GLOBALIZATION, TOURISM AND CITIES:
PROS AND CONS

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Abstract: In contrast to a decreasing role of states in the process of globalization, the significance and role of cities have still been increasing. The global aspect of tourism processes makes some of the aspects of the cities’ performance on the tourism market more intensive and at the same time of a broader scope – competition, protection of cultural resources, dependence on external entities, demand for market information. Under these circumstances internationalization is becoming a main strategic option of tourism development in cities. This paper refers to the considerations included in H.L. Theuns’ selected articles and directly to his work Globalization and Tourism: Pros and Cons [2008]. The discussed economic effects emerging at an intersection of globalization and tourism are here developed by the third element, i.e. cities and their role in the modern world economy, including the tourism market.

Keywords: globalization, internationalization, city, urban tourism, world tourism cities.

Introduction

In his paper entitled Globalization and Tourism: Pros and Cons [2008] H. Leo Theuns discusses manifestations and consequences of the influence of globalization on tourism. Assuming a macroeconomic perspective, in the first place he considers globalization in the context of its geographical scope and its influence on the creation of wealth and repartition of incomes within national economies and among countries. In Theuns’ opinion, it results in decreasing the role of states in the arena of international economic relations: “state power decreases when global capital power increases” [Theuns, 2008, p. 100]. However, with reference to tourism, an influence of globalization can be observed, in the first place, with reference to changes in the structure of world tourism demand, the environment as a main source of wealth on the market and the security of the sphere of demand and supply.

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This article is complementary to Theuns’ considerations. Its idea lies in adding third dimension to the discussed issues. Globalization, along with a partial weakening of state control in the arena of international economic relations, made cities become important players in this arena. Beside a micro- and macroeconomic level of analysis of the effects of globalization, a mesoeconomic level turns out to be equally important. Paraphrasing Theuns’ cited words it can thus be stated that city power increases while state power decreases when global capital power increases.

Globalization and Tourism

In his considerations Theuns [2008] emphasizes that globalization, as defined by Stiglitz [2002] as “both the process and outcome of the removal of barriers to free market and the closer integration of national economies”, enables a free flow of goods, services and investments among countries, but first of all it immensely increases the role of capital and decreases the role of labor as basic factors of global production. Consequently, it affects the change, in a negative way, of bargaining power of states as main players to control the world market. In Theuns’ opinion, only sizeable economies with strong government intervention are able to resist the pressure of liberalization and globalization, exemplifying it with the actions performed by the governments of Russia and China. Minor states have to accept their generally passive role in this process [Theuns, 2008, p. 99-100].

Assuming a macroeconomic perspective, Theuns sees the future processes which take place in the tourist industry under the influence of globalization as a consequence of more general changes in the repartition of incomes between capital and labor within national economies, and between labor in the industrialized and the non-industrialized countries. In other words, within industrialized countries, demand for tourism by workers will be decreasing, and less expensive holiday options will be looked for. On the other hand, the demand by capital owners and top managers will be more and more sophisticated which will boost the exclusive tourist market. Next, the demand for tourism by workers in developing countries will increase as a result of growing offshoring and outsourcing in other sectors of the economy. These processes will certainly be observed in the sectors of recreational and leisure tourism but also in business travel. Since particular changes will not mutually compensate spatially, perturbations in supply are inevitable [Theuns, 2008, p. 101].

Another dimension in which globalization affects the tourist industry is sustainable development. Theuns emphasizes that the dynamics of global economic processes has broadened an understanding and treatment of this
postulate merely with reference to natural environment, underscoring long-
term competitiveness of national and/or regional economies. However, an
environmental aspect is still crucial in tourism as natural amenities are
often a primary source of future profits within tourism industry or even
the whole economy in many countries and destinations. Consequently, they
should be included in the framework of the financial cost-benefit analysis
of new investment activities, which is a regular action in the case of public
investments. Natural resources should therefore be treated as public goods
and administrative and legislative regulations are necessary for their pro-
tection from external effects and their exploitation by private entities on
the basis of “free-riders”. Theuns emphasizes that “in a situation where
free-riders among investors profit from the lack of protection extended by
government to public goods, it is doubly ironic that investment incentives
would be provided, which anyway, with few exceptions, constitute a waste of
government revenue” [Theuns, 2008, p. 103].

