Liberalized Zambian Tourism Sector: Are there any remaining profits for local tour operators?

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ABSTRACT

Most developing countries embarked on trade liberalisation at the prescription of Bretton Wood institutions. Zambia abandoned planned economy with strong interventionist and developmental objectives in the tourism sector. The country delved deeper into neoclassical, neoliberal economic policies such as Mercantilism, Absolute Advantage, Comparative Advantage, Heckscher-Ohlin Factor Endowment, and Porter’s Diamond when formulating the Tourism Development Policies. The key beneficiaries of this new public management approach to development, remains multi-national corporations within the hospitality sector in particular and tourism in general at the expense of local lodge owners. The key findings in this paper highlight poor real growth in the sector, inadequate occupancy rate of lodges, reduces break even and expansion of the sector, increase in foreign investors, lack of expansion of locally owned lodges, dwindling market share and fewer and fewer new lodges being established since the liberalisation of the sector. This paper argues that new public management approach to development drawn from neoclassical and neoliberal theories of trade are responsible for poor policy choices.

Introduction

From 1964, when Zambia got her independence from Britain, her economy had been dependent on minerals production with emphasis on copper, cobalt, precious and semi-precious stones extraction and processing (United Nations, 2006:1). This contributed to about 8.3% of GDP and 61.7% of total exports in 2003. The contribution of mining activities to GDP has been declining over the years reflecting the stagnation of the sector (United Nations, 2006:1). The falling prices of copper coupled with poor management of the economy due to ineffective policies led to the poor performance of the economy. However, the Zambian Government did not consider tourism as a vital economic sector. Thus, the tourism sector contributed very little to the national treasury according to United Nations Conference on Trade and Development (Investment Policy Review Zambia, 2006:3).

“Zambia joined the GATT in 1982 and was a founding member of WTO that was established in 1995. Since the late 1980s, the country has been undergoing a reform programme with the support of the IMF, the World Bank and bilateral donors. The reforms consisted of the liberalization of the domestic markets in goods and services, the liberalization of financial markets and the privatization of a dominant sector of state-owned companies. Exchange controls on the capital account were removed, tariffs reduced and the quantitative restrictions on exports and imports were removed (United Nations, 2006:2).”

In tourism development prior to liberalization, private sector participation was not encouraged. The few lodges that existed did not contribute much towards economic growth because of low productivity and performance levels. This was because the policy of nationalization pursued by Kaunda administration (1964-1990) provided neither any incentives nor environment conducive to doing private business. With the introduction of the market economy since the era of the Movement for Multi-party Democracy (MMD) in the early 1990s, the government saw the need to diversify its economic activities and turned to tourism and agriculture (United Nations, 2006:1). A liberalized policy framework on tourism was put in place to allow private participation in the development of the economy including tourism (Tourism Policy for Zambia, 2005:1). Since the promulgation of the tourism policy, Zambian Development Agency (2013:3) recorded growth in the hospitality sector from 500 establishments in 2005 to 940 in 2009, and from 10,900 beds to 19,000 over the same interval. The number of tourists that visited Zambia also decreased from 897,000 (2005-2007) and 920,299 respectively (2011) to 859,088 in 2012. This decrease is estimated at 6.7% whilst the average direct earnings increased from US$174.00 million in 2005 to US$200.00 million in 2009. The Ministry of Tourism and Arts (2013) indicated that employment opportunities in the tourism sector increased from 25,860 in 2009, and from 19,650 in 2005. This trend is welcome by supporters of trade liberalisation whilst the opponents as pointed out in this study are critical of the contribution of the liberalisation in the growth of the tourism sector (Dixey, 2005:2). The local tour operators are not major beneficiaries of these tourism initiatives.

Policies are an important medium which is responsible for spreading awareness among the public on issues pertaining to sustainable tourism. A good tourism policy, therefore, must prioritize sustainable tourism and outline concrete strategies to achieve it. In this respect, strategies and implementing mechanisms are central to convert the policy from a paper document to being a practical tool to foster change. It is imperative that policies put in place should stimulate the growth and development of any industry, including tourism, so that businesses are established and developed (Rwigema and Venter 2004:312). In view of this fact, the Zambian Government formulated a Policy Framework on tourism, benchmarks were put in place, and Indigenous Zambians were encouraged to
provide tourism products and services. This change in policy saw Zambians and foreign investors actively participating in the development of the tourism sector (Tourism Policy for Zambia, 1997: 1-5).

This article is divided into five sections, namely research methodology and research sites, conceptual framework, key findings, conclusions and recommendations.

Research Methodology and Research Sites

Aim of the Study

The aim of the study is to investigate the impact of government policies and adoption of liberalization on the implementation of the tourism strategy and laws.

Research objectives

The objectives of this research are to:

i. To give an overview of the liberalized Tourism Policy Framework in Zambia:

ii. To assess the impact of the liberalized Tourism Policy Framework in Zambia on the performance of tourist lodges in Livingstone town; and

iii. To investigate the benefits and disadvantages of the liberalized Tourism Policy Framework to tourist lodge operators in Livingstone.

In unpacking how tour operators in Zambia continued to gain competitive advantage in a liberalised economy, a study conducted in Livingstone was premised on the following research questions:

Research Questions

- What drivers, factors, agreements, impacts of globalisations that shaped tourism policy formulation in Zambia are visible in other developing countries?
- What are the benefits of globalisation of markets, services and trade that are visible in the Zambian Tourism sector generally and Livingstone area in particular?
- What impact do Mercantilism, absolute advantage, comparative advantage, Heckscher-Ohlin, Porter’s diamond have in the formulation of tourism policies and strategies in Zambia?
- What political / legal, socio-cultural, economic, technological, ecological, international factors influence tourism development in Zambia and other developing countries.

Population, Sampling and Pilot Study

The study was conducted in Livingstone City, a town situated in the southern part of Zambia (Southern Province). Livingstone shares borders with Victoria Falls Town in Zimbabwe where tourism is a major economic activity. The city is only 70km from Kasane, a tourist town in Botswana. The City has an International Airport which connects to the whole world through Johannesburg in South Africa (Zambia Development Agency, 2013:6).

The above map locates the reader to the city of Livingstone in the Southern part of Zambia. This study involved both questionnaires and interviews. Data was collected through a survey questionnaire. Semi-structured and unstructured interviews were conducted to collect data from the Ministry of Tourism, Environment and Natural Resources; Livingstone Tourism Association (LTA), Livingstone Lodges & Guesthouses Association (LILOGHA); and the Zambia Tourism Board. The study was conducted according to the post-positivist paradigm and critical theory (Guba and Lincoln, 1994:105-107). Through focus group discussion, interviews, policy document analysis and views of various stakeholders in the Zambian Tourism sector contributed to make reflections on trade liberalisation and how they are responding to such to gain competitive advantage in the circumstances they find themselves in. This study used descriptive research because it is concerned with the characteristics associated with a subject population about what factors are affecting performance in lodges and guesthouses in providing quality tourism services.

In total there were 100 lodges, 5 Ministry of Tourism, Environment and Natural Resources (MTENR) officials, 5 executive members of Livingstone Tourism Association (LTA), 5 executive members of Livingstone Lodges and Guesthouses Association (LILOGHA) that participated in the study. Sixty-six per cent of lodges/guesthouses, 71% of executive members of LTA, and 71% of executive members of LILOGHA, and 100% of MTENR (Livingstone branch/region) were sampled. The size of the population in the study location is about 250 lodges/Guesthouses. The officially registered lodges/guesthouses with Tourism Associations (LTA and LILOGHA) are about 150.

The study used stratified and cluster probability sampling because each element (strata) in the population has an equal and independent chance of being selected as part of the sample and this increases validity and reliability since there is no bias or predetermination in the selection process (Cooper and Schindler, 1998:238). Open-ended questions and close-ended questions were used. The questionnaire consisted of 18 questions of the likert-style rating scale that were used and 4 open – ended questions were also included. Themes covered in the questionnaire include:

- Tourism Policy Framework in Zambia;
- Impact of the Liberalized Tourism Policy Framework in Zambia; and
- Benefits and disadvantages of the Liberalized Tourism Policy Framework in Zambia

The pilot study included a total of 10 informal interviews with lodges’ operators and 5 Ministry of Tourism, Environment and Natural Resources officials. Judgment sampling was used in selecting which lodge operators and MTENR officials participated in the answering of the questionnaires. Preliminary analysis of the data collected through the pilot study was used to ensure that the data collected would answer the objectives of the research (Cooper and Schindler, 2003:77). SPSS and Excel were used to analyse data and statistical techniques such as percentages and pie charts were used to make comparative studies. The questions were analysed item by item in relation to the study objectives. Qualitative data collected through interviews and focus group discussions was coded and analysed using NVIVO version-9 software computer programmes.

Ethical clearance was received from MTENR and Lodges’ operators through the request for permission through the MTENR. A policy of anonymity of the respondents had to be adhered to, as various confidential data was accessed. However,
in order to ensure the success of the study, lodges operators were linked to clusters in such a manner that each respondent’s input remained anonymous apart from being linked to a particular cluster. A letter requesting consent to participate in the study was written to participants in which the purpose of the study and the procedure of the survey were clearly explained. Respondents were assured and guaranteed confidentiality of the information given in the study. In addition the consent letter also assured participants of strict confidentiality and that information that revealed names, telephone numbers and other identifying features were not used in the analysis of data. Some of the names cited in various sections of this article are not the real names of the respondents. The next section will consider the conceptual framework upon which the study was based.

**Conceptual Framework**

This section serves as an outline of the literature reviewed for the purpose of positioning and guiding the research towards its conclusion. Firstly, globalization and its impact on national economies will be discussed. Secondly, a review of trade theories will be discussed. Thirdly, Porter’s Diamond theory will be discussed, and fourthly an analysis of Political, Economic Social, Technological, Ecological and Legal (PESTEL) factors will be discussed. Globalization, trade theories, Porter’s Diamond theory, and PESTEL analysis will be discussed in the context of offering an explanation of the liberalization of the Tourism Sector in Zambia.

**Globalization**

Globalization is a process associated with increasing economic openness, growing economic interdependence, and the deepening of the integration of the global economy as reflected in increasing cross-border flow of goods, services, capital and know-how (Mohr, Fourie and associates, 2008:370). According to Hill (2009:6) a shift towards a more integrated and interdependent world economy is referred to as globalization and has several facets which include globalization of markets and the globalization of production. Harris (cited in Ali, 2009:5) explains globalization to mean major increasing internalization of the production, distribution, and marketing of goods and services. This means that there are worldwide trade and exchanges in an increasingly open, integrated, and borderless international economy. This has led to remarkable growth in such trade and exchanges, in traditional international trade in goods and services, in exchanges of currencies, in capital movements, in technology transfer, in people moving through international travel and migration, and in international flows of information and ideas (Wade, 2005:105).

The Republic of Zambia after the end of a one-party state of former President Kenneth Kaunda in the early 1990s began to embrace globalization and the Zambian tourism markets were opened to foreign competitors (Cooper, 2003:18). The drivers of globalization that influenced the whole world were equally visible in Zambia as indicated in the next section below.

**Drivers of Globalization**

Two major drivers of globalization are declining trade and investments barriers and technological change which are illustrated below.

**Declining Trade and investment Barriers**

Smit (2010:107) outlined that international competition at the firm level is caused by changing patterns of world trade, globalisation, technological advances and increasing presence of transnational firms. Proponents of globalisation (Hill, 2009:11) states that international trade occurs when a firm exports goods or services to consumers in another country and that foreign direct investment (FDI) happens when a firm invests resources in business activities outside its home country. In the 1920s, many countries in the world erected formidable barriers to international trade and direct foreign investment. Countries removed some barriers so that free movement of goods, services and capital was made possible. This was done through organizations such as the General Agreement on Tariffs and Trade (GATT) and World Trade Organization (Hill, 2009:11-12, Liu, 2007:1). Zambia is one of the founding members of WTO and endorsed GATT since the beginning in the 1940s (Liu, 2007:34).

