

Korea's Tourism Development and Its Economic Contribution

Wang Jiqing

Harbin Normal University

I. Introduction

With the fast pace of urbanization and industrialization, local communities often confront with the challenge of conserving their traditional cultural tourism resources in tangible and intangible terms, while simultaneously pursuing economic growth through tourism development. This issue occurs both in China a developing country and Korea (in this article, Korea refers to the Republic of Korea, if the author does not note it as the Korean Peninsula). The author concerns the question like what are characteristics for current conditions of Korean cultural tourism? And how can we understand and assess the contribution of tourism in Korea to local regions?

It is noticeable that, from international perspectives (MCT and KTRI et al. 2001), Korea has competitiveness in the areas such as arts, historic places and heritage, humanity landscape and architectural buildings. However, Korea was not competitive in the areas of tourism resources such as parks, flora, fauna, and unspoiled nature. The natural tourism attractions cannot be made competitive in a short term but these can be made better if “there is a special effort to establish a public-private partnership for sustainable tourism management.” Cultural tourism in Korea developed comparatively fast because of its cultural tourism resource advantage, and eco-tourism or green tourism especially in rural areas is also growing nowadays in Korea.

A report for the conference on cultural tourism theme held in Cambodia in 2000 mentioned that, with regard to domestic and international tourism, cultural tour, especially cultural heritage tour can stimulate national pride in one's own country and respect and understanding of other cultures, which may be helpful for keeping world peace. In other words, the development of cultural tourism in different countries will bring the earth peace and mutual understanding through travelers' direct communication and exchange with native people.

From the EU and NAFTA examples for regional integration, we can learn that regional integration may start from economic exchange and cooperation. The World Tourism Organization (WTO) forecasted in 2000 that Asia and Pacific would become the second most important tourism destination of the world by 2020. Nowadays, cooperation in international tourism in Northeast Asia has provided an important platform for economic exchange and cooperation. In this sense, international tourism could be a new engine for regional integration in Northeast Asia. Therefore, the studies on this thesis not only has significance on borrowing Korean experience for developing tourism in China, but also will contribute fairly to international tourism cooperation among China, Korea and other Northeastern countries.

II. Characteristics of Tourism Development in Korea

Republic of Korea as a Tourist Friendly Country

Cultural tourism industry in Korea is advanced, generally, and in comparison with that in China, especially in terms of Korean higher service quality in tourism, which is based on convenient tourism infrastructure, and efficiently organized management for sightseeing districts.

Korea is a tourist friendly country, where both domestic and foreign tourists can get easy access to a tourism destination with help from information centers located at airports, hotels and entrance or hub places of sightseeing spots. Tourism information center provides independent travelers enough free brochures and maps necessary, most of which have foreign language edition in English, Chinese, and Japanese as well.

Modern advanced information technologies are utilized in Korea to strengthen tourism competitive abilities. Besides easy Internet access, Korea has “1330” telephone dial system that is for 24-hour one-stop information service, available in Chinese. A so-called BBB (Before Babel Brigade) system is developed for volunteer service for translation, by which a foreign tourist can easily get help by mobile phone calling. So far 16 foreign languages are available by the BBB system. In the mainland China, tourism information services generally are not satisfactory yet.

Regarding the suppliers of tourism services, market prices are transparent because various travel agencies publish their service prices clearly and regularly based on designated tour schedules and routes. In some sightseeing spots and information centers, Korean volunteers work as interpreters and translators. This means that some local citizen actively participate in tourism service.

Through my personal travel in Seoul and Gyeonggi province, I also find that the admission fee for most sightseeing spots is relatively low when considering the higher consumer price indicators in Korea. Korean public cultural welfare is at a higher level in this sense.