The necessity to carry out an active and long-term tourism policy as well
as an economic transformation is a subject of Theuns’ more elaborate con-
siderations with reference to developing countries in his other works [1976,
1987, 1994, 1997, 1998, and this volume]. In these countries, a decreasing
power of national economies in the situation of the growth of global capital
and transport techniques is particularly noticeable; therefore the threat of
leakages of gross foreign exchange receipts and the foreign domination of
trans-national tourist corporations and tourist generating countries is very
high. This, in particular, refers to small island countries poor in natural re-
sources of strategic significance [Theuns, 2008, this volume].

Despite the fact that tourism has an international character by its
nature and its development in market economies is not hampered by state
intervention, it is, as Theuns emphasizes, relatively free of some processes
inscribed in the essence of globalization like outsourcing and offshoring.
This is mainly due to the fact that the generation of a tourist product is
location-specific and thus it belongs to a category of unalienable products
[p. 101]. In this context Theuns, despite a macroeconomic perspective of
his considerations, touches upon a very important attribute of tourism
activity which globalization is not able to diminish; on the contrary, it
magnifies it. Strictly speaking, tourism sector is locally-oriented, what is
strongly emphasized by Cooper who writes: “Produced where it is con-
sumed, tourism is an activity that is delivered at the local destination,
hopefully by local residents and drawing upon local culture, cuisine and
attractions, yet it is impacted upon by global processes, creating the di-
lemma of global/local nexus” [Cooper, 2008, p. 109]; Cooper goes on to say
that “tourism can be viewed as an activity occurring at the local level that
is impacted by the broader processes of globalization” [ibid.]. This local level is getting more and more important in modern tourism. We can even say that its impact has a global scope.

Cities, Globalization and Tourism

Although global processes have affected, in the first place, the macroeconomic level, at the same time, they have reinforced the local level, lending it an international significance. Porter [1990, 1998] states that in a global economy, in which classical factors of production are more and more accessible, the enduring competitive advantages lie increasingly in local sources like differential knowledge, information flow, skilled labor force, relationships, motivation, and mutual reinforcement, that cannot be matched from a distance. Thus, cities and regions become a unique environment for business activity and for increasing the competitiveness of companies [cf Porter 1990, p. 154-159]. Sassen [2006] also points to the reinforcement of bargaining power of cities as one of the forms of globalization of the economy. It is in cities where the leading reserves are accumulated and the processes which generally affect the whole world economy are created and developed. However, Sassen points out that only the biggest and most powerful cities fully benefit from advantages brought about by globalization. These cities have a status of global cities and develop international circuits of connections. At present they are the main centers of the world economy management, the key locations and markets of leading sectors of economy – financial services and specialized services for companies as well as the main places of provision of these services including the creation of innovations [Sassen, 2006, p. 7].