The consequence of this development was the globalization of markets and production which resulted into the growth of world trade, foreign direct investment, and imports. Home markets came under attack by foreign competitors. Consequently, local players in the economy, including tourism industry got affected. Foreign competitors out – wit the local players as they have access to cheap capital (through FDI) which is invested heavily in tourism (Hill, 2009:12-13, Clunies-Ross, Forsyth and Huq, 2009:212). Critics of trade liberalization (Wade, 2005:99, Clunies-Ross, Forsyth and Huq, 2009:221) argue that it results in privatization of state-owned enterprises, expose local tour operators to foreign competition, low wages of domestic workers, very little FDI benefit domestic economies, erosion of local political sovereignty, deterioration in income distribution, increased unemployment, failure of domestic firms and adverse environmental impacts (Clunies-Ross, Forsyth and Huq, 2009:221).

The argument postulated is that direct state control, licensing, low variation of effective protection and subsidization are the key drivers of FDI and not trade liberalization (Wade, 2005:103). East Asian governments such as Malaysia, South Korea, China and Taiwan intervened in the economy by providing state laboratories, increased public expenditure, adopted non-trade measures to boost the economy, promoted nationally owned companies, and adopted trade barriers to protect domestic firms from foreign competition. In these countries full scale liberalization was delayed in order to boost local economy, drive exports and to shape state led comparative advantage. The developmental state approach and governing of the markets and not trade liberalisation contributed in economic growth in East Asian countries and Zambia can learn a number of lessons from these countries (Wade, 2005:112).

**The role of technological change**

Hill (2009:13) affirms that technological change has made it possible for FDI and reduction of trade barriers to impact on global trade. Included in the technological changes are major advances in communication, information processing, and transportation technology, and the explosive emergence of the Internet and World Wide Web which have lowered the costs of coordinating and controlling global organizations. Internet has made it easier for buyers and sellers to trade regardless of their location and time zones. In Livingstone, foreign firms engage foreign clients directly from their home countries through Internet services, but local operators find it difficult to compete with foreign operators that are more technologically advanced compared to them (United Nations, 2006:15, Giavazzi and
Changes in transportation technology have had an impact on the global trade as well. Hill (2009:14) advises that containerization, for example, lowers the costs of shipping goods over long distances. In the tourism industry, both foreign and local clients can reach tourist sites quickly without any delays. In Zambia one of the challenges facing local tour operators is limited transport infrastructure including international flight connections (Dixey, 2005:28).

**Factors leading to Globalization**

Ali (2009:10-15) outlines forces that have been responsible and are solidifying the transformation to the age of globalization. The following are some of them:

**Trends towards regionalization**

Countries all over the world are forming regional economic and political groupings such as Common Market for Southern Africa (COMESA) whose headquarters are situated in Lusaka, Southern African Development Community (SADC), and Economic Community for West African States in West Africa (ECOWAS) in order to facilitate open trade in member countries. Although economic integration may facilitate improvements in production efficiencies and improvements in economies of scale (Shenkar and Luo, 2004:200, Wade, 2005:109), Gauvi and Gaulier (cited in Khandelwal, 2004:20) noted that COMESA countries experienced disadvantages due to regional integration which leads to changes in the structure of individual economies that could lead to a contraction of previously import-substituting industries that were important sources of revenue and it was estimated that the regional integration may lead to as much as a 6 percent decline in total revenue. Most African countries’ revenue base is derived from tariffs and if there is a reduction in trade barriers there will be loss of government revenue.

**Mobility of capital across the globe**

In 2008 it was estimated that over 1 trillion was traded in the global foreign exchange market on daily basis (Ali, 2009:11). This movement of capital is as a result of globalization. Investors seek to expand their markets and seize better financial opportunities in other parts of the world. In Livingstone, for example, there are multi-national firms like the Sun International, Protea Hotels, and Chrisma Hotels which have invested heavily in the tourism industry. As much as they make maximum profits, the greater part of their return on investments is channelled back to shareholders in their respective countries. There are no laws in Zambia that compel foreign tour operators to partner with locals and therefore capital flights are inevitable. Abandoning controls on outward movement of capital may encourage capital flight, as nervous owners of capital make use of the opportunity to move their funds abroad in order to earn higher returns, or simply to shift these funds to what they perceive to be more secure locations. Such manoeuvres narrow the resource base of the countries in which they occur (Times of Zambia Newspaper, 2010:1, Clunies-Ross, Forsyth and Huq, 2009:229).

**Ease of flow of Foreign Direct Investment (FDI) and of labour across the globe**

Ali (2009:12) states that the liberalization and restructuring of the world economies have induced international corporations to pursue a wide range of investments in the world. In Zambia, the hospitality sector is dominated by multi-national corporations such as Hotel Intercontinental, Taj Hotels, Southern Sun, Sun International, Protea Hotels, The Carlson Rezidor Hotel Group- Radisson Blu, Courtyard and Golden Bridge (Zambian Development Agency, 2013:4). Liberalization of the world economy and the active engagement of international corporations facilitate labour movement and integration among countries has been brought about by ease flow of foreign direct investment. This, however, may disadvantage the local labour which in most cases is less skilled than their foreign counterparts who may be more skilled thereby leading to unemployment of the locals (Geda and Kibert, 2002:11-14). UNCTAD report concurs with Geda and Kibert (1997a:322). The flow of FDI is a WTO dictatorship through which countries that receive FDI are expected not to discriminate between foreign and local investors. The WTO Agreement on Trade Related Aspects of Investment Measures (TRIMs) prevents member governments such as Zambia from discriminating between local and domestic investors regarding taxation. MNCs are not expected to purchase local products and imports equivalent to their imports as a trade balancing approach. (Clunies-Ross, Forsyth and Huq, 2009:228). The Zambian Development Agency Act No. 11 of 2006 created fiscal incentives to MNCs, such as zero percent tax on dividends for 5 years from year of first declaration of dividends, zero percent tax on profits for 5 years, zero percent import duty rate on raw materials, capital goods, machinery including trucks and specialised motor vehicles for five years and deferment of VAT on machinery and equipment. All of the above tax incentives benefit foreign tour operators at the expense of locals (Zambia Development Agency, 2013:17).

**Worldwide appeal of democratic transformation and principles**

Countries all over the world are expected to be democratic. Democratic principles bring along free trade and trade liberalization. This is what happened in Zambia in 1991 when there was a change from a one party state system under Kenneth Kaunda that manipulated and controlled the economy to a market economy which favoured liberalization of the tourism sector that was initially regarded as a social sector (Tourism Policy, 1997:1-2). Cooper (2003:8) argues that as much as there is evidence that countries that join the WTO and some founding members of GATT tend to be democratic than non-members, but result in petit bourgeoisie classes that will demand free trade and decentralisation and restructuring of previously protected import-competing sectors. Membership of SADC, AU and partnerships with EU require that stakeholders that associate themselves with such bodies adopt democratic principles, but in essence political and social changes remain static (Cooper, 2003:15). The world order that postulated for a global trade regime was in favour of capitalism and economies whose governments intervened in economic planning were phased out. This included a USSR sponsored UNIP of Zambia under Kaunda that was replaced in the polls by neo-liberal Movement for Multi-party Democracy (MMD) in the 1990s (Cooper, 2003:16).

**Changing World Order**

In 1991 Zambia shifted from a state interventionist economy to a neo-liberal free market and mixed economy when the Movement for Multi-Party Democracy (MMD) of Frederick Chiluba took office. The collapse of Communism in Eastern Europe resulted into free market economies which opened up export and investment opportunities for Western businesses. This shift in allies and new political alignment of Zambia led to even deeper trade liberalisation. In addition, the economic development of China presents both opportunities and threats for established global businesses which were not considered in Zambia at that time. Most post-colonial countries used Article XXVI: 5: (c) to join GATT and WTO in order to benefit from FDI and other trade spinoffs. The end of colonialism and Cold War assisted post-colonial states to join GATT and WTO with the blessing of being a trade partner of the former colonial
powers and trade blocks (Hill, 2009:22-23, Copelovitch and Ohls, 2010).

Analysis of Globalization

The arguments that promote globalisation and trade liberalisation are evaluated below and the next sections of this article. Globalization certainly permits an increase in the level of global output. FDI brings the best technology, and other forms of intellectual capital, to countries that would otherwise have to make do without it, or else invest substantial resources in reinventing the wheel. International capital flows can transfer savings from countries where the marginal product of capital is low to those where it is high, which again increases world output (Mohamed, 2008:22). Globalization is expected to influence the distribution of income as well as its level so that all countries benefit. Economists have long preached that trade is mutually beneficial, and it is believed that the experience of widespread growth alongside rapidly growing trade in the Post War period serves to substantiate that. Similarly most FDI goes where a multinational has intellectual capital that can contribute something to the local economy, and is therefore likely to be mutually beneficial to investor and recipient. A flow of capital that finances a real investment is again likely to benefit both parties, since the yield on the investment is expected to be higher than the rate of interest the borrower has to pay, while that rate of interest is also likely to be higher than the lender could expect at home since otherwise there would have been no incentive to send it abroad (Clunies-Ross, Forsyth and Huq, 2009:230).

Trade liberalization and other forms of economic liberalization have led to reductions in trade protection and to a more liberal world trading system. As a result, there have been significant reductions in tariffs and other barriers to trade in goods and services. Other aspects of liberalization have led to increases in the movement of capital and other factors of production (Hill, 2009:10). This has enabled capital movement with ease, enabling firms to establish businesses in other countries at the expense of emerging economies such as Zambia (Clunies-Ross, Forsyth and Huq, 2009:230).

Changes in institutions

Hill (2009:14-16) states that the source of globalization is comprised of changes in institutions, where organizations have a wider reach, due, in part, to technological changes and to the more wide-ranging horizons of their managers, empowered by advances in communications. These changes in industrial structure have led to increases in their power, profits and productivity of those firms that can choose among many nations for their sources of materials, production facilities and markets, quickly adjusting to changing market conditions.

Global agreement on ideology

Global agreement on ideology, with a convergence of beliefs in the value of a market economy and a free trading system is another source for globalization. This process began with the political and economic changes in China, Eastern and Central Europe starting in 1989 that ended with the dissolution of the Soviet Union in December 1991 (Intriligator, 2003:4). The market economies in the West and socialist economies in the East were replaced by the market economy system. Market economy system was introduced in Zambia in 1991 which affected the performance of local lodges and guesthouses as they had to compete with multinational companies which engaged in the tourism industry (Zambia Development Agency, 2013:15).

Impacts of Globalization on National Economies

Globalization has had a significant impact on all economies of the world, with manifold effects. It affects their production of goods and services. It also affects the employment of labour and other inputs into the production process. In addition, it affects investment, both in physical capital and in human capital. It affects technology results in the diffusion of technology from initiating nations to other nations. It also has major effects on efficiency, productivity and competitiveness. Hill (2009:24) mentions the following as impacts of globalization on national economies:

- Reduction in prices for goods and services. This increases accessibility of goods and services for the population;
- Stimulation of economic growth. In Zambia, the tourism industry has grown to higher levels as shown by 2010 statistics (Central Statistics Office, 2010:200);
- Increase in consumer income;
- Job creation;
- Efficient production of goods and services; and
- Growth of foreign direct investment.

Foreign direct investment has impacted positively on Zambia as reported by the World Bank’s Investing Across Borders 2010 indicators (Investing in Zambia: a safe destination, 2011:5-6). The report indicates that Zambia received (net) FDI inflows of US$4.2bn over 2005-09, compared to US$812mn in 2000-04. Globalization has led to huge investments in the Zambian economy. All these positive developments are impacted upon by trade liberalisation that results in job losses, capital flight, deregulation of labour markets and commercialisation of natural resources such as water and energy that are a pre-requisite for tourism development (Clunies-Ross, Forsyth and Huq, 2009:239).

The Benefits of Globalization Stemming from Competition

The benefits of globalization stemming from competition are outlined below.

