

# Local Crises and Natural Disasters: Effects and Consequences on the Global Tourism Industry.

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## ABSTRACT

*Many scholars have noted an increasing number of disasters and crises, which affect the tourism industry, ranging from natural to human influenced incidents. The globalisation of the tourism industry and the fact that the world is also becoming more interdependent and connected, have led to a new reality for tourism industry, where crises that occur in one single place of the world can affect tourism activities around the broader area or worldwide.*

*This paper, which is based upon the existing literature, tries to support this interdependence of tourism industry. For this reason, the paper uses some well-known cases of crises or disasters, which had significant impacts on the tourism industry, in order finally to underline the constantly ascending need for crisis and disaster preparation for tourist businesses.*

**Key words:** tourism, crisis, disasters.

## 1. Introduction

Many scholars have noted an increasing number of disasters and crises, which affect the tourism industry, ranging from natural to human influenced incidents. In recent years the global tourism industry has experienced many crises and disasters including terrorist attacks, political instability, economic recession, bio security threats and natural disasters.

The globalisation of the tourism industry has led to a rapid expansion of tourism businesses on an international scale in order to expand their market share and profitability. However, this process has also opened businesses up to a wider set of "global risks" involved in running businesses at such a scale, as globalisation is often seen as complex and chaotic (Jessop, 1999). The world is also becoming more interdependent and connected so that small-scale crises in one part of the world can have a significant impact on other parts of the world.

There are several cases in which crises that occur in one single place or destination of the world, have multiple effects for the tourism industry in a global level. Terrorism, political instability, epidemics, or the outbreak of war in one part of the world can dramatically reduce tourist travel patterns in other parts of the world. Tourism is therefore highly susceptible to external factors and pressures in the wider operating environment. However, tourism is also an important economic sector for many countries and many destinations are dependent upon tourism for their growth and survival.

This puts increasing pressure on managers and planners concerned with tourism to consider the impact of crises and disasters on the industry and develop strategies to deal with the impacts to protect tourism business and society in general. Faulkner (2001) argued that there is a lack of research on crisis or disaster phenomena in the tourism industry, on the impacts of such events on both the industry and specific organisations, and the responses of the tourism industry to such incidents. Since then - 2001 - the literature has expanded upon these issues, but there is a constant need to understand better such incidents and examine strategies that can be used to stop or limit their impacts on a growing and important industry sector.

## 2. Crises & Disasters in the Tourism Industry

Tourism is an important economic sector in many countries. Between 2004 and 2020, the World Tourism Organization (WTO) forecasts that international travel will increase from 760 million trips per annum to 1.5 billion trips. If domestic trips are included, the 2020 total will be 15 billion trips per annum. Globally, tourism is a \$625 billion industry, the single largest non-government economic sector in the world (WTO,2005). It is often described as a fragile industry in that demand for travel is highly susceptible to numerous shocks, such as wars, outbreaks of deadly contagious diseases, incidents of terrorism, economic fluctuations, currency instability, energy crises, and so on.

Normally, the most usual causes of crises and disasters that can affect the tourism sector are shown in Table 1 (Karagiannis et al., 2006). These causes can be divided furthermore depending upon the involvement of the human factor as the basic responsible for the outbreak of the crisis or the disaster (direct involvement, indirect involvement or no involvement). Combining this separation together with that of Parsons (1996), who separates crises or disasters as immediate, emerging or sustained, Table 1 can be formulated as a primary tool that outlines potential crises and disasters for the tourist businesses.

**Table 1- Partition of Crises and Disasters that affect Tourism Sector**

	Immediate Crises	Emerging Crises	Sustained Crises
Direct Human Involvement	Terrorist Attacks Human Negligence		Political Instability
Indirect Human Involvement		Problems in public infrastructure	Economic situation of real and potential customers
No Human Involvement	Natural Disasters	Epidemics or Diseases	

Source: Karagiannis et al. 2006

At the recent International Society of Hospitality Consultants (ISHC) Annual Conference held in San Diego, California, ISHC Members participated in a series of roundtable discussions to identify the ISHC Top Ten Global Issues and Challenges in the Hospitality Industry for 2006. Among these ten issues were havoc from natural disasters and growing global uncertainty for security and safety. Combining these issues together with the categories of disasters and crises that have been presented in table 1, we consider that the main kinds of crises which occur on local level and can be magnified in a considerable area, sometimes affecting the global tourism industry, are natural disasters, terrorist attacks, political instability and epidemics - diseases. These issues are discussed furthermore in the paper.