Globalization does not only aggrandize cities, but it also restructures them and this process includes, beside the economic aspect, also culture, in a broad sense, and amenities. Consequently, the new roles of cities can be distinguished: city as a global market participant, city as a global democracy, and city as an entertainment machine [Clark, 2004, p. 293]. In the light of the subject of this paper special attention should be paid to the third of the roles mentioned above. Clark states that consumption has replaced production and has become the main driver for modern urban development and urban policy. Much of consumption is driven by local specifics, which define a city’s unique appeal: cafés, art galleries, architectural layout, urban landscape, and aesthetic image of a city. Both urban public officials and business as well as non-profit leaders are using culture, entertainment, and urban amenities to enhance their locations – for present and future residents, tourists, conventioneers, and shoppers [Clark, 2004, p. 1 and pp. 293-294].
In this context urban tourism has become influential across the board as a significant part of this huge industry. Maitland and Newman [2009a] point out that urban tourism has become an inseparable part of the transformation of many cities over past decades and has thus been an element of the new direction of their development. They stress that it has an impact on such spheres and processes taking place in cities like middle class return to the city centers, change in the structure of current consumption and the style of everyday life, a new look at the quality of life and amenity in the context of attracting and retaining residents and workers [Maitland, Newman, 2009, pp. 1-2]. Cities as attractive places of leisure and work attract educated, creative and dynamic people who make decisions as to the further development of these places and, indirectly, as to the location of companies and capital. Cities have therefore become places of development of the creative class, the most desirable, from the point of view of cities, group of “users” [Florida, 2005].

Cities, especially the big ones, have become the most attractive and most frequently visited destinations [Law, 2002]. Traditionally, a significant part of historical and cultural heritage has been concentrated in cities; cities are also the places of creation of new forms of recreation and tourism; they also have the most developed infrastructure adapted to spend free time [Aleksandrova et al, 2011, p. 140]. This process is well-founded in statistics both referring to international tourism and in general results. Table 1 illustrates the ranking of the 15 most popular, from a tourist point of view, cities in the world (on the basis of the number of international arrivals) and in Europe (on the basis of the total number of domestic and foreign tourists’ bednights). Both lists testify to the phenomenon that was touched upon above – metropolitan areas, many of which enjoy a status of global cities, are becoming the greatest tourist destinations. Following this way, Maitland and Newman, with reference to the concept of global cities, introduce a notion of world tourism cities. These cities are rich, multi-functional and polycentric centers, located in global circuits of both money and people, with substantial historical assets and iconic buildings and their status of leading cultural centers and global business networks, which offer a very wide range of experiences and possibilities of spending free time. Therefore they generate large numbers of business visitors in addition to those tourists attracted by tradition and culture. In the rankings included in Table 1 only two cities – Antalya and Palma de Mallorca – do not have such a character: instead, they are rather mono-functional and oriented towards leisure tourism. Moreover, Maitland and Newman go on to say that these cities open up opportunities for visitors to discover new attractions off the beaten track, previously unknown to mass tourism [Maitland, Newman, 2009a, p. 2].
The global aspect of tourist processes makes some of the aspects of the cities’ performance in the tourist market more intensive and of a broader scope. This is why, again with regards to Theuns’ work, attention should be paid to selected pros and cons of the influence of globalization on urban tourism.

### Table 1. World’s and Europe’s top city destinations

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<tr>
<td>Name (population in mln. – agglomeration)</td>
<td>International arrivals (in mln.)</td>
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<tr>
<td>-------------------------------------------------------</td>
<td>------------------------------------------</td>
</tr>
<tr>
<td>1 London (12.5)</td>
<td>14.1</td>
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<tr>
<td>2 Bangkok (9.5)</td>
<td>10.0</td>
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<td>3 Singapore (6.5)</td>
<td>9.7</td>
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<tr>
<td>4 Kuala Lumpur (6.5)</td>
<td>9.4</td>
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<tr>
<td>5 Antalya (1.0)</td>
<td>8.9</td>
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<tr>
<td>6 New York City (22.0)</td>
<td>8.5</td>
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<tr>
<td>7 Dubai (1.6)</td>
<td>7.8</td>
</tr>
<tr>
<td>8 Paris (10.5)</td>
<td>7.7</td>
</tr>
<tr>
<td>9 Istanbul (13.0)</td>
<td>7.5</td>
</tr>
<tr>
<td>10 Hong Kong (7.1)</td>
<td>7.0</td>
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<tr>
<td>11 Mecca (1.6)</td>
<td>7.0</td>
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<tr>
<td>12 Rome (3.3)</td>
<td>5.5</td>
</tr>
<tr>
<td>13 Miami (5.6)</td>
<td>5.2</td>
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<tr>
<td>14 Las Vegas (2.0)</td>
<td>4.7</td>
</tr>
<tr>
<td>15 Los Angeles (18.0)</td>
<td>4.5</td>
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Source: (1) Euromonitor International 2011; (2) ECM 2011; City Population 2011.

