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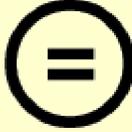
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Master's Thesis of Public Administration

**Tourism in Ecuador:
Perspectives and Challenges**

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August 2015

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**Submitting a master's thesis of Public
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April, 2015

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Abstract

Tourism in Ecuador: Perspectives and Challenges

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Tourism is one of the new concepts to promote the development of the countries. Tourism sector has the advantage to embrace different resources that the government should manage in the best way. After a period of instability and transition, Ecuador implemented successful public policies that have helped to position the country in tourism issues and to receive every time more foreign tourists. This study aims to link the development of the tourism sector with the new policies applied in Ecuador.

It examines the trajectory of the tourism sector and the importance of the evolution in this area. Also, this research ties the investment of the government and the revenue in tourism, as one of the findings in the improvement of the sector. Qualitative method was applied to describe the

changes in the political environment. Secondary data was used to show the trend between investment and revenue. Findings demonstrate the improvement of the tourism sector in Ecuador and its connection with the public policies enforced during the last years. Different stages were explained to identify the Ecuadorian reality. Challenges about the new scheme in tourism sector were discussed after showing the analysis, and the theoretical and practical implications of this research.

Key words: Ecuador, Tourism, Public Policy.

Student ID: 2013 – 23949

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List of Abbreviations and Acronyms

CEPAL	Comisión Económica para América Latina y El Caribe (Economic Commission for Latin America and the Caribbean)
CETT	Centro Internacional de Formación e Investigación en Turismo y Hotelería (International Center for Training and Research in Tourism)
CPI	Consumer Price Index
ECLAC	Economic Commission for Latin America and the Caribbean
GDP	Gross Domestic Product
KIEP	Korea Institute for International Economic Policy
PPD	Programa de Pequeñas Donaciones (Small Donations Program)
PROMPERU	Comisión de Promoción del Perú para la Exportación y el Turismo (Peruvian Commission of Promotion from Exports and Tourism)
SENPLADES	Secretaría Nacional de Planificación y Desarrollo (National Secretariat of Planning and Development)
VAT	Value Added Tax
WTO	World Tourism Organization

1. Introduction

1.1 Background and motivation of the study

The World Tourism Organization (WTO) defines the tourism sector like ‘the cluster of production units in different industries that provide consumption goods and services demanded by visitors. Such industries are called tourism industries because visitor acquisition represents such a significant share of their supply that, in the absence of visitors, their production of these would cease to exist in meaningful quantity’. In this sense, tourism is not defined only as the movement of people from one country to another; this concept encloses the effects in the economy of a country, in its natural environment, its population and its visited places. Tourism can be reflecting, in the impact of the goods and services of a country, and all the agents involved in this activity. The vision of tourism is growing, and now, all its elements are adapting to a global approach of development.

Nowadays, tourism is linked intrinsically with new conceptions such as sustainability, strategy, promotion and other innovative ideas; that make this sector one of the strongest services in different countries. The word “sustainable” is included in most of the aspects related with development. Ahn, Hunter and Green (in Mbaiwa and Stronza, 236: 2009) states that ‘Sustainable tourism seeks to meet three overarching goals: to improve the quality of life for host communities; to achieve visitor satisfaction; and to protect natural resources in destination countries’. The relation between

tourism and sustainable, involves a big challenge; on one hand to improve tourism as an important tool of development in a country, and on the other to keep all the strict control to avoid the excess of exploiting of resources. 'Tourism has proven to imply important externalities affecting the natural and built environments and having controversial effects on the wellbeing and culture of host populations' (Brau, Lanza and Usai, 2008: ix).

Tourism involves the image of a country. Beerli and Martin (in Kokkranikal, Cronje and Bluter, 2011: 362) argue that 'there are nine factors that can influence destination images: natural resources, general infrastructure, tourist infrastructure, tourist leisure and recreation, culture, history and art, political and economic factors, natural environment, social environment and the atmosphere of the place'. All these points need new and original actions, where the government should appear to invest and to make good policies related with the tourism sector. Different segments in the economy can generate a chain to diversify the trend in the income of a country; nevertheless, tourism sector has the advantage to discover new resources. Landscapes, natural scenarios and original architecture; are real actors inside the movement of tourism. Also, community and ecological tourism can be cataloged as a new way to carry out the dynamic of this sector.

The government's participation plays a crucial role in the development of this service. The creation and implementation of diverse policies in the tourism sector is a pivot to promote a country, establishing different patterns of behavior not only in the economic development, but also in the social one.

Tourism is an open door that shows in the practice, the management of the public sector and the incentives of the private sector to participate on it. Kokkranikal, Cronje and Bluter (2011: 360) states that 'The tourism policy also provides an overall framework for a country's tourism development so that all private and public sector activities are geared to achieve its tourism policy objectives. The national tourism policy objectives help focus on enabling tourism to help achieve the social and economic development needs of the country such as employment generation, foreign exchange earnings, development of marginal and disadvantaged communities and overall economic development. Reflecting concerns over tourism's impact on society, culture, environment and economy of the destination communities, sustainability has also become a key part of tourism policy objectives'.

Tourism sector can be focused as a "motor service" in the economy, because countries can experiment significant changes in the structure of the performance related with this service. One of these cases is Ecuador. Tourist activity in Ecuador has become one of the strongest points for the development of the country, and for the recovery of the economy in recent years. In fact, it constitutes a significant source of fresh revenue that makes possible the resurgence of other branches in the economy. Also, tourism contributes to improve priority sector by the state like education and health. The dynamic of this sector has allowed locating tourism in the first places of importance among the export sectors in Ecuador.

The balance of tourism service is superlative in the last years: travel's revenues received by foreign tourists to Ecuador outnumber the outflow of currency for residents who travel abroad. The revenue of tourism over the total of service exports grow from 45,5% in 2006, to 57,1% in 2012. In the same stage with this balance – described in dollar terms -, the balance of tourism in volume (number of trips) is positive. It means that the amount of arrivals for receptive tourism exceeds the number of departures for outgoing tourism. Since 2003, Ecuador has duplicated its visitors that's why government invests in this promising sector of the economy. It's important to remark that the evolution of employment within the tourism industry has been favorable because of the number of human resources required by the sector.

Also, it's imperative to stress that Ecuador has been experiencing big changes in social, political and economic issue since 2008. The Constitution of the Republic of Ecuador in force since this year introduced an important element in the development of the politics in the country: "the right of the nature". Ecuador was the first country in the world to introduce this term in its constitution¹ and work in base of it. The Highest Law includes some many aspects about tourism. Tourism involves not only how many people visit the country, but also, all the items (goods and services) that Ecuador can produce and develop. Tourism includes also the protection for the natural resources and the historical places. Ecuador's government is investing in tourism as a

¹ National Plan of Good Living 2013 – 2017.

product for export. Many campaigns of publicity are shown everyday inside and outside the country.

Ecuador has a plan called “National Plan of Good Living” that takes into account all the aspects which the government has to develop for the population’s welfare. The first plan was developed since 2009 until 2013 and now, there is a second plan that is developing since 2013 until 2017. Ecuador wants to promote tourism as one of the priority sector for domestic and foreign investment. Ecuador look for to position tourism as a concept of vanguard inside and outside the country; in that way, public and private sector can work together and develop ethical, responsible and sustainable tourism.

As an specific point, Ecuador wants to increase tourism revenue to 64,0% over the total of services exports. This point is mandatory, so it’s necessary to build new politics to meet the objective, and also Ecuador wants to have a comprehensive tourism in the context of the economy.

All these points push Ecuador to improve in the quality of services in tourism. Ecuador has a lot of tourism aspect to exploit. The country can take advantage of all the amazing diversity and to incorporate in the economy. The government is conscious that the tourism sector is a resource to care and to develop that’s why the spending in this part of the economy is also growing. On the other part, government keeps incentive policies for the tourism that promotes people inside the country to invest and to choose tourism as their principal activity.

1.2 The purpose of this research

The role of the government establishes important changes in the economy of a country. Taking the tourism as one of the most relevant services, the government involvement plays a fundamental aspect inside the dynamism of this sector. There are various reasons why governments intervene in the tourist sector for example: public laws, regulations, political culture, and all the public management that the government has responsibility (Elliott, 1997: 215). At the same time, it's important to recognize the outputs that the state perceives for this investment. The revenue is a visible variable that involves the behavior of the tourist and its expenditure in the country that they are visiting. This study asks whether the investment in the tourist sector is proportional to the revenue for tourism.

Research Question: The relationship between investment and revenue for tourism is proportional?

The goal of this study is to develop this question taking into account the analysis of data in Ecuador since 2003 until 2013. Also, describing the biggest improvement in tourism sector during the last years because of the changing of policies for tourism. During these years, the impact of the political laws and the way in which the government acts, is transforming from an economy based only in goods, into an economy to take off also in services.

1.3 Plan of study

In addition to these introductory remarks, this study has five chapters. The next chapter shows a review of the relevant literatures relating to the concept of tourism and the vision of the government's investment and management. In the chapter following the literature review, a description of the data used to test the main question of this study. This chapter also contains detailed explanation to the methodology applied. The next chapter presents the results and interpretation of the analysis, including the qualitative narrative to stress the strongest points in the findings. In the final, concluding chapter, a brief recapitulation of the main results for the study is presented, as well as some limitations of the analysis.

2. Literature Review

2.1 Vision of the tourism sector

The World Tourism Organization (UNWTO) refers 'travel as the activity of travellers. A traveller is someone who moves between different geographic locations, for any purpose and any duration. The visitor is a particular type of traveller and consequently tourism is a subset of travel'. This definition links the tourism with the activity of traveling. It's important to stress that the UNWTO includes in its concept, the purpose and the duration of a travel, to contemplate a person as a tourist. Countries have set different duration of time to establish if a person is a visitor or a resident in a country. This particularity is meaningful to control the development of the sector, taking into account the number of people who arrive for this specific reason.

Also, tourism can be described as a set of different activities that involves two sides. For one side, it contains the supply part with all the offer of the country in aspects like infrastructure, natural framework, architectonic sites and so on. For the other side, the demand refers to the tourist behavior and the interaction with the tourism industries in the country. Pavlic (2009:701) argues that 'improvement of the living standard has, among other things, caused the rise in fluctuation of tourists which has brought along the increase in tourist spending, i.e. the income from tourism. New tourist's behaviour is the most important factor in the new tourism development'. The rise of living standard

makes people to invest not only in goods but also hiring services, in this specific case, tourism.

