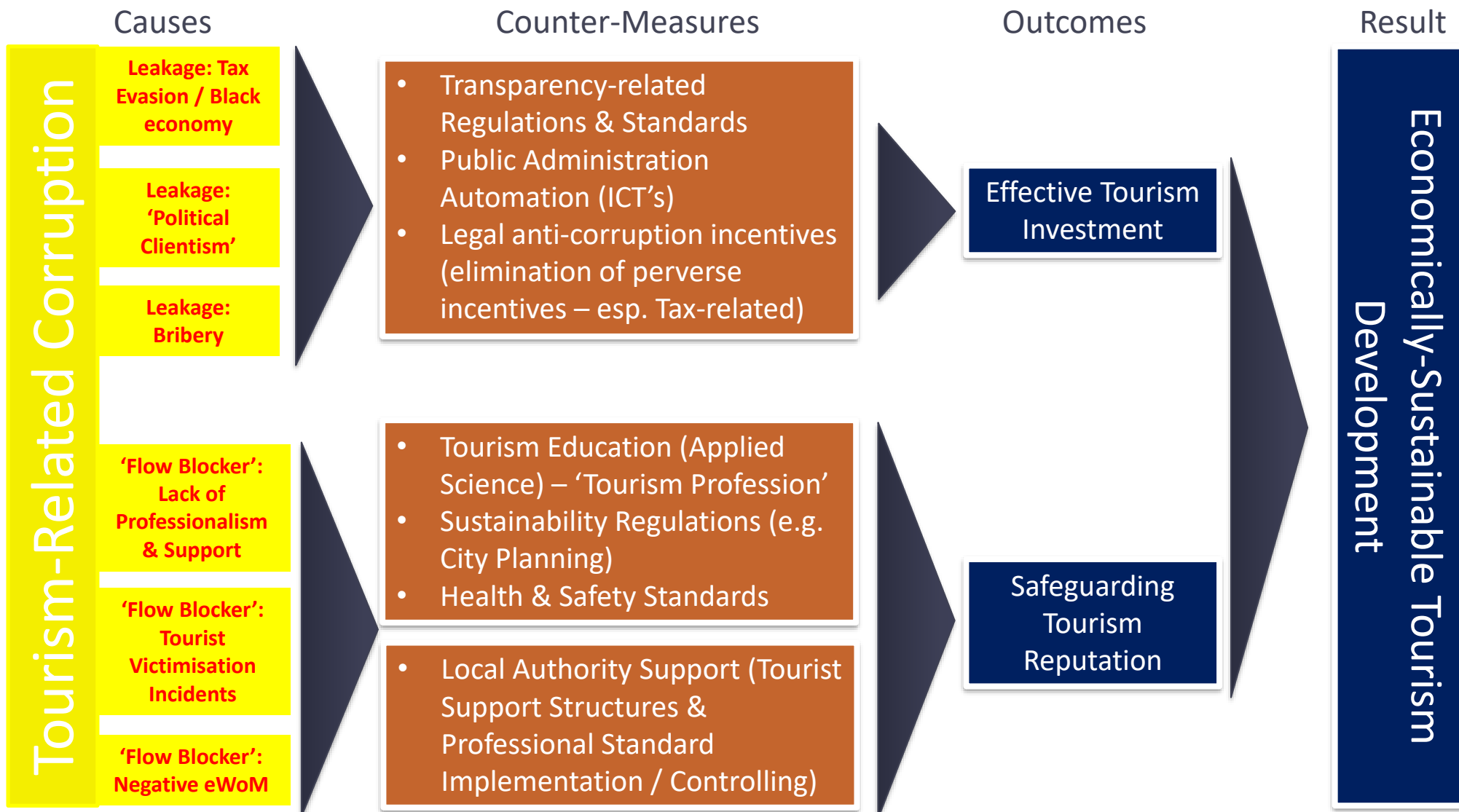
Tourism Professionalism
may not eliminate corruption... But it
limits its **negative impacts** on
guests' overall **holiday**
satisfaction!

The background of the slide is a grayscale photograph of ocean waves. The waves are breaking, creating white foam and spray. The sky is overcast and gray. The overall tone is somber and serious.