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### Globalization and Urban Tourism: Pros and Cons

The influence of globalization on the development of tourism function in cities, not only those with a global status, rarely has an unambiguously positive or negative effect, which is due to the complexity of economic processes. Moreover, the influence of globalization may point to the need of certain changes within tourism management in cities. In this light, with regards to Theuns’ considerations, the following problems are worth our
The typological structure of people visiting cities, and especially metropolitan areas, is very diversified. Visitors are experienced international city users and often familiar with and attached in some way to the cities they visit (relatives or friends, business, visiting the same place for the second time etc.) [Maitland and Newman, 2009b, p. 135]. Moreover, globalization has an impact on the process of touristification of life in a city. Residents’ consumption behaviors are changed by their own experience as tourists; the size of a city and the number of tourists highlights make them behave like tourists in their own city. That is why clear demarcations between leisure and work places, recreation and work activities, and leisure and work time are eroded, and with them the delineation between hosts and visitors and touristic and non-touristic activities [Maitland, Newman, 2009a, p. 4].

Thus, bearing in mind this diversified structure of consumers and the above considerations on the inclusion of tourism in the scope of entertainment and cultural consumption, the reasons of the growing competition among cities in the scope of creation of new areas and objects to increase options to spend free time become evident. Dziembowska-Kowalska and Funck [2000] point out that the accumulation and standard of attractiveness of resources and public services, although in themselves they are not a direct source of large profits and incomes on the scale of a city, at the same time they create external benefits in other sectors of the local economy. Also, they have an impact on the companies’ decisions as to where to invest as well as on well-qualified employees and managers’ decisions as to where to live and work [Dziembowska-Kowalska and Funck, 2000]. The building of modern museums, stadiums, congress and cultural centers, amusement parks, organization of big events, revitalization of the whole quarters and districts: these are only some of the initiatives – the tools to increase tourist attractiveness. Cities keep on expanding their tourist offer, present new options to spend free time to visitors and residents and revitalize and enrich classical tourist attractions. They strive at making both historical attractions and modern objects enjoyable to visitors [Aleksandrova et al, 2011, p. 149; Clark, 2004, p. 294; Maitland, Newman, 2009a, p. 11].

It is large metropolises which enjoy supremacy in this competition. By their nature, they are uniquely rich in such objects and amenities; also, they have the best opportunities to finance large investments. Bearing in mind tourists’ international experience, smaller cities with a status of regional centers drop out of this cultural and entertainment arms race. Despite their
rich cultural resources and/or adequately developed business and tourist infrastructure, they are not capable of providing a satisfactory spectrum of options to spend free time as compared to leading world cities. Therefore, globalization is widening the gap between powerful world tourism cities and other urban tourism centers. In this situation the only way to build up a competitive advantage for the latter is not the construction of bigger and bigger or more and more spectacular objects, but a drive at distinctiveness. Smaller cities have to be distinct in the areas of innovation and creativity. As Maitland and Newman emphasize: “this is an evidence of globalization – distinctiveness has become an essential asset in economic competition” [2009, p. 137].

