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Versatility in Hospitality Industry around the Globe - To Study and understand Economic impact of Tourism on Fiji's Economy

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Abstract: *Holiday business is Fiji's principal industry, earning over F$500 million in overseas exchange and hiring around 40,000 people. The tourism industry over the last decade has grown at an annual rate of 10-12%. The expansion of tourism, which generates more expenditure in the economy, is likely to have implications for other industries. In this paper, the aim is to delineate the long-run impact of a 10% increase in tourist expenditure on Fiji's economy. To achieve this, the author uses a computable general equilibrium model. Among the key findings are that a 10% increase in tourist expenditure in Fiji will increase GDP by 0.5% and subsidize a development in the sense of balance of payments, real consumption will increase by 0.72% and real national welfare will increase by 0.67%. It is also found that an development of tourism will lead to an appreciation of the interchange rate, together with an increase in domestic prices and wage rates, and so traditional export sectors will experience a decline in their export attractiveness. In Fiji's case there is evidence that the increases in tourism and non-traditional exports outweigh the fall in non-traditional exports caused by an expansion of tourism.*

Keywords: Fiji tourism, computable general equilibrium model.

I. INTRODUCTION

There is an infrequent but growing literature on the impact on tourism using calculable General equilibrium (CGE) models. For instance, Madden and Thapa (2000) use a Two-region version of a CGE model of Australia to examine the effects of tourism on the New South Wales economy and the Rest of Australia. Skene (1993a, 1993b) model the impact of tourism on employment in Australia. Adams and Parmenter (1991, 1992 and 1995) construct a 117-sector general equilibrium model for Australia Using the ORANI-F database. The effects of tourism were projected for key Macroeconomic, sectoral and regional growth rates. Moreover, the impact of tourism Development on Australia's economy has been explored by the Bureau of Industry Economics (1984), the Bureau of Tourism Research (1991), the Centre for International Economics (1988), and the Department of Sport, Recreation and Tourism (1985). Recently, the impact of the September 11 terrorist attacks and its Associated effects on tourism and Australia's economy is studied by Econtech for the Tourism Industry Working Group (TWIG, 2001) and by Adams et al. (2001) using the CGE models. On non-Australian studies, Blake (2000) and Narayan (2004a) have Examined the impact of a 10 per cent expansion in tourism on the Spanish and Fijian Economies, respectively.[3]

The idea behind using the CGE model is that it provides more detailed and accurate Estimates than its rival the input-output technique (for a critical analysis, see Dwyer et al., 2000). CGE models are extensions of the multisector (I-O and linear) Programming models. They contain markets and the links between markets are Explicitly modelled. Household demands are via utility maximisation subject to budget constraints; industry inputs and outputs are modelled; the zero-pure-profits.[3] condition for production is implied in most cases; resource allocation is via market forces – in the event that markets behave imperfectly unemployment may arise; and increasing government expenditures are met either by raising taxes or borrowing, with Suggestions for other economic agents.

In this paper, the aim is threefold: (1) to delineate the long-run impact of a 10 percent Expansion in tourists coming from Australia, New Zealand and the USA on Fiji's Economy; (2) to examine the long-run impact of a 10 per cent increase in international airfares on expenditures by tourists from Australia, New Zealand and the USA; and THE CULTURAL AUDIT OF TURTLE ISLAND, FIJI