PUTTING ALL-TOGETHER

Cure and Prevention of the 'Beach Disease'

Recommended Political Measures for Effective Tourism Development

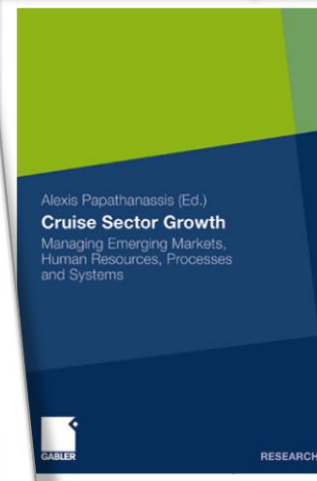
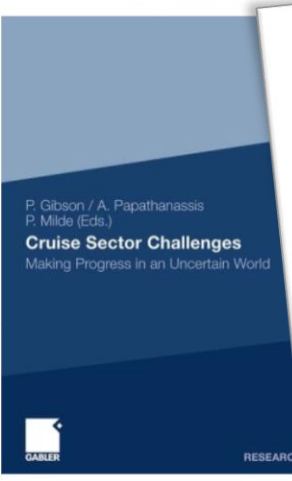
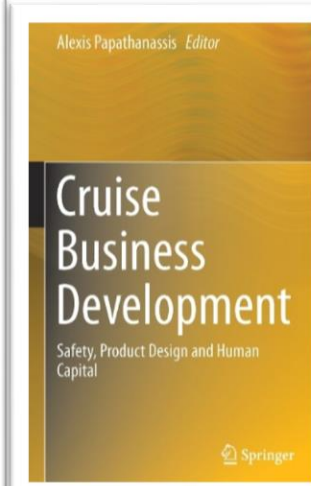
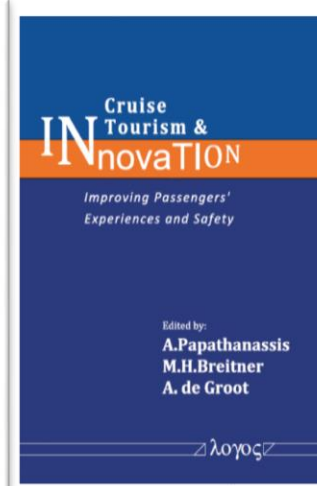
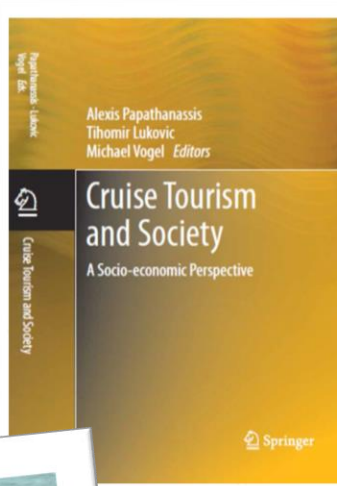
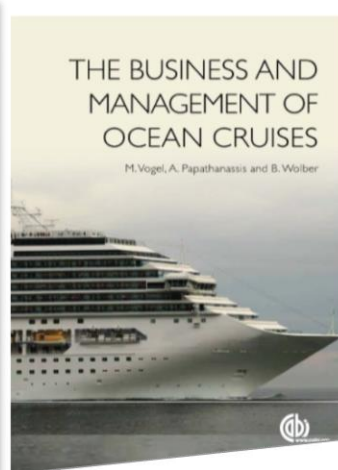
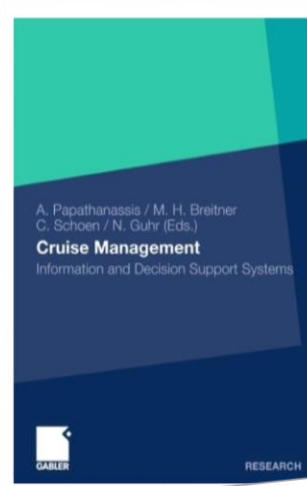
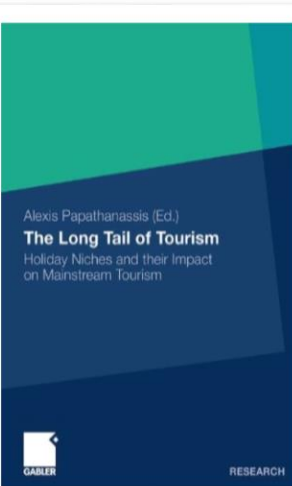


There is **no part of**
the world where
corruption is
absolutely
eliminated.

Olusegun Obasanjo *

... But once
understood, it can be
effectively
managed!





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- ▶ **Research Functions:**
 - Founder & Chairman of the **Cruise Research Society**
(<http://www.cruiseresearchsociety.com>)
 - Co-Director of the **Institute for Maritime Tourism (IMT)**
(<http://www.imt.hs-bremerhaven.de/>)
- ▶ **Administrative Functions:**
 - Dean – Faculty of Management and Information Systems
 - Member of the Research Committee of the Bremerhaven University of Applied Science
 - Chairman of the CTM Examinations Committee
 - Member of the CTM Study Affairs Committee