Competition on a global basis

Competition increases production and efficiency (Ali, 2009:195-209) and leads to specialization and the division of labour resulting into increase in production. In Victoria Falls Town (Zimbabwe), for example, specialization in tourism is having an edge over the tourism industry in Livingstone (The Post Newspaper, 2010:6).

Economies of scale

Free trade results in countries specializing in the production of those goods and services that they can produce most efficiently, while importing goods and services that they cannot produce as efficiently. For example, in the United States textile factories closed down in preference to investing in Honduras where production costs are lower than in the United States. The textile industry in Honduras specializes in manufacturing clothes (Hill, 2009:27). Other beneficial effects include the economies of scale and scope that can potentially lead to reductions in costs and prices and are conducive to continuing economic growth (Intriligator, 2003:8-9, Wade, 2005:109).

Gains from trade

Other benefits of globalization include the gains from trade in which both parties gain in a mutually beneficial exchange, where the "parties" can be individuals, firms and other organizations, nations, trading blocks, continents or other entities. Globalization can also result in increased productivity as a result of the rationalization of production on a global scale and the spread of technology and competitive pressures for continual innovation on a worldwide basis (Intriligator, 2003:8-9). In the case of Zambia, the effects of competition have negatively impacted on the local tour operators as they do not have adequate funding to put up modern infrastructure for the service industry. Foreign investors in the industry such as Sun International, Protea, and Chrisma Hotels have a competitive
advantage and therefore have an edge over local tourist operators.

Critics of trade liberalization (Dorward, Kydd and Poulton, 2005:80) believe that the private sector is too weak because of lack of organizational capacity and human resource capacity, poor investment in infrastructure especially communication required in tourism and lack of trust from governments. Instead, it is state intervention through public sector financing, subsidization, infrastructure development, price stabilization and policy leadership that can contribute in boosting tourism development in Africa, rather than liberalization (Dorward, Kydd and Poulton, 2005:80)

Globalization of markets

The merging of historically distinct and separate national markets into one huge global market is known as globalization of markets (Hill, 2009:6). Globalization of markets has resulted

in stiff competition on the market. Multinational companies, medium and small scale businesses are all competing for the same consumers which disadvantages medium and small scale businesses. Hartungi (2006:730) states that “liberals view trade globalization as the positive – sum game”. However, a win-win situation is not possible because many developing countries have weak economic, legal, and political institutions, making them vulnerable to high levels of corruption, insecurity, and conflict. This is further worsened by lack of competitiveness in terms of labour, technology and skills (Hartungi, 2006:730).

Foreign investors in tourism offer stiff competition. The networking done by multinational companies gives a competitive advantage over the local Zambians involved in lodges and guest houses. The companies use the Internet for all competitive advantage over the local Zambians involved in the tourism industry is affected because of stiff competition offered by the multinational companies such as the Sun International which have a competitive advantage over the locals.

Absolute Advantage Theory

In opposition to the Mercantilism Theory, Smith (Cited in Hill, 2009:171) argued that countries differ in their ability to produce goods efficiently because of certain factors which favour the production of goods and services. For instance, Livingstone’s Victoria Falls, cheap labour, stable political climate, and hostile political climate in the neighbouring Zimbabwe favour the production of tourism services giving Livingstone an absolute advantage in the production of tourism services (Mohr, Foure and associates, 2008:372, Todaro and Smith, 2009:600). Countries gain if they specialize in the production of goods and services for which they have an absolute advantage and then trade these goods and services produced by other countries (Smith, 2010:108). The domination of the Zambian hospitality sector by foreign MNCs is a clear indication that she is no specialising in any of the tourism services and there have an absolute disadvantage (Hill, 2009:171; Mohr, Foure and associates, 2008:372, Todaro and Smith, 2009:600).

Comparative Advantage Theory

Smith’s Theory suggests that countries with absolute advantage may not derive any benefits from international trade. Trade can also be beneficial when each country is more efficient in the production of both goods. This possibility was explored in the early 19th century by the English economist David Ricardo (1772-1823), who formulated the law of comparative (or relative) advantage (Mohr, Foure and associates, 2008:372) Ricardo’s Comparative Advantage Theory disagreed with Smith’s Theory of Absolute Advantage (Hill, 2009:174). Ricardo suggests that it makes sense for a country to specialize in the production of those goods and services that it produces most efficiently and to buy the goods that it produces less efficiently from other countries. Both countries will benefit from trade if the opportunity costs of production (or relative prices) differ between the two countries, if a country possesses a production process that is technically superior to the processes used abroad and are endowed with different quantities of scarce resources (Mohr, Foure and associates, 2008:376, Todaro and Smith, 2009:599). The classical comparative advantage theory of free trade is a static model based on a one-variable-factor (labour cost), complete-specialisation approach to demonstrating the gains from trade (Smit, 2010:109). This nineteenth-century free-trade model, primarily associated with David Ricardo and John Stuart Mill, was modified and refined in the twentieth century by two Swedish economists, Eli Heckscher and Bertil Ohlin, to take into account differences in factor supplies (mainly land, labour, and capital) on international specialisation (Todaro and Smith, 2009:601) as discussed in the next section of this paper.

Heckscher-Ohlin Factor Endowment Trade Theory

The Heckscher-Ohlin neoclassical (or variable-proportions) factor endowment trade theory also enables us to describe analytically the impact of economic growth on trade patterns...
and the impact of trade on the structure of national economies and on the differential returns or payments to various factors of production. The basis for trade arises not because of inherent technological differences in labour productivity for different commodities between different countries but because countries are endowed with different factor supplies. Countries well-endowed with capital will have a relative cost and price advantage in the production of manufactured goods, which tend to require relatively large inputs of capital compared with labour (Todaro and Smith, 2009:601, Smit, 2010:110).

The Heckscher-Ohlin Theory suggests that a country has comparative advantage in commodities whose factors of production (labour, capital, land and entrepreneurship) is intensive in its relatively abundant feature, and will hence export those commodities. On the other hand a country would import commodities whose production is intensive in its relatively scarce factor of production. The differences in comparative advantage are due to the differences in the structure of the economy (Shenkar and Luo, 2004:20).

According to Heckscher-Ohlin Theory there are implications which affect business and these include (Hill, 2009:183, Mohr, Fourie and associates, 2008:377):

• Trade and the gains that accrue there from should be the greatest between countries with the biggest differences in economic structures;
• Goods which a country exports should be those that make intensive use of their relatively abundant factors;
• Trade should result in countries specializing in products which are significantly different to those products that are imported; and
• Trade restrictions (rather than trade stimulation) should be the focus of trade policy.

Implications of International Trade Theories

Lynch (2006:693) suggests that implications of international trade theories point to the important role of government policy in areas such as developing basic infrastructures; training and the quality of education; economic stability and selected export stimuli; and competitive and open home market. The theories state that governments come up with policies which develop basic infrastructure to facilitate development. Lynch further states that policies which encourage stability of the economy by managing and controlling inflation to manageable levels need to be formulated. In Livingstone, for example, the government had to expand and improve the airport in order to handle larger planes which increased the flow of tourists into the country. The implications of the international trade have benefited countries like Singapore and Malaysia (Lynch, 2006:693).

National Porter’s Diamond Theory of Competitive Advantage

Porter (cited in Hill, 2009:189) states that a country has comparative advantage if it is endowed with resources such as land, natural resources, labour, and the size of the local population that other countries do not have. Nations can also create new advanced factor endowments, such as skilled labour, a strong technology and knowledge base, government support, and culture such as Japan which has developed a strong technology and knowledge base and has given it a comparative advantage.

The diagram (Figure 2.1) on the next page is Porter’s basis of a framework to illustrate the determinants of national advantage which is relevant in analyzing the Zambian situation. The diamond represents the national playing field that countries establish for their industries. Porter (2001:77) outlined four clusters of attributes (factor conditions, demand conditions, related and supporting industries, firm strategy, structure and rivalry) that are required for countries and companies within certain countries to gain competitive advantage (Smit, 2010:115). This cluster of attributes are criticised by development economists (Todaro and Smith, 2009:601, Clunies-Ross, Forsyth and Huq, 2009:239) especially the globalisation of the labour market and the consequences to developing countries. In most developed countries, barriers to the free entry of developing-country labour in the form of quotas, time-limits on period of stay, minimum formal qualification requirements, language-skill requirements, complex procedures for acquiring visas and restrictions on immigration by family members remains a limiting labour factor endowment. This is coupled with fears that foreign workers will depress wage levels and add to domestic unemployment, result in unacceptable pressures on education and healthcare infrastructure and social and cultural changes in host countries. This is happening when Zambia is inundated with professionals from other developed countries whilst their locals are not getting similar opportunities elsewhere besides Africa. The dilemma is that Porter’s Diamond and other neoclassical theories (Ricardo and Mill, Heckscher and Ohlin advocates for a prediction that international real wage rates and capital costs will gradually tend toward equalization. This assumption ignores the fact that under-developed countries such as Zambia are not capital abundant and therefore may not specialise in technology and infrastructure intensive tourism development projects as compared to US, Denmark, Germany, Italy, Japan, Korea, Singapore, Sweden, Switzerland and the United Kingdom (Porter, 2001:76, Clunies-Ross, Forsyth and Huq, 2009:240, Todaro and Smith, 2009:605). As indicated in this article, Porter (2001:77) continues to defend his original work on determinants of national competitive advantage in the figure below and various development economists still refer to this classical work.

Figure 2.1: National Porter’s Diamond Theory of Competitive Advantage

Industries


Porter (2001:77) states that individual points on the diamond and the diamond as a whole affect four ingredients that lead to a national comparative advantage. The four ingredients include:

• The availability of resources and skills;
• Information that firms use to decide which opportunities to pursue with those resources and skills;
• The goals of individuals in companies; and
The pressure on companies to innovate and invest (Hill, 2009: 189, Grant, 1991:537).

The points of the diamond are described as follows:

**Factor conditions**

Factor conditions theory is based on an assumption that a country creates its own important factors such as skilled labour resources and technological base. Porter (Grant, 1991:537, Smit, 2010:115) distinguished between basic factors (such as natural resources, climate, location, and demographics) and advanced factors (such as communications infrastructure, sophisticated skills, and research facilities). Advanced factors are created and upgraded through reinvestment and innovation to specialised factors and form the basis for sustainable competitive advantage of a country (Smit, 2010:115). The stock of factors at a given time is less important than the extent that they are upgraded and deployed; and local disadvantages in factors of production (labour, capital, land and entrepreneurship) force innovation (Smit, 2010:115). Adverse conditions such as labour shortages or scarce raw materials force firms to develop new methods, and this innovation often leads to a national comparative advantage. When companies face a selective disadvantage, like high land costs (to set up lodges) labour shortages that increase costs, or lack of local raw materials, they must innovate and upgrade to compete. They must also have active domestic rivals who create pressure to innovate (Porter, 2001:79).

**Demand Conditions**

Home demand plays an important role in upgrading comparative advantage in that firms are typically most sensitive to the needs of their closest customers and shapes the attributes of domestically made products and creates pressures for innovation and quality (Grant, 1991:538, Smit, 2010:116). Home-demand conditions help build competitive advantage when a particular industry segment is larger or more visible in the domestic market than in foreign markets (Hill, 2009:190, Porter, 2001:79). Countries may also gain a competitive advantage if local buyers’ needs anticipate or even shape those of other nations and provide on-going warning indicators of global trends (Smit, 2010:116). In this aspect Zambian tourism sector is not setting a trend for global standards (Porter, 2001:80). It is also assumed by Porter’s Diamond that knowledgeable consumers influence the type of goods and services firms offer. An example is that of Japan’s camera industry which stimulates the Camera industry to improve product quality and introduce innovative models (Hill, 2009:190, Porter, 2001:79). This is true of Zambia’s tourism industry. As a result of sophisticated and knowledgeable tourists (both local and foreign) firms are compelled to offer high quality tourism services in order to remain in business.

