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The Competitiveness of Tourism Industry of Pakistan and India in the World Market: A Comparative Analysis

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ARTICLE DETAILS	ABSTRACT
History: Received: June 10, 2022 Accepted: June 30, 2022	The current study aims at measuring the competitiveness and comparative advantage of the tourism industry which is one of the most profitable non-technology-based economic sectors of Pakistan and India. This study applied several indices of revealed comparative advantage to examine competitiveness in travel and tourism industry experts and the data have been taken from International Trade Center (ITC) during 2005-2020. The results of RCA, RSCA, LnRCA and RCA# highlight that both Pakistan and India had a comparative disadvantage from 2005-2020. Travel and tourism imports from India and Pakistan had a comparative advantage, according to RMA index data, during the analysis. From 2005 to 2020, India and Pakistan had a net competitive disadvantage in this sector, according to the Relative Trade Advantage index. Moreover, the results of TBI portray that both countries were net-importer in the travel and tourism industry. The results of this study suggest that these countries should improve tourism businesses by investing more in tourism and increasing promotional activities. © 2022 The Authors, Published by WUM. This is an Open Access Article under the Creative Common Attribution Non Commercial 4.0
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1. Introduction

While global service exports have expanded rapidly over the last three decades, frequently outpacing goods export growth rates, the high growth rates have not been shared by all; country experiences vary by area, development level, country size, and service sector. It is important to know how service exports are growing because a growing service sector leads to more income for each person in the country and a better level of development for the country as a whole. Through service exports, one way this could happen is that they boost the economy of the country where they are sold (Mattoo and Hoekman, 2008).

Travel services exports are one of the most rapidly developing sectors of the world economy. The rise of tourism is largely attributed to demand-side reasons such as rising income in developed economies and shifting visitor preferences. While these models do a good job of explaining empirical data and are frequently used to forecast tourist arrivals, there is no theoretical support for why certain countries perform better than others (Toit et al., 2010).

Trade theories, on the other hand, abound, attempting to explain why some countries export specific commodities while others do not. While trade has existed since the dawn of civilization, economists have only recently attempted to determine why and with whom countries (should) trade (Storper, 1992). Although Adam Smith's absolute advantage and David Ricardo's theory of comparative advantage prepared the way, the Heckscher-Ohlin theory was proposed only in the twentieth century to explain why countries will export commodities created with the abundant factor of production. However, these theories did not adequately explain global trade, and by the 1970s economists often noticed the ability of theories to forecast trade flows with suspicion. New trade theories, which included increasing returns to scale and transportation costs while relaxing some of Heckscher-strong Ohlin's assumptions, cleared the door for a more sophisticated understanding of trade and, tentatively, better policy recommendations (Maneschi, 2013).

Pakistan's tourist potential has been recognized for a long period. Faced with security concerns and political turmoil, it has been unable to attract a substantial number of international tourists, despite widespread media coverage as a hidden treasure. Various governments have been lured to the idea of developing Pakistan into a tourist destination over time, and certain initiatives have been done to improve connection and accessibility to isolated locations, particularly in the country's northern regions. According to the World Travel & Tourism Council's 2021 report, travel and tourism brought in \$8.8 billion, or 2.9% of Pakistan's GDP, in 2017. The total GDP from tourism in Pakistan in 2019 was \$15 billion, which is 5.7% of the total GDP. Covid-19 led this rise to decline by roughly 25% next year, to \$11.6 billion, or 4.4 percent of GDP. Similarly, employment in Pakistan's tourist business declined 11.1 percent from 3.45 million in 2019 to 3.63 million in 2020. The most notable aspect of these data, however, is that domestic visitors in Pakistan are a large source. In actuality, domestic tourism expenditure accounts for 91 percent of total spending, while overseas travelers contribute only 9 percent of revenue to Pakistan's tourism and travel business (WTTC, 2021). According to the World Travel and Tourism Council's Economic Impact 2019 report, India's travel and tourism GDP contribution increased by 4.9 percent, placing it third after China and the Philippines. According to the survey, India witnessed the biggest rise in the number of employment generated (6.36 million) between 2014 and 2019, followed by China (5.47 million) and the Philippines (5.47 million) (2.53 million). In 2020, the Indian tourism sector employed 31.8 million people, accounting for 7.3 percent of total employment in the country (WTTC, 2021).