As everything in a market, the economic cycle in tourism works referring to the movement of the supply and the demand, as well. The particularity of the sector is that the supply is extremely high. More than 200 countries in the world are offering this service and the competition among them is impossible to measure in only one item. Competitiveness, good strategy or promotion policies are the tools that governments have to take in order to achieve one important goal: make the country known as a good destiny for travel. Dwyer, Forsyth and Rao (in Kim, 2000, 32) state that 'tourism competitiveness is a general concept that encompasses price differentials coupled with exchange rate movements, productivity levels of various components of the tourist industry and qualitative factors affecting the attractiveness or otherwise of a destination'. Tourism embraces external variables that affect in a direct way the movement of the internal variables in a country. Sensitive variables like exchange rate or inflation have a big influence in the visitors, due to the impact in the prices.

It's significant to point that the demand of tourism is pretty diverse, and each target is connecting with the psychological part of every individual. Travelling constitutes part of the well-being and the happiness of a person, and both of them can be joined as "good life" (Pearce, Filep and Ross, 2011: 1-26). This new paradigm is a key clue in the management of the tourism, because some years ago, tourists' thoughts were not considered part of the

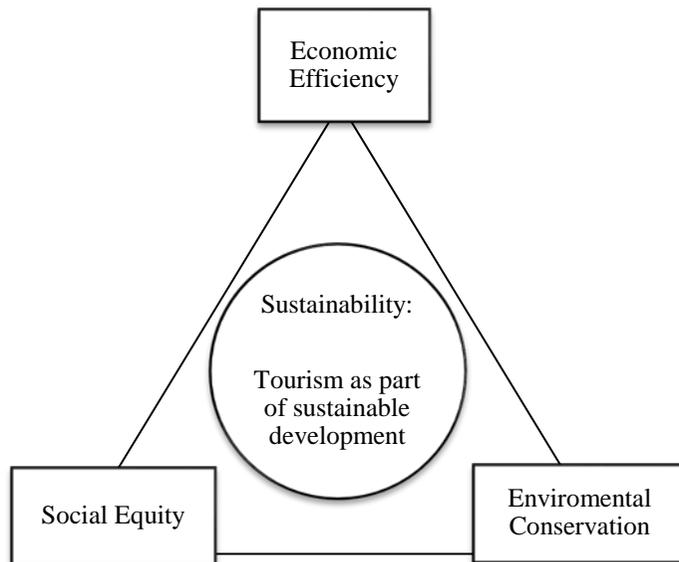
market strategy in the sector. Examples like, scholar field trips or destiny for retired people, were not segmented and were not pointed as a “new focus” group for develop in tourism.

2.1.1 New concepts in tourism

One of the most valuable concepts in the trend of the new management of tourism is sustainability. Yunis (2003: 11) agrees that ‘sustainability has undoubtedly become the central issue in tourism development policies throughout the world’. In the tourism area the word “sustainable” had a relationship only with the notion of ecotourism, because the ideas were related solely to nature. It’s true that nature is one part of tourism but not the only one. Nowadays, the word “sustainable” is tied to the whole touristic sector; because the policies applied need to keep sustainable, all the resources.

There are close links between the terms tourism, development, sustainable and tourism policies. Mbaiwa and Stonza (2009: 334) sign that to keep sustainability, it is necessary three axes: social equity, economic efficiency, and ecological sustainability. In this point of view, this tree axis can be described in the figure No. 1.

Figure No. 1: Interpretation of Sustainable Tourism



Source: Mbaiwa and Stronza (2009: 334)

Economic Efficiency requires the production of maximum output within the constraints of existing capital, in order to achieve a high stand of living. *Social Equity* refers to fairness and equal access to resources by all user groups. *Ecological Sustainability* states that the rate that renewable natural resources are used should not be faster than the rate at which the natural process renews those resources. (Mbaiwa and Stonza, 2009: 334). All these aspects shows that the development of the economy in topics like tourism needs mandatory policies of sustainability to go ahead with a change of promoting a service (tourism) as one of the basis in the exports of a country. The efficiency of resources should be a permanent goal, because the cost to rebuild new assets will be higher than taking care of them.

Jamal and Robinson (2009: 4) reaffirm the importance of tourism sign that ‘Tourism is very much at the center of a substantive and increasingly rapid, transitory but seemingly unending, process of transnational flows of peoples and cultures for leisure and business purposes’. The tourism is a mix of concepts that should keep in mind of the policymakers, specially the concept of sustainability, because the tourism is such a dynamic sector that always needs the perspective of “future”.

This concept is also linked with ethics and the way of showing the tourist, the correct way to appropriate the place that they are visiting. Lansing and De Vries (2007: 80) stress that ‘Sustainable tourism development also devotes attention to socio-cultural consequences, considering the livelihood of local residents and creating awareness among visiting tourists’. In this sense, the creation of positive externalities makes equilibrium “win and win” that’s why the habitants of the local place can realize that the habitat is not being destroyed with external factors (like tourist). The strategy is to establish interrelationships between local and foreign people.

2.2 Government involvement

All the sectors in the economy of a country need to be controlled, in the sense that the government should watch over the welfare of the population. The externalities are a risk that sometimes is not visible in the moment to develop one area. The tourism sector has different edges that have to be managed

responsibly. Tribe (2006: 323) emphasizes that ‘Tourism development often requires substantial investment for infrastructure and various countries have different attitudes to the public/private sector mix in tourism development. Because of the complexity of favourable and unfavourable impacts associated with tourism development, cost – benefit analysis (CBA) is often used to offer a rational basis for decision – making when the state undertakes investment in tourism projects’.

The investment is a fundamental part to make a sector grow. The doubt is when a government has to interact with the private sector. Nevertheless, Injecting money in the economy, makes to improve a dynamic process not only one part like tourism, but also all the movement in the system. In this case, the tool of the government is the policymaking, to establish the different effects in the society. The inclusion of the private sector is a key point in the administration of the country. That is an open door that invites foreign inversion to trust in new sectors and to project it in the long term. One of the most innovative ways to attract inversion in tourism is through the promotions and publicity.

Elliot (1997: 218) signs that there are five main groups that are involved in the public control of tourism. First, the *public sector* that involves the government in all levels (national or local), their public agencies, and natural and regional tourist offices and officers. Second, *industry* that includes investors (large, small, individual, organizations); in this group the influence of the profit and the money benefits shows up. Third, *local people* who are directly affected,

either gaining beneficially or losing in economic and social terms. In this group are involved also *tourist*, that are the “clients” who are going to recommend or not a place as a destiny. Fourth, *interest groups* that are active people who pressure for the environmental and conservation fields. Also they can have another kind of topics as a proposal but they are usually liked with the sustainable protection. The fifth and last group is *the public opinion and the mass media*. Both are in some sense, important control mechanism, because of their effect on politicians, officials and the industry. One strong measure about the management of the tourist sector is the public opinion and how it criticizes the role of the government. The tool that it’s used – the mass media – is extremely broad because it covers all the sectors in the economy. The importance of what is shown in the mass media has repercussions in the progress or the stagnation of tourism.

All these fifth groups have important weight in the moment to determine whether the involvement of the government is right or wrong. All of them are not separated and it’s like a big chain that qualifies the direction of the tourism policy. To have a real feedback will be helpful for the government, because it can strengthen the weak area or the weak actor and the investment will be focus in one specific point. Also, these actors need to be harmonized, since they are spread and each of them has different interest. The government has to be alert, especially in the way that how it is going to control all the participants in the sector. Generally, there are two types of control: formal and informal controls (Elliot; 1997: 221). The formal controls are related with the

view and the ideology of the government. The participation of the society in democracy, the correct management of the judicial branch, even believes and thoughts of the government in force are mechanisms to have a successful control in the sector. The informal control includes individual and organizational values, norms and objectives involving integrity, honesty and public service. This kind of control is seen inside the organizations.

There are many actors involved in the tourism sector, nevertheless when the topic turns into sustainable tourism; the role of the government is the most important of all because the protection of the nature environment is a key resource in this kind of tourism. Historically, government involvement has major effects on protection of the nature; due to government can introduce a set of rules for conserve the “rights of the nature”. In many cases, the protection of the nature needs some players like government or some organizations for public interest which care about the environment’s preservation. Also, tourism development is related with the image that generates one country itself. The promotion of each country requires public players like government. Most tourists select attractive sites to visit because they are influenced by a favorable impression of country. There are many ways to catch new visitors like the publicity of the country brand and all the touristic information that it’s involved around it. All this movement helps to improve the tourism industry in a country, too. Ecuador, the object of this study, is focused on the development of sustainable tourism, that’s why Ecuador needs the role of the government to establish good public policies.

Therefore, the next section shows the importance and relevance of the promotion and publicity.

2.2.1 The relevance of the promotion and publicity

The globalization is playing a fundamental role within the touristic sector. This phenomena makes governments to develop new sources for promote a country and its tourism. Sigala (2012: 25) signs that ‘As global competition intensifies and tourism demand becomes more sophisticated, new service development (NSD) is not only a competitive but a survival necessity in the tourism industry’. Nowadays, the promotion of the tourism in one country is transmitted through different aspects. One part is the “traditional way”. People transmit their impressions to other people only with the experience that they had in the country. This aspect has a deeply meaning because if the visit was good, the tourist can keep in mind a country as a place to recommend or a place to revisit in a new opportunity. This kind of promotion “one by one” has special power because the tourists could feel directly how good or bad was the travel, and they can share their impressions about the trip done. On the other hand, the technology it’s a factor that cannot be forgotten as part of the equipment in the touristic sector. Social media has revived the older decision-making processes prevalent before the emergence of mass media, when the exchange of opinions between one’s families, relatives, friends and neighbors

was the basis for purchasing decisions and for choosing a destiny of travel (Pan and Crotts, 2012: 73-74).

Parra-López et al (2012:171) suggest that ‘The increasingly widespread use of information and communication technologies and social media has triggered major changes in touristic behavior in terms of the organization of travel, the actual travel and post-travel behavior. These changes are altering travellers’ decision-making processes. Consumers consult, listen to and participate in web-based conversations concerning holiday travel. In view of the impact these collaborative behaviours have on tourist’s decisions concerning the choice of travel elements (destination, accommodation, activities, restaurants, etc.) an understanding of the antecedents to the use and adoption of social media by tourists before, during and after travel is crucial importance for destination managers and tourism business’. All the different sides of tourism demonstrate that the promotion is the biggest part to introduce a country into the world. How to show a country establishes a new opportunity to capture markets, because tourists of all over the world can realize about unknown destiny. The advanced technologies provide new effective tools to communicate touristic products in an innovative and interactive way. Since these technologies offer interactive, useful tools for searching information related to the touristic destination, the tourist’ choice might be influenced by these factors. Tourists have the possibility to achieve fast and customized information. It demonstrates that technologies are powerful tools for tourist’s decision, and also it provide information on user’s

preferences and need which managers can exploit to develop new efficient strategies for better communicating (Pantano and Servidio, 2012: 66).