**Related and supporting industries**

The third broad determinant of national advantage is the presence in the nation of related and supporting industries that are internationally competitive (Porter, 2001:80). When local supporting industries are competitive, firms enjoy more cost effective and innovative inputs. This effect is strengthened when suppliers themselves are strong global competitors. In the tourism industry the supporting industries include transport (taxis and buses), lodges and hotels, internet services, etc. Livingstone’s transport system is not of high standards. This is why transport services are provided by foreign investors. Porter (2001:81) argues that a nation needs to be competitive in all supplier industries for its companies to gain competitive advantage. Companies can readily source from abroad materials, components and technologies without a major effect on innovation or performance of the industry’s products (Smit, 2010:117, Porter, 2001:81, Grant, 1991:538). It is important for governments of developing countries such as Zambia to protect infant industries such as tourism to strengthen external economies and internal economies of scale (Smit, 2010:118).

**Firm strategy, structure, and rivalry**

This refers to conditions in a nation governing how companies are created, organised, managed, strategies, structures, goals, managerial practices and individual attitudes of and within firms as well as domestic rivalry (Smit, 2010:117, Porter, 2001:81, Grant, 1991:538). Local conditions affect firm strategy. For instance domestic rivalry is critically important in pressuring firms to cut costs, improve quality, and innovate (Grant, 1991:538, Smit, 2010:117). For example, German companies tend to be hierarchical, Italian companies tend to be smaller and are run more like extended families (Grant, 1991:538). Such strategy and structure help to determine in which types of industries a nation’s firms will excel. In Zambia tourist operators are mostly run by owners and where there are people employed to run the business they are ill qualified. The standard of services provided is low in locally owned firms. The foreign investors have an upper hand because they employ skilled manpower and their infrastructure is of a high standard (Porter, 2001:81).

In Porter’s Theory, the role of government is to encourage companies to raise their performance, stimulate early demand for advanced products and to focus on specialized factor creation (Grant, 1991:536). This is why the government of Zambia has come up with policies to encourage locals to build better lodges which are of good quality and by so doing increase business activities.

**Evaluation of Porter’s Theory**

Porter (Hill, 2009: 190, Grant, 1991:539) contends that the degree to which a nation is likely to achieve international success in a certain industry is a function of the combined impact of factor endowments, domestic demand conditions, related and supporting industries, and domestic rivalry. The presence of all four components is usually required for this demand to boost competitive performance. Porter also contends that government can influence each of the four components of the diamond either positively or negatively. Factor endowments can be affected by subsidies, policies toward capital markets, policies toward education, and so on. Government can shape domestic demand through local product standards or with regulations that mandate or influence supporting and related industries through regulation and influence firm rivalry through such devices as capital market regulation, tax policy, and antitrust laws (Grant, 1991:544). After independence Zambia’s tourism was not developed despite being endowed with natural resources. The Zambian Government after 1991 shaped the direction of tourism by introducing free market which is linked to liberalization (Tourism Policy, 1997: 2).

**Analysis of PESTEL**

Analysis of Political, Economic, Socio-Economic, Technological, Environmental, and Legal (PESTEL) factors helps one to understand why any Government formulates the type of policies which regulate businesses in the country.

**Political Institutions and Factors**

Governments regulate industries such as power industry, telecommunications, postal services and transport by specifying, amongst other things, who can offer services, the conditions they must meet, and what they can charge (du Toit, Knipe, van Niekerk, van der Waldt and Doyle 2002:38, Boddy, 2008:96). Boddy further explains that legislation governing rights and environmental practices influences businesses.
The Ministry of Tourism, Environment and Natural Resources

The Ministry of Tourism, Environment and Natural Resources (MTENR) was created in January 2002 by merging the two former Ministries of Tourism (MOT) and that of Environment and Natural Resources (ENR). The MTENR is charged with the responsibility of providing guidance in tourism, environment and natural resources sectors of the economy of Zambia. The Ministry has three (3) core functions: Tourism, Environment and Natural Resources Management and Development whose main focus is to ensure the provision of an appropriate legislative and policy framework that guides the management and development of the three sectors by the Ministry and other partners (Tourism Policy for Zambia, 1997:1).

Tourism Policy Background

Chisala (2008:7-8) points out that Zambia had no special legal framework promoting the Small and Medium Enterprises (SMEs) because the economy was flourishing due to high prices of copper. Copper alone contributed more than 90% to the national treasury and therefore the government did not concentrate much on other economic sectors. The government at that time did not see the need for the development of tourism as an industry which could contribute to the economic development and provision of employment. One reason for this is that the country was under a state of emergency because of liberation wars in Southern Africa and therefore tourists (who are largely foreign) could pose a security risk to the country (Dixey, 2005:14).

After multi-party democracy was re-introduced in 1991 there was a changed macro-economic environment in which liberalization increased private enterprise participation in the economy. The new government decided to engage the private sector in the development of the economy at the advice of the World Bank and other multilateral institutions. The government’s role was to provide an enabling environment through policies which regulate business and provide incentives for entrepreneurs. In order to achieve this liberalized policy framework institutional reforms were needed. The institutional reforms affected all organizations in the tourism field. Institutions such as the Zambia National Tourism Board (ZNTB) and the National Parks and Wildlife Services (NPWS), National Museums Board (NMB) and the National Heritage Conservation Commission (NHCC) were put in place (Tourism Policy, 1997:1-3, United Nations, 2006:19).

Socio-Economic Factors

Benefits of Tourism

Crompton and Christie (2003:19) in their paper “Senegal Tourism Sector Study” state that tourism activity generates substantial economic activity through personal spending in and outside the tourist accommodation. Tourism also generates employment and business activities through backward and forward linkages with construction, agriculture and fishing, manufacturing, transport, banking, insurance, telecommunications, medical, security and retail services and handicrafts. Tourism has, therefore, become a very important economic activity which is contributing to the economies of the world. In 2008, for example, it was reported that over 225 million people were employed in the tourism sector and generated 9.6% of global GDP, making it the second largest industry in the world (World Travel & Tourism Council, 2009:3). For a long time most poor countries had not considered tourism as an effective sector for development. However this attitude began to change from the mid 1980s as noted by Vanhove (2005:170-171) and has led to the recognition of tourism as a major contributor to the gross domestic product (GDP) of many of the poorest countries of the world.

Technological advancement Policies

The Asian governments implemented technological advancement in their process of industrialization which consequently led to the East Asian Miracle. It is because of this policy that technological capabilities were achieved through the support for education particularly engineering and science education which provided intellectual infrastructure that facilitated technological transfer (IDE, Discussion Paper No. 134, 2010:1).

Legal factors

The World Bank, International Monetary Fund (IMF), and World Trade Organization (WTO) influence and determine policies in developing countries (Goldstein, Rivers, and Tomz, 2007: 37-67). The WTO also has juridical powers which it uses to enforce its laws in member countries. Member countries ratify WTO agreements in order for them to become law. As member countries formulate their own policies, WTO agreements are taken into consideration (Clunies-Ross et al, 2009:212).

Hill (2009:8-9) lists some of the functions of the World Trade Organization:

- expanding free-trade concessions equally to all members;
- establishing freer global trade with fewer barriers;
- making trade more predictable through established rules; and
- making trade more competitive by removing subsidies.

The IMF promotes international monetary cooperation, exchange stability, and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease balance of payments adjustment (Hill, 2009:371-372). Countries are expected to comply with the requirements of IMF regulations in their policy formulation (Clunies-Ross, et al, 2009:213).

The role of the World Bank in the development of economies of the developing nations is critical as it is a vital source of financial and technical assistance. World Bank institutions such as the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) support programmes which reduce global poverty and geared towards the improvement of living standards. The IBRD focuses on middle income and creditworthy poor countries. For countries to benefit from the World Bank institutions the policies formulated have to be in line with institutions’ expectations (Clunies-Ross, et al, 2009:212).

In the United Kingdom a favourable legal framework was formulated which stimulated company formation. The Joint Stock Companies Act in 1862 was passed limited the investor’s liability to the value of shares they held in the company and not the rest of the wealth (Boddy, 2008:101). Other countries also passed similar legislation and this led to the formation of countless “limited liability” companies that exist today (Micklethwait and Wooldridge, 2003, cited in Boddy, 2008:101).

Zambian Legal Framework for Tourism

Laws and regulations for tourism are in place in order to provide the legal basis for tourism development. The different laws such as by-laws passed by local authorities and other statutory laws must not conflict with the tourism policy framework. This aspect is important because some laws and regulations relate directly to tourism while others affect tourism development. Both types must be considered when establishing the legal framework for tourism. The scope of such legislation is dictated by the needs of tourism development as defined by
policy objectives and strategy, and the range of executive functions required to implement these. This legal framework which is contradictory does not benefit the intended beneficiaries (United Nations, 2006:40).

The by-laws and other statutory institutions have not been harmonized in order to support the liberalized tourism policy framework. One such example is the Zambia Revenue Authority (ZRA) that takes long to grant tax holiday to Small, Medium and Micro-Enterprises (SMMEs) after being granted exemption from paying tax and other levies by Zambia Development Agency (ZDA-an institution formed by an Act of Parliament in order to encourage development of businesses in the country). The time lapse affects the businesses in that the SMMEs continue to pay tax even when one statutory institution has granted them the tax holiday. For SMMEs to begin enjoying the tax holiday there is a need for harmonization of laws (ZDA, 2013:13, Tourism Policy for Zambia, 1997: 1).

Tourism policy should be transparent, equitably enforced, relevant, and conducive to the development of businesses. As illustrated in the example above it is important to note that there are many pieces of legislation which have an impact on tourism but which are not specifically enacted for the benefit of tourism alone. Examples of such laws are taxation, customs and immigration, transport, public safety, health, environment and planning. All of these if they are in conflict, the beneficiaries will not benefit (ZDA Workshop for SMMEs Livingstone, March 2011). The SMMEs strongly contended that the liberalized tourism policy framework did not meet the aspirations of entrepreneurs. On the ground, it was argued by the SMMEs, the tourism policy and institutions such as the ZRA and Local Council Authorities seem to have a bias towards foreign investors. The taxation laws and incentives do not favour small scale entrepreneurs. An example is where only investors that invest USD$ 500,000 and more can benefit from a much wider range of incentives (Zambia Development Agency: Investor’s Handbook, 2010:9). This policy negatively impacts on locals (Focus Group Discussion, at Livingstone on 20 November 2012).

Policies of St. Lucia and the Caribbean give similar incentives to a wide range of businesses and services in the ancillary tourism sector, including restaurants, taxis, and transport for nature tourism and marine projects (Crompton and Christie, 2003:25). A larger sector of nationals who are involved in tourist activities benefit from the policies formulated.

**Tourism Policy in Zambia**

**Definition of policy framework**

In most African countries, a lot has been said about the importance of the entrepreneur in job creation and economic growth. Tourism has become a major contributor to the economic life of many countries. In order to boost the development of tourism many countries have come up with policy frameworks. A policy framework is a document which provides guidelines and general aims of the Government for tourism development (Tourism Policy for Zambia, 1997: 1).

The policy framework encompasses a number of areas which cover incentives such exemptions from certain taxes, loans and grants, provision of training by the relevant government department etc. In South Africa, for example, the policy framework includes SMME macroeconomic policy, labour policy, competition policy, intellectual property policy and taxation policy (Rwigema and Venter, 2004:312). The policies also try to reduce the cost of doing business so that money is spent on productive ventures.

European private enterprises did not benefit from the compulsory administrative procedures resulting from legislation. It was found out that 37% of administrative costs and that 60% of this amount was of no immediate benefit to the individual enterprise (Solomon and The Labour Consultancy, cited in Rwigema and Venter, 2004:312). Such legislation affects the performance of the enterprise.

In Zambia, the cost of doing business is very high. There are many payments to be made immediately a business begins to operate such as fire, health, business license, workman’s compensation, ZRA, Personal Levy, and many more. For a new business which is cash strapped, it becomes difficult to operate. This environment chokes entrepreneur starters and often businesses collapses because of costs attributed to various legislations.

Although Livingstone is a tax free zone for investments in tourism enterprises only foreign investors benefit as most locals do meet the requirements for utilizing waived visa fees since most tourists who come would have paid for the entire package from the originating countries. This concern was raised by participants of the workshop for SMMEs organized by ZDA (ZDA Workshop, March 2011).