### 2.1. Natural disasters

Several authors have emphasized the vulnerability of tourist destinations, and thus tourists, to disasters and some have suggested that, in these situations, tourists might be more exposed to danger than anyone else (Drabek, 1995). Murphy and Bayley (1989) suggest that the exposure of tourism to natural disasters is linked with the attractiveness of many high-risk exotic locations, where events such as hurricanes, avalanches and volcanic activity are common.

Natural disasters appear to have become more frequent in recent years. The implications are profound, especially since many affected areas are heavily reliant on tourism for economic vitality. Several natural disasters including earthquakes, flooding, wild fires, hurricanes that occurred during the last years, are representative examples of the extend that a natural disaster can harm a tourism industry of a considerable part of the world.

Usually, the problems that the natural disasters cause regarding the tourism sector, which can affect a considerable area, can be summarized as following:

- **Increase of tourists' concerns about security and safety.** Natural disasters can affect the attitudes and the beliefs of citizens around the world about the broader area where the catastrophe took place. Alternatively, some people may opt to change their travel plans and visit destinations where they are exposed to less personal risk. These beliefs about safety can be affected by the way that the responsible authorities handled the disaster. The successful management of the disaster and its consequences minimizes the negative effects on people beliefs regarding the affected area. Oppositely, the unsuccessful management enforces the negative attitudes towards the area hit by the disasters from the safety point of view. These issues of course would be better to be further researched.
- **Destruction of infrastructure and facilities.** The destruction of infrastructure and facilities that are strongly related to the tourism industry, such as transportation facilities (stations, ports etc), motorways, hospitality facilities, inflicts tourism activities in the wider area, as the destroyed area can serve as an intermediate terminal for several other destinations around. This means that businesses that are involved with tourist activities have to modify their patterns in order to adapt them to the new reality. For example, if a natural disaster destroys an airport which serves as a transfer terminal for other tourist destinations, the airline companies have to modify their routes' schedule or even to stop flying towards this area. These modifications result to the reduction of tourist visitors for the broader area.

The December 2004 tsunami catastrophe in Indonesia is an indicative paradigm. The immediate economic impact was direct, with negative effects on consumption and business activity in the regions and sectors affected. But, the influence of the tsunami reaches beyond the borders of the area affected. Some of the main impacts of the tsunami catastrophe for the tourism industry are the following (Zhang, 2005, WTO, 2005):

- Many tourists tend to perceive the whole of Southeast and South Asia as a risky destination.
- The tsunami has caused a redistribution of outbound tourists and stimulated a rapid increase in some other outbound and domestic destinations.
- The decrease of the arrivals was important for the affected area.

Although this decrease hit the area's tourism industry, it is obvious that there were also negative consequences on several businesses involved with tourism (airlines, tour operators etc).

## **2.2. Terrorism**

The new millennium has been defined by several crises since the terrorist attacks in New York City and Washington D.C. on Sept. 11, 2001. These acts of terror shocked the world and marked the beginning of a gloomy sentiment in the tourism industry. Several terrorist inflicted tourism crises followed including Bali bombings on October 12, 2002, Madrid train bombings on March 11, 2004, frequent armed unrest in Southern Thailand since January 2004, London terrorist acts in July 2005, hotel bombings in Sharm-el-Sheik Egypt in July 2005, the second round of Bali bombings on October 2, 2005 and the most recent hotel bombings in Amman Jordan in November 2005. These terror acts have obvious negative impact on tourism.

Tourists are often the specific targets of terrorist organizations. Tourism is viewed to represent capitalism and conspicuous consumption and an attack on tourists signifies ideological opposition to these western values. In other areas of the world, where tourism is a state sponsored industry, an

attack on tourists can symbolize an attack on the government (Richter and Waugh 1986).