Using a UNCOMTRADE dataset containing Pakistan and India services trade data, this study ascertains which country has a comparative advantage (CA) in the export of travel services, acting as a proxy for tourism expenditure. Consequently, the study attempts to pinpoint the causes of this comparative advantage and competitiveness. Researchers and policymakers agree that reducing trade deficits is a serious economic problem for developing countries (like Pakistan and India). Some research suggests that sector-specific competitiveness can assist enhance export volume. Using several revealed comparative advantage indices, this study is going to look at the comparative advantage of Pakistan and India's tourism in the global market and see how they compare to other places. The people who work in Pakistan and India's tourism industries will benefit from this study. It will help them come up with better policies to make it easier to export and import goods in both countries. It will also help the public and the government find investment-friendly business deals. The global economy and the potential of Pakistani and Indian tourism compete with each other in the same way. The export of the tourism industry needs to be done better so that it can be competitive and efficient.

2. Review of literature

A study is conducted by Lanza and Pigliaru (2000) to examine the potential of small and fast growing tourism economy in the world market during 1985-1995. The RCA index was employed by Nowak et al.,(2010) to measure the comparative advantage of selected 38 economies in the international division of tourism production by using data from 1980-2004. Leitao (2011) determined the relation between intra-industry trade and international tourism flows by employing both static and dynamic indices of RCA. The findings of the analysis illustrate that this industry is playing a significant role in Portugal. The intra-industry trade is very important between Portugal and the following countries: USA, Spain, Italy, Greece, Canada and Turkey. Marie Freckleton (2013) employed RCA index to examine the CA in the services sector of CARIFORUM countries from 2005- 2010. The data was taken from the World trade organization to measure the competitiveness and concluded that CARIFORUM countries are highly specialized in the tourism services, the index of RCA analysis highlights that there is potential for development of other services including insurance, transport, business services and personal, cultural and recreational services. Several indices of RCA were employed by Atif et al (2016) to measure the export competitiveness in the services sector of Pakistan. The study finds that most of the countries that trade services with each other have become more different in how they specialize. Algieri et al (2018) utilized different indices of RCA to examine the competitiveness and comparative advantage in the tourism sector in EU-28 countries from 2000-2013. The econometric analysis shows that variables related to the new trade theory and specific factor-proportions variables help explain international competitive advantages in tourism to a large degree. The international competitive and comparative advantage of Post-Soviet economies in tourism was examined by Famil Majidli (2020) by employing the RCA index during 1995-2018. The results of this study indicate that Tajikistan and Georgia faced strong CA, Kyrgyz Republic and Moldova enjoyed medium CA, and Latvia, Estonia, Armenia, Lithuania and Belarus faced weak CA. Wardana et al., (2020) examined the comparative advantage of rural tourism in the province of Indonesia by using the SEM-PLS method for data collection. Participants in the study included farmers, tourism sector actors and village leaders as well as members of non-governmental organizations and academics. An important conclusion of this research was the positive and considerable influence community involvement in sustainable rural tourism has on efforts to develop a competitive edge for village tourism. Efforts to gain a competitive edge have been unaffected by community involvement. The efforts to create a comparative advantage for village tourism were unaffected by government involvement in sustainable rural tourism. The competitiveness of Sub-Saharan African countries in travel and tourism was inspected by Bogale et al., (2021) by utilizing NRCA and RTA indices during 2000-2019 in the global market. The results of this study portray that Mauritius, Seychelles, South Africa and Namibia had a comparative advantage in this sector, while Tanzania, Botswana, Kenya, Senegal and Rwanda had CA vary by year. Maqbool et al., (2021) inspected competitiveness and CA in the fruit sector of Pakistan by employing numerous indices of RCA. The RCA indices were utilized by Maqbool et al., (2022) to measure the export competitiveness in the meat sector of Pakistan by using data from ITC UNCOMTRADE statistics. The findings of the analysis illustrate that Pakistan enjoyed the CA during 2004-20. The current study aims to measure the competitiveness in the tourism sector of Pakistan and India in the world market by utilizing RCA indices from 2005-2020. There is no serious attempt was made to examine such comparative advantage and competitiveness in this sector by using these economies. The objective of the study is to assist Pakistani and Indian tourist industry players in adopting more accommodating policies for the export and import of tourism-related services.

Additionally, it will be beneficial as a location factor for corporate transactions that are investment friendly for both the public and the government.