In Asia, for example, the economies grew and surpassed African economies which were twice as better. The Asian economies have now become twice as rich (IDE, Discussion Paper No. 134, 2010:1). These countries implemented favourable policies mostly in the industrial sector. Some of the policies formulated by Asian countries which stimulated rapid economic growth which could work in Zambia are:

- **Identification of new products and providing Research and Development:** Science centres offered services ranging from identifying new products to providing Research and Development (R&D) for firms that had no facilities of their own. The technological transfer was enhanced by the industrial parks for high technology industries that were developed in countries like Malaysia. This transfer of technology to the SMEs made them to become even more competitive that led them to graduate to larger enterprises.

- **Government subsidies:** SMEs also benefited from the government subsidies mostly the cheap credit. Until now most Southeast Asian countries heavily subsidize their industries and provide different sorts of credit for their firms be it small or large.

**Inadequacy of some parts of the policy: Marketing**

The government recently enacted the Zambia Tourism Board Act No. 24 of 2007 of the Laws of Zambia which aims at promoting and marketing Zambia as a tourist destination within and outside Zambia. ZNTB is charged with the responsibility of marketing tourism and is expected to be transformed into a purely marketing entity. It will no longer deal with regulatory and licensing functions. The new organization shall retain its autonomous status and with improved funding be able to better carry out its marketing, sales promotion, public relations and image building and publicity functions. (Lusakatimes.com, 2011:1).

Despite all these efforts by government; Zambia in partially and largely Zambia Tourism Board (ZTB) has failed to market the tourism potential of Zambia. Annually government has provided Zambia Tourism Board with considerable amount of funding. For example in the year 2011 Zambia Tourism Board was allocated K63.3 billion. The main focus in the sector was to be to take full advantage of the recovery in global tourism to reposition Zambia as a premier nature, wildlife, and cultural tourism destination. Out of this amount only K12.8 billion was allocated marketing activities (Lusakatimes.com, 2011:1). However, the funding given to ZTB is not enough to meet the cost of marketing tourism in Zambia. The Policy should allow...
for a national tourism partnership with cross cutting partners in various industries in order to market tourism effectively.

**The role of the Private Sector**

The policy acknowledges the participation of the private sector in the development of tourism (Tourism Policy for Zambia, 1997:8). The provision of value for money is the guiding principle in the private business performance and, therefore, investment is done when there are high returns from the investment.

Despite the policy advocating for participation of the private sector, the local Zambians are not given enough incentives to spare them in investing in the tourism industry. The Tourism Council of Zambia (TZC) Executive Director acknowledged failure of the tourism sector to raise products and services acceptable by the international standards to attract 2010 World Cup delegates to the country when South Africa hosted the World Cup tournament in 2010 (Post Newspaper, 27.01.2010).

The failure was attributed to lack of support for the local tour operators as it is evident clearly that most lodges and guest houses do not meet international standards which are required when hosting international tourists. Citizens Economic Empowerment Commission (CEEC), a government agency responsible for offering financial assistance to locals does very little to help local tour operators (Post Newspaper, 27.01.2010).

**Economic Factors**

The Zambian Government certainly recognizes the potential of the tourism sector and ranked it as the second most important economic sector after agriculture on the government’s economic development agenda. The 2010 National Census Report indicated that tourism contributed US$656.5m to GDP which is expected to rise to US$1,943.3m by 2020.

Tourism contributes to the economic development (World Travel and Tourism Council, 2012:7). Using the official calculation of expenditures, tourism, i.e., hotels, bars and restaurants, the study showed that tourism contributed 2.5% of GDP in 2000 in Senegal with 12,000 jobs being generated directly in hotels and 18,000 jobs indirectly in 2003. Chilufya (2011:1) shows that tourism contributed 10% of the GDP in Zambia in 2005. Vanhove (2005:169) has classified economic impact into seven major categories:

- There are equality divergent views regarding whether trade liberalization contributes to income generation or reduce it in the form of capital flight. Income in this category is generated through gate fees in National Parks and private zoos, accommodation charges in lodges and hotels, transport charges and many more. In a report by the Natural Resources Consultative Forum (Hamilton, et al., 2007:5-6), it was calculated that around 25% of international visitors could be classified as nature tourists who in 2005 came to Zambia spent about $1,100, generating a direct and indirect impact of nearly $2,300 in GDP, $1,300 in wages and net income of unincorporated business, $420 in tax revenue, and $425 in imports of goods and services.

- There are divergent views regarding the contribution of trade liberalization on employment generation in Zambia. A report by the World Travel & Tourism Council projected 72,000 jobs to be generated in Zambia directly and indirectly from tourism in 2009, representing 4.1% of total employment (World Travel & Tourism Council, 2009: 4). If we use estimates made in previous sections of this article, it is established that between 44,000 and 50,000 jobs in Livingstone are directly and indirectly generated from the tourism sector. Statistics presented in 2010 shows that tourism has greatly contributed to employment. The statistics further indicate that the tourism industry contributes 3.8% of total employment, 59,000 jobs, and the numbers have been forecasted to rise to 4.1% of total employment, 75,000 jobs by 2020 (Investing in Zambia Conference in Malaysia, 2011:23).

- Travel & Tourism in Zambia generated 22,000 jobs directly in 2011 (1.4% of total employment) and this is forecast to grow by 2.0% in 2012 to 22,500 (1.4% of total employment). This includes employment by hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). It also includes, for example, the activities of the restaurant and leisure industries directly supported by tourists (World Travel and Tourism Council, 2012:8).

- Proponents of trade liberalisation believe that it can contribute in tax revenue generation. In a report by the Natural Resources Consultative Forum (Hamilton, et al., 2007:5-6), it was reported that out of the calculated number of visitors coming to Zambia, around 25% of the visitors were classified as nature tourists who visited Zambia with the main intention of experiencing Zambia’s nature attractions. Hamilton et al (2007:6) further state that “each of these nature tourists spent about $1,100, generating a direct and indirect impact of nearly $2,300 in GDP, $1,300 in wages and net income of unincorporated business, $420 in tax revenue, and $425 in imports of goods and services”. The report continues to state that the spending of these tourists amounted to $194 million USD, with the multiplier effects coming in addition, which the report claims will double the number.

- There is a view that liberalization of the tourism sector in Livingstone resulted in the improvement of the economic structure of a region. Economic benefits or impact include the construction of the infrastructure such as electricity, sports facilities, recreational facilities, parks, roads, airport expansion and so on. Livingstone being a tourist capital has seen the development of roads, airport infrastructure, hotels, lodges and guest houses, and Mukuni Park where local people sale their curios. This economic structure has improved the standard of living of people in Livingstone. It becomes imperative; therefore, that policy formulation should encourage such development of infrastructure so that employment base for the local people is increased.

- Supporters of trade liberalization claim that it is responsible for the encouragement of entrepreneurial activity. Zambia has seen a lot of increased private participation in the economy since the inception of the liberalized tourism policy. Livingstone has seen increased registration of lodges and guest houses, hotels, schools, restaurants, shops dealing with curios, shopping malls and many more. This increase in the development of entrepreneurial activities is a result of the liberalized policy which has encouraged the starting up of businesses (Researcher’s Interview with Mr. Mwanza, Tourism Officer, Southern Province, on 20th July, 2011).

Globalization, trade theories, various factors as explained in the PESTEL analysis affect performance of an economic sector in general and tourism sector in particular. A good Policy framework provides a base for successful business growth. The benefits that accrue from business that thrive as a result of good policies put in place to guide the development of industries and indeed tourism are many. Notable among these are creation of employment, generation of revenues for both central and local government, encouraging both local and foreign investors and uplifting the living standards of the local people. On the other hand bad policies do not benefit locals but foreign investors who have the financial capacities to invest and exploit the local resources at the expense of the locals who can’t compete due to insufficient capital and lack of skills. The government should
ensure that policies put in place benefit locals and at the same time attracting foreign investors. In the next section key findings are presented.

Key Findings
This section presents the findings of the study obtained through the research instruments specified in the previous sections. The second part of the section deals with discussion and analysis of the findings. There were two parts of the questionnaire: one for the lodge owners and the other for Ministry of Tourism, Environment and Natural Resources, Livingstone Tourism Association Executive Members and LILOGHA Executive members. This study has obtained a percentage response rate of 88 participants which is within the acceptable rate of responses for surveys.

Influence of globalization on trade liberalization policies
It was important to establish whether tour operators in Livingstone have any knowledge regarding the influence of globalization on the tourism policies that the government of Zambia introduced. This question further sought to establish the level of awareness among respondents on the liberalized policy framework on tourism. Results show that 60% of the respondents affirm that they are aware of the liberalized policy but the link with globalization was not clear. However, 14% of respondents strongly affirmed. Another 9% of the respondents expressed ignorance of the existence of the liberalized tourism policy framework and out of these 3% strongly disagreed with the statement. The respondents who were not sure of the existence of the policy comprised 17%. The level of policy knowledge between government stakeholders and tour operators was also showing differences. The respondents drawn from government stakeholders demonstrated knowledge of the link between globalization and liberalization.

Most of the respondents drawn from government show that they are aware of the influence of globalization on policy formulation. This awareness is as a result of some stakeholders’ workshops conducted by the Ministry of Tourism, Environment and Natural Resources in conjunction with the Zambia Development Agency. Workshops conducted by ZDA and the development of a one stop shop have contributed to dissemination of tourism policy. Even the tour operators that demonstrated awareness of the linkages between globalisation and liberalisation is as a result of being exposed to information dissemination that government provided through one stop shops. It is also of cardinal importance to note the discrepancies in terms of knowledge amongst tour operators and owners of various lodges.

It is equally important to note the existence of a significant percentage of owners of lodges and guesthouses who are not aware of tourism policies. Workshops which are conducted are mainly attended by those who are members of Livingstone Tourism Association and Livingstone Lodges and Guesthouses’ Association. Non members of these two associations may not get any invitation to these workshops, thus remain unaware of the various policies promulgated by government. In addition it is also very difficult for owners to get policy documents from the Ministry of Tourism offices. The officials hardly have any policy documents which can be accessible to stakeholders.

The benefits of business and tourism growth associated with globalisation
It was also equally important to establish the gains that local tour operators and owners of lodges accrued as a result of globalisation. In that regard it was further established whether the liberalized policy framework on tourism is helping lodges and guesthouses operators in their business. Results show that 44% of the respondents felt that the policy is not helping them while 32% are of the opinion that the policy is helping them. Another 24% of the respondents are not sure of the help they are getting from the policy.

Zambian tourism is exposed to international competition and there are effects of regional economic groupings as stipulated by the WTO. An example is that the region becomes more competitive since lowering of trade barriers contributes to price competition (Hill, 2009:300). This disadvantages the local tourism operators as they cannot effectively compete with foreign investors. It is for this reason that less than 30% of the respondents perceive that the policy is helping them in their businesses and more than 70% of the respondents indicate that the policy is not helping them in their businesses. Lack of assistance rendered by the policy hinders businesses from reaching their targets as cited in the debate by workshop attendants in a meeting organized by ZDA on 1st March 2011. The SMMEs felt that the liberalized tourism policy framework did not meet the aspirations of entrepreneurs practically because other institutions such as the ZRA and Local Council Authorities are not concerned that the policies are not benefiting the local businessmen and women but foreign investors.

Occupancy rate in lodges since liberalisation
It was observed that since liberalization most of the lodges that were initially busy are now without occupants. Even the participants in the study support this finding. It was established that 8% of the respondents strongly disagree that the policy is contributing to the full utilization of their businesses while 55% disagree as well. Those that strongly agree with this statement are only 3% and another 19% concur with those that strongly agree. Those that are not sure make up the remaining 15%.

The impact can be positive in terms of expansion in room capacity, increase in revenue, starting of new lodges/guest houses, full utilization of lodges/guesthouses, and increase in tourists lodging in lodges/guest houses. These can be used to assess the impact of the policy as they can be used as bench marks in measuring performance. It is evident from the responses that the majority of respondents are of the opinion that the policy is not contributing to full utilization of their lodges and guesthouses. The remainder falls in the category of either not being sure or agrees that the policy is positively impacting on their businesses.