Mode of Tourism Development: Market-orientation Plus Governmental Leading

It is well recognized that a key motivation for tourism development is economic growth. Chinese central government and many local governments regard tourism as a growth pole. Some inland regions like Guizhou and Sichuan provinces expect eagerly to alleviate poverty by tourism development in rural areas. In Korea, after decades of “New Village Development Campaign,” the regional differentials about socio-economic development are at a lower level compared with that in China. Nonetheless, economic growth is also a major motivation for tourism development in Korea.

Various tourism markets in Korea are established. Tourism related infrastructure locates at almost every area in the country, and Seoul and Gyeonggi province have the advantage in owning the tourism facilities as table 1 shows.

Table 1: Tourist Service Business in Korea, 2002

City/Province	Travel Agencies	Tourist Accommodations	Entertainment Facilities	Amusement Parks	Convenience Facilities
Seoul	3529	107	71	16	361
Busan	604	60	14	16	98
Daegu	347	31	1	11	44
Incheon	174	13	2	18	19
Gwangju	257	16		5	57
Daejeon	292	24	1	8	70
Ulsan	64	7		6	23

Gyeonggi Province	810	62	16	46	206
Gangwon Province	244	71	7	24	22
Chungbuk Province	201	28		15	6
Chungnam Province	229	18	1	14	18
Jeonbuk Province	347	21		14	53
Jeonnam Province	311	23		10	25
Gyeongbuk Province	271	55	7	10	31
Gyeongnam Province	386	29	3	9	30
Jeju Province	252	52	10	8	21
Total	8318	617	133	230	1084

Source: Based on data from KNTA 2002 annual report, pp. 92-93

Many participators from both public and private sectors in tourism arena play their roles under market rules and legal regulations. What we need pay more attention to is that governmental/public organizations like Ministry of Culture and Tourism, Ministry of Agriculture and Forestry, and Korea National Tourism Organization play very important roles in tourism planning, investment and administrations, which leads to a centralized tourism development mode, i.e. a government-led development mode. Korean governments both central and local exert high influences on tourism resource planning, and tourism festival and event designation.

Scholars tend to believe that governmental deep participation in tourism is reasonable because products of tourism industry have characteristics of public goods. In my opinion, the biggest advantage and benefits from Korean government-led development mode lie in this point that private tourism sectors would save marketing expenditures already paid through governmental involvement.

International Orientation of Korean Cultural Tourism

Inbound and outbound international visitors numbers increased in a long run in the last decades and inbound visitors number reached its top point in 2002 because of the effect of FIFA World Cup, although that deficits in international balance of tourism occurred in most separate years of the last decade in Korea (detailed data are given in table 2.)

Table 2: Visitor Arrivals, Korean Departures, Int'l Tourism Receipts & Expenditures 1991 to 2003 ()=growth rate %

年	Visitor Arrivals	Korean Departures	Int'l Tourism Receipts	Int'l Tourism Expenditures
---	------------------	-------------------	------------------------	----------------------------

			1000 USD	1000 USD
1991	3,196,340 (8.0)	1,856,018 (18.9)	3,426,416 (-3.7)	3,784,304 (19.5)
1992	3,231,081 (1.1)	2,043,299 (10.1)	3,271,524 (-4.5)	3,794,409 (0.3)
1993	3,331,226 (3.1)	2,419,930 (18.4)	3,474,640 (6.2)	3,258,907 (-14.1)
1994	3,580,024 (7.5)	3,154,326 (30.3)	3,806,051 (9.5)	4,088,081 (25.4)
1995	3,753,197 (4.8)	3,818,740 (21.1)	5,586,536 (46.8)	5,902,693 (44.4)
1996	3,683,779 (-1.8)	4,649,251 (21.7)	5,430,210 (-2.8)	6,962,847 (18.0)
1997	3,908,140 (6.1)	4,542,159 (-2.3)	5,115,963 (-5.8)	6,261,539(-10.1)
1998	4,250,216 (8.8)	3,066,926(-32.5)	6,865,400 (34.2)	2,640,300(-57.8)
1999	4,659,785 (9.6)	4,341,546 (41.6)	6,801,900 (-0.9)	3,975,400 (50.6)
2000	5,321,792 (14.2)	5,508,242 (26.9)	6,811,300 (0.1)	6,174,000 (55.3)
2001	5,147,204 (-3.3)	6,084,476 (10.5)	6,373,200 (-6.4)	6,547,000 (6.0)
2002	5,347,468 (3.9)	7,123,407 (17.1)	5,918,800 (-7.1)	9,037,900 (38.0)
2003	4,753,604 (-11.1)	7,086,323(-0.5)	*5,241,000 (-11.5)	*8,135,900 (-10.0)