3. Methods and materials

The focus of this paper's research is on the competitiveness of the processed tourism sector in Pakistan and India, to determine comparative advantage in exports and highlight this with a stable position in the international market. Balassa (1965) established the notion of comparative advantage, and the basic model is as follows:

$$B = \frac{X_i^t / \sum X_i^t}{X_i^w / \sum X_i^w}$$

Where, X_i^t = Tourism exports of economy, $\sum X_i^t$ = Country's total services exports, X_i^w = Global services exports of tourism and $\sum X_i^w$ = Total services exports of the world.

In the case when $B < 0$ a comparative disadvantage is revealed, while $B > 0$ showed CA in the economy. Vollrath (1991) proposed the relative trade advantage (RTA) as an alternative to comparative advantage. The difference between the relative export advantage index (RCA) and the relative import advantage index of imports (RMA) is used to compute RTA.

$$RTA = RCA(B) - RMA = \frac{X_i^t / \sum X_i^t}{X_i^w / \sum X_i^w} - \frac{M_i^F / \sum M_i^F}{M_i^w / \sum M_i^w}$$

Where, M_i^F = Imports of tourism services of the economy, $\sum M_i^F$ = Total imports of the services of the economy, M_i^w = tourism imports of world, $\sum M_i^w$ = Total services imports of the world

The current study likewise used logarithms to calculate the Balassa index, with $\ln RCA > 0$ indicating comparative advantage and $\ln RCA < 0$ indicating comparative disadvantage.

The Revealed symmetric comparative Advantage index (RSCA) is used to control the skewness problem, and it is stated as follows.

$$RSCA = \frac{B-1}{B+1}$$

The CA index was proposed by Vollrath (1991), and it is a superior indicator of competitiveness since it overcomes the problem of double-counting in global trade.

$$RCA\# = \frac{\frac{W_{ij}}{(\sum_i W_{ij}) - W_{ij}}}{\frac{(\sum_j W_{ij}) - W_{ij}}{[(\sum_j \sum_i W_{ij}) - (\sum_j W_{ij})] - [(\sum_i W_{ij}) - W_{ij}]}}$$

Where, W_{ij} = Country's pharmaceutical exports, $\sum_i W_{ij}$ = Country's total exports, $\sum_j W_{ij}$ = World's pharmaceutical exports and $\sum_j \sum_i W_{ij}$ = World's total exports.

In addition, the current study utilized the Trade Balance Index to measure whether an economy has specialization in the selected services exports (as net-exporter) or in the selected services imports (as net-importer) for a specific group of services/products. Lafay (1992) employed TBI to examine the review of CA.

$$TBI = \frac{X-M}{X+M}$$

Table 1: Numerous Indices of Revealed Comparative Advantage related to the Travel and Tourism Industry of Pakistan during 2005-2020

Years	RCA	RSCA	LNRC	RCA#	RMA	RTA	TBI
2005	0.201	-0.666	-1.61	0.159	0.704	-0.5	-0.751
2006	0.322	-0.513	-1.13	0.268	0.836	-0.51	-0.717
2007	0.337	-0.496	-1.09	0.284	0.839	-0.5	-0.705
2008	0.317	-0.518	-1.15	0.262	0.717	-0.4	-0.655
2009	0.287	-0.555	-1.25	0.234	0.469	-0.18	-0.431
2010	0.192	-0.679	-1.65	0.152	0.572	-0.38	-0.504
2011	0.304	-0.534	-1.19	0.248	0.622	-0.32	-0.504
2012	0.213	-0.649	-1.55	0.17	0.732	-0.52	-0.613
2013	0.238	-0.616	-1.44	0.19	0.589	-0.35	-0.58
2014	0.203	-0.662	-1.59	0.162	0.666	-0.46	-0.658
2015	0.223	-0.635	-1.5	0.179	0.777	-0.55	-0.679
2016	0.263	-0.583	-1.33	0.213	0.799	-0.54	-0.711
2017	0.232	-0.624	-1.46	0.186	0.768	-0.54	-0.724
2018	0.279	-0.563	-1.27	0.229	0.673	-0.39	-0.657
2019	0.36	-0.47	-1.02	0.301	0.687	-0.33	-0.54
2020	0.767	-0.132	-0.27	0.746	0.971	-0.2	-0.318

Sources; Authors' calculations based on ITC.