In this time, the technology allows to present all the information about tourism: the place per se and also all the chain that involves the touristic sector. The involvement of the government in this aspect is fundamental because it can promote a country with all the attractions and also it can control the official information that is shown. All that is exhibit in the networks, it's not always the reality of what happens inside the country. Sometimes these kinds of information makes tourists get confused, reducing the possibility to plan a trip by them. The limitation increases the cost of travelling and tourists can change their mind for a better option. It's true that the travel agencies are in charge of manage everything about the trip, but different kind of travelers prefer to manage their visit by their own (Blanco, 2013: 1). This kind of tourists is increasing and a country cannot lose the revenue of this important group of people. The government's strategy for tourism is focused in these technology topics in order to avoid any wrong information and to promote in the best way the touristic chain in all the boundaries. Innovation is the best point to differentiate all the possibilities of choice that the tourist has. The competition is high because there are many options in the world. The key is to develop an amazing diffusion in the social media and in the global network.

There are different awards in the touristic ambit. One of the relevant is the Alimara Prices that recognize the best touristic campaigns in the world. These prizes are sponsored by the International Center for Training and Research in

Tourism (CETT, for its acronym in Spanish) and in the XXIX edition, different countries were the winners for the best performance in the promotion of the tourist sector. For best destiny, the campaign “If I were from Brussels” of the Tourist Office of Belgium and Wallonia, and “Innovate in time of crises” from the Catalan Tourism Agency; were the winners. Europe is one of the continents that has strong promotion for its countries. Before, focus countries like France or Italy were set in the mind of the travelers, however, Belgium and Spain had taken the best proposals to promote them. Another interesting prize of promotion was given to the campaign “Peru, empire of the hidden treasures” from the Peruvian Commission of Promotion from Exports and Tourism (PROMPERU, for its acronym in Spanish). Peru is one of the strongest countries in Latin America related with publicity and promotion. Peruvian country brand is internationally recognized because it is linked to innovative campaigns to show all the touristic places in the country. Peru is located in the southeast part of Ecuador and its influence in promotion can establish a connection with the tourists that visit Ecuador.

2.3 Implication of tourism in Latin America

Latin America is one of the biggest regions in the world. The countries of this region are located in most of the American Continent. Its territory extends since Mexico in North America, going through the countries in Central America, up to Chile in South America. It's the most diverse area in the planet.

In general, Latin America is taking tourism as the strategic point in its economy. Clancy (2001: 128) stress that 'Tourism has also become increasingly significant economically in what has been referred to as the third world. From a developmental standpoint, however, tourism is controversial. Proponents claim that tourism provides valuable foreign exchange rate, create jobs, and produce tax revenues. Critics argue that most of these benefits are overstated due to the capturing of benefits by powerful groups including transnational corporations (TNCs) and "leakages" (export revenues that leak out of the receiving country due to imports of tourism- related goods and services as well as profit repatriation). Although the debate continues, about 30 percent of international tourism expenditures take place in third world countries today, in many cases as a result of conscious policy choices made by governments. Several governments have targeted tourism exports as an integral part of a larger development strategy'.

The diversity in the region also constitutes the different ways of govern, the different problems that every country has, and also the interest that different groups has in one sector. The negative effect of that diversity in the tourist sector is the polarization of the structure. The income is not distributed in the best way, and the benefit goes to the big elites. (Wilson, 2008: 3 – 5). Unfortunately, this problem persists in all sectors; despite that, the tourism sector has helped to promote small businesses, to create new jobs and to avoid restrictions inside the region.

The relationship between tourism and politics is strong. Tourism had shown that the political regimen is not important; the central point is to know how the government is managing it politics. The visible case in Latin America is Cuba, the socialist country. Cuba has established sustainable eco-tourist practices and good policies to promote the island (Winson, 2006: 6). Tourism is relevant revenue for Cuba, taking into account the restrictions that the country has because of its political regimen. Tourism is one sector that can be exploited to generate new resources for a country.

The Economic Commission for Latin America and the Caribbean (ECLAC) is an organization of the United Nations that looks for the development in the region. The meetings of ECLAC try to know the strongest segment in Latin America and the Caribbean to establish several goals during a period. ECLAC has realized that the tourism sector is one of the sections that can be exploited in the countries of the area. Tourism is one topic that all countries are interested in and it's one issue that all countries can develop independently of the politic regimen or economic growth. All countries have touristic resources to show and to promote.

ECLAC has set diverse strategies to improve the tourism in Latin America and the Caribbean. This institution wants to promote tourism in the region, ensuring a dynamic balance between the protection of environmental conservation and its development. Also ECLAC wants to preserve the natural and cultural heritage of the people in Latin America and the Caribbean, because culture is the link between the environment and sustainable

development. The ecotourism is also an important age for the sustainable develop.

Most of countries in Latin America and the Caribbean are agricultural producers that's why the generation of dialogue and the link among the tourism, agriculture and environment is indispensable for the sustainability of the sector. The tourism sector in this region has had a considerable growth since the 70's (Mings, 1980: 336 – 337), so it deeply analysis is vital because of the long good trend in the history. To continue with this behavior, the presence of the government is necessary. Bailey and Richardson (2010: 369) sign that 'From the perspective of government, economic decisions may involve size of investments in necessary infrastructure to support a tourism destination, the intensity of destination marketing and fiscal costs expended in attracting new investments'. Both economic and political decisions are crucial in the movement of the cluster of tourism.

2.4 Implication of tourism in Ecuador

Ecuador is located in South America. It's one of the most diverse countries in flora and fauna. Ecuador has also many cities and places that are listed as UNESCO World Heritage Sites. The natural beauty of Ecuador is amazing and nowadays, Ecuador has won a lot of international prizes as a destination to visit.

Ecuador's economy is based in two groups of products: primary products and industrial products. Primary products represent more than 50% of the exports because Ecuador has been an agriculture country, and also, in this group is included crude oil, the most important product in Ecuador's exports. Talking about supply's service, Ecuador gradually has been positioning in the service industry, inside this group, tourism has been one of the most important issues.

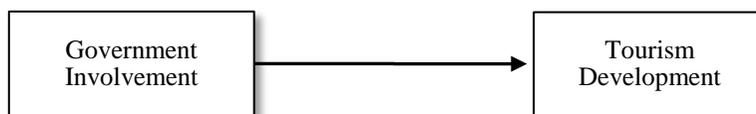
Coles and Scherle (2007: 217 – 240) agree that tourism is also a way of power and it needs social and political relationship. All the management in the sector is crucial in the economy of the country. Ecuador suffered a political instability during a decade since 1997 until 2007. The country had 10 presidents, when the presidential period in Ecuador is for 4 years. Also in 1999 Ecuador faced one strongest economic crisis when it changes the "Sucre" (Ecuadorian currency) into the US Dollar. The process of dollarization moved all the economy in the country including sectors like tourism. At that time, Ecuador was not a touristic destiny, because the main issue was to organize the economy patrons, and also the instability and constant changes of presidents couldn't development any service as an export product.

In 2007, after this period of crisis, Rafael Correa Delgado, was elected as the president of Ecuador. The government decided to make strong reforms, including new pillars in the economy of the country. One of the most visible changes was focused in tourism sector. New factors in the management of the tourism policy made that Ecuador became a new destiny of travelling not only

in the region but also around the world. The investment and the involvement of the government in this area constituted a real jump within the state policies.

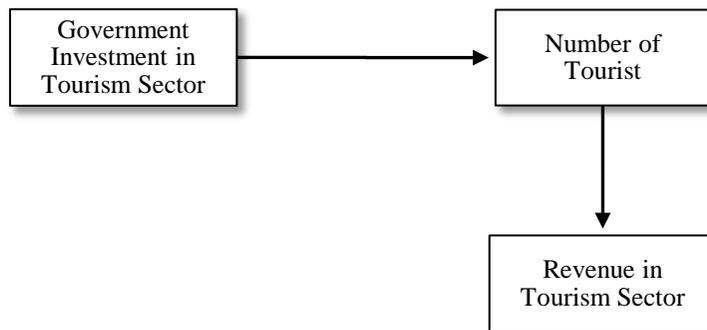
This chapter described the concepts of the tourism sector and its implication. Taking into account all this parameters, figure 2 shows the theoretical framework of this study. In order to answer the research question posed in the first section, this study treats the government involvement as the starting point for the development of the tourism in a country. The management and the government's participation determine the growth of this sector and the chain that it can generate as a cluster.

Figure 2: Theoretical framework



Taking into account the theoretical framework of figure 2; figure 3 shows the analytical framework for this study. On one hand, the government investment in tourist sector is going to promote Ecuador to develop new strategies in order for tourist to visit the country. On the other hand, this mechanism is going to increase the number of tourist which in turn it's link with the increment in revenue inside the sector. All this cycle is going to raise the progress of the tourism sector and its chain.

Figure 3: Analytical framework



3. Data, measurements, and methodology

3.1 Data

3.1.1 Ministry of Tourism data

To look for findings proposed by this research, secondary data was used. Babbie (2013: 264) stress that ‘secondary analysis is a form of research in which the data collected and processed by one researcher are reanalyzed – often for a different purpose – by another. This is especially appropriate in the case of survey data. Data archives are repositories or libraries for the storage and distribution of data for secondary analysis’.

The Ministry of Tourism in Ecuador is in charge to exercise the regulation, control, planning, management, promotion and diffusion the tourism in order to position Ecuador as preferred tourist destination. This institution tries to stress the exceptional cultural and natural diversity in the country. Also the Ministry boosts the tourism as a generating activity of socioeconomic and sustainable development.

All the data related with tourism was collected in the database of this Ministry. To show the trend of tourism sector in Ecuador, there were taken 10 years since 2003 until 2013. Monthly information data about number of tourist and its nationality were analyzed. Important reports, information about the tourist’s behavior and news of the country included in the papers of the Ministry were taking into account to develop this research.

3.1.2. Central Bank of Ecuador data

The Central Bank of Ecuador is in charge to manage all the statistics about the operation of the economic behavior in the country. Important macro analysis information was used in this research. The stronger analysis in this study was based in the relationship between investment and revenue in the tourism sector. To measure this data, the Ministry of Tourism takes two accounts of the Payment Balance in the Central Bank: travel and transportation. Nevertheless for developing this research only the account travel was considered. The account transportation was not analyzed because it created distortion in the moment to compare investment and revenue in the strict sense of tourism sector. The Central Bank of Ecuador only has quarterly information about the Payment Balance due to the data collection is significant in this period of time. In this case, also the time series 2003 – 2013 was taken.

Other variables that can influence in the behavior of tourist sector were included in the analysis: exchange rate and the consumer price index (CPI). CPI describes the changes in the price of goods and services. This tool helps to identify the fluctuation of the inflation in the economy. The exchange rate used was the euro. Ecuador has a dollarized economy, that's why the euro was taken as a measure of currency fluctuation. Euro has moved against world equity markets and it is attractive to risk-minimizing global equity investors despite their low average returns (Campbell, De Medeiros and Viceira, 2010: 87). Euro is considered a strong currency in the stock market.

