

# Economic Success of Tourism

Mechthild Kuellmer

University of Muenster/ University of Twente

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Administration

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**Abstract**

Tourism is one of the fastest growing industries in the world today. This study investigates the economic success of tourism in two countries: Peru and Portugal. Tourism is subject to public administration, which is why it is an important recurring topic. The study's investigation includes tourism's contributions to the economy of the countries along with marketing strategies, as well as issues surrounding tourism. The study was conducted through desk research and fieldwork in Peru and Portugal, guided by the descriptive research approach. A comparative analysis is also presented in order to answer the research questions. The findings include the state of tourism in the countries, the evidences of economic success brought by tourism, and the prospects of tourism for further economic development. Recommendations center on the establishment and effective implementation of suitable strategies for the development of tourism.

## I. Introduction

### a. Background of the Study

Tourism has been the single economic sector that has gained considerable economic attention. People all over the globe are more anxious, more enthusiastic and more willing to spend on travelling. Thus, the global tourism industry has accumulated extravagant economic contributions evident in many countries in the world today.

The global tourism industry has been phenomenal. Tourism in general affects all other sectors of an economy. Every year, billions of dollars are paid to key individuals such as tour operators, hotel and lodging providers, and restaurateurs; in return satisfaction is generated among the millions of tourists who travel each year. As a result, this industry has maintained its distinction as one of the world's most important sectors of economic development, both for developing and developed countries. To elaborate further, it is fit to introduce global tourism trends and its economic role.

In 2006, revenues from global tourism were approximately \$455 billion, resulting from 657 million tourist arrivals (World Tourism Organization, 2006). It is expected that the size of the global tourism market will

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reach 1,600 million people, which is equivalent to 20 per cent of the world population by the year 2020 (World Tourism Organization, 2006). The growth in global tourism presents attractive opportunities to countries that are willing to tailor their natural competitive advantages to the dynamic trends of the global tourism market place.

Since the 1950s, when global travel began to be more accessible to the general public, the number of tourists, worldwide, has been increasing at an average rate of 7.1 per cent per annum, reaching 657 million tourists in 2006. During the same period, the global industry's revenues have been growing at an average rate of 12.2 per cent per annum, reaching \$455 billion in 2006 (World Tourism Organization, 2006). This positive trend is not expected to slow down any time soon. In fact, in terms of number of tourists, according to the World Tourism Organization (2006), the global tourism industry is expected to grow at an annual rate of more than 6 per cent till 2020. At the receiving end of the global tourism market place France, the USA, Spain, and Italy have the lion's share of tourist arrivals with a combined share of 30 per cent of the global tourism market. These countries have succeeded in differentiating themselves as attractive destinations for the increasingly sophisticated global tourists.

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Although seaside and business travel continue to be the two major segments of the global tourism market, there are some tourism niches that are growing at higher rates than the industry average due to a growing demand for the local genuine tourism experience. For instance, the adventure-tourism segment of the global tourism market is growing at an annual rate of 8 per cent (Freire, 2006, p.67). In 2006, adventure-tourism accounted for about 15 per cent of the total tourism market in the USA. However, in this context, adventure-tourism is not alone; rural-tourism and eco-tourism are also growing at rates higher than the industry average (Krippendorf, 1987, p.234).

Tourism development invariably causes change. These changes are the following: changes in the way of life of the people in tourism spot, environmental effect of the development in the destination, and economic transformations (Eadington and Smith, 1992, p.411). Considerably, some of the changes are good, while others are not. However, economic impact of tourism development seems to affect all other changes in the society (Sinclair and Stabler, 1997, p.145). It is important therefore to identify specific tourism economic impacts and its contributions to economic development.

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Accordingly, the focus of the study is on tourism in general. Given the popular reputation of the economic success of tourism, this study attempts to prove that this is actually true through a series of study on two countries: Peru and Portugal. Tourism is tackled especially its effect and impact to the economy of the said countries.

### **b. Rationale of the Study**

In relation to the discipline of public administration, tourism is of prime interest to government agencies. In the first place, tourism consists of both public and private sectors working together as one entity. However, the harmony between the public and private sector seems to happen rarely. Still, the government make public policies regarding tourism are generally meant for compliance on both public and private sectors. This means that policies certainly play a great role on the success of tourism in a country.

The debate over the determinants of the type of policies adopted by governments to deal with macroeconomic imbalances, structural and industrial adjustment and declining competitiveness focuses on a variety of interrelated, overlapping and not mutually exclusive

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issues. Thus, policies pursued by the government are of great interest to tourism as much as tourism is of great interest to the government as it is considered a prime key to further economic development. In particular, national specific characteristics, such as historical traditions and legacies and national institutional variables, deriving from the political and economic environment inherited by the government, to a great extent explain policy choice and outcome. In addition, not only the prevailing views regarding the state of the economy but also the actual state and structure of the economy, are among the factors in shaping policy options (e.g. the existence of "economic crisis" and the availability of foreign aid) that affects tourism. The influence of international factors and trends seem to play a crucial role in determining policy options in the longer-run time horizon. Furthermore, the government exercises direct control of factors, such as the timing of policy actions (e.g. reform initiative), the composition of policymaking team, the comprehensiveness of adjustment programmes regarding tourism. It is noticeable that public administration has as significant role in the economic success of tourism. It is important to note that the role of public administration in the economic success of tourism



is briefly tackled in this study as one of the factors that affects its essence.

### c. Statement of the Problem

The economic success of tourism is investigated in this study. Although the economic success of tourism is widely acknowledged, the issue is on how tourism leads to economic success. In other words, the economic success of tourism must be investigated thoroughly through conducting studies on countries which have benefited from tourism. The researcher opted to conduct studies on countries that experienced the growth of tourism progressively. The particular choice is on Peru and Portugal basically because of the similarities on the experiences of the two countries in terms of economic history.

Over the two last decades both countries embarked on an effort at modernizing their productive structures, reducing the macroeconomic imbalances and enhancing their position in view of an increasingly internationalized economy. For the achievement of these objectives Peru and Portugal have been following more or less similar directions but their economic performance has been rather different. With that, the research questions are established.

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The main question of this research is to what extent does tourism contribute to the overall economy of a country? Along with that, specific questions are established:

1. Based on the experiences of Peru and Portugal, does tourism really contribute to economic success?
2. How does the economic success of tourism in the countries come about?
3. What are the factors that lead to the success of tourism?
4. Based on Peru's and Portugal's experiences, what are the issues resolved and the recurring issues on tourism that affect its economic success and economic contribution to each country?
5. What are the similarities and differences of the economic success of Peru and Portugal?

### d. Aims and Objectives

The main objective of the study is to evaluate the economic success of tourism through probing the tourism industry of Peru and Portugal. The following specific objectives are considered:

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1. To assess tourism in Peru and Portugal including the strategies, policies (pertaining to the government's role), issues, and economic contributions.
2. To evaluate the process of the economic success of tourism in the countries.
3. To determine the factors that affect or influence the economic success of tourism.
4. To identify the issues affecting tourism in the countries.
5. To compare and contrast tourism in Peru and Portugal.
6. To draw conclusions on the economic success of tourism based on the experiences of Peru and Portugal.

### e. Significance of the Study

The study is significant in public administration as tourism is subject to government scrutiny and management. Tourism is an important example of public administration as it involves several industry sectors. Thus, the experiences of the tourism sector, as its scope is both public and private, could be helpful in solving problems in other

sectors of the economy. Successful tourism could be a model of successful public administration and thus, the investigation of this study could contribute to the modern aspects of public administration.

### f. Overview of Methodology

In brief, the study employs the descriptive method of research, which is a type of qualitative approach. The research tools used are the following: desk research or the survey of literatures, field studies and in-depth interviews. The suitability of the method as well as the procedures of the research is elaborated in the third chapter.

### g. Scope of the Study

The scope of the study is global tourism related to tourism in Peru and Portugal. In other words, the study tackles global tourism in the light of tourism in the two countries. Accordingly, the aspects of tourism are covered specifically, marketing, government policies, environmental issues as well as other issues, and of course, economic contribution.

## II. Review of Relevant Literature

### a. Tourism

In order to understand tourism as an economic sector, it is crucial to understand the meaning of tourism, its history, and its state in the world today. The studies of C.T. Williams (1998), S. Williams (1998) and Cooper and Wahab (2001) are related works that provide understanding of tourism in general and tourism in today's business environment particularly, tourism's economic importance.

The meaning of the word "tourism" has been somehow vague due to the existence of a plethora of notions about it. It is important to revisit the real meaning of tourism, as it is used in this study. Ideally, tourism is an ideological framework of history, nature and tradition, which has the capacity to reshape culture and nature as needed (MacCannell 1992,p.87). Pertaining to this study, the meaning of tourism is stated concisely by Cooper and Wahab (2001, p. 5): "Tourism is not a clear-cut sector but an all-embracing and pervasive domain of service and industrial activities." Accordingly, in this study, tourism is treated as an all-embracing sector touching most if not all aspects of the economy.

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In view of that, as Cooper and Wahab (2001,p.13) implied, tourism is a very delicate activity that consists of activities, as it involves several aspects of business. C.T. Williams (1998,p.271) provides the explanation on the economic activity of tourism through the presentation of articles about what makes people travel to a destination. The study is a compilation of different views about tourism specifically: the origins of sightseeing, disciplinary perspectives on traveling, and other essays about tourism.

The popularization of tourism is important information for this study. The study of S. Williams (1998) provides the geography of tourism that tackles useful evidences on the economic success of tourism. S. Williams documented the physical and economic development of tourism in general, which is very relevant to this study. S. Williams stated that tourism is heralded as the world's largest industry that is worthy of attention and research.

