

## **A COMPARISON OF TOURISM INDUSTRY IN EMERGING POWERS (ARGENTINA AND BRAZIL): FROM RIVALRY TO INTERDEPENDENCE**

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Argentina and Brazil are the two largest countries in South America, as well as being the most populated, which makes them powerful emerging countries (Orgaz y Cols, 2011). If we analyze tourism's historic evolution in Argentina and Brazil, at the beginning of the 70s the number of international tourists who arrived in Argentina was considerably higher than in Brazil. This difference continued to increase, with Argentina reaching 1,350,000 visitors in 1977, compared to 635,000 registered in Brazil (OMT, 1979). Despite the volume, until the 80s tourism in Argentina did not acquire great importance in economic terms, however, due to economic crisis, tourism became an important source of foreign exchange earnings and job creation. Thus, businessmen linked to the sector sought to add to the stream of tourists from neighboring countries, visitors from Europe and North America (Goded and Parache, 2006).

Meanwhile, the 70s and 80s were an era of growth in international tourist arrivals in Brazil, although the overall growth was accompanied by significant declines in certain years. Fortunately, since 1991 international tourism has grown in Brazil.

During the decade of the nineties, South America has been transformed into a major tourist destination, increasing the number of international tourists as a whole with Brazil, Argentina and Chile as the main recipients. From 1990-95 there were significant growth rates above 150% in Argentina and 80% in Brazil.

The evolution of the tourism sector in South America has been closely linked to the development of their countries and to the financial crisis. Thus, Brazil's economic recession of 1998 had repercussions on both the purchasing power of Brazilians and the cost of living (OMT, 2014a). The collapse of the Brazilian economy turned it into a cheap country to visit, increasing by over 2 million international arrivals in just one year to reach 5.3 million in 2000. Argentina, which had begun the 90s with a number of international arrivals almost double to that of Brazil, grew at a slower pace, with fewer than 3 million compared to the 5.3 million of Brazil.

Between 1998 and 2002, a 18% reduction in the number of international tourists in South America occurred due to external factors such as the conflict in Iraq and the continuing fears after the September 11, 2001, as well as the political and economic instability in some countries such as Argentina (Sharma, 2008) and Brazil (Sobral et al., 2007). In the first 5 years of the century, there was a decline in the contribution of Argentina to the tourism market in South America with a drop of 40% in 2000 to 22% between 2002-2005 (Intel, 2006). The fall of the flow of tourists to Argentina is related to the collapse of its economy from December 1, 2001 («banking corralito»), which imposed restrictions on the withdrawal of money from banks and drastically reduced the purchasing power of Argentinians. This crisis has serious effects on the economy of Argentina, dismantling its middle class and reducing the number of international arrivals. In 2002, Argentina reached historical levels of poverty, with poverty rates exceeding 55%, affecting nearly 21 million people (Haverland, 2008). Later that same year, Argentina was in default of its payment obligations and Brazil had closed the market for new loans (Frenkel, 2003).

According to the data provided by the Ministries of Tourism of Argentina and Brazil, coinciding with the period of global economic recession of 2008, both countries recorded a significant decline in the level of revenue and international tourists. However, from 2009, both revenues and tourist arrivals have continued to rise until 2011, when a new stagnation of income in Brazil, as well as in Argentina.

According to statistics from the Ministry of Tourism of Brazil and Argentina of 2013, the arrival of international tourists to Brazil reached 5,813,342, while in Argentina amounted to 5,570,969. Argentina and Brazil continue to constitute the main tourist destinations in South America, with market shares of 20, 7% in Brazil and 20,4% in Argentina, followed by Chile (13%) and Peru (11,5%) in 2013.

This means that Brazil and Argentina receive more than 40% of all international tourists from South America. In addition, 46% of the revenue generated by the tourism sector in South America during 2013 was captured by Argentina and Brazil (18% Argentina and 28% Brazil). Meanwhile, the average stay of international tourists was 11,3 nights in Argentina, compared to 17,3 nights in Brazil. It is interesting to highlight the role played by MERCOSUR as an integration process of South America – Argentina, Brazil, Paraguay, Uruguay, Venezuela and Bolivia -, which had a positive impact on the development of the tourism sector both in Brazil and in Argentina (Goded and Parache, 2006).