3.1.3 Interviews

Babbie (2013: 250) stress that ‘Interview is a data- collection encounter in which one person (an interviewer) asks questions of another (a respondent). Interviews may be conducted face-to-face or by telephone’. For this study, the dialogue with two experts in tourism sector was relevant to identify the new management in the area. The interview was conduit with the help of network applications. There were seven open questions with the purpose to know detailed information about the publicity and promotion of tourism in Ecuador. The answers were evaluated and they were a support to make several descriptions in the different sections of this study. The interviews were in Spanish and after the answers were translated in English.

3.1.4 Other sources

Different written material like reports, academic journals and researches were evaluated and utilized to describe the qualitative information in this study. Gómez, Elboj and Capllonch (2013: 184) signs that ‘More recent methodological approaches create mechanism that can include the voices of all the participants in a study during the entire research process, though they are involved in different ways and at different levels. The dialogic turn of society, which is also having an impact on research, incorporates this trend toward including these voices and increasingly making use of dialogue to generate knowledge’. One close way to include the participants in this sector

is through the articles of newspapers, the editorials of opinion and web sides recognized and specialized like World Travel Awards or National Geographic.

3.2 Measurements

This section explains the measures used for the dependent, independent and control variables used in this study. A description of every variable and its characteristics is presented in this segment.

3.2.1 Dependent variable: Revenue in tourism sector

Revenue is defined as the amount of income that a country received in one period for a particular sector. In this case, revenue depends of the number of tourist that the country received in one period of time. For the analysis, quarter data was taken to evaluate the trend of the tourism sector during the period 2003 – 2013. Different factors influenced the behavior of the tourism sector in Ecuador. A detailed explanation will be shown in the methodological part.

3.2.2 Independent variable: Investment in tourism sector

Investment is to put money in one asset in order to receive earnings. For this study, investment refers to the amount of money that the government set in the tourism sector. In this research, quarter data was taken to analyze the movement of the investment in tourism during the period 2003 – 2013. The involvement of government was a factor that determined the inversion in this sector.

3.2.3 Control variables: Exchange rate and CPI

The euro exchange rate affect the cycle of tourism in Ecuador. Ecuador's currency is the USD dollar because of that, the appreciation or depreciation of this currency doesn't have fluctuations inside the country. Of course, the international exchange rate of USD dollar is going to affect the economic movements within the country; however the CPI is going to be a good parameter to measure the inflation and to combine 'internal inflation' with 'external exchange rate'.

3.3 Methodology

There are three most common and useful purposes for a social research: exploration, description and explanation (Babbie, 2013: 90). Exploratory study is appropriate when a research explore a new interest or when the subject of study itself is relatively new. Descriptive research is related with

the description of situations and events. The observation of the researcher it's important to determinate the results in the analysis. Explanatory answers the reason why one behavior is taking part in the research.

This study is a descriptive – explanatory research about the link between the investment of government in tourism sector and the revenue of tourists since 2003 until 2013. The main tool for this investigation is the policies applied in Ecuador during these 10 years utilizing a deductive approach to explain all the stages that the country faced in the tourism policy. The analysis was divided in three different parts shown in the following table:

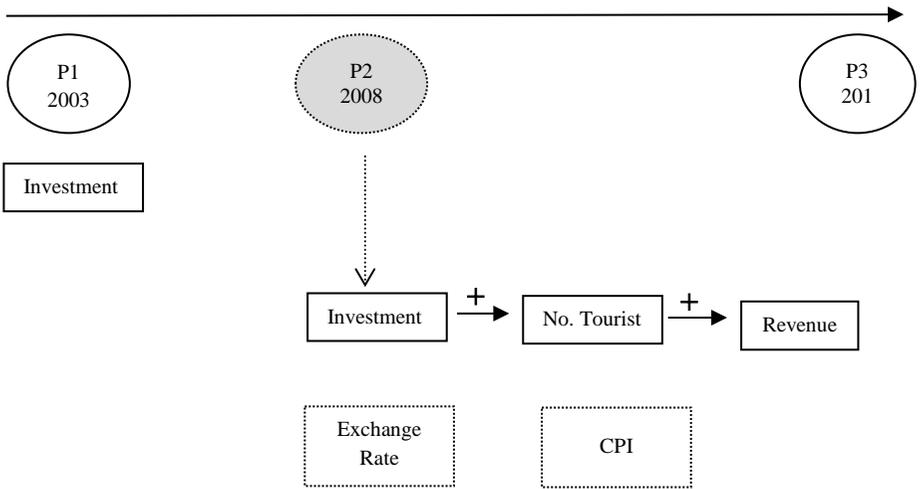
Table1: Periods for the research analysis

Periods	Year	Description
P1	2003 – 2006	Instability time
P2	2007 – 2008	Transition time
P3	2009 – 2013	Prosperous time

Each period has different characteristics about the management and involvement of government in tourism. A big changed was experimented since 2007 with the election of new president and the strong reforms that the government imposed. Tourism sector experienced diverse effects with these new policies.

Usually when there is data and variables, the analysis turns into quantitative method, nevertheless due to the amount of quarter data and the characteristic of them, this research took the qualitative analysis to explain the policies applied in Ecuador, the distinct scenarios, and its implications in the tourism sector. Figure 4 describes the framework of analysis where the period of time 2003 – 2013 is divided in P1, P2 and P3. In this framework is inserted the framework of the figure 3 that explained the relationship between the government involvement and the revenue in the tourism sector. Also external rate and CPI were included in the framework to emphasize the link with the investment and revenue.

Figure 4: Framework of analysis



Ecuador lived a particular process in the economic and political aspect that will be deeply explained in the next chapter.

4. Analysis and Results

4.1 Background of Ecuador

Ecuador is a country located in the northwestern part of South America. Its borders are Colombia on the north, Peru on the east and south, and the Pacific Ocean to the west. Ecuador is divided in four natural regions: Coast, High Land, Jungle and the Galápagos Islands. According to the World Bank, Ecuador has a surface of 256,370 square kilometers, and a population of 15'737,878 people for 2013. Ecuador is a democratic country and the presidential period lasts four years.

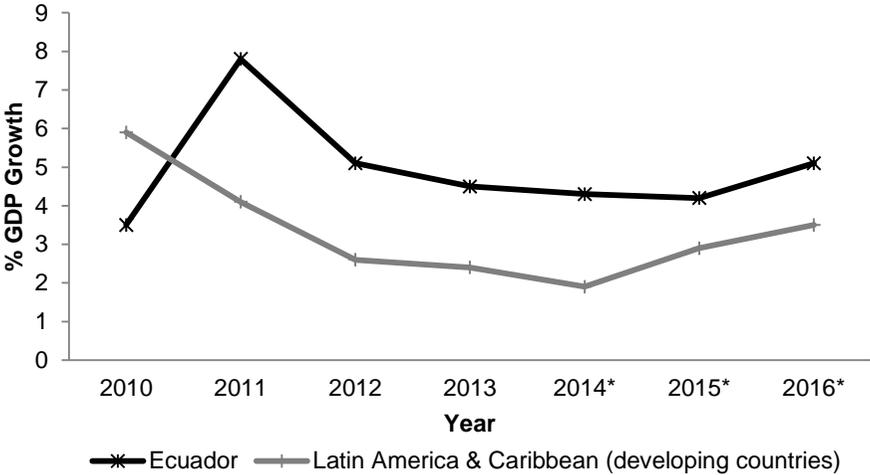
The official language in Ecuador is Spanish, but also Kichwa and Shuar are recognized in the constitution as languages for intercultural relationships. The actual constitution is more inclusive and it tries to conjugate all the actors within the country. The capital city is Quito with 2'239,191 people. Quito is located 2,800 meters over the sea level which makes it to have an attractive landscape.

On the economic part, Ecuador is considered for the World Bank as a country with an upper middle income. The Gross Domestic Product (GDP) in 2013 was \$90.02 billion USD, and the perspective of growth is promising. The forecast developed by the World Bank reveals that the GDP growth for Ecuador is increasing every year, even more than the growth of the developing countries in Latin America and the Caribbean. Chart 1 shows the trend that Ecuador has since 2010. In 2011 there was a huge increment in the

percent of GDP (7.8%), nevertheless for 2012 the percent down to 5.1%. These changes are especially due to the fluctuation of oil prices because the first item in the Ecuadorian economy is the crude oil.

The World Bank also includes in its analysis the goals that Ecuador wants to achieve in 2016: 'Ecuador's 2016 GDP growth in 2016 is expected to accelerate, and the current account to improve, as some of the ongoing hydroelectric and energy projects begin to come on stream'.

Chart 1: Percent GDP Growth



* Forecast data
 Source: World Bank

Ecuador is characterized for its diversity in flora and fauna. The Small Donations Program (PPD for its acronym in Spanish) signs that Ecuador has particular conditions in its environment and its varied ecosystems. Ecuador

has a high number of living species per unit area in South America: around 21,000 species of plants, 407 species of reptiles, 1,559 species of birds and 324 species of mammals. However, due to economic, social and political problems these natural riches are seriously deteriorate, especially with issues like deforestation and high density that makes expanding the borders of the agriculture. Despite of that, Ecuador has the advantage to have an small territory, and one of the slogans in the recent campaign of the Ministry of Tourism signs ‘Like nowhere else, all in one place, so close. All you need is Ecuador, Ecuador is all that you need’.

4.2 Period analysis in tourism sector

4.2.1 P1: 2003 – 2006, Instability time

Ecuador had has always the concern about the tourism conservation because little by little tourism became one of the strongest point for Ecuadorian economy. Despite that, since 1996 Ecuador faced a difficult period full of instability and crisis. In 1996 the president Abdalá Bucaram was elected with the approval of millions of Ecuadorians who wanted a different option, a populist option. One of the speeches of Abdalá Bucaram was to manage the politics for the poor people. However in 1997 he was overthrown due to the Congress cataloged “mental disability”. Larrea and North (1997: 914) agree that ‘Nevertheless, the massive nationwide protests that preceded the constitutionally questionable deposition of President Abdala Bucaram in

February 1997, barely six months after his inauguration, harked back to previous epochs of political instability'. There were not constitutional options to displace him from the Executive Branch even though many visible bad behaviors like robberies and corruption occurred.

This break point is important to mention in Ecuadorian's history because before that, Ecuador faced some political issues but not so strong like that. This was the starting point to a 10 years crisis. Since 1996 until 2006 Ecuador had 7 presidents, that's why there were not determinant goals to achieve. The governments were focus in reduced the social problems that every time were increasing. High rates of unemployment and corruption were present in this period. Also in 2000 Ecuador adopted the US dollar as a own currency and the transition from the Sucre (Ecuadorian currency) to the US dollar took time and the problems in the monetary policy were difficult to face. The country was not prepared of this big change and the consequences were really serious.