Tourism in the twenty-first century has taken a pivotal turn due to the developments on travel and communication. Cooper and Wahab (2001) provide several articles regarding tourism in the age of globalization, which is equally important as related reading: tourism and economic integration, tourism and global consumers, tourism and global competition, and tourism and sustainability. The

articles came from diverse authors in the field of tourism covering the realm of business and economics and politics and culture.

### **b. The Economic Role Of Tourism**

As already mentioned, almost all sectors of an economy benefit from tourism given that the process of tourism engages several types of services. Among those that benefits are transportation, food and beverages, hotel and accommodation, and even manufacturing industries. To explain briefly, more travellers means more use of transportation, more food and beverages consumption, more expenses on hotel and accommodation, and in turn, more demand for manufacturing goods as the sectors that have been primarily affected demand more manufacturing goods for the maintenance of their services.

The literature on the economic role of tourism includes information from the World Travel and Tourism Council (2000), Sheldon (2005), Holloway (2006), Baretje, (2005), and Bull (2006). The literature confirms the economic benefits of tourism that includes mainly employment for the local people as well as other business activities.

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Tourism affects the economy of regions, countries or continents. International business and holiday tourism movements in early 2000 are expected to have grown at an annual rate of around 4.2 per cent (WTTC, 2000).

Governments and other institutions realize the contribution which tourism makes to the economy in terms of income generation, employment, balance of payments and investment. The comparison of tourism performance of different countries proves that tourism has an important role to play in the economy.

Tourism organisations, whether in the public or private sector, recognize the need for information on tourism trends as it could enable them to forecast future events. This means identifying trends in the market, patterns of growth and other variables. It is important to ensure that the variable selected relates directly to the forecast data needed (Sheldon, 2005, p.158). The government, the public sector and other institutions have the responsibility regarding the infrastructure and superstructure needed to support tourism data.

### *1. Income*

Income is generated from wages and salaries, interest rates, rent and profits. In a labour-intensive industry such as tourism, the greatest proportion is likely to be



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derived from wages and salaries paid to those working in jobs either directly serving the needs of tourists or benefiting indirectly from the tourists' expenditure. Income is also generated from interest rates, rent and profits on tourism businesses. This could include the interest paid on loans or a rent paid. VAT on hotel bills must also take into account taxation on tourism activities.

The sum of all income in a country and the importance of tourism to a country's economy can be measured by looking at the proportion of national income created by tourism.

As with any other productive activity, tourism consumes resources. In fact it is one of the major economic activities in the world, contributing about 10.8 per cent of the global income in 2000, and 11.6 per cent in 2010 as estimated by the World Travel & Tourism Council (2000).

### *2. Employment*

Tourism is also important to an economy because it generates employment. The tourism sector is often criticised for providing only low-wage, seasonal employment, but it should be made clear that if there were to be no tourism many workers in the sector would be unemployed.

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On balance, tourism as a form of employment is economically beneficial, although efforts must be made to create more full-time jobs in the sector. In 2000, travel and tourism economy employment is estimated at 192.2 million jobs or 8 per cent of total employment, which is one in every 12.4 jobs. By the year 2010 an additional 18.8 million jobs will be created worldwide (WTTC, 2000). According to estimates from the World Travel & Tourism Council (2000), tourism generates 4.1 per cent of the Gross Domestic Product (GDP) on countries where tourism is prevalent, representing about US\$1,359 billion. Another estimate from the World Tourism Organisation suggests that tourism will account for 8 per cent of the world gross product by 2010 (WTO, 2005), which may well make it the world's largest industry.

### *3. Balance Of Payments*

In a national context, tourism may have a significant influence on a country's balance of payments. International tourists are buying tourist services in another country, and these payments are noted in countries' accounts as "invisibles". The total value of receipts minus the total payments during a year represents a country's *balance of payments on the tourism account*, which will include other

services such as banking, insurance and transport (Holloway, 2006,p.572).

To find out what tourism is really worth to a country, or it's real cost, we should include *all* international transactions, which are a result of tourism (Baretje, 2005,p.32). These include not only final tourism payments and travel payments, but also international payments for goods and services needed for investment in, and operation of, tourism industries. The result can be termed the *travel and tourism external account* (Bull, 2006,p.91).

#### *4. Investment and Development*

The level of investment is another factor helping to determine the success of a region. As tourism developments in destinations have become less sporadic and more organised, so their implications for national economies have become clearer and more important. According to estimates and forecasts by the World Travel & Tourism Council (2000), capital investment in tourism is estimated at US\$701 billion or 9.4 per cent of total investment in 2000 while by 2010, this should reach US\$1,404 billion or 10.6 per cent of total investment.

### c. Tourism in Europe

In order to have the basis on tourism in Portugal, which is part of Europe, it is crucial to review literature on tourism in Europe. Tourism in Europe has been as old as tourism itself given that Europe is first and foremost the centre of attraction among tourists due to its historical places that shapes world history in general. Europe was central to the mass tourism in the 1960's, which has been important to the socio-economic fabric of Europe (Williams & Shaw, 1994,p.86). Williams and Shaw's study is relevant to the study as it provides evidences on the economic contribution of tourism in Europe. Boissevain (1996,p.51) provides case studies on the socio-cultural effect of tourism in Europe focusing on the effect of mass tourism on key areas. Although socio-cultural aspect of tourism is not the focus of this study, the relevance of Boissevain's study is on providing the evidence that tourism in Europe is a key economic activity. Accordingly, the trend of tourism in Europe needs to be examined as it also affects tourism in Portugal. According to Cabrini (2003,p.26), although Europe is still the largest tourist receiver in the world, tourism arrival in Europe is forecasted to decline due to the increasing number of tourist destinations. Thus, Cabrini's presentation is featured as a

question on the in-depth interviews in order to identify Peru and Portugal's awareness on the matter.

### d. Tourism in Latin America

In order to have the basis of tourism in Peru, studies on tourism in Latin America is significant in this study. One important study is that of Jorge, Salazar-Carrillo, and West (2000) investigating on the economic development in Latin America. The role of tourism is discussed in detail as it the industry has been important in the overall economic development of Latin American countries. Another study is that of Tamborini (2005) who investigates on Peruvian and Chilean tourism industry. The study is helpful in presenting details about the Latin American tourism industry specifically in Peru and Chile. It also contains statistics that aids this study on providing statistical evidences of the impact of tourism in Peru.

### e. The Economics of Tourism

The economics of tourism consists of relative studies that focus on the treatment of tourism as an economic sector. This includes the study of Smith and Eadington (1992), and Sinclair and Stabler (1997).

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Tourism as an economic activity has only been established in the last half of the twentieth century (Smith & Eadington, 1992). Thus, the economics of tourism is perceived to be still in its formative years as it heightened in the advent of the twentieth century. Smith and Eadington give account on the issues surrounding the development of tourism in the latter years of the previous century. They stated:

Tourism has become a major economic force in many countries and regions throughout the world, altering work patterns, living standards, and income distributions. The expansion of tourist activities has coincided with the significant cultural, political, and environmental changes identified with post-industrial technology of the past few decades. The effects of tourism development have been particularly conspicuous both in the cities and countries from which large numbers of tourists emanate, where tour operators, governments, and other economic interests compete through advertising and image creation to attract tourism customers, and in the destinations to which the tourists travel, where they -- and the facilities built to service them -- make a visible impact. (Smith & Eadington, 1992, p. xiii)

The statement only confirms the reality of the economics of tourism where several sectors of the economy benefit from. Smith and Eadington's study is relatively significant especially in the topic of economic issues surrounding the economic development of tourism.

The study of Sinclair and Stabler (1997, p. 154) provides a comprehensive discourse on the economic

processes of tourism, which is central to this study. It is crucial to provide qualitative evidences on the economic reality of tourism of which, Sinclair and Stabler provides. Economic activity of tourism pertains to the following: supply and demand of tourism, strategies of tourism firms, and issues on tourism especially on environmental issues.

### f. Tourism in Relation to Public Administration

Tourism is subject to public administration, which is why the researcher chose the topic on tourism, focusing on its economic contributions. Elliot (1997) provides the critical analysis on the role of the public sector or the government in the management of tourism. The argument of the study is that tourism is either managed or mismanaged by the government, contributing to its economic failure.

Elliot stated that the main tool of the government in administering tourism is public sector management (PSM) that includes all types of public organizations ranging from national government departments to small tourism units managed by local governments. As mentioned in the rationale of the study, tourism is of great interest to public administration given that it is proven to further economic development.

The study also tackles policies on public administration regarding the activities of tourism. In brief, Elliot's study provides the single discipline on how governments treat tourism as not only a socio-cultural activity but much more as an economic activity deserving of administrative attention.

### **III. Methodology**

This chapter discusses the research methods available for the study and what is applicable for it to use. Likewise, the chapter presents how the research was implemented and how it came up with pertinent findings.

#### **a. Research Approach**

The descriptive method of research proves appropriate in the type of data needed in this study. The method consists of gathering, presenting, and analyzing qualitative data necessary to answer the research questions. Creswell (1994,p.47) stated concisely that the descriptive method is appropriate on investigating the existing condition of the topic, which is the economic success of tourism in Peru and Portugal. The method also



provides for the identification of the causes, factors, and other issues regarding the topic at hand. Thus, the descriptive method is appropriate in this study as it could materialize the gathering of evidences for the purpose of answering the research questions.

The desired data came from primary and secondary sources. Primary sources are those of the WTO data and other statistical data in particular including the data obtained from the interviews. Secondary sources are those that are included in the review of related literature. It is necessary to state that the scarcity of secondary sources relating to tourism in Peru and Portugal is the difficulty of this study. However, the other research strategies enabled the ability to gather the necessary data, which is further explored in the next section.