The Background Fiji was a colony of Great Britain from 1874 until 1970, and when it attained independence its ethnic diversity reflected its colonial experience. Polynesians and Melanesians mingled with mixed race descendants of white settlers and ethnic Fijians, while more than 40% of the population was East Indian, descended from indentured labourers brought from India (from 1879 until the first World War) to work on the sugar plantations in western Viti Levu. On attaining independence, it clearly presented all the hallmarks of a 'plural society', where ethnic groups 'mix but do not combine' (Furnivall, 1948: 304), a situation which still remains. At the time of independence, Indo-Fijians formed an absolute majority of the population, but two coups in 1987 (Norton, 1990: 133-152), aimed at overthrowing an elected government considered to be dominated by Indians, led to massive emigration by Indians, and in the mid-1990s the population of 770,000 was 51% Ethnic Fijian and 44% Indian (Government of Fiji, 1998: 20). Indian emigration was further spurred by another coup, in 2000, which was similarly aimed at removing an Indian Prime Minister and his supporters from office (Lal, 2000). Fiji's economy is strongly dependent on international tourism. The coup of 2000 drastically affected international arrivals, but in 2002 they numbered 397,859, of whom 31% were from Australia, 17% New Zealand, 15% USA, and 16% Europe (Bureau of Statistics, 2003: 1). Many stay in medium-sized or larger hotels, which are normally owned by expatriates, but there are also numerous small, expensive boutique resorts, of which Nanuya Levu, the subject of the cultural audit, is an example. Nanuya Levu, one of the smallest of the Yasawa chain of islands, is situated some 50 miles north west of Viti Levu, which is the largest and most populated in the Fiji group (map 11 1). In 1972, when purchased by its present North American owner, it was used by Fijians from adjacent islands only for occasional picnics, and was otherwise populated only by goats, which made major inroads into the vegetation. After the purchase, the new owner renamed it Turtle Island and progressively transformed its 500 acres, planting more than 300,000 trees and shrubs, re-establishing the mangrove coastline, and constructing a reservoir. By the end of the 1990s it was clearly a success. Situated in stereotypical South Pacific surroundings, the fourteen-beach resort boasts fourteen luxury bures (thatched cottages) for fourteen 'loving couples', who stay a minimum six nights and who (in 1998) paid in excess of US $1,000 per couple per night for the privilege. Turtle Island has a well established reputation in the tourism industry and has won numerous awards. 4 However, its management claims not only to operate a high-class luxury resort, but also to be a valuable community resource for the surrounding area.[2] The Resort is a major employer for nearby villages in adjacent islands, primarily Matacawa Levu and Yaqeta (map 2), and normally has around 40-50 resident staff and another 40 day workers. Over the years, for example, the owner has actively assisted chiefs of the nearby villages in personal and community educational and health matters, and has established an educational foundation for the nearest primary school, at Wuaki in Matacawa Levu, along with providing scholarships for local children. In addition, since 1991 the Resort has been closed to guests for one week a year to run eye clinics, staffed by volunteer specialists, who carry out eye tests, supply spectacles, operate on cataracts and, since 1998, have also carried out operations for corneal grafts. By the end of 1997, 15,000 cataract operations had been performed at Turtle Island. Later, clinics in dental health(1994), general health (1996) and dermatology (1997) were added to the health care provided. 12 When the eye clinics are held, Fijian citizens from all over the Fiji group, from top politicians to local villagers, converge on Turtle Island for treatment. The clinics are a source of considerable publicity for the Resort, and are generally regarded as beneficial to the region, even by critics of other aspects of the Resort's operation.[1]

II. CONCLUSION

The report has discussed the past, present, and future of the tourism development in Fiji based on secondary data and field observation. The most obvious finding to emerge from this study is that even though Fiji tourism growth has relatively shown a positive trend, in terms of sustainable tourism, it leaves some issues and challenges.[2] Firstly, Fiji relies heavily on the western market (i.e. Australia, New Zealand, and The U.S.) which most of these markets experienced negative growth, except New Zealand, while Chinese and other Asian markets has undergone an outstanding increase. Secondly, apart from acting as a catalyst for the tourism development, foreign investment and ownership that have the control on the industry do not significantly benefit the locals. The main reason for this is because the money that tourists spend has leaked from the island. [2] Also, most of the locals who live in the bottom of the pyramid which are accounted for 35.2 percent of the total population (World Bank, 2016) cannot absorb the economic benefits due to lack of participation and entrepreneurship. Thirdly, there is a significant gap between Viti Levu and other Islands (e.g.Vanua Levu) in terms of infrastructure development. Therefore, the benefits of tourism are difficult to reach the community on the less developed island. It is suggested that an alternative tourism product should be flourished particularly in the Less developed Island. Then, entrepreneurship has to be embraced and becomes the main program of the government, including to provide training and financial support to produce more local owners that integrate with the ecotourism strategy.[4]

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