The tourism policy was taken superficially because there were biggest problem to solve. Nevertheless a new Tourism Law was issued in December 2002 with good proposals, taking into account the tourist welfare and the intervention of the government, but this law was not strongly followed. For example some benefits for receptive tourism operators like Value Added Tax (VAT) refund were included in this law, however the enterprises started to apply for this benefit since 2007. In this sense, good ideas of tourism policy were inserted in the Tourism Law, but there were not procedures to know how to proceed in all actors of tourism sector.

Another example is the diffusion for the VAT refund for foreign tourist. This benefit was included in the Tourism Law issued in December 2002; nevertheless the cluster of tourist sector was not involved in this benefit. One of the requirements was to acquire goods of national production, but there was not connection with the public institution in charge of these products. During P1, tourists didn't know about this benefit, and if they wanted to ask for it, they couldn't because of the lack of requirements. Since 2010, the jurisdiction was granted to the Tax Administration that is strongly promoting the VAT refund for foreign tourist and it's taking an excellent management linking all the people and institutions in this procedure.

In P1, the intervention of the government in tourism sector was low because every government was worried about the instability of the country. The first step was to equate the level of prices due to the dollarization. The inflation was one of the highest in the history of the country and the policies were focused to reduce it. Even specific policies in economics or politics couldn't be continued because every time a new government was in forced, and every time new people were in charge of the Ministries or Secretariats. Tourism was not as a priority in the government. There were not promotion and publicity about Ecuador and the country received tourist only for recognized places like Quito or Galápagos Islands. The effort to receive more tourists or to promote the country was not an objective, even though tourism was the third product of exportation.

It's important to mention that some initiatives were taking into account. In 2002, it was created the Plurinational Federation of Community Tourism of Ecuador with the purpose to include different communities and indigenous group in the tourism sector, nonetheless in this period there were not a strong development in the community tourism. The lack of regulations and measures made it impossible to improve this part of the tourism.

Also in 2004, the Regulation for the Tourism Law was issued with detailed articles but the norm was not strongly followed by the implicated people in this cluster.

4.2.2 P2: 2007 – 2008, Transition time

In 2006 a big changed started. Rafael Correa was elected as a president in Ecuador. Rafael Correa and his government took a country after crisis with many issues to set and new policies to implement. In 2007 Rafael Correa started a new period and his country evaluation was not satisfactory. In this period of time, Correa decided to ask through a popular referendum if Ecuadorians wanted to change all the policies in the country starting by the constitution. With the change of the constitution a new history will be hold in the country.

Becker (2011: 47) stress that 'In 2008, voters in Ecuador approved a new and progressive constitution. Indigenous leaders questioned whether the new

document would benefit social movements or strengthen the hand of President Rafael Correa, who appeared to be occupying political spaces that they had previously held. Correa's relations with indigenous movements point to the complications, limitations, and deep tensions inherent in pursuing revolutionary changes within a constitutional framework. Although the indigenous movements, as well as most social movements, shared Correa's stated desire to curtail neoliberal policies and implement social and economic strategies that would benefit the majority of the country's people, they increasingly clashed over how to realize those objectives. The political outcome of the new constitution depended not on the actions of the constituent assembly but on whether organized civil society could force the government to implement the ideals that the assembly had drafted'. The slogan of the government is that they are the government of the "citizens' revolution" because the government has made big changes in the economic and political aspect. These changes made the government to face different interest groups but at the same time to set a different management in the country's destiny.

Taking into account the tourism sector, the new constitution included strategic points. One of the most important is the right of the nature. Ecuador was the first country in the world to include this aspect in the constitution of the country. The articles involved in this new aspect in the constitution are:

Article 71.- Nature or Pacha Mama, where is reproduced and the life, is entitled to its existence and integral respect maintenance and regeneration of its vital cycles, structure, functions and evolutionary processes.

Any person, community, village or nationality may require the public authority to enforce the rights of nature. For apply and interpret these rights principles were observed established in the Constitution, as appropriate.

The State will encourage natural and legal persons, and collectives to protect nature, and promote respect for all the elements that form an ecosystem.

Article 72.- Nature is entitled to restoration. this restoration will be independent of the obligation of the State and the people natural or legal compensate individuals and groups depend on affected natural systems.

In cases of severe or permanent environmental impact, including caused by the exploitation of non-renewable natural resources, State will establish the most effective mechanisms to achieve restoration, and take appropriate measures to eliminate or mitigate harmful environmental consequences.

Article 73.- The State will apply precaution and restriction measures for activities that could lead to the extinction of species, the destruction ecosystems or the permanent alteration of the natural cycles.

The introduction of organisms and organic and inorganic material is prohibited that may permanently alter the national genetic heritage.

Article 74- Individuals, communities, peoples and nations will be entitled to the benefit of the environment and the natural resources they allow good living.

Environmental services will not be subject to appropriation; its production, provision, use and exploitation shall be governed by the State.

These articles allowed the government to establish a new policy of tourism that included the sustainability that was not taken into account in P1. Also, the government retook tourism as one of the strategic areas in the economy of the country that's why in 2008 the Tourism Law and its regulation were reformed. In this reform new points linked with the constitution were included.

The government decided to take tourism as the strategic point in Ecuador, because even it was not easy to develop the sector, tourism had the advantage to generate its own resources and during a transition, this strength was necessary to have a starting point in the development of the economy. Also, tourism has always been one of the main participants in the GDP of the country and the decision to renew the traditional good export into a new service exports made that the government promoted Ecuador in a different way. Tourists, and public and private institutions, started to get interest in this new destiny. The strategy of the government was on the one hand to publicize the country and on the other hand to have a sustainable tourism for the long term.

4.2.3 P3: 2009 – 2013, Prosperous time

Since 2009 it started the prosperous time with the application of good policies in the tourism sector. In this year, a set of goals and objectives were developed. This was called “The National Plan of Good Living” and it joined all the main sectors in the economy of the country. This plan was developed in an integral way, trying to link all the areas. It helped to work together in order to achieve the goals previously established. The main points in the tourism sector taken from this plan are the following:

- The strengthening of a solidarity-based “territorialized social economy”. Special attention will be paid to ventures that integrate their productive objectives to the access to basic services, food, health, quality education, quality social housing; and to tourism, based on cultural and ecological diversity.
- The promotion of natural tourism, particularly community tourism, is an alternative activity that enables making use of the natural landscape, generating educational and recreational opportunities, as well as the distribution and (re)distribution of work and wealth.
- The air transportation sector needs requires the renovation of air transport facilities to ensure the eventual compliance with air safety regulations. The effective management of these facilities is vital to the development of both domestic and international tourism infrastructure.
- Nature has a direct and indirect value on society’s activities. Biodiversity must be understood as an important source of science, technology, and related economic activities, a guarantee of food

sovereignty and safety, a source of national and international tourism: and in the case of forests, a source of oxygen with important potential in the world of carbon bond markets.

- The knowledge of cultural diversity must be promoted in the population; national and international tourism must be promoted by respecting and protecting the territories; and integral company-territorial administration processes must be started with clear programmatic agendas from the different sectors and government levels.
- Strengthening the sector of community tourism and environmental services.
- The promotion of natural tourism, particularly community tourism, is an alternative activity that enables making use of the natural landscape, generating educational and recreational opportunities, as well as the distribution and (re)distribution of work and wealth.
- To increase the participation of the tourism sector in the non-oil exports of goods and services

Tribe (2006: 326) agrees that ‘Interventionists believe the government should play a key role in funding appropriate education and training, research and development and investing in projects and infrastructure. A compelling argument here is that without such intervention there would be insufficient investment in these areas’. In the tourism sector the involvement of the

government constituted a vital role to promote this sector. All the areas worked together to achieve the objectives set in this plan.

The strategy of the government in the tourism sector was to have a strong promotion about the potential that Ecuador has in order to be chosen as a destiny to visit. National and international campaigns were developed to make publicity about the country. Another important thing was to spread all the benefits that the actors of this sector have by law. The government started to diffuse all the profits to invest in tourism sector. Little by little organizations, communities and international tourist started to “bet” on Ecuador.

At the same time, new infrastructure also was developed in the country. In 2012, the construction of the Mariscal Sucre International Airport in Quito was one of the strongest points to promote tourism. This airport opened in 2013 and it was developed with the best technology. The airport runway is one of the largest in Latin America. It allowed to open new flight routes and to connect with more places all over the world.

In 2012, Ecuador had the Presidency of the Inter-American Commission of Tourism. It helped to establish join strategies with participating countries. This position was important to show the ability of the government to manage the promotion of the tourism sector.

On the other hand, in 2012, the government started to control the small establishments to know how they are administering their business. The

objective was to know how they are presenting their products to the tourist, in quality and prices.

In 2013, the goal of the government in tourist sector was establish Ecuador as a Touristic Potency. The best international evaluation about the management in tourist sector was in this when Ecuador won for the first time, many prices in the World Travel Awards. The prices that Ecuador won were: World's Leading Green Destination, South America's Leading Destination (Quito) and South America's Leading Resort (Arasha Tropical Forest Resort & Spa).

Also other important acknowledgments were conferred to Ecuador. Quito was in the top 20 destinations of National Geographic. Lonely Planet took Ecuador as one of the destiny to visit in 2013. Different international institutions like the Spanish newspaper "El País", Travel Advisor and the American Association of Tour Operator selected Ecuador as the best place to travel. International Living qualified Ecuador as the "paradise for retired people" because Ecuador was located in the first place in the Annual Retirement Index.

4.3 Analysis Investment and Revenue in the Tourism Sector

The number of foreign tourists since 2003 has increased. There were 760,776 tourists in 2003 and 1,366,269 tourist in 2013. Table 2 shows the different behavior of foreign tourist during the 10 years of analysis.