### b. Research Strategies/Tools

#### 1. *Desk Research*

Desk research is cost-efficient and time-efficient as it only involves the gathering of sources that already contain necessary data useful for the study. However, as mentioned earlier desk research is not enough as it only includes the gathering of secondary sources, and some primary sources, if fortunate. The approach was employed

because it is suitable in supporting the information gathered in the interview.

Secondary sources are already elaborated in the review of related literature. This includes the studies on the field of tourism in general, and economics. Accordingly, the desk research proves vital on answering the research questions or strengthening the answers to the questions.

### 2. Field Study

Field study is employed in order to gather first-hand or primary data regarding tourism. The field study consists of interviews of appropriate people on the topic of tourism. The interview provides qualitative insights on tourism pertaining to the country of operation. Also included in the field study is the visitation on local libraries in Peru and Portugal with the hopes of finding information regarding their tourism industry as well as for finding the right people to interview.

In particular, semi-structured interviews were carried out. Unlike structured interviews which are standardised and do not allow the interviewer to deviate from the questions (Saunders, Lewis, and Thornhill, 2003,p.169), semi-structured interview does not limit response of the interviewees. This involves open-ended questions that gives enables the researcher to challenge the interviewee.

Accordingly, interviewees were encouraged to clarify vague statements and to further elaborate on brief comments. The researcher was careful not to influence the interviewee's opinion, which means the practice of refusal to share his own beliefs and opinions. This is in order to valid and reliable answers free of any biases.

### c. Research Procedure

#### 1. *On Desk Research*

The desk researcher is the first activity on carrying out this study. The researcher engaged in visiting libraries, including online libraries searching for the topic on tourism and its associated topics. Upon the completion of the allotted time for desk research, the researcher had had enough secondary sources to aid the research. However, the gathered sources are not enough to answer the specific research questions pertaining to the experiences of Peru and Portugal. This is why the researcher opted to gather primary information through the interview.

#### 2. *On the Field Study*

There were two studies that were carried out, first in Evora in Portugal and then in Peru. On the first self-organised field study, the researcher was able to collect

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primary impressions and material in the form of interviews, anecdotal information and literature in local libraries. The aim is to investigate which target groups were aimed at, what are the forms of tourism in the area and the marketing strategies being employed in tourism.

The same was performed on the field study in Peru. Information gathered during interviews was voice-recorded, as well as notes made during the interviews and shortly after the interview while information was fresh in mind.

In Portugal the researcher conducted interviews with tourists. In Peru the researcher conducted people who are active in the tourism business as well as with the tourists. The interview on the people active in tourism business consisted of questions regarding the economic contributions of tourism.

For the interviews with tourists, the selection is done based on random selection on tourists who are in the area at the time of the field study. With the people who were working in the tourism sector the researcher asked for appointments for the interviews, and in some cases I organised a second meeting to get information about new emerged questions and also to verify the results, which gives more complex research possibility.

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The questionnaires and interviews were helpful on demonstrating how the management of tourism is practiced and the extent to which native traditions are marketed and designed to fit the ideas of the tourist.

The researcher also engaged on conversations during bus trips, bicycle trips and organised tours in Evora, Portugal and Cuzco, Peru, and around the countryside of the surrounding areas. The researcher was able to collect impressions of the tourism attractions and practices on offer and how the natives market them to the tourists.

### **d. Ethical Considerations**

The researcher considers that doing field study is difficult especially the part of the conduct of the interview. Some people are sensitive enough to not engage or participate in the interview, which is why the researcher needed to impose some ethical considerations.

In view of that, the respondents were given a waiver regarding the confidentiality of their identity and the information that they did not wish to disclose. The respondents' cooperation was eagerly sought after, and they were assured that the data gathered from them would be treated with the strictest confidence, so that they would

be more open. This was done with the hope that this would promote trust between the researcher and the respondents.

#### **IV. Results & Analysis**

##### **a. Economic Success of Tourism in Peru**

###### **1. Tourism in Cuzco**

The region of Cuzco has been popularized by tourism as the capital of the pre-Hispanic Inca Empire. The tourism boom enabled the expansion of small-scale urban commerce, and agrarian reform. This in turn led to gradual economic development of the region.

According to De La Cadena (2000,p.24), tourism in Cuzco begun in the 1960s and was on its height in the 1970s. The tourism boost opened a plethora of commercial or economic opportunities. The tourism opportunities benefited both the elite in the region as well as the working classes.

Commerce expanded greatly throughout the region affecting the agricultural industry through the existence of better roads that enabled peasants to commute more intensely. Thus, that was just the beginning of the tourism industry in Cuzco yet it has yielded positive effects on the region.

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In 2005, Peru's tourism and the broader category of adventure travel had captured almost 10 per cent of the tourist market and were growing at a rate of 30 per cent a year. By one estimate, nature tourism estimates ranged between \$2 and \$12 billion of the \$55 billion of tourism generated in developing countries in 2005 (Whelan, 2005,p.68). Today, the tourism market is estimated to be in excess of \$300 billion dollars - much of this revenue is generated in developing countries, which perceive tourism as a lucrative and environmentally benign and sustainable alternative to mass tourism.

The majority of tourism consumers in Peru come from inside the country. Studies illustrate that tourists in Peru are wealthier, better educated, more mature and more environmentally focused in comparison with other types of tourists. Tourists take longer trips and spend more money per day than travellers. Further, most of these tourists are college educated, and are between the ages of 35 and 54, and travel as couples (Eagles, 2005).

### **2. Economic Contribution of Tourism in Peru**

The impact of tourism on local and national economies can be profound; the Deputy Secretary of the Peru Ministry

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of the Environment recently reported that nature and culture visits to Peru are growing at a rate of 30 per cent, or eight times faster than the growth rate of traditional tourism (Peru Tourism and Publicity Department, 2005). Understandably, this is expected to have a significant impact on that economy. In Peru, officials recognize the importance of tourism in that country; they have targeted one million tourists per year by 2006. This expected level of tourism will generate 6 per cent of Peru's GDP and will create more than 150,000 new jobs (Sheridan, 2006,p.44).

For countries such as Peru, the benefits of tourism include the following:

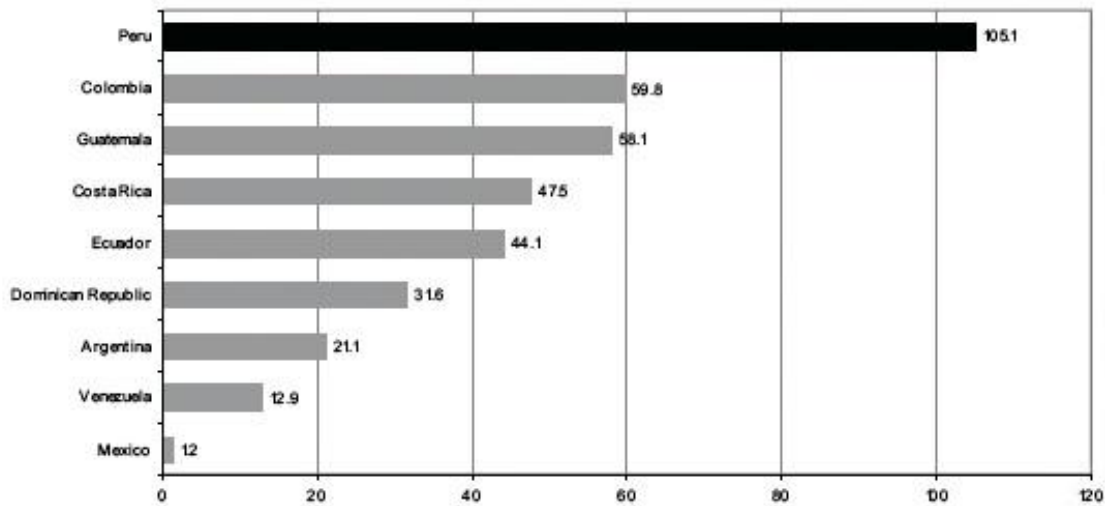
- economic diversification, particularly in rural regions;
- long-term stability; and
- an increase in foreign exchange earnings.

Thus for many, tourism represents a significant industry with allotted opportunities for other economic sectors.

Although the economic experiences in Peru associated with tourism are varied, many see this activity as having an overall positive impact on the economy. Peru presents an



excellent example in this regard, as officials expect that tourism will become a leading industry in the near future. Its effects will be felt throughout the country by providing employment and other benefits (Jusko, 2006,p.57). The graph below shows the statistics of tourist arrivals in Latin America from the period of 2000-2006:



Source: Latin American Marketing Data and Statistics 2007/2008  
[http://www.euromonitor.com/pdf/lamdas\\_samples.pdf](http://www.euromonitor.com/pdf/lamdas_samples.pdf)

The graph shows that Peru is the leading country in terms of tourist arrivals from the year 2000 to 2006. With that, tourism is one of the major industries in the country to date. The situation in the country right now according to the field study is that tourism has generated jobs and small-scale businesses citizens in the tourism destinations in the country (Jusko, 2006,p.59). Also, tourism ranks at number 82 on the 2006 overall tourism competitiveness index

(Blank and Chiesa, 2007,p.122). Moreover, tourism also accounts for the a significant portion on Peru's foreign exchange earnings as the figure shows (in Tamborini, 2005, p. 134):



SOURCES: Banco Central de Reserva del Peru (2001); PROMPERU (2001) and Talavera (2003: Chart #7, 305).

The figure shows that tourism accounts for the third foreign exchange earner while mining is the first followed by fishing. Thus, it is safe to say that tourism in Peru is a top foreign exchange earner.

