The 2001 economic crisis in Argentina and its repercussions on tourism policy

*Erica Schenkel*
*Fernando Almeida*

erica.schenkel@uns.edu.ar
falmeida@uma.es

**ABSTRACT**

This study analyzed mainly tourism policy since 2001. In Argentina tourism became state policy in the post-2001 crisis in order to achieve economic recovery. The actors of the political system decided that tourism played a major role in the government agenda. These policy changes have been accompanied by other political and economic changes. This study opens two debates about the connection between the 2001 crisis and the changing model of tourism in Argentina.

**Keywords:** Public policy, tourism policy, crisis, Argentina

**INTRODUCTION**

People have been moving from one place to another constantly since remote times. Human beings have an innate curiosity to visit and discover new places, new habitats and customs and different lifestyles as well. The evolution of tourism has been a long term process sustained in time and in direct relation to the social transformations, to the big changes in the business world, to the technological and communication advances and also to the changes in the routines, behavior and habits of people. These episodes have had an essential role throughout the history of the development of tourism.

Tourism is a transversal activity which involves different public elements associated, directly and indirectly, with theoretical and practical aspects of politics. Perhaps the political approach would not be so important if the social and economic benefits, associated with the activity, were not present, or if politics was a closed system without any impact.

The importance of acknowledging the reasons why certain policies work in the area and certain others do not, has made us recognize the need to focus on the study of the tourism politics with more enthusiasm every day. Tourism, with all its specific power, and its particular structure and political processes, makes it a relevant target of study for the analysis of public politics. This complex relation has forced the estate to articulate decisions related to touristic issues, making it a matter of government concern. That, which had started as a private activity of elite groups, began to gain public importance with the advance and progress of the democratic era.
2001 ECONOMIC CRISIS IN ARGENTINA AND TOURISM REPERCUSSIONS

The government can influence tourism policy indirectly, from government actions in related areas, or directly, intervening in the sector with a specific public policy. Since the mid-twentieth century, the growing benefits of tourism activity caused most states to assume an active position in the sector, creating administrative departments and specific tourism policies (Monfort, 2000; Cooper, Fletcher, Fyall, Gilbert, & Wanhil, 2007; Scott, 2011). In contrast to the first phase of strong government intervention, in the second phase there is less government intervention and it takes place with a strong though active private participation.

Since the late twentieth century, the economic perspective of tourism policy is increasingly important, which makes governments more concerned by tourism and its economic impact (Sessa, 1976; Aguiló & Vich 1996; UNWTO, 1998; Monfort, 2000; Fayos-Solá, 2004; Velasco, 2011 Díaz Pérez, 2006; Barroso & Flores, 2007; Izard, 2010). Tourism has a continuous expansion and diversification from its origins, becoming one of the largest economic sectors in the world. In 2012, the barrier of 1 billion tourists for the first time was overcome; this implied that tourism represented 9% of global GDP and 6% of exports, and the sector created one in 11 jobs and generated total global revenues of $1.3 billion. Latin America participates with 8% of international tourist arrivals and 6% of tourism revenue (UNWTO, 2013).

In this framework, the research examines Argentina’s tourism policy as an economic alternative post-crisis 2001. Thereafter, tourism was inserted on the public agenda as one of the priority actions to achieve the “awaited” economic recovery. The aim of this study was to analyse the tourism policy in Argentina after the severe economic crisis of the 2001 period. The study is based on documentary research including observation and analysis of various sources: statistics, discursive, regulatory, and institutional. An assessment of the sources of the economic impact of these policies was performed. This study concludes with the opening of two debates: firstly, the relationship between the neoliberal ideological trend and the development of tourism policy in Argentina is analysed; and secondly, the changing Argentina tourism model is discussed.