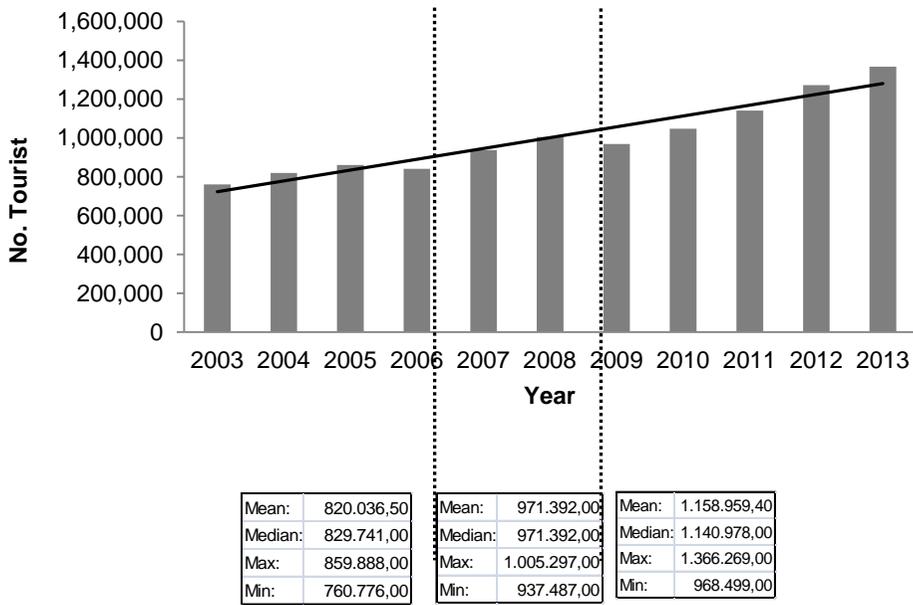
Table 2: Number of foreign tourists in Ecuador

Year	No. Tourist	Growth Rate
2003	760,776	-
2004	818,927	7,10%
2005	859,888	4,76%
2006	840,555	-2,30%
2007	937,487	10,34%
2008	1'005,297	6,75%
2009	968,499	-3,80%
2010	1'047,098	7,51%
2011	1'140,978	8,23%
2012	1'271,953	10,30%
2013	1'366,269	6,90%

Source: Ministry of Tourism

The number of tourist had increased significantly in P3. During the 10 years, in 2006 and in 2009 the number of tourist decreased. The last one as an effect of the international crisis of 2008 that was present all over the world. The grow rate in 2013 decelerated, nevertheless the trend of the number of foreign tourists is increasing. Chart 2 shows the movement of tourist in P1, P2 and P3.

Chart 2: Number of foreign tourists in Ecuador



Source: Ministry of Tourism

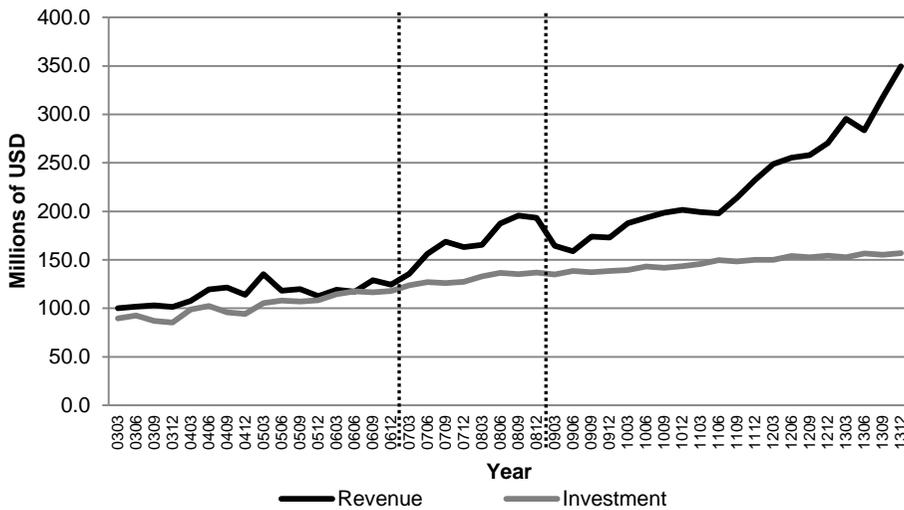
Another important aspect to analyze it's the ranking of nationalities that arrives to Ecuador. Taking the top 10 ranking of 2011 – 2013, people from Colombia arrive to Ecuador in first place. Colombia is in the north border of Ecuador, and its proximity facilitates the arrival to Ecuador. Nevertheless, it's important to mention that the second place these tree years is The United States, even this country it's in North America and it's not so close to Ecuador, arrivals from American people are increasing every year. Also European countries like Spain and Germany are in the top ten ranking. This tendency is important because it allows realizing about key markets, opportunity markets and consolidation markets.

The behavior in the tourism sector had dived two important aspects in the economy:

Investment: The government is investing in tourism sector. The trend from P1 to P3 is positive; nevertheless the amount of inversions form P1 to P3 had not increased significantly. In P3, the government has focused in tourism sector as the first export service. Chart 3 shows that the quantity of inversion in P3 was not the expected, even though there were promissory results in this period of time.

Revenue: The revenue in tourism sector had increase due to the number of tourists and different factors like the number of days that the tourists stay in the country, and also the number of times that one visitor returns to Ecuador. This trend is shown in Chart 3.

Chart 3: Investment and Revenue in tourism sector



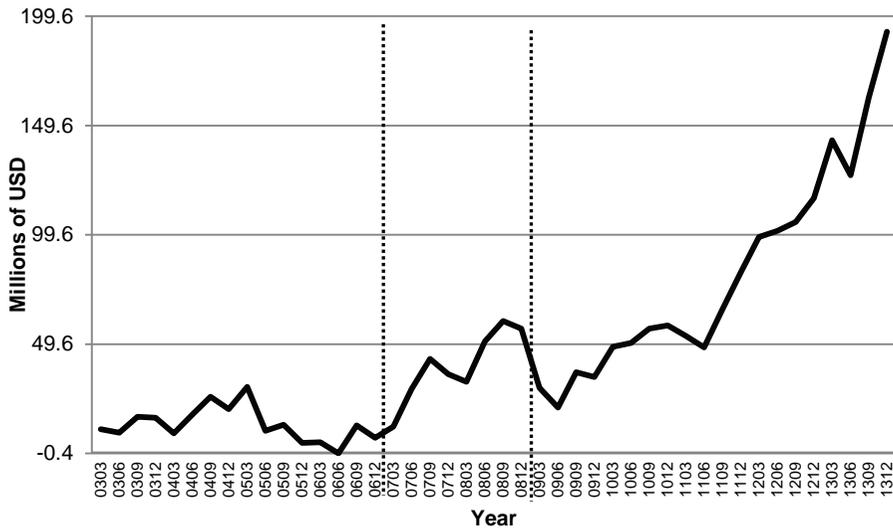
Source: Central Bank of Ecuador

The deepest analysis in this behavior is the gap between revenue and investment in P1, P2 and P3. In P1 this gap was small, almost at the same

level. Even if the revenue had positive balance, the difference between revenue and investment didn't show a significant difference. In P2 the gap started to grow, this transition was helped with the politics in the tourism sector that the new government started to apply. In P3, the gap between revenue and investment has positive and significant results. After a decrease at the beginning of 2009 due to the economic crisis in 2008, the trend started to increase, demonstrating initially that the investment and the revenue are linked. Nevertheless, the proportion of increment is not correlated one to another. With the same trend of investment in P1, the revenue in P3 has a different behavior. The economic issues in Ecuador usually were explained with the increment in the amount of money invested, however for tourism sector the key was the change in politics that the government started in P2.

Chart 4 displays the difference between revenue and investment in every period.

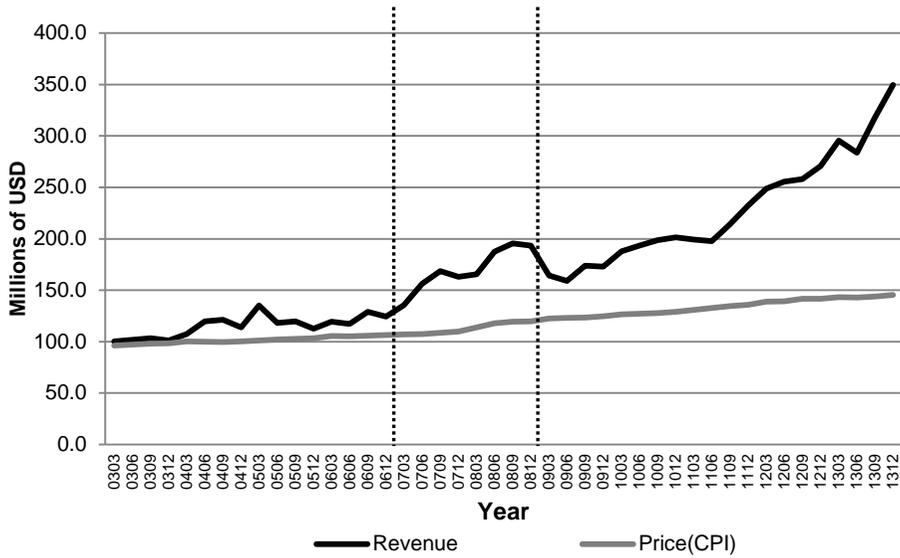
Chart 4: Difference between revenue and investment in tourism sector



Source: Central Bank of Ecuador

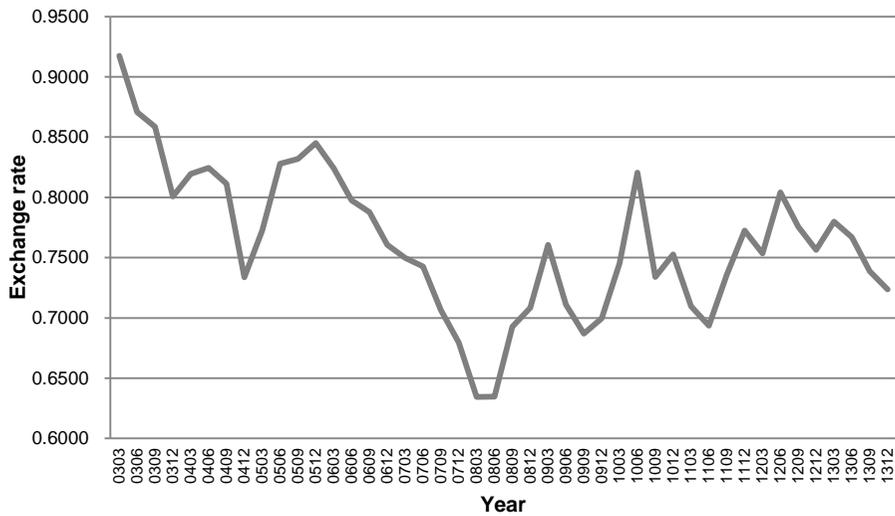
About the CPI and the exchange rate, the trend of these variables are not connected with the increase in the revenue in tourism sector. Even the CPI increase as a measure of inflation the revenue didn't decrease during the three groups of period. The euro exchange rate had a strong decrease in 2008 due to the economic crisis, nevertheless the number of tourist in this year increased in Ecuador.

Chart 5: Revenue of tourism sector and CPI



Source: Central Bank of Ecuador

Chart 6: Euro Exchange Rate



Source: Central Bank of Ecuador

4.4 The tourism sector in the neighbor countries

Colombia and Peru are the neighbor countries of Ecuador. The tourists of Colombia and Peru are significant for Ecuador and the development of tourism sector in this country had been a good example to follow.