If economic growth is to be enhanced, a policy should ensure that there is provision of investment incentives and opportunities for local participation. The policy should also help businesses create more jobs for locals and also generate foreign exchange in addition to assisting the intended beneficiaries to own and manage hotels, lodges and other tourist facilities (Rwigema and Venter, 2004:312). The Asian countries have formulated policies which enhance economic growth, creation of jobs and generation of foreign exchange (IDE, Discussion Paper No. 134, 2010:1)

Imperfect competition reduce break even and expasion in local tour operators
Globalisation resulted in the increase in the market players in the tourism sector. Most of the market players are foreign operators with greater competitive advantage than local operators. It was established that 49% of the respondents strongly agree and 14% agree that globalization which led to the formulation of liberalized policy framework on tourism has brought about stiff competition in the tourism industry in Livingstone while 10% are not sure of the effects of globalization on tourism in Livingstone. Another 8% of the respondents strongly disagree while 19% disagrees. The remaining 10% are not sure of the impact.
This result agrees with the findings in the literature review as Hill (2009:300) explains that regional economic blocks formed to reduce or remove trade barriers become more competitive since lowering of trade barriers contributes to price competition. Zambian tourism is exposed to international competition and therefore the effects of regional economic groupings as stipulated by the WTO are a disadvantage to underdeveloped countries like Zambia. The effect of this competition is that local tour operators find it difficult to break even and expand their business.

**Increase in foreign investors and local operators**

Zambia opened her tourism markets to foreign operators. They is an equal increase in foreign tour operators and local operators that, as a result of liberalisation established lodges, including bread and breakfast houses. In that regard it was important to establish whether the policy had an effect on starting of new lodges and guest houses by foreign investors and locals. Results show that 79% strongly agree that there is an increase in the starting of new lodges and guest houses and another 15% of the respondents agree. Only 6% are not sure. There were no respondents who disagreed.

The results confirm the findings revealed by the Livingstone City Council officials responsible for issuing licences and permits for tourism activities, LTA Executive Officers and the ZNTB official. The officials all agreed that there was a very big increase in the lodges and guesthouses engaged in tourism activities (Discussion with Zambia Tourism Board Official in Livingstone, January 2011).

**Expansion of existing lodges after liberalisation**

In order to establish whether the liberalized policy framework on tourism was influential in the expansion of lodges and guest houses 16% of respondents strongly disagreed and another 51% disagreed. Only 4% strongly agreed and another 15% agreed. The remaining 14% were not sure. The expansion in tourism business can be in room capacity, increase in revenue, starting of new lodges/guest houses, full utilization of lodges/guesthouses, and increase in tourists lodging in lodges/guest houses. These can be used to assess whether the policy is helping businesses to grow and expand as they can be used as benchmarks in measuring performance.

The local operators feel that the policy is not helping them expand their business in terms of room capacity, increase in revenue, starting of new lodges/guest houses, full utilization of lodges/guesthouses, and increase in tourists lodging in lodges/guest houses. This is because Zambian-owned lodges find it difficult to compete with global tour operators because tourists who come to Livingstone are booked from outside the country. In addition, Zambian tour operators are technically disadvantaged as they can’t advertise through internet since web creation and sustenance is very expensive. Global tour operators have access to cheap capital while Zambian tour operators do not. Administrative expenses are very high for Zambian tour operators while at the same time their turnover is low.

**Increase in profitability and competition challenges**

When liberalisation policies were adopted, it was anticipated that as much as there would be increase in competition, local tour operators would still gain an increase in profits. Results proved that profits were dwindling, while imperfect competition increased.

Results show that 91% of the respondents either strongly agreed or agreed that globalization has increased competition and that their revenues have not increased. Those that are of the opinion that there has not been any increased competition and the revenue has not increased comprise 4% and those that are not sure constituted 5%.

This question sought to find out about the impact of globalization on competition and the increase in revenue on the national economy including tourism. The growth of foreign direct investment (FDI) in Zambia and in the tourism sector implies that there are many players in the industry which has resulted in stiff competition. Multi-national corporations such as the Sun International, Protea, Chrisma have provided stiff competition to lodges/guesthouses operated by locals in addition to the competition that exists among foreign investors. Most of the above mentioned hotels are well known brands and local operators that are not known beyond their local villages and small towns experienced difficulties to compete with these well-known brands.

**Customer increase as a result of liberalisation**

It was anticipated that the adoption of liberalized tourism policies would assist local tour operators in increasing their customer base. This assumption is based on the fact that various government agencies played an important role in promoting Zambia in general and Livingstone in particular as a tourism destination. Findings proved that the aggressive marketing of Zambia attracted foreign tour operators more than local operators and local operators began to experience a reduction in their traditional market share.

The results show that 30% of the respondents feel strongly that there is no increase in the number of tourists lodging at lodges/guesthouses. Another 30% concur with the respondents who strongly felt there was no increase in the number of tourists. Those that strongly agreed make up 4% and 8% agreed that there was an increase and the remaining 10% were not sure.

The opening up of markets to foreign investment has led to multi-national corporations doing business in such a way that locals face stiff competition offered by foreign tour operators. Foreign tour operators’ clients are booked outside the host countries and payments are made abroad. When the clients come into the host country their accommodation, transport, and food are all pre-arranged. The local lodges/guesthouses do not have a chance to engage such tourists.

**Reduction in cost of doing business in the tourism sector**

Proponents of trade liberalisation are of the view that the cost of doing business in the tourism sector in Zambia will drastically be reduced as a result of opening the sector to foreign operators. The key question was to find out whether the liberalized policy framework on tourism has helped to reduce cost of doing business. The responses indicate that 32% of the respondents strongly disagreed and another 48% disagreed. Only 10% affirmed that the costs have reduced and 10% are not sure. The reality is that cost of doing business in Livingstone increased as a result of trade liberalization in the tourism sector therefore the above results are supported by even key observations (Focus Group Discussion, 28 November 2012).

This response to the question as to whether the liberalized policy framework has helped in bringing down the cost of doing business was a definite no, and most of the tour operators are of the view that the costs of doing business escalated. Most of the respondents confirmed that the policy has not helped them to reduce the cost of running business. The few 10% of the respondents that view the policy as helpful and the remaining 10% that were not sure is an indication that the level of awareness amongst tour operators regarding government policies is very low.

According to Rwigema and Venter (2004:312) policies regulate the environment in order for the businesses to conduct their activities in a more profitable way by reducing the costs of doing business so that money is spent on productive ventures. This confirms the survey conducted by the European Network
Research which revealed that policies which are not well formulated do not reduce the cost of doing business (www.sundaytimes.co.za). Such legislation affects the performance of the enterprise. It is important therefore that policies should aim at reducing the cost of running a business. Currently there are too many cost centres for businesses such as local council levies, licenses and other taxes which reduce profit margins (Zambian Tourism Authority, 2012).

The legal Policy Framework on tourism encourages investments in tourism industry for locals

The key concern of tour operators and owners of lodges is whether the promulgation of policies actually contributes in encouraging investments in the sector by local operators. The other more specific concern was whether the Liberalized Policy Framework on Tourism encourages investments in tourist lodges or not. The views of the practitioners vary regarding increased investments by local operators in the sector as a result of the liberalization policies. The responses show that 14% strongly affirmed while 29% agreed. Those that opposed the statement strongly make up 23% and 22% disapproved. The rest of the respondents (12%) are not sure.

Zambia has seen a lot of increased private sector participation in the economy since the inception of the liberalized tourism policy. Livingstone has seen increased registration of lodges and guest houses, hotels, schools, restaurants, shops dealing with curios, shopping malls and many more. One of the challenges is poor roads and telecommunication infrastructure and lack of technical progress that is required to strengthen tourism development (Dorward, Kydd and Poulton, 2005:82). This increase in the development of entrepreneurial activities is as a result of the liberalized policy which has encouraged the setting of businesses (Researcher’s interview with Tourism Officer, 20th July, 2011). Despite the policy advocating for participation of the private sector (Tourism Policy for Zambia, 1997:8) the local Zambians are not given enough incentives to spur them in investing in the tourism industry. This agrees with the TZC Executive Director’s acknowledgement that the tourism sector had failed to raise products and services acceptable by the international standards to attract 2010 World Cup delegates to the country. This is because the CEEC offers very little help to the tourism sector (Post Newspaper, 27.01.2010).

Economic benefits of the legal Policy Framework on Tourism

The key questions that operators raised are whether there are economic benefits that can be associated with the introduction of liberalized policies introduced by government.

The responses on the benefits accrued to lodges/guest houses as a result of the Liberalized Policy Framework on Tourism vary as indicated in the results below. Results show that 29% of the respondents are in agreement, 9% are not sure and 61% are of the opinion that they have not received economic benefits.

Crompton and Christie (2003:22-23) in their study clearly demonstrated that tourism contributes to the economic development. Using the official calculation of expenditures, tourism, i.e., hotels, bars and restaurants, the study showed that tourism contributed 2.5% of GDP in 2000 in Senegal but also noted that the contribution of tourism to GDP will vary according to country circumstances, including dependence on imports. This was attributed to the favourable policies. Crompton and Christie studies (2003:23) also show that tourism contributed greatly to the creation of employment in Senegal. Many of the foreign investors in Livingstone arrange for tour packages and payments are made outside the country. The local lodges/guest houses benefit very little from the policy as demonstrated by the results of the respondents.

In the next section, it is important to explore benefits that the various sub-sectors accrue as a result of the introduction of liberalized tourism policies. Most of the tour operators and owners of lodges have benefited from the legal Policy Framework on Tourism through the following:

- Acquiring loans to expand infrastructure;
- Tax holiday; use of their facilities for conferences;
- Reduction in costs of running businesses;
- No import VAT on all goods temporarily imported into the country by foreign tourists; and
- Waived visa fees to tourists that I bring in.

The monetary benefits on each of the above areas remain a grey area as there are no studies with conclusive findings on the actual benefits accrued by local tour operators. In this study what was intended to find out, was the benefits that lodges/guest houses operators enjoyed as a result of the trade liberalization policies. On benefits from the liberalized policy framework it is clearly shown that 36% of respondents disagreed strongly and a similar percentage (36%) disagreed. Results show that 4% strongly affirm that they have benefited. Another 5% of the respondents agree that they benefit from the policy. Respondents who were not sure of the benefits of the policy constitute 19%.

It is important to note that the benefits stipulated in policy tend to benefit more foreign investors than local lodges/guest houses operators. For example, the ZDA Act of 2006, which is the current statute covering the promotion and facilitation of investments in Zambia, is far beyond the reach of most SMEs because the Act grants incentives to only those investors with qualifying Assets of US$500,000 and above. The majority of SMEs under which lodges and guest houses fall cannot benefit from this policy. Loans in most cases are accessed by foreign investors since they meet all the requirements demanded by financial institutions in order for a loan to be granted.

This is clear evidence that in most economic policy documents, the SMEs sector is not a focus area of most policy makers, and yet a lot of pronounced or documented socio-economic policies have direct or indirect effects on the SME sector.

Competition with Foreign Operators in the Tourism Sector

There are diverse views regarding the capacity of the local operators to compete with foreign operators since the introduction of the liberalized policies in the tourism sector. One dominant view is that it has become easier to compete with foreign investors in the tourism industry since the legal policy framework assists by providing resources such as capital (loans), capacity building (skilled manpower), tax exemptions which locals can access. The other view is that as much as the government is subsidizing local tour operators, such subsidies are difficult to access. In the findings, both views are reflected.

The results reflect the skewed responses (against) on how the legal policy framework on tourism has assisted locals in doing their businesses by competing favourably with foreign investors. Results show that 85% of the respondents did not affirm while 8% affirmed and the remaining 5% were not sure. This means that the majority of tourism players among the locals are not favoured by the existing policy.