### **3. Issues on Tourism in Peru**

Unlike other goods and services that are marketed, the developer and marketer of tourism packages in Peru stated that tourism must not only be sensitive to the needs of the final consumer - the tourist - but it must be sensitive to the needs of the local or host area, and aware of

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practising good environmental management. In this regard, marketers appreciate the diverse economic, social, and environmental impacts that tourism can generate.

According to the interviewees from Peru, environmental issues must not be taken for granted. Planners and developers in Peru are quickly finding that tourism can provide an economic rationale for natural resource conservation and wildlife protection policies. In many countries, this rationale may be the only broadly accepted means of countering efforts to develop these resources for short-term profits; economic value must be assigned to ecological resources if these are to be conserved.

There is no question that the marketplace of Peru is becoming more environmentally sensitive. The popular press regularly reports that a growing number of citizens believe the environment to be a high priority public policy issue. For example, an Angus-Reed poll in 2005 found that 76% of people in Peru believe that environmental protection should remain a government priority even during times of economic downturn (Wright, 2005,p.55).

However, tourism in the country still faces environmental issues. In fact, one village has had to cut down a hectare of virgin rhododendron forest each year in order to heat the meals on baths of tourist. This, in turn,

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has caused soil erosion, landslides, and floods. In another incident, a ship carrying 300 tourists ran aground off Antarctica; as it was deemed too expensive to salvage it was abandoned. Unfortunately, it spilled 250,000 gallons of oil in an area where some 20,000 penguins nest (Freedman, 2006). Other problems have included the disruption of tropical birds in Peru where tourists holler to get photos and the mangling of manatees by speedboats off the beaches of Peru (Padgett and Begley, 2006,p.99). Thus, despite the positive environmental intentions associated with most tourism ventures, some negative environmental fallout still persists. Minimizing or eliminating these occurrences is important if the appeal of these vacations is to continue.

Consequently, tourism is perceived to be an important part of a more comprehensive conservation and development strategy on the role of building a constituency necessary for effective policy and action. When first-hand contacts with a wild area and its inhabitants increase, the group of advocates for its protection typically grows (Wright, 2005).

Another issue at hand in Peru is that tourism may deprive indigenous people of access to the resource areas they traditionally have used for hunting, fishing, and foraging. This may drive them further into vulnerable

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ecosystems or into resource degrading employment. According to the interview, tourism organizations are taking steps to ensure that the economic success of tourism will continue without the casualties of depriving its local citizens of the right of access to livelihood. The steps include implementing programs for sustainable development, and the assurance that policies are established for the best interest of citizens in the tourism destination.

In addition, tourism marketers also deal with the cultural issue blamed on tourism in the country. For many, tourism evokes negative feelings in the people in Peru in that it results in the commercialization of indigenous culture. Although it is true that culture constantly evolves despite the advent of tourism and will continue to change in response to other forces of modernization (Mathieson and Wall, 1982,p.71), many perceive that this process is accelerated by tourism. This is an issue that tourist developers may have to contend with - an issue, which requires considerable monitoring and planning on the part of the marketer and government officials alike.

Related to the cultural impact of tourism in Peru is its effect on the social system. Research shows that tourism can have positive social impact on surrounding communities. In a study conducted on Peru (one tourism

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dependent, the other not) it was found that education and income levels were higher in the village, which was impacted by tourism. These villagers were also seen to have higher or changed expectations with regard to their future. To be expected, increased disposable incomes had accrued to these individuals who were spent on imported goods including clothing, appliances, food, and drink. However, on the negative side, the tourism dependent village experienced a rise in alcohol related disturbances. This was not a problem before the tourism effort became part of the community (Eagles, 2005,p.15). This example also demonstrates that the collective effects of tourism may contribute to the homogenization of societies (Mathieson and Wall, 1982,p.31).

In sum, the societal impacts of tourism present a mixed bag of results. Although an improved standard of living may occur for individuals in communities dependent on tourism, the overall effect on culture and language may not be in the best interests of local constituents.

Even though tourism promises job opportunities, it can nevertheless, be an unstable source of income for many, as it is subject to widely fluctuating demand scenarios. Local economies relying heavily on tourist dollars can be severely disrupted by a sudden decline in tourist arrivals.

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Peru's drop in tourism of more than 80 per cent caused 43 of the area's 128 officially registered hotels to close while remaining hotels operated at less than 30 per cent occupancy rates (Speer, 2005). According to Speer (2005), the drop of tourists arrival is due to the emerging tourist destinations elsewhere. Accordingly, that is not the first time tourist arrivals dropped in Peru for instance records shows that between the period from 1978 to 1992 tourists arrivals in the country were unstable with the numbers of tourists going up and down like a wave as the table shows:

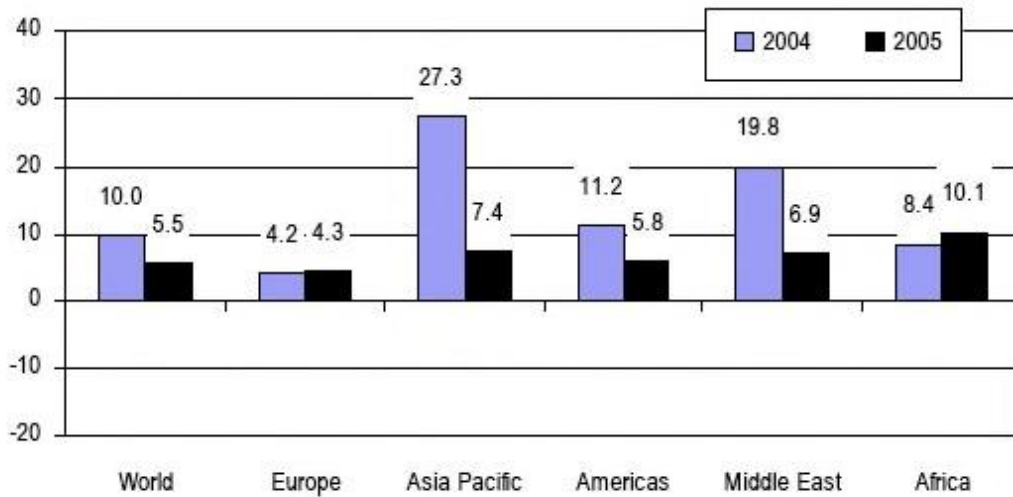
Year	International Tourist Arrivals	Foreign Exchange Earnings from International Tourism (in US\$ millions)
1978	293,447	169
1979	338,468	202
1985	299,958	189
1990	316,871	217
1991	229,965	225
1992	216,534	156

SOURCE: Talavera (2003), Tables 3 & 4: 298-300

The table above is from Tamborini (2005, p. 149) showing that tourist arrivals in the year 1992 are lower than that of 1978. However, the drop is not equal to 80% in 2005 as Speers (2005,p.19) confirmed. One explanation is that according to the interviews, the emergence of other tourism

spots throughout the world, such as in Asia is a major challenge to Peru's tourism industry. Accordingly, statistical evidences show that tourism arrivals growth in the Asia Pacific and Middle East Region are high:

**Growth in international tourist arrivals by region, 2004 and 2005<sup>a</sup>**  
(% change over previous year)



Although the growth in the Americas, Latin America included is also high, it lags behind the growth in Asia meaning Asia Pacific and the Middle East from 2004-2005. Accordingly, the major problem of Peru is that tourist arrivals in other destination grew more than the tourist arrival in their region.

**4. Marketing Strategies for Tourism in Peru**

The growing numbers of tourists' sites throughout the world proves as great challenge for Peru along with the



already mentioned tourism issues that consist of environmental and social issues. Thus, the interviewees yielded some strategies for Peru.

The cultural aspect of tourism is greatly valued and marketed, as this is one of the primary reasons why tourists visit a destination. In other words, for many tourists it is the cultural components, which are of interest; however, those that have been preserved or rejuvenated may not necessarily be those, which are highly valued by the local culture. The revival of ancient festivals and the restoration of cultural landmarks, in some cases, have emerged in ways, which pose long-term threats to the existence of some cultures in their original form. In Peru, this form of cultural awakening has sometimes made host populations more aware of the historical and cultural continuity of their communities. Consequently, the focus on cultural marketing created an enriching experience for tourists (Wright, 2005,p.24).

In attempting to maximize the economic benefits for local people of Peru, it is important for tourism operators to impress that economy and ecology go hand-in-hand. The equalization of these different, yet interrelated domains will assist in providing benefits to many parties (Wright 2005). At the local level, those individuals who provide

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services such as food, accommodation, and souvenirs can attain direct financial rewards. On the national level, foreign currency levels can be enhanced which will be of benefit to all - especially if these funds are reinvested in the protection of parks and reserves.

Essential fundamentals such as the preservation of Peru's cultural heritage, appreciation for the customs and traditions of native people, and the respect for privacy and dignity of those people are some of the most important elements in succeeding as a tourism operator. Educating the tourist about local traditions and related issues becomes essential. For example, tourists should realize that trade with local inhabitants is an opportunity to learn the traditions and creative skills of another culture and not just an opportunity to get a good bargain. Further, developing sensitivity as to what is considered to be private in the local community is important. It would not be proper for the visitor to stop and stare at something considered to be strange or different when this behaviour may be part of everyday life in the host community and/or may be deemed to be private. An awareness of differences such as these is critical to avoid misunderstandings.

Tourism has proven to be a very lucrative market and continues to grow at phenomenal rates in Peru. Despite

enviable statistics, the growing body of literature on the social, economic, environmental, and cultural impacts of tourism recognizes that tourist developments of this type are not always beneficial to host areas (Arlen, 2006,p.32) as they may accentuate existing problems and/or create new ones.