* Estimated

Source: KNTTO

With governmental endeavor, Korean cultural tourism is internationally oriented. Under international tourism cooperation and with the effect of World Cup and Korean Wave, Korea established her high image as an attractive cultural tourism destination.

National and traditional cultures are properly conserved and inherited in Korea. Reparation of historic heritage construction is undertaken in Suwon Hwasung Fortress when I visited there. Korean complex and systematic management policies on cultural properties are worthy of further studies. In some historic sites, traditional ceremonies are well preformed; I think tourists can learn well the Korean history and culture from the lively performances and reappearance. And these experiences are valuable for China.

All the measures for heritage conservation definitely contribute to the internationalization for Korean tourism business because international attractions result from specialized types of traditional and local cultures.

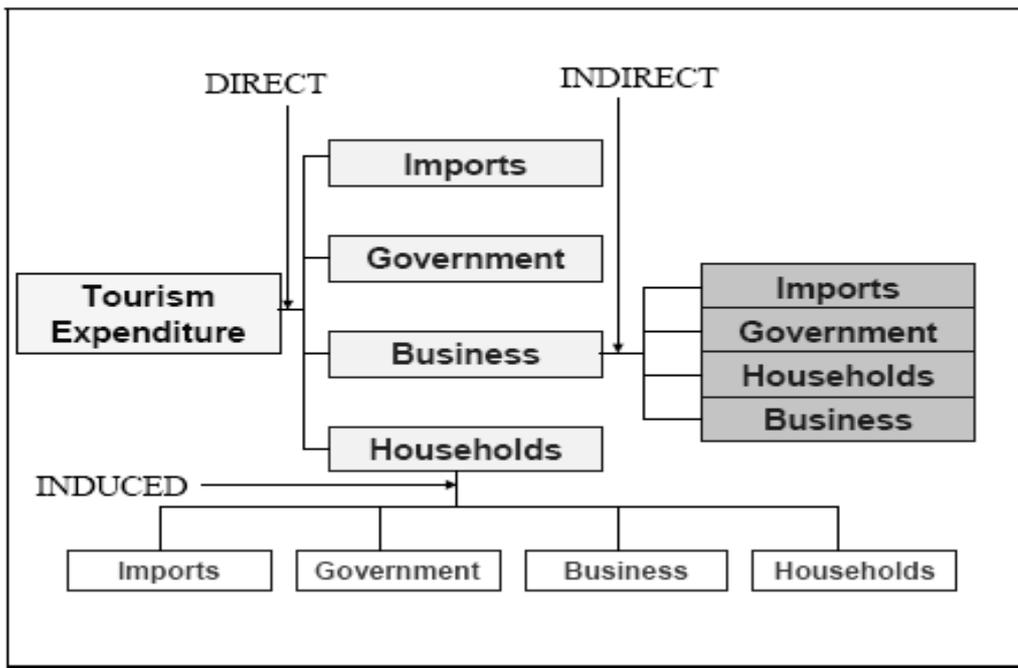
III. Measuring Contribution of Tourism to Economies

Cultural tourism (like other types of tourist activity) actually imposes both positive and negative impacts on a certain region as tourism destination. Carrying capacity approach is often used to measure the impacts, and which also provides management techniques to balance the merits and weakness of tourist activities. This article will be focused on discussion on economic contribution of tourism to local/regional societies, which belongs to positive impact of tourism.

