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GLOBALISATION AND INTERCONNECTEDNESS IN BRIC NATIONS’ TOURISM

Globalisation and BRIC Nations

Globalisation era has increased the interconnections between nations, regions, economies, societies, organisations and individuals to rethink their planning, practices, strategies and approaches in diverse and critical areas. The global economy is expected to grow at 3.1 per cent in 2015 and 3.3 per cent in 2016, compared with an estimated growth of 2.6 per cent in 2014 (United Nations, 2015). Moreover, in the wake of globalisation, global economic governance emerged as one of the most salient issues on the international agenda such as BRIC nations. In 2001, Goldman Sachs coined the term BRICs to highlight the role of developing economies in the global world (Wilson, Kelston, & Ahmed, 2010). The BRIC nations (Brazil, Russia, India, and China) has emerged to highlight the role of developing economies in world. These countries were ranked 8,9, 10,11 in terms of GDP ranking in the last decade and now two of the first three top rankers in PPP terms are from BRIC (Waligóra, 2015). It was started outside the ambit of G-7, which were formerly the 7 largest and wealthiest (not intended as GDP, but global net wealth) nations on Earth. Now, in the current scenario, growth is flagging all over the world. The major contributors to world growth are China, India and Brazil. The acronym has come into widespread use as a symbol of the shift in global economic power, away from the developed G7 economies towards the developing world. It is estimated that BRIC economies will overtake G7 economies by 2027 (Euromonitor, 2015).

In the last three decades, BRIC achieved dynamic economic growth due to both their internal potential and favourable external factors. As a result of insufficient internal resources and costly reforms (Brazil after 1985, Russia after 1991, India after 1980, China after 1978), the countries ought external funding. Foreign capital (in the form of loans, direct and indirect investments, etc.) owed in the time of political stability and the occurrence of favourable medium-term prospects for development (Waligóra, 2015).

The importance of these emerging nations (BRICs) underlined the profound transformation in technology, restructuring resources, pooling of resources, restructuring of global institutions, creation of financial resources, dynamic economic growth and strengthening the relationship in the global economy and to address a growing power imbalance represented by the Western economy. The emergence of the BRIC nations acknowledged the fact that the global economy was no longer dominated by and can no longer be governed by the Western economies. Of these, BRIC (comprising Brazil, Russia, India and China) is perhaps the best known as a global reality in the world economy.
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According to Euromonitor (2015) the BRIC countries:

- Between 2004 and 2013, their economies doubled in size and now collectively account for 21% of global GDP and 53% of emerging market GDP;
- It is estimated that they accounted for one in every six US dollars spent globally in 2013;
- They are home to 268 million households with an income over US $10,000 a figure that is more than the US and Eurozone combined;
- By 2020, they are expected to add a combined US $3.3 trillion (in 2012 prices) to their consumer spending: “a figure that is equivalent to another France and Germany combined”;
- It is anticipated that the BRIC nations and Mexico will be among the world’s largest ten economies by 2020.

Interconnectedness in BRIC Nations’ Tourism

Recent years witnessed fabulous changes in the global economy in terms of economic growth geopolitical unrest, oil price volatility and the financial crisis all cause for concern. These changes have not traumatized the tourism and hospitality industry. The tourism and hospitality industry has become a big giant for more than two dozen countries, accounting more that 10 percent GDP, providing more than 277 million jobs in 2014 (WTTC, 2015). In fact, the global tourism and hospitality industry has witnessed exponential growth over the last one decades and it has been suggested that, together, they now constitute the world’s largest industry in terms of revenue generation, employment, eradication of poverty and conservation of touristic assets. Travel and Tourism generated US$7.6 trillion (10% of global GDP) and 277 million jobs (1 in 11 jobs) for the global economy in 2014. Recent years have seen Travel and Tourism growing at a faster rate than both the wider economy and other significant sectors such as automotive, financial services and health care. Last year was no exception. International tourist arrivals also surged, reaching nearly 1.14 billion and visitor spending more than matched that growth. Visitors from emerging economies now represent a 46% share of these international arrivals (up from 38% in 2000), proving the growth and increased opportunities for travel from those in these new markets.