Theuns points to an incalculable attraction of natural resources in the tourist industry and the resulting necessity of their legal protection. The problems of natural environment are not so important in urban regions in comparison with other types of tourist regions (which does not mean that they do not appear at all). However, what comes to the fore in cities are historical and cultural resources, in a broader sense, as well as entertainment objects and recreational facilities financed from public resources. The problem of externalities and of the free-rider is related to the above as closely as to natural resources. Many of them exhibit the characteristics of public goods – they are indivisible and non-rival and non-excludable in consumption and therefore they are made available to tourists and other interested parties on non-market principles. Subsequently, other resources exhibit the characteristics of club goods whose provision is excludable [McNutt, 1999]. In the case of the former a number of consumers and a market price are impossible to establish. In the case of the latter we also deal with a problem of establishing a price which would reflect a game of demand and supply since many of them (like all public goods) are financed by the public sector dominated by administrative and political processes [McNutt, 2000]. A zero or minimum profit obtained of the sale makes it necessary to find indirect sources to finance their current maintenance as well as their promotion (it is also impossible to establish total costs of their promotion or to assess the effectiveness of these actions with regards to the capital involved). In the case of domestic tourists a redistribution through the tax system is possible, yet with regards to its general principles it is not satisfactorily effective. However, the growth of foreign tourists in cities makes even this indirect mode impossible to apply. Foreign tourists thus become free-riders (in whole or in part) benefitting from monuments and cultural objects, cultural events, parks, recreational areas, architectural systems, historical objects as well as tourist tracks, bicycle paths, urban visual information, illumination and light installations etc. Tourist companies well-located in the vicinity of
monuments and recognizable buildings are also free-riders which benefit from an extra rent included in the price of a service.

The problem of reducing the effects of this market failure can be solved in two ways. The first one refers to an introduction of financial regulation in the form of a tourism levy or visitors’ tax by city authorities (paid indirectly by tourist companies and directly by their guests). The other way consists in the creation of a voluntary special purpose fund (integration of private sources or private and public sources) for financing the promotion of the whole tourist product of a city including also the resources belonging to the public domain. However, Socher [2005] points out that a model solution in this area is the introduction of two kinds of levies: (1) a levy put on tourists by way of their opportunity to benefit from public goods – the revenues of which should be fully assigned to financing the production of these goods; (2) a levy put on all the enterprises that profit from city promotion, whose amount would depend on their economic calculation (measured by the returns of sales, the turnover etc.).

In the times of tourist market internationalization a threat of dependent development does not refer only to countries, but also to cities. This dependency is connected with the problems of protection of public goods in tourism. Similarly to the situation of many Caribbean countries described by Theuns in this volume, cities rich in tourist resources, in this case in the form of historical and cultural heritage, sometimes with world-famous highlights, are also exposed to the threat of dependency. These attractions generate a tourist product which is rich but not very diversified with regard to many consumers’ segments. What is important, these cities are characterized by a high standard of living, but at the same time they have a monofunctional character where tourism is a leading economic sector: in this sense their level of economic transformation is low. Heritage is their “scarce resource of strategic economic importance” [Theuns, 2008, p. 103], but at the same time, as Russo [2002] put it, it becomes the “vicious circle” of tourism development. In this case the dependency has a local or regional scale, but it is of an international character and is additionally driven by the globalization of tourist turnout.

Tourism attractions are usually spatially concentrated in the cores of cities what results in a large concentration of tourist turnout around them [Richards, 1996; Russo, 2002]. Consequently, the popularity of these attractions in the world and technological developments in the means of transport result in the streams of tourists which, in turn, is a cause of price pressure. The growth of prices in the city center results, on one hand, in building of tourist objects (mostly accommodation facilities) farther and farther from the center and, on the other hand, in decreasing demand (but not the turn-
out) of visitors. The economic value of a tourist product is growing with an increase in the number of tourists interested in its consumption; therefore cities, to strengthen their competitive powers have to be attractive not so much to the individual tourist, but rather to the transnational tour operators that, to a large extent, decide as to the size of generated demand. This mechanism manifests itself in packaging of cultural and tourist elements [Russo and van der Borg, 2002]. The structure of the tourist market is undergoing a change: a share of long individual visits is substituted by shorter and shorter organized visits. Cities are visited by more and more mass tourists who are motivated “in part” or accidentally by culture [cf Silberberg, 1996] and use only indispensable tourist amenities and resources bearing a character of public or club goods, at the same time spending most of their funds in objects located out of the city centers or even beyond city borders. Russo [2002] aptly calls them “false excursionists”. International tour operators’ activities result in a spatial distribution of the benefits arising from tourism between the city and communities beyond it along with the spatial concentration of the social and economic costs resulting from a growing number of visitors attracted by cultural resources. Consequently, a superficial visiting mode and a less elastic demand with respect to quality by package tourists contribute to progressive degradation and commercialization of the tourist product. Ultimately, this process may end up in the creation of an urban tourist monoculture with all the negative phenomena resulting thereof. Examples of cities distressed by the above-mentioned problem are Venice, Bruges and Salzburg [Russo 2002].