Measuring impact of tourism on economies or say contribution of tourism to economies is a complex and debatable topic. Analysts use both qualitative and quantitative measuring techniques to discuss this issue. And cost – benefit analysis is usually a start point for measuring economic contribution of tourism. Investment in tourism brings cost and visitor/tourist expenditure brings benefit. As figure 1 describes, effects / impacts of tourism

expenditure can be divided into three categories, i.e. direct effects, indirect effects and induced effects.

Figure 1: The Effects of Tourism Expenditure



Tourism expenditure results in direct effect, which generates income for businesses and households, taxation revenue and employment. The initial income received by households, businesses and government is re-spent on activities to provide products and services purchased by tourists, this is the indirect effect.

It is argued that any measurement of impact of tourism in economic terms will require detailed information relating to tourism expenditures, prices, tax revenues, expenditures by other sectors of the economy, prices for tourism and non tourism products, patterns of arrivals and so on. (Christine Ennew, 2003) Therefore, with involvement of WTO research, Tourism Satellite Accounts (TSA) was established to assess relatively clear contribution of tourism to national or regional economies.

A Tourism Satellite Account provides database that identifies tourism's role in economies and help us understand comparisons between tourism and other sectors in terms of their economic contribution. TSA examines tourist expenditure, value added in supplying tourism demand, and employment and investment generated in the tourism industry. TSA method is related to National Accounts; however, we cannot use the input-output statistical data directly because TSA is based on tourism demand side rather than the supply / production side. The difficulty of measuring impacts of tourism spending is that tourism industry does not exist as an “independent sector” in the system of National Accounts, which are structured around production side.

Findings of current research based on TSA case study in China are meaningful. For instance, a case study for year 2001 on contribution of tourism in Guangxi, China, concludes that tourism value-added contribution (the addition of direct and indirect tourism contribution)

percentage to local economy is 15.6 %, a portion of 8.9 % in GDP. (Guangxi Tourism Bureau, et al. 2004) The well-known Guilin landscape area locates in Guangxi, where local government highly supports tourism development.

Korea also developed Tourism Satellite Account in 2000 to measure the economic impacts of tourism on national economy. The results of the TSA analysis by Korea Tourism Research Institute (KTRI) show that in 1998, tourism demand was the equivalent of 4.7% of total private consumption in Korea, and value added in supplying tourism demand was 3.2% (for percentage in GDP). It means that tourism expenditure ever occupied 4.7% percentage in annual GDP of Korea. Within the total 4.7% contribution of tourism expenditures, domestic tourism expenditure accounted for 2.5% and tourism expenditure by foreigners accounted for 2.2%, (OECD 2002 and Kim 2000)

IV. Contribution of Tourism to Korean Economies

Analysis on tourism contribution to local economies may present basic viewpoints on understanding the impact of efficient or inefficient utilization for certain tourism resources. A practical perspective on contribution of tourism to regional economies may help policy decisions concerning tourism development become more rational and feasible.

It is significant to apply TSA method on regional tourism studies, and much more endeavors related to tourist expenditure survey are the basis for this approach. In following parts of this article, I try to discuss tourism contribution to Korean economies at both national and local levels. Some early-cited argument about Korean tourism contribution to national economy is established initially by TSA method; however, my discussion on the regional case is based on available references concerning local tourism resource, tourist arrivals and tourism income.

Contribution of Tourism to Korean National Economy

The tourism industry is regarded as one of the biggest three growth industries (along with IT and environmental industries) in Korea. To understand economic contribution of tourism to Korean macro-economies of 1998, “the tourism industry was estimated to account for about 4.72% of GDP. It was estimated that expenditure by foreign tourists generated a total of US\$ 11.9 billion in production, US\$ 2.7 billion in income and 475, 795 jobs.” Tourism income generated by foreign tourists and Korean tourists totaled US\$ 29.3 billion and produced 1 million jobs. (OECD, 2002) OECD also reported that the number of tourism-related enterprises in Korea is 999,833 for year 2000, and the number of employees has increased by 11.3% from 2,371,341 persons in 1997 to 2,639,694 persons in 2000.