World GDP is expected to rise by 3.5% in 2013, up from 3.2% seen in 2012 (Euromonitor International & UNWTO, 2014). This growth is the result of a polarised performance which sees decline or stagnation in the Eurozone and in the UK while emerging countries continue to record healthy growth rates. In fact, the world continues looking to China and, to a lesser extent, India for strong economic growth in 2015. The other BRIC nations, Brazil and Russia as well as the MENA (Middle East North Africa) region, will also show economic progress in 2013-14. Nonetheless, travel continues to shine globally, with arrivals reaching over 1.1 billion in 2014, up by 4.3%. 2015 is forecast to see slightly slower growth, estimated at 3.7% (Euromonitor International & UNWTO, 2014; see Figure 1).

The WTTC (2015) forecasts of 184 countries and 24 regions show tremendous progress in travel and tourism in terms of GDP, creation of jobs and economic development. In fact, in 2014, the industry contributed US$7,580 billion in GDP and 277 million jobs to the global economy. During 2015, the industry’s contribution to global GDP has increased by 3.7% and employment by 2.6%. This demonstrates the sector’s enduring ability to generate economic growth and create jobs at a faster rate than the global economy, which is due to grow by 2.9% in 2015. Further, by the end of 2016, the Travel and Tourism sector will contribute US$7,860 billion, 10% of global GDP, once all direct, indirect and induced impacts are taken into account. The sector will account for 284 million jobs, 9.5% of total employment, or one in
eleven of all jobs on the planet, WTTC forecasts that the United States and China will retain their rankings as the two biggest Travel and Tourism economies in the world, but Germany has overtaken Japan to rank as the third largest Travel and Tourism economy. Russia is the only G20 country expected to register a decline in Travel and Tourism growth in 2015, due to the continuing sanctions being imposed and the devaluation of the rouble. South Asia is expected to experience the highest growth in 2016 at 6.9%, whilst Europe and Latin America are the regions with the lowest forecast growth of 2.4% (WTTC, 2015).

Despite BRIC’s roaring economic growth over the past decade, and its citizens’ growing belief that it is finally ready to join the league of global superpowers by the end of 2020. With the progress of the IT revolution, advances in transportation and communication technology, the evolution of financial techniques, and the easing of restrictions on trade and investment, there has been a geometric increase in the international movement of people, products, money and information in the BRIC nations. The economic dynamism has led the emerging economies (BRIC countries) to diversify their business activities from a global perspective, and attempt to create optimal global value chains. Demand for tourism in Brazil, Russia, India and China is expected to grow in tandem with rapid economic growth. These nations are rich in natural and manmade resources and should cope quite well and have tremendous opportunities for the growth of tourism especially medical tourism between these nations.

Today, as indicated in numerous studies Brazil, Russia, India and China (BRIC) are considered to be one of the most perspective economies in the world for trade and investment.

The BRIC plays a pivotal role in the global economy in terms of total production, services, receiving investment capital, and expanding potential consumer markets. The BRIC economies have been widely regarded as the engines of the world economic recovery, financial crisis which underscores the changing role of these economies in the world. This platform aims to complementing and strengthening existing bilateral and multilateral relations vi-a-viz promote peace, security, prosperity and development in
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In a multipolar, interconnected and globalized world between Member States, the Strategy for BRIC Economic Partnership will contribute to mounting the economic growth and competitiveness of the BRIC economies in the global arena. The BRIC economies are becoming increasingly important as markets in their own right and as sources of future competition for the traditionally dominant economies. These nations, and India and China in particular, represent the fastest-growing among the emerging large economies globally. They are becoming increasingly similar, in terms of economic power, to the older industrial economies with which they are now competing. More significantly, the economic aspirations in Brasilia, Moscow, New Delhi and Beijing are inextricably linked to the strength of their national tourism and hospitality sectors.

According to Economist Intelligence (2012), forecasts, the economies of Brazil and Russia will grow at an average annual rate of just over 4% until 2017, while those of China and India will grow at just under 9% and 8%, respectively (see Figure 2).