The legal policy framework does not help local investors in the tourism industry. The exposure to international competition lowers trade barriers and therefore foreign investors take opportunities of investing their capital. Reduction of trade barriers contributes to price competition. The competitive advantage they have due to ease access to funds, available skills
and technology enables them to compete favourably unlike their counterparts. As a result the economic benefits are more to foreign investors than locals (Hill, 2009:300). Hartungi (2006:730) suggests that there is lack of competitiveness in terms of labour, technology and skills and mentions that there is an imbalance since developed countries have advanced infrastructure, technology and highly skilled labour while developing countries do not have.

Tax incentives which are in the legal framework also favour foreign investors and offer a zero rate of Value Added Tax (VAT) on tour packages throughout Zambia and an investment allowance at 10% of the cost of an extension to a hotel. This policy does not benefit Zambians since they can’t meet the requirements needed to enjoy the benefits. Many Zambian tour operators do not have such capital needed to put up hotels.

**Human resource capacity increase due to liberalization**

When developing countries undertook liberalization, it was anticipated that jobs can be created as a result thereof. The results are skewed in favour of those that are of the view that liberalization in Zambia resulted in very few jobs being created in the sector. It was therefore essential to establish whether there is an increase in workforce by more than 50% as a result of the introduction of the liberalized policy framework on tourism. The results show that 74% of the respondents disagreed. Those that affirmed comprised 13% and another 13% are not sure.

Although it is noted that jobs in the tourism sector increased (Investment Policy Review of Zambia, 2006:21) most of the jobs created are tour guides, waiters and chefs, drivers and cleaners. These jobs do not bring significant economic benefit to the beneficiaries.

When a policy is aligned to improve and encourage investments by both local and foreign investors a contribution to the economic development is noticeable. Crompton and Christie (2003:22-23) clearly demonstrated that tourism contributes to the economic development in their study of tourism in Senegal and the Dominican Republic.

**Lodges operating in full capacity since liberalization**

Proponents of liberalisation are of the view that the number of tourists from abroad as well as locally are expected to increase, but results in the field proved otherwise. When establishing whether lodges/guest houses operate at full capacity as a result of the liberalized policy framework on tourism results are skewed in favour of lack of full capacity. Results further show that 77% of the lodges are not operating at full capacity. On the other hand 14% are operating at full capacity while the remaining 9% of the respondents are not sure.

Utilization of lodges/guesthouses at full capacity denotes growth in the business. The growth in the sector is among foreign investors as they have a competitive edge over the locals because they have access to finances, enjoy tax holidays more than locals, and have better technical skills. They engage foreign agents who make bookings for them, a practice locally owned lodges and guesthouses can not venture into because of exorbitant prices.

**Operational Costs Reduced due to liberalization**

Accountants that support trade liberalisation are of the view that, if fully implemented, it can contribute towards reduction of operational expenses in most lodges. It was therefore imperative to solicit responses on whether there is a reduction in the administrative and running costs since the introduction of the liberalized policy framework on tourism. Results show that 84.1% of the respondents are of the opinion that the administrative and running costs have not reduced while only 6.8% affirm that the costs have reduced. The remaining 9.1% are not sure.

Policies help reduce the cost of running business. High costs of running business prevents steady growth of the economy. In Zambia there are a lot of administrative costs in the form of licences, legal fees and high utility rates. Poor infrastructure such as roads, irregular supply of electricity and water increase the costs of running a business.

**Insufficient incentives to tourist lodges operators**

One of the responsibilities of the Ministry responsible for tourism is to create an enabling environment by creating incentives for tourist lodges operators to sustain their businesses. It was imperative to establish whether there are sufficient tourism incentives offered to lodges/guest houses. Results show that 65% of the respondents are of the opinion that there are no sufficient incentives for lodges/guest houses operators. Results further show that 12% of the respondents affirm that there are sufficient incentives and 23% of the respondents are not sure.

Appropriate and accessible incentives are critical factors to the development of lodges/ guest house’s businesses. If incentives are not offered or accessible lodges/ guest houses will not expand or grow. Senegal Tourism Sector Study (Senegal Tourism Sector Study Africa Region Working Paper Series No. 46 March 2003) revealed that incentives can have positive impacts on tourism activities. Incentives in the Senegalese Tourism Policy include:

- Exemption from import duties and taxes on equipment and materials not produced nor manufactured in the country;
- Exemption from value added tax invoiced by local suppliers on goods, services, and works required for the execution of the approved programme;
- Employment incentives for hiring Senegalese;
- Exemption from registration and stamp duties; capitation tax; and taxation on licenses “for those systems having priority”; and
- Tax holiday.

If such incentives are given to local tour operators in Zambia there would be expansion in their businesses. The spill over effect would be creation of employment. Incentives in the policy should not only cover foreign investors but also the locals. It should be noted that incentives are sometimes included in the policy simply because the government wants to attract foreign investors. The best incentive for tourism (or any other) investors is an appropriate policy, legislative and regulatory framework, together with good physical planning and performing infrastructure, and a healthy and crime-free environment. Such a policy will meet local demands and inevitably stimulate growth.

Countries like, St. Lucia in the Caribbean Region, have considered extending such incentives to a wide range of businesses and services in the ancillary tourism sector, including restaurants, taxis, and transport for nature tourism and marine projects (Crompton and Christie, 2003:25). In these countries, tourism activities have expanded because of the supporting policies that are in place.

**There has been an increase in meetings, incentives, conventions and exhibitions (MICE) in lodges**

One of the sources of business opportunities is the increase in meetings, incentives, conventions and exhibitions in lodges and guest houses. Zambia hosts the secretariat of COMESA and in the past held chairpersonships of SADC and African Union and therefore had opportunities for events that attracts tourists. The responses show that 74% of the respondents disapprove while 18% affirm that there is an increase. The remaining 8% of the respondents are not sure.
Tourism industry involves movement of people away from home for education, business, sports, leisure, religious purposes and many more. For businesses purposes accomodation for meetings is needed. In Livingstone, there are several meetings that take place ranging from NGOs to Government, locally and internationally. Many of such meetings take place in global tour operators’ conference centres. Zambian tour operators can’t compete with foreign investors. If Zambian tour operators are to be encouraged to grow and expand their businesses there must be a deliberate policy of offering locally organized meetings to be hosted by them. Foreign owned lodges and hotels can be used for international conferences and local meetings which require huge space for conferences and accommodation for participants.

The focus of the liberalized policy framework on tourism

The Ministry of Tourism, Environment and Natural Resources, officials of Zambia Tourism Board, Executive members of Livingstone Tourist Association and Livingstone Lodges and Guest Houses Association view the focus of the liberalized policy framework on tourism as:

- Encouraging foreign investors to invest in tourist related businesses such as hotels, lodges/guest houses, tour guides, restaurants etc.;
- To expand tourism so that it contributes to the Gross Domestic Product;
- To enable indigenous Zambians to participate in tourism industry through lodges/guest houses;
- Turn tourism into an economic sector from a social sector;
- To increase investments into the sector by offering opportunities to foreign and local people in setting up lodges, guest houses, and hotels; and
- To create employment opportunities for local people (Focus Group Discussion, 12 November 2012).

The majority of respondents appear to have knowledge of the focus of the liberalized policy framework on tourism. Generally the responses are also in line with what literature revealed when considering the focus of the liberalized policy framework on tourism.

Increase of lodges starting businesses

There has been an increase of new lodges/guest houses starting new business in Livingstone since the introduction of trade liberalisation. Three quarters (75%) of respondents affirmed, 17% objected and the remaining 8% was not sure. This finding is in agreement with responses in previous findings whereby 48% of the respondents agreed that there was an increase of lodges and guest houses that were starting new business. The increase, however, may not be due to the introduction of the liberalized policy framework on tourism as there is no known study on the subject.

Impact on liberalisation on the performance of lodges in Livingstone

There are equally both negative and positive impacts of the policy on tourism development. The following was observed as the impact of the policy on tourism in Livingstone:

- Establishment of new lodges and guest houses;
- Inflow of foreign investments such as building new hotels;
- Improvement of standards in lodges/guest houses due to competition;
- Creation of employment opportunities;
- Market for curios like those at Mukuni Park and Mukuni Village; and
- High rate of lodges owned by locals closing down due to competition and high cost of doing business.

Discussion of Key findings

It is clearly demonstrated from the results that tour operators have an understanding of the policy framework on tourism. The tour operators get information through workshops organized by the Zambia Development Agency. However, the line Ministry is not doing enough to disseminate information on the policy matters of tourism.

The legal policy framework on tourism promotes more foreign tour operators than Zambian tour operators. Incentives outlined in the policy document such as the Hospitality Act of 2007 (Investing in Zambia, 2011:23) Tax incentives which are in this legal framework creates a more conducive environment for foreign tourism investors such as the zero rate of VAT on tour packages throughout Zambia and an investment allowance at 10% of the cost of an extension to a hotel. Ministry of Tourism, Environment and Natural Resources officials do not stock policy documents which can be accessed by tour operators. Access to policy documents by the public and other stakeholders should be improved.

Zambian tour operators do not enjoy tax holidays because they fall under the threshold of US$500,000 which is pegged as a minimum investment for any business to enjoy certain tax holidays. Most Zambian tour operators’ investment is below this threshold and therefore can enjoy the incentives and benefits. This explains why there are many foreign tour operators in Livingstone. Zambian tour operators can’t compete with foreign tour operators making it difficult for lodges and guesthouses to expand. The comparative advantage provide by the presence of natural resources eludes Zambians.

The results of this research have shown that the policy framework on tourism in Zambia has not benefited Zambian tour operators. The discussion of key findings clearly show that liberalization in the tourism sector has benefited foreign investors. Most of the income from tourists remains in countries of origin since bookings for tour packages are made outside the country. This is not benefiting the country at all.

The next chapter focuses on the conclusion and recommendations made.

Conclusions and Recommendations

Globalisation and liberalisation

The main aim of the study was to investigate the impact of government policies (Policy Framework) on tourism in Livingstone and how the local people and foreign investors have benefited from the Policy Framework. The study has found that lodges/guest houses operators and foreign investors have not benefited much from the policy framework.

The liberalized policy of Zambia on Tourism has promoted the participation of global tour operators and thereby promoting globalization. From the time Zambia got its independence up to 1991, Zambia’s policies were such that global economic actors were restricted. Zambian companies were promoted and supported by the state through policies which encouraged Zambian owned companies to produce goods and provide services. As a result of globalization and influence of global organizations such as the World Trade organization, International Monetary Fund and World Bank, the government was pressured into formulating policies which were in line with the objectives of these organizations.

Globalization has led to the opening up of markets to global actors in all sectors of the economy. As a result of globalization and liberalization trade barriers have been removed. State sponsored companies which had a monopoly over products and services were sold to global economic actors. Citizens and foreigners were encouraged to participate in the economy. This development led to stiff competition among economic players. Zambian owned tour operators can’t compete with global tour operators like Sun International, Chrisma Group of Hotels, Protea Hotels, Court Yard and many more. The research results
have shown that Zambian owned operators are finding it difficult to operate under such environment and many are not expanding in their businesses.

The research has also established that the policy framework on tourism has had a negative impact on Zambian tour operators. The beneficiaries of incentives are foreign tour operators who already are in an advantageous position with access to cheap capital from the country of origin. In addition, tax holidays are given to foreign owned tour companies which enable them to have a relief on the finances and can then use the funds for expansion of their business. There has been a trend in Zambia where companies change ownership and names when tax holiday period comes to an end. New owners register the company with a new name and apply for tax holiday funds. This is disadvantaging local businesses because they do not have the same opportunities. The Government should consider providing tax holidays to Zambian owned companies in order to enable them to expand their businesses and compete with foreign owned companies effectively. The advantage with this approach is that all the profits made will remain in the country and this will benefit the country economically in the long run. If Zambian owned tour operators are supported and encouraged to expand there will be more job creation which will benefit the country socially as standard of living will be raised.