THE PARTICULARITY OF THE LATIN AMERICAN CONTEXT

Public policy cannot be analysed in isolation from the factors that give meaning and content to policy; they are not self-explanatory, but form cycles in constant motion, so their approach must be linked to the context in which they develop (Medellín, 2006; Cabrero Mendoza, 2011). Structural changes affecting Latin America since the late 1970s impose the need to rethink certain considerations on the study of government policies and their impacts. Oszlak and O’Donnell (1995, p. 110) argue that complexity, interdependence, and dynamism are becoming policy as a “key” of a social process, and the authors highlight the inadequacy of canonical analysis to address their study as an isolated phenomenon. Similarly, Jacint (2011) emphasizes the need for a policy analysis in the context of networks of public and private actors, which interact in cross-sectoral areas and in regional, national, and international levels, from policy networks. Scartascini, Spiller, Stein, and Tommasi (2011) note the importance of describing the “political game,” the diversity of actors interacting in the process of political understanding.
Since the late twentieth century, we have been witnessing a change in the social scope paradigm similar to that involving the transition from a liberal to a welfare state, which produced the transformation of socio-economic and cultural factors. An “institutional fragmentation” takes place. In this line of logic, the nation-state gives up its power in favor of supranational organizations, while also devolving powers to regional and local institutions, as well as to public and private actors to create a complex set of interdependencies. The latter process has a close relationship with the private management of public services and public administration connection with nonprofit organizations (Subirats, 2010).

In this new context, Acuña (2011) notes (i) the imposition of “pro-market structural reforms,” which radically altered the form of state organization and operation, and (ii) he points out the important role of multilateral agencies such as producing policy recommendations, theories, and research agendas, which tend to reshape public policy in the region. These changes drive “… a metamorphosis of State practice,” which promotes fiscal balance, reducing public spending, and improved management (Bazúa, 2006, p. 287). Unlike the stated objectives, the implementation of these recommendations in Latin America leads to more heterogeneous, unequal, and exclusionary social structures (Medellín, 2006; Repetto, 2006).

Thus, in the last decade what emerged is what Evans (2011) calls a “third wave of ideas,” which recognizes the importance of the state as an enduring and effective institutional structure. The author emphasizes the importance of state structures that provide the necessary capacity to face new challenges and the danger of emptying the state of contents by structural adjustment. The effective state is neither the “megalomaniac” state of import substitution nor the “minimalist” state of neoliberal radicalism (Prats, 2011).

A TOOL FOR ECONOMIC RECOVERY POST-CRISIS ARGENTINA 2001

After the hyperinflationary crisis that the country experienced until late in the 1990s, began a series of changes. These changes represent the final insertion into the neoliberal model that had begun in the mid-70s, after the last coup. In 1991 a convertibility plan that employs a fixed nominal exchange rate for the Argentine peso against the American dollar was applied. In addition to this action, it launched a broad range of initiatives: a program of privatization, deregulation of some key sectors of the economy, economic openness to international investment, greater facilities for import of goods and services, and the abandonment of a public retirement system.

The system of currency convertibility, which was accumulating growing imbalances, was deepened during the Asian crisis of 1997, constituting the “epilogue” of an extensive neoliberal period (Ferrer, 2010; Rapoport, 2010). Since mid-1998, economic activity has stopped growing, until it finally collapsed in 2001. The rising fiscal and trade deficits and large external debt of the late twentieth century came together in the worst crisis in the economic history of Argentina. The crisis had a hard impact on society, and resulted in the decline of formal employment, rising unemployment, and income concentration, which reached unprecedented rates of poverty and indigence.
2001 economic crisis in Argentina and tourism repercussions

As part of the internationalization process and planning of tourism policy since the 1970s, tourism came to occupy a central place on the public agenda of the post-2001 crisis. The role reserved for tourism was attracting the necessary foreign exchange, improving the balance of payments deficit, and reducing the heavy external debt declared in default. Tourism was a key instrument of the national government as far as the desired revival of the country was considered.

The state, for the first time in this period, was positioned as a key player in the planning, coordination, and action in tourism. Tourism became part of the exclusive twelve policy that defines the state government was aimed at boosting economic activity, revenue, public investment, public infrastructure, and economic growth (Oficina del Presidente 2003; Jefe de Gabinete de Ministros, 2006). The Ministry of Tourism should “... develop tourism activity as a driver of the economy,” making Argentina the country best positioned for tourism in South America (Jefe de Gabinete de Ministros, 2006 p. 297).

On the occasion of the presentation of the Action Plan of the Ministry of Tourism and Sports of the Nation, the President of the Republic highlighted the main place of this sector in the necessary revitalization of the national economy: “...we put the bases economic recovery in Argentina, and for this we will make every effort.... Tourism is a priority of the Government; we trust that the Argentina economy will find in this activity its backbone, and we trust in fast dynamization that will occur in the economy and fast investment activity that will generate” (Oficina del Presidente, 2003).

