

Importance of tourism on spain's economy



**ASSIGN
BUSTER**

Importance of Tourism on Spain's Economy

Tourism has undoubtedly become a monumental factor in the growth and development of economy today. One can also take into consideration the fact that tourism is booming in comparison to other industries such as import and exports, investments, and real estate. In our modern times, travelling has become more facilitated, taking into account the fact that it is in human nature to explore other territories. Tourism and travelling in particular has become an integral component in society today. As an example, Spain's intricate historical background attracts avid tourists from diverse environments across the globe. Spain has an assortment of geographical and cultural appeals that cause a constant inflow of tourists in to the general vicinity. One of the main attractions in this exciting country is the Mediterranean Sea. The lush sandy beaches and the relaxing atmosphere that this ambience creates captivate hordes of sunshine lovers. During their visit, the many fascinations of Spain incline the visitors to explore the country's rich history. The tourists contribute to the economy in a variety of ways such as spending money in restaurants, hotels and stores. Tourism had such a monumental impact on Spain's economy such that at one point in time, Spain's economy was considered the highest in the world. From modern clubs and resorts to historical sites and locations, Spain has a myriad of resources and connections that appeal to a multitude of tourists. Tourism is the strongest industry in the country and has helped to sustain rapid expansion of the Spanish economy. Through education and employment, GDP and foreign exchange, and the import and export sectors, it can be proven that tourism is integral to Spain's economy.

“ The two most important potential effects of a developing tourism sector on an economy are the generation of foreign currencies and economic growth based on ‘ new sectors’ (with the consequent creation of new jobs).”

Employment and education are the two sectors being discussed in this paper. “ Tourism is a labour-intensive service industry, dependent for survival (and for competitive advantage) on the availability of good quality personnel to deliver, operate, and manage the tourist product.” It is what causes the educational and training sectors in Spain to be of great strength. The more the people are being educated, the healthier the job competition is amongst the Spaniards. Since tourism plays an important role in the Spanish economic development, it should deal with decision-making when it comes to employment. Tourism opens up numerous opportunities for people which has significantly boosted the growth of the country’s economy and is capable of creating new and better jobs for the unemployed as well as opening small businesses for the people to benefit from. The influx of tourists in Spain means that a great number of people will have to be trained in the hospitality sector. Sectors such as hotel management, restaurants and airport services require a new type of training and education. However, there are some firms who cannot provide any training to their employees and others who are not able to abandon their skilled staff in order to hire new ones. Here is where the educational institutions come in. Their job is to educate and train students to become skilled workers. This is done by “ preparing students to respond to the changing demands of the highly volatile, competitive and sophisticated, global tourism industry, rather than to meet current demands, form students for the international rather than for the local market, prepare students for specialist functions in the industry,

<https://assignbuster.com/importance-of-tourism-on-spains-economy/>

rather than for generic employment positions." The people of Spain are encouraged to mingle and communicate with tourists as much as they can in order to, not only create jobs, but also to help improve their knowledge and education of foreign languages. Some of these people, however, lack an entrepreneurial skill which, along with their laid-back attitude, causes them to open their own small business rather than working in bigger industries such as running hotels and restaurants for example and interacting with a larger number of tourists. It can then be concluded that in order for both students and firms to achieve the knowledge required to understand tourism dynamics, both students and firms are required to have some sort of specialization. Students need to meet qualitative needs of a firm as well as gaining high professional skills, whereas firms are required to accelerate consumer demands as well as meeting their future needs. Therefore, it is possible to have both educated and trained operators and managers. This is all due to the educational institutions which allow students to meet the needs of the firms by following a specific educational strategy. This strategy consists of the intensive international tourism education and training, along with a certain specialization that requires some sort of base knowledge. In other words, both education and training need to be balanced in order to improve the productivity of a country, such as Spain, and to benefit from the growth of its economy.

"...only Cortés-Jiménez and Artís (2006) investigated (in a bivariate context) the causal link between international tourism expansion and imports of industrial goods and machinery for the Spanish economy." Spain's economy is what caused Spain to become one of the top leading countries in the

world. One of the most important economical decisions that have been made was discussed in the previous section, which was to educate the Spanish people in order to allow them to open their own factories and import industrial goods and machinery. Therefore, not only does education and employment play a very important role in achieving massive productivity and growth of the Spanish economy, but so do imports and exports of capital goods. This factor is what links international tourism to the economic growth in Spain. It is apparent that there is a direct relationship between tourism exports, imports of goods and the growth of the Spanish economy. Financing imports of capital goods will cause an expansion in the international tourism industry of Spain. Tourists provide the country with foreign currency receipts which causes the economy to grow and develop by importing capital goods to the country. These receipts or earnings play an important role in a country such as Spain since its economy mostly depends on the imports of the capital goods. As the number of imports and exports increase, the economy is being affected respectively. Thus, expanding the import and export sectors will cause a long-term growth of the economy. There are two main channels through which this can be done. " The first one is the well-known export-led growth (ELG) hypothesis." The ELG hypothesis states that the " export expansion can enhance economy-wide efficiency and lead to total factor productivity growth." There are significant numbers of ways by which this can be done. However, the most important one would be exporting smaller firms of larger and more competitive foreign markets in order to obtain better practices in the management sector, forming organizations, enhancing marketing techniques and labour training . Competing with foreign firms and interacting with international buyers causes a dynamic