### **b. Economic Success of Tourism in Portugal**

#### **1. Tourism in Portugal**

Tourism is an important, a developed sector of the Portuguese economy. According to Proenca and Soukiazis (2005), tourism accounts for about 8% of the national product while 10% of the total labor force. Freire (2006) reveals that Portuguese tourism market has been mostly attracting the lower-end of the global tourism visitors due to the decrease in average daily spending by a tourist visiting Portugal from \$10 in 2005 to less than \$7 in 2006. In this context, it is also important to underscore the high dependency of Portuguese tourism on a few European countries. In 2006, five European countries were responsible for 83.5 per cent of total tourist arrivals to Portugal - Spain with 48.9 per cent, the UK 14.4 per cent, Germany 9.2 per cent, France 6.6 per cent and The Netherlands 4.4 per cent (UN, 2006). In addition, Portugal

ranked number 22 in the 2007 overall tourism competitiveness index (Blank and Chiesa, 2007).

Through the years, tourists to Portugal have made the Algarve the major Portuguese tourism destination. The significance of the Algarve in terms of nights spent has increased through the years from 52.5 per cent of total nights spent by tourists to Portugal in 2005 to 55.4 per cent in 2006.

Two studies were conducted to assess the image of a group of countries including Portugal as tourism destinations. The first study was survey-based conducted by Baloglu and Brinberg in 2006 to study the image of 11 Mediterranean countries as tourism destinations. In this study image is defined based on how tourists feel about various destinations in terms of the travel benefits they seek.

Most European Mediterranean destinations such as Spain, Italy, France and Peru were perceived as exciting and pleasant destinations. On the other hand, Turkey, Israel and Algeria were perceived as unpleasant and distressing destinations. Alternatively, Egypt and Morocco were perceived as arousing and exciting, while Tunisia was perceived as sleepy and gloomy. On the other hand, Portugal was perceived as a relaxing destination. Another study was

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conducted to determine the effectiveness of tourism marketing effects of several countries aimed at the US tourism market. The study concluded that for the most part, the results of tourism promotion efforts that several countries such as Peru, Switzerland, Italy, Portugal and Australia have directed toward the US market were less than effective. In this context, the results of these efforts for Portugal were worse than its competitors such as Italy and Peru. This reflects Portugal's failure to reach the high-end of the global tourism market owing to an ineffective overall marketing strategy.

The popularity of Portugal as a tourism destination continues to be based on its affordability, accessibility and the friendliness of its people. Recently, however, the European Commission has channelled significant amounts of money into projects to strengthen the Portuguese economy. As a result, prices in Portugal have gone up, edging ever closer to the European average. In the process, Portugal almost lost its major competitive affordability advantage. This fact, coupled with Portugal's stereotypical sun and beach image is making matters even worse for the Portuguese tourism industry despite its great potential. Thus a systematic approach to deal with problems facing the Portuguese tourism industry is needed.

### **2. Economic Contribution of Tourism in Portugal**

Membership of the European Community and the challenge of integration into the huge European single market allied to the traditional openness of the Portuguese economy have all contributed significantly to Portugal's economic growth. Since the integration of Portugal in the European Community in 1986, the country always received the EU structural funds for the economic development and to help reduce economic disparities between regions. The tourism sector was not an exception and many programmes have been developed to support the growth and the competitiveness of the sector.

According to the World Travel & Tourism Council (WTTC, 2000), travel and tourism are expected to generate PTE 5,120.1 billion (US\$29.1 billion) of economic activity (total demand) in the year 2000, growing to PTE9, 843.3 billion (US\$60.4 billion) by 2010. Accordingly, Portugal ranked number 11 in the 2000 tourism arrival index, meaning it is on the top 20 international destination (Roe et. al. 2004). Thus, Portugal being in the top 20 destinations in the world in the year 2000, means that the prediction of World Travel Tourism Council was achieved.

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In 2003, tourism receipts accounted for 4.5% of GDP in Portugal (Essner, 2003). When an economic industry acquires more than 3 percent of shared in the GDP, it can be considered an important sector of the economy. Accordingly, the 4.5% share in GDP of tourism receipts is evidence that tourism has a great economic impact in the country.

The economic integration concept is a process through which a group of sovereign nations have been increasing their economic and political interdependence. With the EU, economic integration has reached a significant degree in its development. The EU has already adopted a common market and is currently involved in efforts to consolidate the Economic Monetary Union. The development of the European integration has certainly had significant impacts of various dimensions on the tourism sector.

The effects and challenges derived from the widening, deepening and enlargement of the EU, and those actions relating to free circulation of people, capital, service and goods, transport liberalization, competition, environment, employment, consumer protection, fiscal and regional development have clear implications for the tourism sector. In analyzing these issues the most significant challenges resulting from the deepening of European integration, covering different dimensions, e.g.

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regional, political and economic, were explored and analyzed.

Attention should also be given to the economic role of tourism. In fact, tourism represents an important contribution to the balance of payments, investment and development, income and employment.

In Portugal, the tourism sector directly and indirectly provides jobs for around 261,600 people. It accounts for 5.6 per cent of the Gross Domestic Product and offers perspectives of growth. According to the WTTC, between 2000 and 2010, tourism and travel are estimated to grow by 3.3 per cent per annum.

Meanwhile, Portugal, as member of the EU, has received more financial aid from the European Union (within the Community Supporting Framework - QCAI, QCAII and QCAIII). For instance, a total of PTE 65 billion has been approved I in the EU for investments on tourism in Portugal (Theotónio, 2006,p.31). In this context it is hoped that in the next few years the tourism sector may witness an important development. In addition, the consolidation of the European integration process may influence positively the development of the Portuguese tourism sector.



**3. Issues of Tourism in Portugal**

Tourism in Portugal has experienced significant recessions that have affected the country. In the Portuguese tourism proceedings from 2005 and 2006 the main topic arising is the recession faced by the sector. After a growing demand until 1988 the number of tourists started to decline. In 2005, Portugal had 19 million visitors. Although this is a significant figure for a country with a population around nine million, from 2005 to 2005 there was a decline of 5% in the room occupation rate.

Many of the contributors identified factors that led to the declining numbers of tourists. There seems to be a major difficulty in dealing with the key trend developments. One aspect, which was not covered by any of the contributions but has a great impact on the difficulties in adapting the tourism products to demand, is the lack of marketing research. This is further confirmed by the absence of facts and figures from the government and tourism industry representatives.

Another important issue is the high level of government intervention. The majority of the sector representatives complained about the limitations imposed by the regulator. An example of this is the prohibition on

selling wine by the glass in a country that is the seventh wine producer in the world.

According to the interviews, Portugal's tourism is only starting to cope up with global tourism and thus, there is still a long way to go in that regard. Moreover, Portugal's tourism strategies seem to fall behind the trends in tourism that's why a tourism observatory is established. In view of that, tourism cannot be developed overnight, and Portugal has already made considerable and crucial efforts on the development of tourism but it definitely needs to focus more on marketing strategies.

#### **4. Marketing Strategies for Tourism in Portugal**

According to Vasconcelos (2005,p.13) at the XI Congress of the Portuguese Hotel Association, the EU advocates development programs for the tourism sector in order to support regional development.

The Portuguese government under the Community Supporting Framework (QCA I and in the QCA II), provided investment programme to the sector, in order to increase the performance of this industry. Within the QCA I programme the Tourism Fund, the Portuguese entity responsible for this sector's financing resources supported

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more than 550 investment projects, with PTE-30 billion, which contributed to a global investment superior to PTE100 billion. The QCA II programme supported investment projects to the amount of PTE 75 billion, which has contributed to PTE 200 billion in associated investments. With the investment financing tourism programme, between 2006 and 2006, 564 investment projects were approved, which led to a global investment of more than PTE 65 billion (Theotónio, 2006).

Aside from that, considerable steps on tourism development made by the Portuguese government are important to recognize. Griffin et. al. (2003, p. 174) stated:

The Portuguese government has targeted specific, as well as generic, attractions, ranging from the 1998 international exposition in Lisbon to the 2001 designation of Oporto as a cultural capital of Europe to the 2004 hosting of the World Cup.

With that, the Portuguese government attempts to stimulate the productivity and competitiveness of the Portuguese industry as well as its participation in the global market and to develop new potentials of growth. These two main goals have specific objectives for the industry, trade, services and the tourism sector.

**c. Comparisons of the State of Tourism in Peru and Portugal**

The SWOT analysis was conducted with the objective of summarizing the main findings arising from the proceedings analyzed, and to assess the capabilities of the Peruvian and Portuguese tourism sector to cope with the major changes in the environment. This will be a useful instrument from which some implications taking place can be drawn.

**1. SWOT Analysis of Peru's Tourism Industry**

Strengths

The strengths of Peru's tourism lie on its nature and culture tourism. Tourists are attracted by the adventures of becoming one with nature and the Peruvian culture. Tourism organizations of Peru have made use of the marketing strategies focusing on nature and culture. In view of that, tourism authorities have also implemented policies on sustainable development, which is very crucial if tourism will play a vital role in Peru's economy.

### Weaknesses

The weaknesses of Peru lie on the common issues that have been presented. The environmental issue, although already addressed is still persistent. This means that although the government has implemented programs to protect Peru's environment against tourists, still environmental problems continue to exist. For instance, waste disposal and animal habitat preservation on tourist destinations. However, the socio-cultural issues surrounding tourism may become a major shortcoming for Peru's tourism, as it is not yet addressed. Other cultures may affect or mar the socio-cultural richness in the country. Accordingly, the socio-cultural aspects of Peru are crucial in the continuous operation of tourism as tourists are primarily attracted on the culture and social practices of the Peruvians. Thus, when it is lost due mainly to tourism itself, as other cultures and practices may continue to influence the Peruvian society, the result maybe drastic. Tourism organizations engage in preserving culture and tradition for tourism, which implies that it could be just a show-off for tourists, which is not a strong strategy. Thus, the lack of strategies on the preservation of socio-cultural

practices proves to be where weaknesses lay in Peru's tourism.