Understand Tourism and Hospitality in the BRIC Nations

Tourism as an industry has cropped up to be a revolutionising phenomenon especially after sixteen years of 21st century, displacing manufacturing and extractive industries from their dominant position and emerging as a catalyst of ‘development engine’ of emerging economies so-called BRIC nations. There are at least many reasons why the subject of tourism and hospitality in so-called BRIC nations (Brazil, the Russian Federation, India and China) has attracted attention of academicians and policy planner around the world. It is evident that global tourism and hospitality industry depends very much on the world’s population living in BRIC nations. Although their rate of economic growth has slowed in recent years, their rapid growth over the past two decades has resulted in their combined GDP coming close to a quarter of world GDP and they have established a new development bank. The BRIC nations play an increasingly important role in funding cooperative tourism and hospitality projects in developing countries. There is even discussion about how the role of BRIC nations may represent a ‘paradigm shift in global tourism and hospitality marketplace.

Figure 2. Real GDP, % change year to year
Source: Economist Intelligence (2012).
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The globalisation of the tourism and hospitality industry has advanced under the pressure of increased technology, development of tourism industry, transportation, deregulation, communication, political barriers, labour force, socio-cultural changes, professionalism, economic development, besides growing competition in a global economy. The tourism and hospitality business today finds itself competing in a world of global economy for its survival, growth, productivity, efficiency, and profitability. The professionals working in this industry have to learn to adjust or to change with market demands, quality and value for money. Organisations must focus on professionalism vis-à-vis on profitability apart from other important changes globally. The BRIC economy is critical to future trends of the world economy. It will be a driver of growth and productivity especially tourism and hospitality industry. It will accelerate globalisation, increase competition, and remove barriers to entry at international marketplace.

Interestingly, international tourism and hospitality is one of the world’s major trade categories with overall export revenue generated by inbound tourism of over US$2 trillion in 2020. For many developing countries it is one of the major sources of foreign exchange and a major creator of employment opportunities and development. The BRIC countries have emerged as major tourism markets opening up huge potential for traditional destinations and new tourist hot spots. The hospitality and tourism industry is one which has witnessed a great deal of change over the last decade with an increase in online booking portals and social media which has driven organisations to be more aware of public perceptions. This, coupled with an uncertain economic climate affecting demand for services, has led to a changeable and volatile market. As the industry continues to flourish, it continuously triggers new issues that raise questions about its very growth, development, management and implications on the environment and society. Being a service sector this industry is regarded as major employment provider and is the lifeline of many economies worldwide especially BRIC nations. The purpose of this book is to address some of these structural, operational, managerial and contemporary issues, challenges and opportunities in order to provide a thoughtful insight and stimulate discussion and debate amongst the industry stakeholders and academicians to devise a wise course of action for the future. Further, it provides a balanced coverage of the wide range of components within the tourism and hospitality industry in BRIC nations by taking a very practical hand-on-approach. Opportunities and challenges for Tourism and Hospitality in the BRIC Nations is worthy to systematically collect such new approaches, models, current thinking and resultant tools to promote their acceptance, foster further developments, and speed up their implications in tourism and hospitality in BRIC Nations.

CONCLUSION

During recent decades there has been a rapid proliferation of fundamental and conceptual teams in tourism and hospitality education globally and the stakeholders from the industry and academics are confronting with numerous problems that come from managing the industrial development and preparing scholars for competing tomorrow’s volatile hospitality business environment. In this context, this book is intended to fill existing gaps in the literature from many different perspectives related to tourism and hospitality industry in BRIC nations. The target audience for this book is composed of professionals, researchers, and scholars working in the fields of tourism and hospitality industry in particular and services sector in general. I hope that this book will prove to be a leading and valuable resource and comprehensive
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guide for all those interested in tourism and hospitality research, approaches, techniques, models, trends, challenges and opportunities as well as to cover the emerging research topics which are going to define future of tourism and hospitality industry in the BRIC nations.

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REFERENCES


KEY TERMS AND DEFINITIONS

**BRIC**: An acronym for the growing economies of Brazil, Russia, India, and China.

**Globalization**: The movement of goods, ideas, values, and people around the world.

**PEEST**: An acronym for political, economic, environmental, social, and technological forces.

**Tourism World-Making**: The way in which a place or culture is marketed and/or presented to tourists.

**Trend**: A phenomenon that influences things for a long period of time, potentially shifting the focus or direction of industry and society in a completely different direction.