The expenditure in tourism registered in Brazil is relatively higher than in Argentina, this is mainly due to the higher number of establishments and places of tourist accommodation and increased investments in recent years. Brazil ranked twelfth in the world in relation to the expenses incurred by tourism with 22.2 billion dollars in 2007 (OMT, 2013a). In respect to the tourism income registered in both countries, Brazil leads with 6,843 million US dollars, compared to 4,627 million dollars registered in Argentina in 2014 (OMT, 2015).

The economy and the tourism sectors of Argentina and Brazil are highly interdependent. For many years Argentina has been the most important country of origin for Brazil, although, depending on the economic situation and the value of the Argentinian peso, fluctuations have occurred (Prideaux and Carson, 2010). In this way, in 1995 international

tourism in Brazil was composed of 33% of Argentinians, remaining stable in 2000 (Gardella y Aguayo, 2006). Due to the economic crisis in Argentina in 2002, its share fell from 33% in 2000 to 19% in 2004. However, currently Argentina continues to occupy the first place of origin of tourists visiting Brazil, growing to 29% of total arrivals to Brazil in 2013 (1.711.491), placing as the first country of origin. Between 2003 and 2013 the number of Argentinian tourists who visited Brazil increased by 102.9%. Argentina remains the leading country of origin in South American countries like Uruguay and Chile (besides Brazil) above the rest of nationalities (Brida, Lanzilotta, Riso, 2008), reaching in Chile a volume of 41.1% of the annual total arrivals in 2013 (SERNATUR, 2014).

Brazil, which in recent years has become the main driver of growth in inbound tourism in Argentina, is in the middle of an economic slowdown resulting in decreases in the number of tourists and average spending (Ministerio de Turismo de Argentina, 2014; Ministerio de Turismo de Brasil, 2014). There are many Brazilians visiting the ski resorts in Argentina during the winter (Specifically Bariloche). Brazil was the country that contributed most to tourism in Argentina in 2013, accounting for 20.4% of total income. The arrival of Brazilians to Argentina constituted 19% of all international arrivals (1,083,250 in 2013), representing a decrease over the previous year (1.217.374 en 2012), which contributed to the decline in international tourism. Therefore, we can say that the reduction in the number of Brazilian tourists who visited Argentina had a strong influence on the drop in international tourism receipts registered in Argentina. In fact, Brazil was responsible for more than 2/3 of the drop in international tourism in Argentina. Due to this decline, in 2013, Chile superseded Brazil in terms of arrivals in Argentina, becoming the main source market of Argentina (Ministerio de Turismo de Argentina, 2014; Ministerio de Turismo de Brasil, 2014).

In recent years, due to the celebrations of the football World Cup in 2014 and the Olympic Games in Rio de Janeiro in 2016, there has been a considerable increase both the supply of tourist establishments, as well as the places available, promoting Brazil as an international tourist destination. The image of insecurity is very much a negative stereotype when travelling in South America, which makes it possible to see Brazil as a high-risk location (Álvarez de la Torre y Rodríguez-Toubes, 2013; Ministerio de Turismo de Brasil, 2010).

In this scenario, the organization of two mega-sporting events of international scope in Brazil over a period of only two years (2014 and 2016), is a real challenge for the significant inequalities. Future projections show how the medium term both countries will become strategic powers in the new panorama of an increasingly connected world, due to the high competitive capacity, derived from their lower costs and its tourist attractions. According to the WTO report «The Tourism 2020 Vision», it is estimated that the future development of international tourist arrivals to the Americas will reach 232 million in 2020. Until then, increases are expected in the number of international arrivals 5 % annually in both Argentina and Brazil (OMT, 2014th, OMT, 2014b).

Brazil hosting sporting events worldwide is leading to a positive trend regarding the number of international arrivals. Argentina, by contrast, must overcome the drop in arrivals caused largely by the decline of Brazilian tourists. Instead of emphasizing the differences between their respective destinations, both countries should resolve their differences and

take advantage of the increasing interdependence of their economies and synergies of their tourism sectors in order to deal with external threats. The ties and bilateral relations based on interdependence must be strengthened; they are vital to close old rivalries and continue to develop their tourism sectors within MERCOSUR and UNASUR.