### Opportunities

Although faced with issues that have been its weakness, Peru still has promising opportunities to note. Tourism organizations in Peru such as the Promotional Commission of Peru have stated that they are reviving ancient festivals and are doing necessary actions to preserve culture and tradition, which is of vital interest for tourists. The tourism industry can generate significant amount of revenue for the country's economy. If the goal of the tourism authorities succeeds, the one million per year tourists could generate huge income for local and national governments.

### Threats

The persisting environmental issues in spite of tourism's effort to address them prove threat to Peru's tourism. Although tourism organizations perceive that tourism and ecology go hand-in-hand, the problem on environmental issues, which are out of their control, is threatening.

Moreover, another threat to Peru's tourism is the marketing strategies of other tourist destination all over the world. For instance, tourists destination in Asia are becoming more and more competitive not to mention that the continent has more to offer for tourists.

### **2. SWOT Analysis of Portugal's Tourism Industry**

#### Strengths

The key strengths of Portugal's tourism industry includes the following: the development of a high quality agro-tourism (but still with a low occupation rate corresponding to the introduction stage of its life cycle), golf resorts, and city and event promotion like EXPO 98 (that attracted mainly Spanish and internal tourists) and Porto European Capital of Culture 2001. The strengths largely depend on the social activities in the country, which generally attracts tourists. Much of it is credited on the central sport, football. The development of agro-tourism has been in the neighbouring countries of Portugal and thus, the country needs to compete within the frame of agro-tourism. This can be done through the improvement of rural areas in the region.

### Weaknesses

The analysis of the main strengths against the key trends indicates a sector that depends too much on the environmental changes such as the trend in tourism arrivals. The recession in the late 1980s and early 2000s seems to be caused by external factors that made clear the weaknesses of the Portuguese tourism sector. The slow recovery that started in 2006 not only confirms this dependency but also the slow response from Portuguese tourism entrepreneurs. Some of the main constraints to this incapacity to capitalize on the key trends are the excess of governmental control, difficulties in reaching new markets, and over-dependence on EU funds for investments. There are five considerable weaknesses of Portugal's tourism.

First, Portugal as a tourist destination suffers from an image problem. It has a limited image of being only a "fun in the sun" destination.

Second, the Portuguese domestic tourism market is underdeveloped and its potential is not realized.

Third, Portugal has many underdeveloped tourism products which are becoming increasingly appealing to growing segments of the global tourism market place.



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Fourth, the main competitive weapon of Portugal in the tourism market place has been traditionally based on affordability. However, in recent years, Portugal became more expensive due to its increased standard of living. As a result, Portugal can no longer compete only based on affordability.

Fifth, the Portuguese tourism promotion efforts are characterized by inconsistency in terms of their scope and target.

### Opportunities

While it is true that the Portuguese tourism industry is suffering from some serious problems, its potential is not in question. This is so, because a tourism observatory has been created to monitor trends in tourism regions, which could affect the overall tourism planning and strategies in the country. This could in turn make up for other problems on tourism. Moreover, tourism in Portugal is also generating efforts on reviving its culture to attract tourists.

### Threats

The major threats to Portuguese tourism are the inevitability of recession due to uncontrollable factors in

the global tourism market. This is because the decline of tourists in Europe is an external dilemma, which is out of control of Portugal. Due to recessions, tourist arrival and of course, tourists receipts experience recession as well.

### **3. Comparative Analysis**

The SWOT analysis presented the economic state of tourism in both countries. Thus, comparative analysis is crucial in order to determine the economic success of both countries.

The SWOT comparison table help identifies the differences and similarities of the SWOT analyses.

SWOT Comparison table

SWOT Analysis	PERU	PORTUGAL
<b>Strengths</b>	Nature or adventure and cultural tourism	Cultural tourism
<b>Weaknesses</b>	Environmental and socio-cultural issues	Government control leads to constraints, EU dependence, unsuitable strategies
<b>Opportunities</b>	Marketing strategies, revival of ancient festivals, environmental efforts	Tourism observatory, culture revival
<b>Threats</b>	Out-of-control environmental issues, socio-cultural degradation, intensive tourism competition	Tourism income recession, decline of tourists, global tourism market changes

The table identifies that the countries differ in strengths and weaknesses, but are somehow similar on opportunities and threats. It is important to note that strengths and weaknesses are internal aspects, which makes them actually differ given the different systems of tourism in each country. Conclusively, the economic success of tourism in Peru and Portugal lies on their internal strategy coupled with the considerations of external factors that affect tourism.

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The strengths of both countries lie on the type of tourism they employ. In Peru, nature or adventure tourism attracts more tourists while culture tourism is promising. On the other hand, the strength of tourism in Portugal lies on cultural tourism with regards to its castles and other historical attractions. Portugal is considered as a cultural centre in Europe given its historical position in the history not only of Europe but of the world as well.

The weaknesses of the countries greatly differ. Peru's weaknesses are on issues which are quite uncontrollable while Portugal's issues are more controllable. In Peru, environmental and socio-cultural issues persist, which are considered as somehow a very difficult issue to solve even with perfect strategy. On the other hand, in Portugal, the issues that are considered as weaknesses lie mainly on controllable factors. Government control that leads to restraints and EU dependence that leads to complacency could certainly be solved through right strategies and yet, the establishment of the right strategies is also Portugal's weakness.

On opportunities, the countries have both similarities and differences. First, similarities on the efforts to revive or further develop culture-related activities are crucial on these countries whose histories are popular.

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Second, on differences, Peru's opportunities are brought about by its marketing strategies while Portugal on its tourism observatory. These two are different because on Peru, strategies are already established and implemented while on Portugal, strategies are yet to be created. In this sense, opportunities are more favoured on Peru than in Portugal.

Portugal's tourism observatory is a yet pending program that intends to facilitate on probing global tourism trends that affects specifically tourism in Portugal. Also the observatory intends to monitor the development of tourism in the country. This includes the implementation of policies, establishment of marketing strategies and the overall improvement of tourism destinations in the country.

In view of what Portugal's tourism observatory can do on the operation of tourism in the country, it can be expected that the success of the observatory mean success for the tourism industry.

Finally, the countries share quite similar threats. The decline of tourist is affecting tourism in the countries. Perhaps, this is much more felt in Portugal due to the already mentioned inefficiency of strategies. In

Peru, there is the stress of threats on environmental and socio-cultural issues' effects on tourism.

Conclusively, Peru and Portugal's SWOT analyses yielded that the countries have hopes on further development of the tourism industry. However, Peru seems to be thriving more with little or no help from external organization, which is prevalent in Portugal.

### **V. Conclusions**

Conclusively, the analysis attained the objectives and answered the research questions, of which there are five. First, based on the experiences of Peru and Portugal, the study found that tourism really contributes to economic success. It should not be mistaken that economic success does not mean to be extravagant, but it means to contribute even just a little on the whole economy of the country. In view of that, both tourism in Peru and Portugal have contributed to the economy of the countries. The evidence lies on the efforts towards improving tourism.

In response to the second research question, the economic success of tourism happened in the 1960s in Peru and only in the year 2000 although it experienced recession in 2005. In Peru, the factors that lead to the development

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of tourism are basically internal contrary to Portugal that is basically external. Tourism in Peru is the by-product of government efforts to industrialize the country while tourism in Portugal is the by-product of EU integration.

In response to the third questions, the factors that lead to the success of tourism in Peru and Portugal greatly differ. In Peru, the factors include, the efforts of the government and tourism organizations, meaning both public and private sectors work together to pursue success. On the other hand, the success in Portugal includes mostly external factors. Only since the integration with the EU, did Portugal come up with tourism strategies. Therefore, the recurring factor is EU integration. However, other similar factors include the type of tourism in the countries, which fuels the success of the industry.

In response to the fourth question, Peru and Portugal share quite the same issues but different experiences. Both countries face the following issues: environmental, social and cultural. Peru focuses more on the environmental issues and a bit on socio-cultural. Nevertheless, strategies must be revised. Portugal on the other hand, has not completed strategies addressing the issues.

Finally, in response to the fifth question, the similarities and differences in the economic success are

determined. The similarities include the following: on the percentage contribution on the countries' GDP, on the effort on developing tourism, and on the attention given to tourism as an economic sector. The differences include the following: on strategies of development and on the treatment of tourism issues.

### **VI. Recommendations**

Based on the characteristics of the Portuguese and Peru tourism industry, in light of the analyses and the results of this study, nine recommendations are advanced. These recommendations are aimed at Portuguese tourism industry leaders as they formulate tourism strategies and plans of actions to improve the short-run and long-run competitiveness of their industry:

1. Formulate long-range strategic tourism visions and plans.
2. Conduct image analysis to determine the right image for the right market target.
3. Promote domestic tourism through organized public service promotions.



## **Economic Success of Tourism**

4. Establish joint ventures with the private sector and public sectors to promote tourism products such as cultural and historical tourism, rural tourism, adventure tourism, eco tourism and religious tourism.

5. Benchmark the tourism practices and strategies of Peru and Portugal. Such benchmarking efforts should focus on lessons learned in terms of how to broaden product offerings and image, in addition to the role of private and public sectors in the process of tourism.