<https://assignbuster.com/importance-of-tourism-on-spains-economy/>

improvement which then raises the entrepreneurial efficiency. " Exports in general may promote overall long-term growth through a second channel." Since the main source of foreign currency comes from exports, expanding such a sector can also increase the amount of inputs through what is called " capital accumulation." " Spain is the archetypal example of a country where economic development and industrialization have been achieved since the early sixties via imports of capital goods financed mainly by tourism receipts." It is now clear that the growth of the Spanish economy relates to both, the exports and imports of capital goods. Therefore, there is a direct relationship between the differentiated touristic services and the fast growth of a country's economy. Spain's economy and its growth are affected by the importing of capital goods which are being financed by the tourist's exports. " Therefore, the two channels of the impact of tourism exports on growth (improvement of the efficiency of productive resources, that is, the TLG hypothesis; and increase in the quantity of productive resources, that is, the TKIG hypothesis) seem to apply to the Spanish economy." n

The tourism industry continues, and until this very day, to be one of the largest revenue generators in the world. Spain, for instance, "... received more than 34 million tourists and had become a power in world tourism. Income from this industry covered between 75% and 100% of the deficit of the trade balance." Since the two major areas that impacted the Spanish economy have been analyzed, the goal now is to explore one more area of impact and study the main policy options that might apply to it. Foreign exchange earnings and gross domestic product (GDP), along with the other two sectors discussed earlier, have highly impacted the Spanish economy.

When the Gross Domestic Product increases, it causes an increase in the balance payments as well as real consumption which is due to an increase in tourist expenditure. " Spain's GDP rate of growth was, on average, 7. 1% per year between 1960 and 1970." Tourism is one of the fastest growing industries in the world that has continuously and tremendously impacted the Spanish economy. The third and most important way by which tourism helps prosperity in Spain, is through Gross Domestic Product (GDP), which is a monetary value that measures the amount of goods and services being produced. Tourism has an enormous impact on GDP. It controls the values of goods and services which causes a rapid rise and fall of the GDP. Substantial amounts of foreign investments are being attracted to Spain's powerful economy. GDP includes a large percentage of the activities practiced by the tourists in its calculation and plays an important role in determining the tourist contribution to the Spanish economy. Although GDP measures some immeasurable items such as natural disasters and the costs of rebuilding, however, it does not include a few other important elements. For example, it does not measure any ecological damages such as pollution caused by tourists during their visit. It can then be concluded that a sufficient estimation of a country's economic standing is measured out by GDP. Now let us take a look at how foreign exchange earnings impact the Spanish economy.

Since visitors of the country are fascinated by Spain's intricate historical, cultural and geographical appeal, they contribute to the economy in a variety of ways, and thus attracting more and more foreign exchange. There are three policy issues that are associated with foreign exchange earnings

that “ enhance economic benefits from tourism” - the gross earnings, the collection of it, and the leakage of the foreign exchange. As more visitors are being attracted by the many fascinations of Spain, the gross earnings of the country will significantly increase. There are a few problems that are associated with such a policy, and that is the fact that many tourists do not contribute much to the host country, which in this case is Spain. “ Tourists arrive as part of an inclusive tour, and/or use foreign owned airlines or other transport modes, and then a significant proportion of the total holiday price paid by tourist may not accrue to the host country.” The solution to such problems is to study different methods in order to “ raise the gross accrual to Spain” which can then have a great impact on its economy. The second policy issue is then being introduced where the collection of the foreign exchange is then being spent on Spain in order to improve the country, for example, by opening new firms and industries. In many countries in the Mediterranean, including Spain, a “ black market” exists. The only way to minimize such an act is by providing mediums for currency exchange. The government of Spain would then have to pay special exchange rates to tourists. The “ leakage” is the third policy issue of the foreign exchange, which can arise from “ import purchases, payment of foreign debts, employment of foreign nationals, etc.” Leakages are wide-spread phenomena especially in a country as big as Spain. However, there are numerous actions that the government needs to take, one of which is gathering needed information, as well as examining and determining the extent of such leakages. The fundamental contribution to policy decision is determining leakages. Foreign leakages along with foreign experts can be completely eliminated or reduced by substituting them with imports such as

<https://assignbuster.com/importance-of-tourism-on-spains-economy/>

education and training. However, this usually takes a very long time. “

Labour capital substitution possibilities should be explored to limit the need to import hard currency capital equipment.”

Spain's unique and spectacular environment is what continues to captivate hordes of people from diverse areas across the globe. This has caused tourism to become one of the strongest leading industries and has helped to maintain a rapid expansion of the Spanish economy. When tourism sectors in developing countries are being expanded to contribute to economic growth, a few things need to be taken into consideration. Although Spain is a very successful model, however, each country has its own distinct cultural, social and economical aspects allowing it to create its own unique and successful touristic policies. The growth of the tourism industry has a very strong impact, not only on a country's economy but also on its culture, the environment, and the society as a whole. Tourism, with all its complexities, has become more acknowledged by the different societies especially in Spain. However, it is an activity that has become of great concern and should be closely monitored. In conclusion, through education and employment, Gross domestic product and foreign exchange, and the import and export sectors, it can be proven that tourism is indeed an essential element of Spain's economy.