Colombia had transformed its image from insecurity country to a place to rest. Colombia faced the big problem to have drugs and guerrilla, but the government implemented good policies and even the international perception remains like that; nowadays, Colombia receives many international tourists during a year. The Ministry of Commerce, Industry and Tourism is in charge to develop the policies in the sector, but also there are other invited actors to support the tourism in the country. The Ministry of Culture and Finance is also involved to improve the economy and the promotion in the country. It shows that Colombia has good management in the public policy in tourism. On the other hand, to travel inside Colombia by bus or car is not so safe due to the problems with the guerrilla. Tourists have to choose specific places to go by plain, and it could be one of the weaknesses of Colombian tourism.

Peru is one of the most developed countries in promotion within Latin America. Peru has won several times many prizes about the international campaigns and the recognized food that makes Peru not only a travel destiny but also a culinary destiny. For Peru, the tourism industry is the third biggest in the country. Peruvian country brand are always innovating and creating new ways to promote the country around the world. Peru has one touristic

attractive known around the world: Machu Picchu. Machu Picchu is one of the 7 wonders of the world and it's also UNESCO World Heritage. Nevertheless, Peru doesn't focus the tourism sector in Machu Picchu, the country tries to publicity new places to visit. Peru is a very big country, and even it has amazing destinies, the traveler can't visit many places. However Peru is diversified the tourism, the representative places are always going to be selected instead to explore the new ones.

Table No. 3 shows the trend of the tourism sector in Peru since 2003 until 2013.

Table 3: Number of foreign tourist in Peru

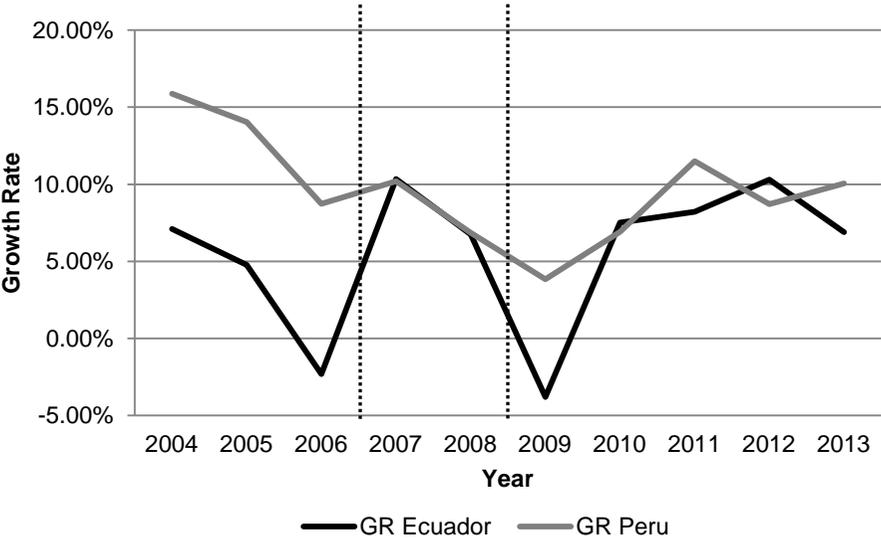
Year	No. Tourist	Growth Rate
2003	1.135.769	-
2004	1.349.959	15,87%
2005	1.570.566	14,05%
2006	1.720.746	8,73%
2007	1.916.400	10,21%
2008	2.057.620	6,86%
2009	2.139.961	3,85%
2010	2.299.187	6,93%
2011	2.597.803	11,49%
2012	2.845.623	8,71%
2013	3.163.639	10,05%

Source: Ministry of Foreign Affairs and Tourism

Peru shows a different fluctuation during the 10 years of analysis, nevertheless, its percent always is positive year by year. Comparing to Ecuador, from 2003 to 2006 (P1), Peru had a better growth rate, because at

that time Ecuador suffered for a big instability while Peru was developing a good management in this sector. From 2007 to 2008 (P2) the level of both countries are similar, and it started a decrease of the number of tourist due to the global crises, however for Ecuador this declining was stronger than for Peru. For Ecuador in 2009, the growth rate was negative. From 2009 to 2013 (P3), after the crisis of 2009 in Ecuador, these two countries present an homogeneous tendency which demonstrate that public policy applied in tourism now it's an important topic. Chart 7 shows the Growth Rate in Ecuador and Peru during 2004 and 2013.

Chart 7: Growth Rate in Tourism Sector – Ecuador and Peru



Source: Ministry of Tourism – Ecuador
 Ministry of Foreign Affairs and Tourism - Peru

4.5 Summary

The findings around the periods P1, P2 and P3 are shown in Table 4. Also, there is included the new factors for the tourism sector in 2014 as a scope of Ecuador allowed developing tourism sector. The political factor and the application of good public policies played a fundamental role to identify each one of the stages.

Table 4: Summary of the policies and results applied in Ecuador

<p style="text-align: center;">2003 – 2006</p> <p style="text-align: center;"><i>Instability time</i></p>	<p style="text-align: center;">2007 – 2008</p> <p style="text-align: center;"><i>Transition time</i></p>	<p style="text-align: center;">2009 – 2013</p> <p style="text-align: center;"><i>Prosperous time</i></p>
<p><u>2003</u></p> <p>*Political instability since 1996.</p> <p>* Creation of the Plurinational Federation of Community Tourism of Ecuador (2002).</p> <p>*Tourism Law issued in December 2002.</p> <p>*Tourism, third product of exportation</p> <p><u>2004</u></p> <p>*Regulation – Tourism Law</p>	<p><u>2007</u></p> <p>New government in force.</p> <p><u>2008</u></p> <p>*New Constitution: Rights of the nature as a new concept.</p> <p>*Reform to the Regulation – Tourism Law</p> <p>* Reform to the Touristic Law</p>	<p><u>2009</u></p> <p>National Plan for Good Living</p> <p><u>2012</u></p> <p>*Construction of the Mariscal Sucre International Airport (Quito)</p> <p>*Presidency of the Inter-American Commission of Tourism</p> <p>*Ministry of Tourism → Bird tourism: Nature tourism niche</p> <p>*Control to small establishments</p> <p><u>2013</u></p>

		<p>*Goal → Ecuador: Touristic Potency</p> <p>*Opened Mariscal Sucre International Airport</p> <p>*National Plan for Good Living: Developing tourism as the most important service export.</p> <p><i>World Travel Awards</i></p> <p>World's Leading Green Destination</p> <p>South America's Leading Destination (Quito)</p> <p>South America's Leading Resort (Arasha Tropical Forest Resort & Spa)</p> <p><i>National Geographic</i></p> <p>Top 20 Destinations (Quito)</p>
<p>2014</p> <p><i>Projections</i></p>		
<p><i>World Travel Awards</i></p> <p>South America's Leading Airport (Mariscal Sucre International Airport, Quito)</p> <p>South America's Leading Conference Hotel (Swissôtel, Quito)</p> <p>South America's Leading Destination (Quito)</p>		

South America's Leading Green Destination

South America's Leading Resort (Arasha Tropical Forest Resort & Spa)

South America's Leading Tourist Board (Ministry of Tourism)

Projects

Ecuador: Tourist Investment Destination

Project Karibao (First stage) USD 80 millions.

Las Olas (First stage) USD 50 millions.

Best Western Sail Plaza Manta USD 20 millions.

Montecristi Golf Club & Villas USD 20 millions.

Gran Cóndor Hotel Quito USD 17 millions.

Grupo Accor USD 10 millions.

Swissotel Guayaquil USD 5 millions.

Hotel Playa Paraíso USD 3.5 millions.

Hacienda Yakana USD millions.

Hotel Parque Histórico USD 2.5 millions.

5. Conclusion

5.1 Summary of principle findings

Ecuador faced different problems in its political and economic environment. Since 1996 a long period of instability was present in the country; however tourism sector had always been present as one of the strongest areas in the economy. Ecuador had been changed its trend only focused in goods to establish a new way for development: the tourism as the main export service.

The usual way to receive profit in one sector is to invest on it. The inversion is one motor that helps to improve one specific area, nevertheless in Ecuadorian case the main finding is that not only investment of government plays the principal role, the most important approach is the public policy applied in the sector. Since 2007, when the new policy started to operate, the revenue in tourism sector increased significantly more than 2003, even the trend in investment have not changed in a big measure.

This particular movement makes realized that a good policy can replays even more than a monetary amount when the good involvement is implied. For developing countries this is a key finding because the problems of deficit are always present. Also, governments prefer to invest in goods than in services because to invest in services means to have a good cluster design. For the tourism sector for example, the infrastructure and the sustainability are basic to have a long term future in the sector.

Tourism policies were successfully applied in Ecuador due to the promotion and publicity that the government made. The diversity of the country and its natural resources located Ecuador in the first places of destiny to visit. Ecuador is not a big country that's why is difficult to compete against powerful touristic industries like France or Italy that are in the top of this industry.

Ecuador case can be taken as an example of the management in good policies and the best way to exploit the resources in a responsible way. Include protection for the nature in the Constitution and in the Tourism Law helped to keep the environment and to develop policies for the long term period.

Another important issue is the inclusion of all the actors in the tourism sector. The government for one side tried to let actors know about their benefits but on the other side try to control them in order to guarantee the welfare of the tourist.

The competitive level of tourism in Ecuador had helped to improve new mechanism within the country. In 2014 the Ministry of Tourism won the prize of best leading tourist board in South America. It reflects the high level of good management this public institution.

Ecuador is a growing economy and this kind of polices are needed to achieve the goals not only in tourism but also in all economic aspects. The stability of the government is helped to keep the objectives and to have good evaluations about the management of the policies applied in every area within the country.

Tourism sector is one of the most visible changes that the government in force had modified. The infrastructure of hotels and restaurants had improved, and new international brands are every that more interested to invest in Ecuador. Also, the number of handicraft markets had increased and its infrastructure had been renewed. It means that the government is working since the basis, with the ethnic communities for one side, and for the other with big enterprises. “Inclusive government” was one of the speeches that the President Rafael Correa used in all his campaigns, and it’s one of the topics that has been ascertained in the tourism sector. Community tourism, ecological tourism, adventure tourism are some of the kind of tourism that the government divided to focus in the best way and to invest the resources efficiently.