Pakistan and India's competitiveness in the global travel and tourism market is the primary focus of this study. Table 1 illustrates the findings of different indices of revealed comparative advantage of Pakistan during 2005-2020. The results of RCA index highlights that Pakistan faced a comparative disadvantage in the tourism industry from 2005-2020. Similarly, a comparative disadvantage was seen in Pakistan by using RSCA and LnRCA indices during the analysis. According to the Vollrath index (RCA#), Pakistan was at a disadvantage from 2005 to 2020. In addition, the findings of the RMA index explain that Pakistan enjoyed a comparative advantage in the imports of travel and tourism from 2005-2020. This means that Pakistan has exported in the travel and tourism industry, at the same time, Pakistan also has imports in this sector from the other countries of the world. The relative Trade Advantage index represents that Pakistan faced a net-competitive disadvantage in the current sector from 2005-2020. TBI's data also suggest that in the travel and tourism industry, Pakistan was a net importer.

Table 2: Several Indices of Revealed Comparative Advantage related to the Travel and Tourism Industry of India during 2005-2020

Years	RCA	RSCA	LNRC	RCA#	RMA	RTA	TBI
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2005	0.58	-0.266	-0.54	0.504	0.426	0.154	0.095
2006	0.545	-0.295	-0.61	0.474	0.419	0.126	0.116
2007	0.564	-0.278	-0.57	0.496	0.425	0.139	0.132
2008	0.476	-0.355	-0.74	0.403	0.505	-0.03	0.104
2009	0.5	-0.334	-0.69	0.424	0.524	-0.02	0.089
2010	0.511	-0.324	-0.67	0.433	0.405	0.106	0.16
2011	0.531	-0.306	-0.63	0.453	0.491	0.04	0.128
2012	0.511	-0.323	-0.67	0.433	0.419	0.093	0.186
2013	0.502	-0.332	-0.69	0.423	0.396	0.106	0.226
2014	0.525	-0.311	-0.64	0.448	0.47	0.055	0.149
2015	0.559	-0.283	-0.58	0.481	0.496	0.063	0.172
2016	0.572	-0.272	-0.56	0.494	0.498	0.074	0.156
2017	0.615	-0.238	-0.49	0.539	0.49	0.126	0.195
2018	0.593	-0.256	-0.52	0.517	0.504	0.088	0.145
2019	0.612	-0.241	-0.49	0.538	0.547	0.066	0.146
2020	0.6	-0.25	-0.51	0.561	0.705	-0.11	0.018

Sources; Authors' calculations based on ITC.

In table 2, this study examined the CA and competitiveness in the Indian travel and tourism industry in the world. The results of the RCA index showed that India has a comparative disadvantage in the tourism business between 2005 and 2020. RSCA and LnRCA indices were shown to have a comparative disadvantage in India during the analysis. In terms of the Vollrath index (RCA#), India was at a disadvantage between 2005 and 2020. Travel and tourism imports from India have a comparative advantage, according to RMA index data, from 2005 to 2020. This indicates that while India exports in the travel and tourist industry, it also imports in this area from other countries around the world. From 2005 to 2020, India had a net competitive disadvantage in the current sector, according to the Relative Trade Advantage index. TBI also suggests that India was a net importer in the travel and tourism business.

4. Conclusions and Policy Recommendations

This analysis aims to examine, a comparative analysis between Pakistan and India, competitiveness and CA in the global market by employing revealed comparative advantage indices during 2005-2020. The data has been collected from International Trade Center UN COMTRADE statistics for the travel and tourism industry of Pakistan and India. The results of RCA, RSCA, LnRCA and RCA# highlight that Pakistan and India both faced a comparative disadvantage from 2005-2020. Travel and tourism imports from India and Pakistan have a comparative advantage, according to RMA index data, during the analysis. From 2005 to 2020, India and Pakistan had a net competitive disadvantage in this sector, according to the Relative Trade Advantage index. Moreover, the results of TBI portray that both countries were net-importer in the travel and tourism industry. The study concludes that these countries do not have a comparative or competitive advantage in the international arena. As a result of their isolation from the rest of the world for so long, these countries were always on the radar of foreigners. However, outsiders' interest in these countries is piqued by both their natural beauty and historical significance. According to the conclusions of the research, these countries should invest more in tourism and conduct more promotional efforts to improve their tourism businesses. This study will be helpful for future researchers to examine export performance and competitiveness in the other services sector of these

economies in the world market. Panel data analysis is also a viable option for future researchers.

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