Usually, the problems that terrorism crises cause regarding the tourism sector, which can be magnified and affect a considerable area or the globe in all, can be summarized as following:

- **Challenge of tourists' safety attitudes and beliefs.** Although terrorist attacks occur in a single place (usually in cities and populated areas) they affect, most of the times, the tourism industry worldwide, as they challenge travellers' and tourists' security beliefs. When people travel, they do not want to be exposed to personal hazards, so safety is a paramount concern of most travellers. Not surprisingly, terrorist incidents and other threats to personal safety—whether they are natural disasters or deadly contagious diseases—reduce people's propensity to travel. The attacks on the World Trade Centre clearly demonstrate the potential risk which terrorism poses for the tourism industry. Furthermore, studies have shown that tourists substitute risky destinations with safer choices, demonstrate a delayed reaction to terrorism and exhibit cultural differences in their reactions to risk (Sonmez, 1998).
- **Impacts on several travel and tourist procedures.** Terrorist incidents usually lead the responsible authorities to adopt several measures in order to provide a higher security level for civilians and tourist as well. These measures, which can be temporary or permanent, result in changes in several procedures regarding for example mass transportation facilities or places that attract great numbers of visitors (i.e. commercial centres, museums, sports facilities etc). Nowadays, it is much more difficult for a foreigner citizen to obtain a passport visa for visiting United States, after the 9/11 attacks.

The attacks in New York WTC on 11<sup>th</sup> September 2001, is the most representative example of terrorism impacts on tourism industry. Although the incident occurred at a particular area, it affected the world's life and economy, included tourism industry. Of course the case of 11<sup>th</sup> September cannot be viewed as a purely local crisis, but it is a clear supportive case of the interdependence and the globalisation of travel and tourism industry. Some of the impacts of the terrorist attacks of September 11, 2001, on tourism sector, coming from the literature, are the following (Lenain, P., M. Bonturi and V. Koen - OECD, 2002):

- Heightened fear of travelling following the attacks led to a number of cancellations and a drop in new bookings. Reservations worldwide fell by an estimated 12 to 15 per cent in October 2001 compared with the previous year.
- The drop in tourism traffic has also been asymmetrical, with some of the countries that depend most heavily on the industry experiencing the largest number of cancellations.
- A number of sectors were hit hard (i.e. airlines, hotels, restaurants, travel agencies and other tourism-related businesses).
- As far as EU tourism is concerned, manifest fear of travel primarily affected the high-spending tourists from America, Japan and the Middle East who concentrate on specific destinations. (European Commission, 2001).

### **2.3. Political instability**

Political instability describes a situation "in which conditions and mechanisms of governance and rule are challenged as to their political legitimacy by elements operating from outside of the normal operations of the political system" (Hall and O'Sullivan 1996). At first glance, political instability and terrorism may appear unrelated. Closer examination, however, brings into focus certain situations, which

demonstrate otherwise. War and political instability can also affect neighboring countries not directly involved in any conflict. Like terrorism, political instability and war can increase the perception of risk at a destination. As a result of the conflict in Tiananmen Square in China, approximately 11,500 tourists canceled visits to Beijing in 1989 (Gartner and Shen 1992). The Persian Gulf War in 1990 caused such a massive redirection of tourists away from the Middle East that hotels in Israel were used to house Russian immigrants instead of tourists (Hollier 1991). Historically at the years 1964, 1988, 1991, political instability and terrorism are both responsible for lower level of British and German visitor arrivals in Greece (Vassiliadis, 1996).

#### **2.4. Epidemics and diseases**

Health issues associated with international and domestic tourism attract the interest of researchers from a wide range of social science and medical disciplines. Such researchers are recognizing that there is an interface between health and tourism and this is an integral part of the "tourist experience" which affects overall satisfaction levels for tourists and can ultimately affect their quality of life (Lawton and Page, 1997).

Since tourism quality and visitor satisfaction are intrinsically linked to the experience which is derived from a holiday, trip or visit, it is widely acknowledged that adverse effects on the health of tourists may significantly tarnish the resulting experience of a holiday or destination. The main impacts of epidemics for the tourism industry can be focuses mainly to the potential tourists' concerns about **health and food safety**. Having in mind that nowadays, there are a lot of people traveling world wide, it is easy for a local epidemic to be transferred abroad. Carter (1998) found in a study of healthcare as a perceived risk factor that entire continents could be generalized as perilous or safe.