Globalization (engineered by world organizations such as GATT, IMF, and WTO) have led to declining trade and investment barriers which have influenced policy formulation in many countries including Zambia. These organizations (especially the WTO) aim at liberalizing the global trade and investment framework. The consequence of this is that firms find their home markets under attack from foreign competitors. Local players in the tourism industry in Zambia are affected by this trend. Foreign competitors out-wit the local players as they have access to cheap capital (through FDI) which is invested heavily in tourism (Hill, 2009:12-13). Liberalized policy framework on tourism in Zambia is not serving the interests of Zambians but foreign investors as shown by research results.

Research results have shown that globalization has not benefited Zambian owned tour operators. As already explained, foreign investors have the biggest market share as most foreign tourists come into the country with already arranged travel packages which include transport, accommodation and main meals. Zambian owned lodges/guesthouses especially those owned by indigenous Zambians do not have a chance of offering their services to them.

Success in any industry as contended by Porter is a function of the combined impact of factor endowments, domestic demand conditions, related and supporting industries, and domestic rivalry. Endowments, domestic demand conditions, related and supporting industries, and domestic rivalry are usually required for the demand to boost competitive performance. The role of government becomes very important in Porter’s Theory as it can be positively or negatively reinforced. For example, endowments can be affected by subsidies, policies toward capital markets, policies toward education, and so on. Government can shape domestic demand through local product standards or with regulations that mandate or influence supporting and related industries through regulation and influence firm rivalry through such devices as capital market regulation, tax policy, and antitrust laws. Research results have shown that government influence through policy formulation has negatively impacted on usage of resources by indigenous Zambians. The government should come up with policies which tie investors to partner with indigenous Zambians in the tourism industry. In this way Zambians will benefit from the endowed factors in the country.

The political climate which changes with every new government that comes into power has a negative impact in the sense that new policies are formulated to suit their philosophy and manifesto with a view of meeting the electorate’s aspirations. The current policy was formulated in order to meet the expectations of the international community and the electorate. When MMD came into power one of its promises was to liberalize the economy and therefore the policy of liberalization was formulated in line with its principles. Foreign investors have made use of technology to do business and gain a competitive advantage over their competitors. Bookings are done online so that clients come with arranged packages. Most Zambian lodges/guesthouses’ owners do not use internet for marketing their services and therefore do not benefit from foreign tourists.

**Tourism Policy Framework**

The Liberalized Policy Framework on Tourism in Zambia is in place. This policy framework is a document which provides guidelines and general aims of the Government for tourism development (Tourism Policy for Zambia, 1997: 1). The policy framework encompasses a number of areas which cover incentives such as exemptions from certain taxes, loans and grants, visa waivers and tax holiday. In other countries such as South Africa, the policy framework includes SMME macroeconomic policy, labour policy, competition policy, intellectual property policy and taxation policy (Rwigema and Venter, 2004:312). All these policies are aimed at helping businesses getting established and also regulate the environment in order for the businesses to conduct their activities in a more profitable way. The policies also try to reduce the cost of doing business so that money is spent on productive ventures. It is also interesting to note that the Liberalized Policy Framework has contributed to the GDP. In 2004, for example, the annual GDP growth rate of Zambia was 5%. The sector represented 4.5% of GDP and was growing at 4.5% per annum. Such a target would be attained if the policy gives a substantial boost to the sector (NRCF/UNDP/GEF/World Bank 2005). However, such policy mainly serves foreign investors such as what is happening in Livingstone where foreigners are given preference in incentives all because they reach the minimum threshold needed to qualify for incentives. Thus lodges/guest houses being SMMEs can benefit from such policies as they cannot meet the required threshold like the foreign investors who come with investments more than the threshold.

The infrastructure such as roads and airports are developed in order to induce the development of tourism. While this is true to some extent, the infrastructure only serves the interests of foreign investors. Most of the tourists come into the country by air and only the roads which tourist use are refurbished in Livingstone. Other road users’ interests are not factored in when liberalization policies are implemented. Many lodges/guest houses are located in places which have very bad infrastructure. This study shows that lodges/guest houses have not benefited from the policy (United Nations Development Programme, Discussion Paper: Tourism and Poverty Reduction Strategies in the Integrated Framework for Least Developed Countries, April 2011:10). The changing world order has influenced the direction of policy formulation in countries around the world. The formation of world organizations such as the WTO, IMF, and the World Bank has a profound effect on determining economic policy formulation. It has been observed that developing countries have faced challenges such as competition with foreign investors because of removal of trade barriers.
Developing countries, however, do not benefit much from policies which have been influenced by various organizations whose main goal is to remove trade barriers. Countries, Zambia inclusive, should come up with policies that will protect local investors while at the same time encouraging foreign investments. Local investors should be given incentives such as interest free loans, start-up capital, and capacity building programmes which are aimed at those running business and not just running workshops which may not benefit the intended clients (Crompton and Christie, 2003:25).

The opening up of trade to outside operators should be regulated. Currently, the world order demands that there should be free trade among countries especially regional groupings. Foreign investors in tourism should only be allowed to invest when they partner with locals. Locals may have the capacity to contribute land as part of capital while foreign investors contribute finances and specialized skills. Zambian tourism is exposed to international competition as a result of regional economic groupings which are encouraged by WTO. Regional grouping on one hand stimulates economic growth as the target market is bigger. On the other hand economic groupings only benefit member countries with advanced economics such as South Africa in SADC. The removal of trade barriers benefits foreign investors from such countries because they have access to cheap finances and have a technological advantage. In addition such countries have developed human capital and this gives them a competitive advantage over other member countries. In Livingstone, Zimbabwe has had a competitive edge over Zambia because of the explanation above. Thus the only well placed countries benefit from the removal of barriers. It is for this reason that most investments in tourism sector belong to foreigners (Hill, 2009:11)

A country can have comparative advantage such as Zambia in tourism. The country is home to tourist ‘paradise’ spots such as the Victoria Falls (the world’s largest waterfall), Lake Tanganyika (the world’s second-largest freshwater lake) and giant national parks, along with many other attractions. However, tourist flows fall below true potential, given natural endowments. To develop its true potential the country needs to develop its infrastructure. Zambia cannot fully develop its infrastructure fully to serve tourism industry because there are many social sectors of the economy which need large sums of money like education and health. Unlike countries like South Africa which has developed its infrastructure Zambia will continue to be disadvantaged despite having many tourist attractions (Investing in Zambia: a safe destination, 2011:5-6).

**Enhance economic opportunity**

A well thought policy aims at enhancing economic opportunities for the country. Globalization seeks to open up markets for international economic players and the chief goal is to create huge profits which are externalized. As a result of liberalization Zambia has lost opportunities in creation of many jobs. Maximization of profits is the aim for foreign investors and maintaining a small labour force saves money. Tax holidays, which are given to foreign investors denies the country taxes and revenues which enhances the provision of social services. Online bookings from abroad denies the country the much needed foreign exchange as the money does not come into the country. To avoid loss of income, a policy should be formulated which will allow tax authorities to have access to information on online bookings and determine the tax to be paid.

Local people lose out as well in that their locally made goods take a long time to be sold because when tourists who book online come with programmes planned for them by foreign tour operators and are not given adequate time to visit all places where local goods are sold. This reduces visitor expenditure and therefore a loss of revenue and income for local people. The policy does very little to practically assist micro, small and medium sized enterprises (MSMEs), or community based enterprises. The opportunity for developing this sector of the economy is lost and in turn there is loss of revenue and income both for the countries and owners of the businesses.

Transportation of foreign tourists should be restricted to indigenous Zambians since entry barriers are low. This will increase the creation of jobs among youths and also an increase in income for the locals. At the moment foreign owned transporters transport their guests. A policy to regulate transport services should be put in place if the locals are to benefit from the natural resources. The policy should reinforce the development of good environmental practices and management systems to influence environmentally friendly tourism businesses. There should be a deliberate policy to educate tourists on the importance of good environmental practices. The local people should be involved in communicating and interpreting conservation principles to visitors and local community through education which encourages local people to value their local culture and environments. In addition, the locals should be encouraged to promote aesthetic, spiritual, and other values related to Victoria Falls so that tourists have full knowledge of what the Victoria Falls is all about.

The main objective of a policy framework is to provide guidelines and general aims of the Government is to promote tourism development thereby enhance economic development and benefits to local people. The analysis of the Liberalized Policy Framework on tourism in Zambia is not achieving its objectives. This calls for urgent realigning of the policy so that lodges/guest house businesses benefit from the policy. Experiences of Asian countries in the tourism development should be emulated. Tangible benefits and incentives should be provided in order to stimulate growth in the tourism sector.

It is also evident that there is urgent need to formulate a policy framework on tourism whose intended goal is to ensure that local operators are given incentives and financial assistance so as to expand their businesses. It is also clear that the Liberalized Policy Framework on tourism has had little impact on lodges/guest houses.

Research results show that there is satisfactory awareness of the Liberalized Policy Framework on Tourism although the line ministry needs to sensitize the stakeholders about the policy. The policy has not helped locals in their businesses. The foreign investors are favoured by the policy. Zambian owned lodges/guesthouses are finding it difficult to operate at full capacity because of stiff competition from foreign owned tour operators. This has increased running costs and making losses. Locally owned tour operators find it difficult to expand their businesses resulting into less job creation and income for the locals. As a result of liberalization policy, Livingstone and Zambia as a whole has seen great increase in foreign investments in tourism activities.

Globalization has led to increased competition due to increased foreign investments supported by liberalized policy framework. Revenue in guest/lodges has reduced. Globalization has not reduced the cost of doing business in the tourism sector. The legal policy framework on tourism does encourage investments for locals but for foreigners. This implies that locals do not benefit economically from policy. The incentives, such as tax holidays provided for in the policy are targeted at foreign owned tour operators and locally owned tour operators. There has not been an increase in meetings, incentives, conventions.
and exhibitions (MICE) in lodges. Instead the meetings take place in foreign owned lodges and hotels.

**Recommendations**

**Policy matters**

Visa fees must be revisited. The fees charged must match what is charged in the region. Further, tourists booked in local lodges and guesthouses should have their visa fees discounted further. This will attract more visitors thereby increasing in clientele. VAT should be scrapped in order to reduce the costs of running businesses and hence reduce room rates. This will result in more jobs being created. Through the Zambia Tourism Board foreign experts in tourism should be engaged to work with Livingstone Lodges and Guest houses Association. This will promote quality services in the tourism industry. Qualified staff should work in lodges and guesthouses in order to improve standards. This can be monitored at registration and renewal of licences. It is important to involve lodges and guest houses operators when formulating policy framework on tourism. This will make the operators appreciate the policy and how they can benefit from it.

Rates paid by tourist operators should be differentiated. Foreign investors should pay different rates in licence fees which should be higher than those paid by Zambians. Licences should be harmonized in order to avoid contradictions. Licences fees can be paid to one government agency to avoid running up and down as this increases time spent on business and transport costs. Transport for taking tourists should be business for locals and not foreigners. This business requires less investment which locals can easily meet. In this way employment for the youths who run taxis and buses will be created.

**Taxation matters**

The cost of doing business such as licence fees and taxes should be reduced to encourage businesses. This will lead to more profits which then can be ploughed back into the business. This will also lead to expansion which will result into more jobs being created. Tax holiday for 10 years should be offered to locals to enable the profits to be ploughed back into the business and enhance expansion and creation of jobs for locals can be accelerated. Tax incentives should be offered to businesses with more than 10 employees. This will encourage businesses to expand and the revenue base for the nation will expand to support more social services.

**SMMEs matters**

Foreigners should not be allowed to set up cheap lodges such as packers because the capital needed is minimal. Foreigners should put up new infrastructure. In this way locals will be protected and more jobs will be created as new lodges and guesthouses have been influenced by the Liberalized Tourism Policy Framework. An example is the fact that new lodges/guest houses has been influenced by the Liberalized Tourism Policy Framework. Lodges/guest houses in Livingstone have not benefited much from the Liberalized Policy Framework on Tourism. The policy favours foreign investors, though on paper there are incentives and itemized benefits for small scale businesses such as lodges/guest houses.

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