The more updated statistic data also show positive economic impacts of the tourism industry are considerable in Korea: 1) its foreign exchange earnings amount to 85.5%, much higher than the electronic industry average of 69.1%. The tourism industry generated 7.4 trillion Won in 1999; 2) the indirect economic effects to other industries amounted to about 3.6 trillion Won; 3) Tourism industry created 390 thousand tourism jobs and 40 thousand other jobs in 1999. In Korea, the income created directly by tourism reaches 2 trillion Won every year, and that by related industries amounts to 660 billion Won. (KNTO, 2002)

Concerning international balance of tourism, according to a KNTA, the amount of money spent by foreign tourists in Korea in 2002 amounted to a total of USD 5.9188 billion, down by 17.2% from USD 6.3732 billion in 2001. On the other hand, expenditure by Koreans traveling overseas increased by 16.7% from USD 6.547 billion in 2001 to USD 9.0379 billion in 2002. The balance of tourism industry receipts and expenditures was in the black 1998, 1999 and 2000, but came into the red in 2001, and the figure reached a deficit of USD 3.119 billion in 2002.

From local perspective, some examination on tourism contribution to local economies is useful for a further understanding about the status of tourism in local economies. Now I start the examination on Jeju tourism case.

A Case Study on Tourism in Jeju Province

Jeju Island locates at a central place / communication hub of Northeast Asia. The reason why I choose Jeju province for this case analysis lies in two points, 1) Jeju is a popular tourism destination for both Korean and foreign tourists, a sample region where tourism industry contributes considerably to local economies. 2) Jeju takes the advantage in owning advanced tourism facilities (see the following tables) and plenty tourism attraction resources.

Jeju is mainly an eco-tourism destination rather than cultural tourism one, though this province has a lot of tangible and intangible cultural tourism resources, partly described in the following table 3 and table 4.

Given the limits in availability of statistic data concerning tourist spending for a certain regional destination, taking Jeju case into account is understandable, though it is not the best choice.

Table 3: Number of Cultural Properties & Assets in Jeju Province

Classification	Total Treasures	Remainder	Natural Monuments	Main Folk Documents	Main Cultural Assets	
Total	52	4	5	30	8	5
Island	2			2		
Jeju-Shi	15	4	3	3	1	4
Seoguipo-Shi	8			8		
Bukjeju-Gun	14		2	11	1	
Namjeju-Gun	13			6	6	1

Source: Jeju Free International City Development Center

Table 4: Main Caves in Jeju Province

Classification	Total	Jeju-Shi	Seoguipo-Shi	Bukjeju-Gun	Namjeju-Gun
Total	37	1	1	28	7
Monumental Cave	10			10	
Non-Mon. Cave	27	1	1	18	7

Source: Jeju Free International City Development Center

According to the data recorded by Jeju provincial government, GDP of Jeju Island in 2003 reaches USD 6,125 million, constituting 1% of the total GDP of the Republic of Korea. Tourism sector plays an important role in Jeju economies. The third industry (service) including tourism industry and telecommunications covers 73.8% for local GDP, which is higher than the total national average as of 63.5%; the second industry including mineral and manufacturing industry covers 3.8% local GDP that is very much lower than total national average 31.1% and the first industry including agro-fishery industry covers 22.4% that is much more higher than total national average 5.4%. This is the overall structure of Jeju local economies.

Figure 2 and table 5 describe visitor arrivals to Jeju province from 1980 to 2004 and the annual number of tourists both domestic and international who visit Jeju reaches more than 4 million persons for each year from 2000 to 2004. Table 6 shows that most international tourist arrivals to Jeju province are from Japan and Mainland China.