The SARS epidemic, which started from a Chinese province, is a representative example of an epidemic with a negatively profound impact on tourism around the world. Some important impacts of SARS were the following:

- International tourism arrivals fell 1.2% to 694 million in 2003, according to World Tourism Organization (WTO) figures.
- Air travel to areas affected by the advisories decreased dramatically during the epidemic, although the impact of advisories compared with other sources of information to travelers, such as news media, is difficult to assess.
- In a survey conducted by the Society for Human Resource Management in the USA, based on 423 human resource professionals, 20 percent reported cuts in employee travel as a result of SARS (USA Today, 2003).
- In East Asia, tourist arrivals dropped by 41% between April 1st and April 21st compared to the same period in 2002, with the following Asian destinations suffering in particular—China, Hong Kong, Vietnam and Singapore. Over the months of the outbreak, there was a drop of 12 million arrivals in Asia and the Pacific, constituting a 9% drop compared to the previous year (Wilder-Smith, 2006)!!
- The FIFA women's world cup, originally scheduled for China, was moved to the United States. On March 30, 2003, the international ice hockey federation cancelled the 2003 IIHF women's world championship tournament, which was to take place in Beijing.
- Severe customer drop of Chinese cuisine restaurants occurred in Guangdong, Hong Kong and Chinatowns in North America, 90% decrease in some cases (Wilder-Smith, 2006).

### **3. The need for crisis preparedness in tourist business**

As it has been shown from the previous cases, the globalisation of the tourism industry and the fact that the world is also becoming more interdependent and connected, have led to a new reality for tourism industry, where crises that occur in one single place of the world can affect the tourism around the broader area or worldwide. However, the negative consequences of these incidents can be moderated if the stakeholders involved in tourism industry get prepared for confronting such incidents. But, as Drabek (1995) and Prideaux et al. (2003) note, crisis preparation is not yet an integral component of tourism business practice, and many tourism executives seem reluctant to anticipate the need.

So, the need for crisis preparedness is obvious. Kovoor - Misra (1995) defines crisis preparation as an ongoing process of developing organizational capabilities to prevent, contain and recover from crises, and to learn from experience. Furthermore, Siomkos and Maditinos (2001) support that preparation is very important for organizations involved in high risk business activities like airlines, chemical industry, coastal shipping etc. Pearson (2002) identifies the obvious: there is no way to ensure that an organization will escape crises. The only way for an organization to minimize crisis damage is either to avert crisis if possible or to manage it effectively. This can be achieved by being as best prepared as possible. Crisis preparation should be of high concern for every business involved in tourism industry.

### **4. Conclusions**

Tourism is the single largest non-government economic sector in the world (WTO,2005) and the most important economic activity for several local economies worldwide. It is also a fragile industry in that demand for travel is highly susceptible to numerous disasters and crises.

The globalisation of the tourism industry and the fact that the world is also becoming more interdependent and connected, have led to a new reality for tourism industry. Crises that occur in one single place of the world can affect the tourism around the broader area or worldwide. In recent years the global tourism industry has experienced many crises and disasters including terrorist attacks, political instability, bio security threats, natural disasters etc, which although occurred in a specific location, have important impacts in the global tourism industry.

Understanding crises and disasters, their lifecycle and potential impacts and actions can help in the development of strategies by organisations to deal with such incidents. By understanding these phenomena more effective strategies can be developed to stop or reduce the severity of their impacts on business and society, despite their complexity.

Of course, crises and disasters impacts do not last forever. Usually, tourism activity returns back to normal life after a recovery period. Future research should be focused on the duration of this period examining typical cases of crises, like the ones presented above. Besides what have to be further researched is a more analytical quantitative approach of the impacts that these kinds of crises imply for the global tourism industry.

What comes as a final conclusion of this paper, is that all the stakeholders that are involved in the tourism sector (i.e. businesses, local authorities, professional associations, governments etc) have to realise this: as tourism is a basic economic activity for them, any crisis or disaster wherever the world could cause major troubles not only for them but also for the entire sector. So they must bear in mind the old saying "when you hear the thunder... it's too late to build the ark"!

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