This economic foundation that supports the tourism policy in this period is reflected in the ascription and seniority acquired by the administrative department of tourism. The former Secretary of Tourism of the Nation grows in authority and powers and is ascribed to related departments and the production industry, and finally, for the first time in history, constitutes an autonomous body of maximum rank in the structure administrative. In 2010 the former Secretary became Minister of Tourism of the Nation (Decree 919), the fourteenth national government ministry.

The adoption of the new National Tourism Act (No. 25,997/05) and the Regulatory Decree (Decree 1,297/06) constitutes the most important institutional fact, which replaced the old Law 14,574/58. Law No. 25,997 establishes the facilitation role to be assumed by the state in the national management of tourism by promoting cooperation with other public and private organizations directly and indirectly related to the activity. This participation in the national tourism administration is established in the Federal Strategic Plan for Sustainable Tourism (Ministerio de Turismo, 2005), with a useful life until 2016, extended until 2020 (PETS, 2011). This plan has a federal and decentralized character.

Law No. 25,997 declares tourism as “national interest” and “socio-economic, strategic and essential activity” and states that this “policy will be a priority for the state” (Law 25.997, Articles 1 and 3). The first article points out two facts: the importance of inbound tourism as a non-traditional “export business” and consideration of the private tourism sector as a “strategic partner"
for the government. This law clearly reflects the tendency to consolidate tourism as a key area in the national economy.

In this context, the sharp devaluation of the Argentine peso in 2002 (Law No. 25,561), along with the intense action of the administrative departments of tourism, carried out a transformation of the traditional tourist patterns. This transformation was achieved through a significant increase in international and domestic tourism. Argentina reached the first position in international arrivals in South America during the period 2010-2011 (WTO), and Buenos Aires was deemed since 2004 as the leading city hosting conferences of America (ICCA).

The country as an international destination presented remarkable growth, with an increase of over 100% in international visitor arrivals, to 5,704,648 (2011) (Figure 1). On the other hand, tourism revenues increased by 90% between 2002 and 2011 and reached US $5.212 million (Figure 2). These arrivals came mainly from neighboring countries, of which Brazil and Chile account for nearly 50%. For its part, the outgoing of Argentinian tourists grows by 47% and 130% currency outflows. The main destinations of Argentine tourists are Uruguay, Chile, Brazil, and Paraguay (75% of all international departures).

**Figure 1: International tourist arrivals to Argentina**

![Graph showing international tourist arrivals to Argentina]

The growth of tourism over the outbound between 1995 and 2005 resulted in a progressive equilibrium in the tourism balance, which managed to even reach a record surplus in the 2006-2010 period, with a slight drop in 2009. The international financial crisis and higher prices for Argentina as an international tourist destination—due to the country’s own inflation and devaluation of neighboring currencies like the Brazilian real and the Chilean peso—led to a sharp decline in international arrivals, while outbound tourism continued its growth trend (Figure 2).
This fact caused the return to balance the deficit between 1995 and 2005. The latter issue has become, in the short-term, the main concern of the National Government in tourist matters (Jefe de Gabiende de Ministros, 2014). In this context, it implemented a tax on the foreign purchases of goods and services through credit cards and buying foreign currency for travel and tourism expenditures (AFIP No. 3,378/2012; AFIP, No. 3,450/2013; AFIP, No. 3,550/2013). Along this line, currency devaluation should also be included in early 2014, which involved a variation of the exchange rate of approximately 65%.

**Figure 2: Evolution of tourism revenue, expenditure and balance**

In terms of domestic tourism, various initiatives to relaunch growth in the post-2001 crisis have been promoted. These actions are intended to help increase tourism, revenue generation, and tourism employment as well as reduce high seasonality of domestic destinations. In the last decade, the tourism practices of Argentine residents have seen a marked increase, although less than international tourism, presenting a cumulative growth of over 50% since 2002 (CAT, 2008). In this sense, the reports of the Argentina Chamber of Tourism show a steady growth of this type of practice in that period of time, which even exceeds domestic tourism consumption figures of the past decade.