Figure 2: Tourist Arrivals and Income for Jeju Province 1980-2000

● Korean ●

Foreigner



Source: Jeju Free International City Development Center

Table 5: Visitor Arrivals in Jeju Province 2000 to 2004

Year	Korean	Foreigner	Total	Growth Rate(%)
2000	3,822,509	288,425	4,110,934	
2001	3,907,524	290,050	4,197,574	2.1
2002	4,226,019	289,496	4,515,515	7.6
2003	4,692,373	221,017	4,913,390	8.8
2004	4,603,297	329,215	4,932,512	0.4

Source: Jeju Provincial Government

Table 6: Visitor Arrivals in Jeju Province by Nationality 2002 – 2004

	2004 年		2003 年			2002 年		
	in number	ratio (%)	in number	ratio (%)	2004/2003 change (%)	in number	ratio (%)	2004/2002 change (%)
total	329,215	100	221,017	100	49	289,496	100	13.7
Overseas Koreans	4,149	1.3	2,858	1.3	45.2	6,659	2.3	-37.7
Japan	136,202	41.4	98,950	44.8	37.6	134,120	46.3	1.6
Taiwan	21,435	6.5	9,893	4.5	116.7	940	0.3	2180.3
Hong Kong	7,609	2.3	5,173	2.3	47.1	7,838	2.7	-2.9
China (Mainland)	101,236	30.7	69,671	31.5	45.3	92,805	32.1	9.1
Singapore	13,472	4.1	8,762	4	53.8	11,363	3.9	18.6
USA	17,518	5.3	10,753	4.9	62.9	12,005	4.1	45.9
Germany	800	0.2	552	0.2	44.9	1,764	0.6	-54.7
Great Britain	613	0.2	379	0.2	61.7	1,030	0.4	-40.5
Russia	647	0.2	664	0.3	-2.6	517	0.2	25.2
etc.	25,534	7.8	13,362	6	91.1	20,455	7.1	24.8

Source: Jeju Provincial Government

According to the 2003 annual report published by Korean Ministry of Culture and Tourism and the KNTTO, the monthly average income from tourist expenditure per capita in 2003 is USD 1,107; and according to the local government, the total tourist arrivals in Jeju in 2003 are 221,017 persons, therefore, I can estimate that the total tourism income of Jeju province in 2003 is roughly USD 2,936 million [USD 1,107 X 12 months X 221,017 persons]. As mentioned early that GDP in Jeju province for year 2003 is USD 6,125 million, the result of this calculation shows the direct contribution percentage of tourism receipts (incomes) to the total GDP of Jeju province for year 2003 is about 47.9%. The figures convince us that tourism sector plays a vital role for Jeju provincial economies.

V. Conclusion

Korea introduced overseas travel liberalization policy in 1989; so there is no restriction for Korean on overseas travel. The recently implemented five-day workweek system also contributes to the growth of tourism industry. For the last decade, Korea cultural tourism grows fast in terms of domestic and international markets; Korean pop cultural wave is

strengthening Korean high image as an attractive cultural tourism destination. The significance of tourism for its economic contribution is taken into account by both central and local governments of Korea.

The Korean government involves deeply in tourism development. From domestic tourism planning to investment in overseas marketing, Korean public institutions have powerful influence and authority. The tourism budget for financial assistance to the tourism industry was ever USD 19 million in 1997 and it numbered USD 179 million in 2002. The recent tourism budget is still rising which means the scale of tourism supply is enlarging under the government-led development mode. Private tourism sectors benefit a lot from government-led investment and marketing.

Tourism development is also meaningful for most local economies in Korea. In some regions with advantage in tourism resources, for instance in Jeju province, tourism incomes share more than one third of local GDP annually. Korea is proud of being a nation with morning calm, then, as a sun-rising industry of the 21st century, tourism will play a more significant and promising role for Korean social and economic development.