The government is also focus in develop the areas that are linked with the tourism sector. The security is one of the principal aspects that the government is interested. The security is a factor that involves not only foreigners but also residents in the country. Nevertheless, good references in security are going to promote the tourism, because the traveler is not going to feel unsafe, and the visit in country would be pleasant. Latin America is a continent characterized for different insecurity problems. Ecuador’s north border is with Colombia, and Colombia is cataloged as a country of drugs and guerrillas. Even Colombia had changed in a positive way and now the security has increased, the international perception still remains. It could be a negative aspect because tourists can link the image of Colombia with Ecuador, causing

the same effect of insecurity. The government is facing to unlink Ecuador from non positive comments of other countries like the insecurity of Colombia, or the political problems of Venezuela. The government promotes Ecuadorian tourism and ties this good image with the best aspects of the neighbor countries and other Latin American countries.

The inversion of highways had been primordial in the tourism sector. The consolidated tourism of the neighbor countries had increased. Tourists from Colombia and Peru have easy entry to Ecuador, because the quality of the highways is one of the best in South America. For Ecuador, this group of tourist is very important because during the last years, Colombia is in the first place of the foreign tourist who visit Ecuador, and Peru is in the third place.

5.2 Limitations of the study

Even though this research shows the importance of the public policy applied to a tourism sector in the qualitative method, the lack of monthly data in variables like investment and revenue didn't allow developing a quantitative analysis to show the statistical results in the research. The quarter data couldn't demonstrate an appropriate model to consider for this study. Also there are some information in the tourism sector that are only available since 2006, due to the lack of good database in previous years.

5.3 Implications for future studies

The analysis of this research was developed evaluating the public policy in three periods; both of them (P2 and P3) pointed a notorious changed in the management of the tourism sector. The President Rafael Correa is in the Executive Branch since 2007. A new study would analyze the implications of a change in the government or the evaluation if the same government remains in the power. These two sides would have a strong influence in the tourism sector. The research would have new findings and they would compare with the starting point of the public policy applied in 2008.

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Appendix 1: Interview

The following questions show the interview schedule.

Tourism in Ecuador: Perspectives and Challenges – Interview Schedule

1. How was developed the campaign “All you need is Ecuador”?
2. This campaign, since when was implemented and what was the budget to make it?
3. How was selected the touristic attractive that the video shows?
4. What do you think, is the main purpose of the campaign?
5. Do you think that the recognition of the country in touristic terms are the result of the publicity that the current government is doing?
6. In terms of competitiveness, what do you think is the greatest strength of the tourism industry in Ecuador?
7. Do you know, if there were similar campaigns in previous governments?

Appendix 2: Data

Table 5: Monthly and Quarter Data of Variables in Tourism Sector

Month	Dependent Variables		Independent Variable	Control Variables	
	No. Tourist	Revenue (Millions of USD)	Investment (Millions of USD)	Exchange(EURO)	Price(CPI)
0301	61.688			0,9315	95,081
0302	56.922			0,9268	95,808
0303	58.492	100,1	89,5	0,9174	96,348
0304	56.327			0,8960	97,285
0305	55.770			0,8496	97,457
0306	67.527	101,7	92,7	0,8707	97,254
0307	86.293			0,8896	97,286
0308	72.795			0,9115	97,346
0309	58.155	103,2	86,8	0,8586	98,116
0310	59.966			0,8623	98,118
0311	60.589			0,8335	98,446
0312	66.252	101,3	85,4	0,8007	98,405
0401	70.868			0,8074	98,809
0402	60.761			0,8030	99,486
0403	65.619	107,5	98,7	0,8195	100,182
0404	61.874			0,8382	100,836
0405	59.509			0,8186	100,356
0406	70.373	119,6	102,3	0,8244	100,048
0407	90.882			0,8300	99,431
0408	73.697			0,8295	99,458
0409	59.541	121,3	95,8	0,8112	99,686
0410	68.377			0,7847	99,966
0411	64.036			0,7529	100,385
0412	73.390	114,0	94,2	0,7337	100,320
0501	79.118			0,7674	100,570
0502	66.052			0,7581	100,840
0503	72.880	135,3	105,3	0,7725	101,100
0504	60.489			0,7758	101,950
0505	63.792			0,8019	102,130
0506	77.059	118,1	108,1	0,8280	102,200
0507	95.621			0,8240	102,040
0508	80.181			0,8198	101,890
0509	59.431	119,8	107,1	0,8319	102,620

Month	Dependent Variables		Independent Variable	Control Variables	
	No. Tourist	Revenue (Millions of USD)	Investment (Millions of USD)	Exchange(EURO)	Price(CPI)
0510	63.755			0,8273	102,980
0511	65.896			0,8490	103,160
0512	75.614	112,6	108,2	0,8450	103,460
0601	78.856			0,8270	103,960
0602	63.408			0,8422	104,690
0603	63.504	119,3	114,5	0,8242	105,380
0604	62.108			0,7971	105,450
0605	57.275			0,7766	105,300
0606	71.789	117,2	117,6	0,7976	105,060
0607	89.829			0,7844	105,090
0608	77.826			0,7796	105,320
0609	65.198	128,9	116,5	0,7877	105,920
0610	66.538			0,7865	106,290
0611	65.359			0,7602	106,470
0612	78.865	124,5	117,7	0,7607	106,430
0701	84.070			0,7718	106,750
0702	69.534			0,7549	106,820
0703	74.929	135,6	123,8	0,7497	106,920
0704	67.788			0,7338	106,910
0705	68.583			0,7449	106,950
0706	85.769	156,1	127,1	0,7426	107,360
0707	101.088			0,7311	107,810
0708	91.309			0,7327	107,890
0709	64.966	168,7	125,9	0,7066	108,650
0710	72.365			0,6931	108,800
0711	73.273			0,6768	109,340
0712	83.813	163,0	127,2	0,6795	109,970
0801	92.378			0,6764	111,220
0802	74.174			0,6610	112,270
0803	77.946	165,4	133,0	0,6344	113,930
0804	67.557			0,6408	115,660
0805	74.667			0,6437	116,880
0806	89.262	187,5	136,6	0,6347	117,760
0807	109.250			0,6428	118,450
0808	96.336			0,6811	118,700
0809	73.757	195,5	135,3	0,6929	119,480
0810	79.814			0,7753	119,520
0811	83.458			0,7748	119,330

Month	Dependent Variables		Independent Variable	Control Variables	
	No. Tourist	Revenue (Millions of USD)	Investment (Millions of USD)	Exchange(EURO)	Price(CPI)
0812	86.698	193,4	136,7	0,7085	119,680
0901	86.544			0,7675	120,524
0902	72.742			0,7831	121,085
0903	72.226	164,3	134,8	0,7606	122,407
0904	72.910			0,7512	123,208
0905	70.277			0,7178	123,198
0906	89.889	158,9	138,4	0,7111	123,104
0907	102.571			0,7111	123,014
0908	87.221			0,6965	122,648
0909	68.124	173,8	137,1	0,6870	123,415
0910	77.960			0,6746	123,707
0911	76.965			0,6690	124,123
0912	91.070	173,1	138,5	0,6997	124,837
1001	96.109			0,7163	125,874
1002	89.924			0,7404	126,303
1003	82.452	187,9	139,5	0,7454	126,509
1004	70.540			0,7544	127,163
1005	77.618			0,8108	127,185
1006	91.602	193,4	143,3	0,8205	127,173
1007	110.545			0,7638	127,198
1008	95.219			0,7884	127,333
1009	71.776	198,6	141,9	0,7339	127,660
1010	83.701			0,7178	127,985
1011	81.253			0,7643	128,332
1012	96.359	201,5	143,4	0,7528	128,992
1101	105.541			0,7347	129,868
1102	86.424			0,7274	130,589
1103	87.486	199,2	145,8	0,7096	131,028
1104	87.509			0,6760	132,103
1105	82.811			0,7006	132,560
1106	99.944	197,8	149,7	0,6935	132,613
1107	117.997			0,6990	132,846
1108	98.987			0,6929	133,491
1109	80.083	214,0	148,3	0,7358	134,547
1110	88.338			0,7061	135,021
1111	92.566			0,7500	135,430
1112	113.292	232,4	149,8	0,7726	135,969
1201	127.119			0,7634	136,741

Month	Dependent Variables		Independent Variable	Control Variables	
	No. Tourist	Revenue (Millions of USD)	Investment (Millions of USD)	Exchange(EURO)	Price(CPI)
1202	99.551			0,7438	137,804
1203	96.975	248,6	150,0	0,7536	139,045
1204	92.627			0,7548	139,265
1205	92.646			0,8064	138,995
1206	118.293	255,4	154,0	0,8043	139,238
1207	130.783			0,8157	139,602
1208	106.368			0,8002	140,005
1209	85.986	258,0	152,5	0,7756	141,575
1210	99.145			0,7708	141,697
1211	99.676			0,7703	141,895
1212	122.784	270,5	154,1	0,7565	141,631
1301	130.842			0,7369	142,343
1302	103.768			0,7635	142,610
1303	113.361	295,5	152,6	0,7800	143,231
1304	89.669			0,7642	143,488
1305	98.420			0,7665	143,175
1306	121.742	283,6	156,7	0,7668	142,968
1307	138.140			0,7544	142,940
1308	112.576			0,7559	143,189
1309	97.372	317,7	155,2	0,7388	144,002
1310	111.519			0,7266	144,590
1311	112.061			0,7351	145,160
1312	136.799	349,4	156,8	0,7238	145,456

Source: Ministry of Tourism and Central Bank

국문초록

에콰도르의 관광:

특징과 도전과제

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관광업은 국가의 발전을 촉진시킬 수 있는 새로운 분야이다. 관광분야는 정부가 반드시 최선을 다해서 다뤄야 하는 많은 다양한 자원들을 포괄할 수 있다는 장점이 있다. 불안정과 전환의 시기를 겪은 이후, 에콰도르는 관광분야에서 입지를 공고히 할 수 있도록 성공적인 정책을 집행했고, 그 결과 보다 많은 외국인 관광객이 방문하였다. 본 연구는 에콰도르에서 실시된 새로운 정책과 관광분야의 발전을 연계하여 살펴보고자 하였다.

관광분야의 경로를 살펴보고, 나아가 관광분야가 진화하는 것이 중요하다는 것을 살펴보고자 하였다. 또한 관광분야의 개선이 이뤄지고 있다는 점을 보여주는 것으로서 정부의 관광에 대한 투자와 예산을 연결시켜 살펴보았다. 정치적 환경의 변화를 묘사하기 위해서

질적인 연구방법을 사용하였다. 투자와 예산의 관계를 보여주는 이차 데이터도 사용하였다. 연구 결과, 지난 몇 년간 실시되었던 관련 정책 덕분에 에콰도르의 관광업 분야에 개선이 있었음을 확인하였다. 한편 분석결과를 제시한 이후, 이어서 에콰도르의 현실을 규명하기 위하여 관광 분야의 새로운 정책이 직면한 문제점과 도전과제도 분석하였다. 이를 통해서 이론적, 실질적인 합의점을 도출하였다.

주요어: 에콰도르, 관광, 공공정책

학번: 2013-23949