This growth in international and domestic tourism is reflected in the significant participation acquiring tourism in the national economy. Tourist activity at constant prices for the year 2010 came to contribute 7.29% of GDP, ranking sixth among national sectors. The tourism sector was above Construction, Financial Operations, Community Services, Social and Personal, the Agriculture, and Public Administration; tourism contributed 7.27% of total employment in the country and accounted for 6.9% of total exports, 42.6% of service exports, the fourth largest export industry of national importance, behind the oil sector, automotive, and petroleum complexes (CAT, 2008).
CONCLUSION AND DISCUSSION

These pages show how tourism is far from being a shallow or unimportant field of study. On the contrary, it shapes the social and economic relations, impacts the territory, influences different aspects of government management and, if it does not have the necessary public regulations, it could give place to processes of inequality, concentration, segregation or even the loss of national heritage.

From the moment the democratic era started, after the Second World War in industrial countries, tourism has shown a continuous expansion and diversification and it has become one of the most important fields of study in the world. This obvious growth has made national and local governments take a special interest in this field, and even international organizations have noticed the great advantages, opportunities and benefits tourism has to offer.

With an open and international economy as we have, the activity is seen as a virtuous alternative which can eventually generate more income and more employment for a nation. Tourism represents the internal growing product of a country, shows it to the world, and allows exportation of capital and services.

These are obvious reasons why tourism could be one of the most important fields to pay attention to with regards to the benefits it may bring at a local and national level.

The 2001 economic crisis in Argentina, paradoxically, became an opportunity for the tourism sector. The national government was repositioned as a key player in tourism management for the desired economic recovery. This made tourism pass part of the national agenda, which identified political actors in the tourism sector and the government to devote resources to it and adopt specific regulations. Public administration launched an active policy in the area, aimed at encouraging investment in the necessary infrastructure and cooperation with the tourism entrepreneurs.

Unlike the first phase of strong state intervention in the country, led by Prime Peronism (1943-1955), which in the mid-twentieth century tourism became a public issue based on social, the new intervention period encouraged a reformulation of the tourism sector as an economic and private issue. In this second phase, governments especially enhanced the economic aspect of tourism, a process in which government regulators were no longer to become facilitators of tourism. This situation cannot be understood without the intervention of the crisis of 2001, economic vision of tourism that dominates internationally from economic neoliberalism (Blázquez, 2014), or sponsorship from international bodies such as the World Tourism Organization. Economic crises are usually accompanied by adjustment measures that favor the entry of international capital, while getting set policies and legal rules favorable to international interests (Flamant-Kerel & Singer, 1971). In this context, the Argentine crisis and the global crisis of 2008 should be understood as “the opportunity that uses the capital to restructure and rationalize, to restore its operating capacity and accumulation” (O’Connor, 1988, p. 18). In addition, international tourism requires the creation of “new peripheries of pleasure” in the South (Turner & Ash,
2001 economic crisis in Argentina and tourism repercussions

1991, p.15) to output capital accumulation central spaces. This logic is in line with the global division established by the peripheries Gormsen model (1981) and, specifically, the 2001 crisis has served to include Argentina more obviously in a tourist periphery. Tourism exploits the wide range of incomes between central places and tourist economic peripheries to impose “their dominance over the states and democracy” (Blázquez, Artigues, & Murray, 2011, p.2), so that tourism paves the way for entry of transnational different economic sectors (Britton, 1982).

Another consequence of the new tourism policy has been changing the national tourism model (Figure 3). This process should be understood within a production system change, from Fordist of the first phase to the post-Fordist model according to neoliberal principles (Schenkel & Almeida, 2015). It has gone from a model based on domestic tourism, social aspects, and mainly being an exporter of tourists and capital abroad, to one based on attracting international tourists to earn a foreign exchange model, the balance of trade payments, and attract private savings for other economic sectors.

Figure 3. National tourism model: from Fordist of the first phase to the post-Fordist

Source: Elaborated by the authors

In this way, Argentine tourism has evolved from the national-economic model driven by Prime Peronism into a similar pattern to that can be found in most Latin American countries; we can
say that there has been a “normalization” of the productive structure linked to tourism. Argentina follows the steps of developing countries that have used tourism in the same way southern European countries did more than 60 years ago (Almeida, 2014).

REFERENCES


2001 economic crisis in Argentina and tourism repercussions


• Ley Nacional Nº 14574 (1958). Ley Nacional de Turismo


2001 economic crisis in Argentina and tourism repercussions