Performance of cities on the tourist market under the circumstances of global competition; pressure from external entities’ activity; spatial distribution of economic benefits from the provision of services to tourists and the necessity to protect cultural attractions require a permanent measurement of economic effects of tourism on the city economy and the collection of statistics and carrying out market research. In Vanhove’s opinion, “measurement of tourism activity is important for both public and private sector. Without reliable data it is impossible to demonstrate the economic importance of the sector in terms of value added, employment, exports and imports. An efficient policy also requires data on the supply and demand structure and the development of the sector“ [2005, p. 21]. That is why a tourism information system is needed to collect, in a permanent and systematic way, the tourism supply and demand data at a city level. The initiation of such a system is of crucial importance because of, in the first place, widely emphasized difficulties in obtaining hard statistical data in the tourism sector because of its heterogeneity, complementarity and distribution of entities. It is therefore important that such a system collects information on
all aspects of the tourism business in a city and be able to provide information relatively rapidly about the performance of the sector. The significance of running reliable and detailed statistics of the tourism business is also stressed by Theuns [1987; this volume] who emphasizes the importance of comparing economic results in tourism with other sectors of economy, which comparison gives the full picture of the contribution of tourism to the economy. The maintenance of such a system is expensive (although the costs can be reduced by the application of an adequate frequency and sampling); moreover, the market information exhibits the public-good attributes and is not free of the problem of free-riders – hence, it becomes necessary to involve city authorities in this process. The information integration is a real basis for making strategic decisions to increase competitiveness both at the level of a city and of particular enterprises.

Conclusion

The issues discussed above are only some of all the aspects of the impact of globalization on tourism at the city level, even with regards to the problems touched upon by Theuns in his article which was a point of reference to these considerations. One of the questions to name is the problem of assuring tourists’ safety under the conditions of global threats mentioned by Theuns – it is noteworthy to observe that the most severe terrorist attacks of the last years were carried out in world tourism cities: New York, Madrid, London and Moscow. Another crucial question is the protection of local tourist entrepreneurs from the impact of the global capital as well as many other questions.

However, attention should be paid to the fact of the growing independence of cities from government systems under the conditions of increasing business activity dependency on foreign markets and transportation tracks. In this respect, position of cities is privileged, also on the tourism market. Globalization, despite the threats it brings about, is such an all-pervading and strong phenomenon, that the only mode of the activity of cities, both these with the world rank and those regional or local centers aspiring to such a rank, is an assumption of international orientation with reference to defining their position and their competitive potential on the tourism market. The urban tourism market is an international market, what should be a leading point of reference to building and assessment of market position. The domestic market, dominant with regard to accessibility of public statistics, should be treated as one of crucial market segments. Modern domestic consumers are in fact the consumers with international experience and
thus with the same demands and expectations as foreign tourists. The shift into an international dimension is connected with an apparent lowering of the market position of many cities, relatively high with regards only to the domestic market, but false from a real point of view. What really reflects the potential of a city is its position on the international market. A vast horizon of a city competitors’ perception restores a natural development perspective. This means that all activities and investments in the area of tourism should be performed with the assumption to increase competitiveness on the international scale. Due to globalization urban tourism is no longer referred to as a separate city sector or function; instead, it came to become a significant element of city development and of an increase in its competitiveness on a general scale.

References