6. Establish joint ventures with the private sector to modernize the tourism infrastructure.

7. Establish promotional campaigns aimed at regions where tourism has an advantage. These are regions where the extent of tourist arrivals has gained considerable increase.

8. View tourism activities, efforts, programs, action plans and strategies as an ongoing process in need of continuous improvement

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## **Appendix A: Interview Information**

I performed investigations in Evora, in order to relate my studies to a European context. This 3 week period of independent research started on the 19<sup>th</sup> of March 2006 and ended on the 6<sup>th</sup> of April 2006. The interviews in Evora were conducted with 20 tourists, which could be identified due to their outside features on the central square in Evora. The internship duration for the Non Profit organization "South American Explorers" was 4 months it started on April 18th and ended September 10th, 2006. During this period I conducted tourists, local people and Travel-agencies for the interviews. In the following you will find the complete overview of the interviews in Evora and Cusco. Many of the asked questions in the interviews relate to the research of my field-study, where I researched about: How does tourism impact the third-world nation of Peru, in particular the region of Cusco; and how can tourism practices be sustained, altered and improved for all players involved?

**Appendix B: Questionnaire for the Tourists in Cusco and Evora**

(The questions were asked in a free interview without mentioning the purpose for each question)



Question	Purpose
Where are you from?	To get a friendly start into the conversation and to identify tourist characteristics
To which age group do you belong? ⇒ 0-15 ⇒ 15-30 ⇒ 30-45 ⇒ 45-60 ⇒ Over 60	Same purpose as above.
Why are you visiting Cusco?	To find out which kind of travelling the tourist is doing (recreational tourism, sport tourism, eco-nature tourism, ethno tourism, historical tourism), different tourist have different needs, tourist planners try to enhance the needs of the tourist by establishing alternative travel kinds.
Do you prefer to visit historical sites and museums or to be involved in outdoor activities like trekking and rafting?	Same purpose as above.
How did you hear about Cusco? Where did you get your travel information's from?	Shows what kinds of stereotypes are present. What is actually attractive in this area for tourists?
What did you expect?	Places and traditions which can be examined in particular.
Is it what you have expected?	Disappointment or satisfaction? Does what the prospects promised exist here?
What is typical for Cusco?	What does the tourist want to visit, and again what kind of stereotyping exists about this region?
What are your particular interests and why?	Find out if the cultural change is obvious for the tourists.
How do you feel about physical improvements made to cater for tourist needs such as toilet blocks on the Inca Trail?	To find out if tourists are aware of infrastructural changes and their attitudes towards these.
How long are you going to stay? ⇒ Less than a week ⇒ 1-2 weeks ⇒ 3-4 weeks ⇒ Over 4 weeks	To compare with known statistics regarding visit length

### Appendix C: Analysis of the Questionnaire for Tourists in Cusco

Interviews were conducted with 100 tourists, which could be identified due to their outside features in and around the Plaza de Armas in the city of Cusco.

Typical answers included:

Where are you from?

- ⇒ United States 18% of respondents
- ⇒ England 15% of respondents
- ⇒ Germany 12% of respondents
- ⇒ Holland 11% of respondents
- ⇒ Australia 10% of respondents
- ⇒ Canada 9% of respondents
- ⇒ France 7% of respondents
- ⇒ Israel 5% of respondents
- ⇒ Belgium 3% of respondents
- ⇒ Peru (non-Cusqueñan) 3% of respondents
- ⇒ Italy 2% of respondents
- ⇒ Brazil 2% of respondents
- ⇒ Argentina 1% of respondents
- ⇒ Slovenia 1% of respondents
- ⇒ Spain 1% of respondents

To which age group do you belong?

- ⇒ 0-15 0% of respondents
- ⇒ 15-30 59% of respondents
- ⇒ 30-45 27% of respondents
- ⇒ 45-60 4% of respondents
- ⇒ Over 60 10% of respondents

Why are you visiting Cusco?

- ⇒ To go to Machu Picchu
- ⇒ Climbing and trekking
- ⇒ For Inti Raymi
- ⇒ Rafting
- ⇒ To see Incan historical sites
- ⇒ To learn Spanish
- ⇒ To meet local people and learn about Peru
- ⇒ Voluntary work

Do you prefer to visit historical sites and museums or to be involved in outdoor activities like trekking and rafting?

- ⇒ Sport tourism 65% of respondents
- ⇒ Historical tourism 35% of respondents

How did you hear about Cusco? Where did you get your travel information's from?

- ⇒ Travel agent brochures
- ⇒ Media / TV Documentaries
- ⇒ Travel books
- ⇒ Friends
- ⇒ Magazines
- ⇒ Internet

What did you expect?

- ⇒ To see llamas
- ⇒ Traditional activities and locals in traditional colourful clothing and work
- ⇒ Mountains to climb

- ⇒ Cold
- ⇒ To need to adjust to the altitude
- ⇒ Pan flute players
- ⇒ Sharmans
- ⇒ Poverty
- ⇒ To learn Spanish

*Is it what you have expected?*

- ⇒ No, I thought there would be hot water
- ⇒ The food is different to what I expected
- ⇒ It is so beautiful, much better than I imagined
- ⇒ There is so many dances and festivals all the time
- ⇒ I am annoyed by all the beggars and children trying to sell postcards all the time
- ⇒ Too many women and children always want you to take pictures of them with a lamb or a llama
- ⇒ I was surprised by how western everyone looks and dresses
- ⇒ The nightlife is raging and full of tourists everywhere - I love the free drinks
- ⇒ There are less Peruvians around here than I thought, everyone seems westernised
- ⇒ I can't believe for US\$3 I can have a 3 course meal
- ⇒ The altitude makes me ill, I can't walk up the stairs without getting puffed out

*What is typical for Cusco?*

- ⇒ Pisco Sours
- ⇒ Machu Picchu
- ⇒ Incan Ruins
- ⇒ Inca Trail
- ⇒ Mountains
- ⇒ Traditional People
- ⇒ Lots of parades and dances

*What are your particular interests and why?*

- ⇒ I love history
- ⇒ I like to travel and meet new people
- ⇒ I like sightseeing and new places
- ⇒ I wanted to learn Spanish
- ⇒ I always wanted to see Machu Picchu
- ⇒ I like trekking and being outdoors
- ⇒ I am travelling all around South America

*How do you feel about physical improvements made to cater for tourist needs such as toilet blocks on the Inca Trail?*

- ⇒ Preference for untouched historical sites 78% of respondents
- ⇒ Welcoming of infrastructural changes 22% of respondents
- ⇒ (Additional comments – I wouldn't do it again because of the touristy nature) 23% of respondents

*How long are you going to stay?*

- ⇒ Less than a week 48% of respondents
- ⇒ 1-2 weeks 33% of respondents
- ⇒ 3-4 weeks 16% of respondents
- ⇒ Over 4 weeks 3% of respondents

## Appendix D: Analysis of the Questionnaire for Tourists in Evora

Interviews were conducted with 20 tourists, which could be identified due to their outside features in and around the Plaza de Armas in the city of Cusco.

Typical responses to the questions included:

*Where are you from?*

- ⇒ Germany 30% respondents
- ⇒ Spain 25% respondents
- ⇒ Holland 25% respondents
- ⇒ Belgium 10% respondents
- ⇒ Italy 5% respondents
- ⇒ Slovenia 5% respondent

*To which age group do you belong?*

- ⇒ 0-15 0% of respondents
- ⇒ 15-30 30% of respondents
- ⇒ 30-45 40% of respondents
- ⇒ 45-60 20% of respondents
- ⇒ Over 60 10% of respondents

*Why are you visiting this place?*

- ⇒ walking and trekking
- ⇒ for relaxation
- ⇒ to see historical sites
- ⇒ To learn the language
- ⇒ To meet local people

*Do you prefer to visit historical sites and museums or to be involved in outdoor activities like trekking and rafting?*

- ⇒ Sport tourism 45% of respondents
- ⇒ Historical tourism 55% of respondents

*How did you hear about the area? Where did you get your travel information's from?*

- ⇒ Travel agent brochures
- ⇒ Travel books
- ⇒ Friends
- ⇒ Magazines
- ⇒ Internet

*What did you expect?*

- ⇒ Historical sites
- ⇒ Lovely people
- ⇒ Nice weather
- ⇒ Nice food
- ⇒ Traditional crafts

*Is it what you have expected?*

- ⇒ No, I thought there would be better weather
- ⇒ It is so beautiful, much better than I imagined
- ⇒ To many tourists

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- ⇒ Tourist places are too expensive
- ⇒ To many robbers, I don't feel safe

*What is typical for this region?*

- ⇒ The food, especially made of fish
- ⇒ The castle and the ruins around
- ⇒ Many trekking paths

*What are your particular interests and why?*

- ⇒ I love history
- ⇒ I like to travel and meet new people
- ⇒ I like sightseeing and new places

*How do you feel about physical improvements made to cater for tourist needs?*

- ⇒ Welcoming of infrastructural changes      50% of respondents
- ⇒ Preference for untouched historical sites      50% of respondents

*How long are you going to stay?*

- ⇒ Less than a week      75% of respondents
- ⇒ 1-2 weeks      15% of respondents
- ⇒ 3-4 weeks      10% of respondents
- ⇒ Over 4 weeks      0% of respondents

## **Appendix E: Questions for the Travel Agencies**

(The questions were asked in a free interview without mentioning the purposes of each question)

Question	Purpose
What kind of tourist attractions do you offer?	To find out which kind of travelling the tourist is doing (recreational tourism, sport tourism, eco-nature tourism, ethno tourism, historical tourism), different tourist have different needs, tourist planners try to enhance the needs of the tourist by establish alternative travel kinds.
What are the most popular choices made by the different kinds of travellers?	Places which can be examined in particular. What did already happen to be up to date with tourist interests? How they try to accomodate tourist needs
What languages are you and your tour guides are speaking?	
What destinations do tourists know about when approaching you for travel advice?	This shows where the stereotyping is being produced. Internet resources, travel books, travel agencies, TV-Programs... Shows which kind of tourist can be targeted.
Where is the average tourist from?	Shows what kinds of stereotypes are present. How they sell it. What is actually attractive in this area for tourists?
How do you advertise?	For example native dance shows, riding on llamas and donkeys. To find out which traditions are being sold to tourists.
What traditional events do you offer?	To see if the agency is owned by a foreign company, this will be helpful to see if native people are employed.
Is this a local company?	Same purpose as above
Are you working with foreign travel agencies?	To determine the public perception of the political impact of tourism.
Do you have any interactions with governmental personnel in regard to tourism planning, and if so can you describe these interactions?	Same purpose as above
Do you know of other individuals or private organisations that consult with governmental departments in relation to tourism planning or policy making? Can you give an example of where this has occurred? If not, why do you believe governmental departments do not or have limited consultation with involved parties when creating tourism policies?	