Bibliography and References:

Christine Ennew, (2003) "Understanding the Economic Impact of Tourism,"
(Available at <http://www.nottingham.ac.uk/ttri/>)

Guangxi Tourism Bureau, et al., *Research on the Tourism Contribution Percentage to the National Economy*, published in Chinese and English, (Beijing, China: China Tourism Publishing House, 2004), p 101

Guntur Sugiyarto, et al., (2002) "Economic Impact of Tourism and Globalization in Indonesia,"
(available at <http://www.nottingham.ac.uk/ttri/>)

Jeju Free International City Development Center (JDC) 济州国际自由城市开发中心
http://www.jdcenter.com/eng_index.html

Kim Dock Key, (2000) Korean Tourism Satellite Account (in Korean), Korea Tourism Research Institute, Seoul, ROK

Korea Ministry of Culture and Tourism, (2004) "Korean Tourism: 2002-2003 Annual Report on Trends in Tourism," (available at http://www.knto.or.kr/eng/pdf/annualreport2002_2003.pdf)

Korea National Tourism Organization, (2002) "Economic benefit of Korea tourism" available at
http://www.knto.or.kr/eng/07_statistics/07_03.html

Korea National Tourism Organization, (2002) "Annual Market Overview 2002," available at
http://www.knto.or.kr/eng/07_statistics/07_02_2002.html

Marta de la Torre and Randy Mason, "Economics and Heritage Conservation: Issues and Ideas

on Valuing Heritage,” (available at <http://www.icomos.org/usicomos/Symposium/SYMP99/delatorre.htm>)

Ministry of Culture and Tourism, Korea National tourism Organization, (2002) Korea Annual Statistical Report on Tourism 2002, Seoul, Korea

Ministry of Culture and Tourism, Korea National tourism Organization, (2003) Korea Annual Statistical Report on Tourism 2003, Seoul, Korea, p88

Ministry of Culture and Tourism, and KTRI, Korea et al, (2001) a final report on “Destination Competitiveness: Development of a Model with Application to Australia and the Republic of Korea”, p. 106

OECD, (2002) National Tourism Policy Review Republic of Korea, available at <http://www.oecd.org/dataoecd/43/49/33649881.pdf>, p.13

Organization of American States, (2004) Study for Theme 1: "Culture as an Engine for Economic Growth, Employment and Development," Washington D.C. (ever available at <http://www.oas.org/udse/english/documentos/tema1estudio.doc>)

Wang Jiqing, (2005) “An Analysis on Korean Government-led Tourism Development Model,” paper in Chinese delivered to “Korean Studies Symposium,” sponsored by Fudan University, Shanghai, China, March 28-29, 2005

Wang Jiqing, (2003) “A Discussion on World Cultural Heritage in Korea,” paper in Chinese, *Heilongjiang Social Sciences*, No. 5, 2003

Abstract

Korea has tourism resource competitiveness in the areas such as arts, historic places and heritage, humanity landscape and architectural buildings. Korea is a tourist friendly country; Modern IT technologies are utilized in Korea to strengthen tourism competitive abilities. The biggest advantage and benefits from Korean government-led development mode lie in the meaningful point that private tourism sectors would save marketing expenditures already spent through governmental involvement. With governmental endeavor, Korean cultural tourism is internationally oriented. The share of tourism contributing to Korean economies, especially to some local economies has been increasing since the end of the last century. According to the case study in this paper, the direct contribution percentage of tourism receipts to the total GDP of Jeju province for year 2003 is about 47.9%. Cultural and natural tourism development is also meaningful for most local economies in Korea. In some regions with advantage in tourism resources, for instance in Jeju province, tourism incomes share more than one third of local GDP annually.

Key words: Tourism in Korea; Economic Contribution of Tourism; Jeju Tourism