**Appendix F: Analysis of the Questionnaire for the Travel Agencies**

Interviews were conducted with 25 people working in travel agencies or tour operators in and around the Plaza de Armas in the city of Cusco.

Typical responses to the questions included:

*What kind of tourist attractions do you offer?*

- ⇒ Inca Trail Treks to Machu Picchu
- ⇒ Alternative Treks to Machu Picchu
- ⇒ Train and guided tours of Machu Picchu
- ⇒ City Tours and Museum visits
- ⇒ River rafting trips
- ⇒ Manu Park Jungle Tours
- ⇒ Domestic and international flights

*What are the most popular choices made by the different kinds of travellers?*

- ⇒ The majority of tourists are younger travellers, and want to be active (Sport tourism)
- ⇒ Young single travellers often choose trekking or rafting trips, often motivated by price and seeking adventure
- ⇒ Older travellers choose City tours, museums visits and a train trip to see Machu Picchu (historical tourism)

*What languages are you and your tour guides are speaking?*

- ⇒ English 100% of respondents
- ⇒ Castellano (Spanish) 100% of respondents
- ⇒ Quechua 80% of respondents
- ⇒ German 24% of respondents
- ⇒ French 20% of respondents
- ⇒ Dutch 8% of respondents
- ⇒ Japanese 4% of respondents

*What destinations do tourists know about when approaching you for travel advice?*

- ⇒ Machu Picchu
- ⇒ Inca Trail
- ⇒ Rafting

*Where is the average tourist from?*

- ⇒ American
- ⇒ Canadian
- ⇒ English
- ⇒ Australian
- ⇒ German
- ⇒ Dutch
- ⇒ Israeli

*How do you advertise?*

- ⇒ Signs 100% of respondents
- ⇒ Flyers 40% of respondents



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- ⇒ Internet adverts 24% of respondents
- ⇒ Travel books 12% of respondents
- ⇒ Local TV 4% of respondents

*What traditional events do you offer?*

- ⇒ Qosqo Native Folk Dance Centre
- ⇒ Sharmanism Ceremonies and San Pedro Cleansing Rituals

*Is this a local company?*

- ⇒ Yes 52% of respondents
- ⇒ No 48% of respondents

*Are you working with foreign travel agencies?*

- ⇒ No 72% of respondents
- ⇒ Yes 28% of respondents

*Do you have any interactions with governmental personnel in regard to tourism planning, and if so can you describe these interactions?*

- ⇒ No 100% of respondents

*Do you know of other individuals or private organisations that consult with governmental departments in relation to tourism planning or policy making? Can you give an example of where this has occurred?*

- ⇒ Yes, no example given 64% of respondents
- ⇒ No 36% of respondents
- ⇒ Yes, example given 0% of respondents

*If not, why do you believe governmental departments do not or have limited consultation with involved parties when creating tourism policies?*

- ⇒ Information is not supplied to agencies
- ⇒ No organisation by governments for the consultations
- ⇒ A lot of paperwork would be involved and this takes a long time
- ⇒ No resources or money for consulting
- ⇒ The government doesn't ask people – I would be involved if I was asked

## Appendix G: Questionnaire for the Local People

(The questions were asked in a free interview without mentioning the purpose for each question. Interviews were conducted with 100 tourists, which could be identified due to their outside features in and around the Plaza de Armas in the city of Cusco.)

Question	Purpose
Where are you from?	To get a friendly start into the conversation.
⇒ Cusco	
⇒ Village nearby	To determine the ties the person has to the community.
⇒ Rest of Peru	
How long have you been living in Cusco?	To see if the person adapted foreign customs, and also to see if the local dialect is still being spoken.
What languages do you speak?	To find out if the person is related to its culture and lives the culture and tradition.
Do you wear traditional clothes?	This shows what impact the tourism locally has..
What cultural changes can you see in your area?	This shows if the person is in any kind interrelated to tourism and depending on it.
Are you working in the tourism industry?	
Do you like going to tourist places?	Is the person avoiding tourists or enjoys mixing up with them?
Do you have foreign contacts?	Same purpose as above.
What do you think tourists most like to visit?	Shows what kinds of stereotypes are present. What is actually attractive in this area for tourists?
Do you still follow traditional cultural practices?	Shows the interrelation to the native tradition.
If so- in what way?	
Do you think tourism is important for your region?	This shows the opinion of the person about tourism and if the people know about the impact of tourism in their region.
What kind of positive and negative impacts do you believe tourists have?	Same purpose as above.
Have you ever had any interactions with Peruvian government departments in regard to tourism practices?	To determine the public perception of the political impact of tourism.
Are you aware of current tourism policies and how do you feel about them?	Same purpose as above.
How do you believe the government supports tourism?	Same purpose as above.
What are mistakes of the government?	Same purpose as above.

## Appendix F: Analysis of the Questionnaire for the Local People

Interviews were conducted with 50 local people identified due to their outside features in and around the Plaza de Armas in the city of Cusco.

Typical responses to the questions included:

*Where are you from?*

- ⇒ Cusco 55% of respondents
- ⇒ Village nearby 40% of respondents
- ⇒ Rest of Peru 5% of respondents

*How long have you been living in Cusco?*

- ⇒ All my life 52% of respondents
- ⇒ 10 years and over 24% of respondents
- ⇒ 5-10 years 18% of respondents
- ⇒ 1-5 years 8% of respondents

*What languages do you speak?*

- ⇒ Spanish
- ⇒ Quechua
- ⇒ English
- ⇒ German
- ⇒ French

*Do you wear traditional clothes?*

- ⇒ Yes, I do every day 36% of respondents
- ⇒ Yes, only for events 56% of respondents
- ⇒ No, never 8% of respondents

*What cultural changes can you see in your area?*

- ⇒ Many tourists in Bars and Restaurants
- ⇒ Many Fast-food chains and western food
- ⇒ Too sexy dressed local girls
- ⇒ Many drunken people at night on the streets
- ⇒ Rockconcerts
- ⇒ Drugs
- ⇒ Prostitution

*Are you working in the tourism industry?*

- ⇒ Yes 38% of respondents
- ⇒ No 62% of respondents

*Do you like going to tourist places?*

- ⇒ Yes 86% of respondents
- ⇒ No 14% of respondents

*Do you have foreign contacts?*

- ⇒ Yes 24% of respondents
- ⇒ No 76% of respondents

*What do you think tourists most like to visit?*

- ⇒ Machu Picchu
- ⇒ The Temple of the Moon
- ⇒ The Inti Raymy Festival
- ⇒ Camino del Inka ( the Inca trail)

*Do you still follow traditional cultural practices?*

- ⇒ Yes 76% of respondents
- ⇒ No 24% of respondents

*If so- in what way?*

- ⇒ Member of a traditional -dance club
- ⇒ Regular Shamanism cleaning sessions
- ⇒ Local parades and dances

*Do you think tourism is important for your region?*

- ⇒ No 52% of respondents
- ⇒ Yes 48% of respondents

*What kind of positive/ negative impacts do you believe tourists have?*

*Negativ*

- ⇒ Many drugs in the city
- ⇒ Prices rises
- ⇒ Western to sexy clothing for young people
- ⇒ No Cusqueñians in the bars around the plaza
- ⇒ Prostitution
- ⇒ Thief's
- ⇒ Beggars

*Positiv*

- ⇒ Infrastructure improves
- ⇒ The government gets more money
- ⇒ Better social services
- ⇒ Western fast food
- ⇒ Intercultural exchange
- ⇒ The need to learn languages

*Have you ever had any interactions with Peruvian government departments in regard to tourism practices?*

- ⇒ No 100% of respondents

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⇒ Yes 0% of respondents

*Are you aware of current tourism policies and how do you feel about them?*

⇒ No 100% of respondents

⇒ Yes 0% of respondents

*What is the government doing wrong?*

- ⇒ Government cares more about money than the local people
- ⇒ Aiming mass tourism is wrong
- ⇒ Restricted access to local churches and historical sites
- ⇒ Price rises
- ⇒ Local people have no power in interacting in local policies
- ⇒ The environment gets destroyed by mass-tourism
- ⇒ Cusco receives lots of money from the government, whilst villages around don't receive any money

Additionally some of the respondents said that they hope that Garcia is able to change the tourist situation, whilst most of the respondents mentioned, that they don't believe, that Garcia is able to make significant changes.

*How do you believe the government supports tourism?*

- ⇒ It improves the infrastructure
- ⇒ It provides better social services
- ⇒ With money made of taxes

