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## **Entertainment Industry – Culture and Tourism**

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#### **I. INTRODUCTION**

This paper is about two aspects of the Entertainment Industry: tourism and culture. Its main objective is to show the most promising business opportunities offered to the international investor in both segments.

For a better analysis, this study is divided into two parts:

- the first one is related to tourism, with comments about this activity worldwide and in Brazil, however, stressing its impact on the State of Bahia. I will make a historical analysis and project for the future;
- the second part will focus the importance of culture and its impact on the Bahia economy. I believe that Bahia could become a great center for the production of music and cinema in Latin America.

## **II. PART I / TOURISM**

### **II.1 The world / A general view**

Nowadays, the tourism industry is an activity that shows the highest growth rates in the world economic context. According to data from the World Tourism Organization, tourism industry activity reaches US\$ 3.5 trillion a year and just in the last decade expanded its activities by 57%, with a median annual growth of 4.62%.

After checking the information from the World Travel and Tourism Council, which congregates the biggest multinational enterprises, the tourism market hired 213 million people in 1996, corresponding to one out of nine workers in the world.

It is important to emphasize that tourism activity assumed an economical importance only recently, especially after World War II. The air transport of passengers and the global media evolution were also important reasons for this growth.

The tourism business is divided into several segments and sub-segments, which converge for a unique objective: the attraction of people to enjoy the services effectively offered.

Among these segments and sub-segments, we can emphasize:

- the business and events tourism, which is directly connected to congress events, courses and fairs, attracting a higher income population. Its success depends on the infrastructure investment carried out by the Government in hotels, airports, business centers, etc;
- the leisure tourism, which is sub-divided in several categories, such as: nautical tourism, ecotourism, excursions in groups or individually. In this case, besides the investment needed for an appropriated and diversified hotel infrastructure, it is also essential that the country's natural, historical and cultural attractions exist.

The notability of the world tourism industry, as a wealth generator, may be measured by its share in the world GDP – 10 %, and also by its important role of creating jobs.

### **II. 2 Brazil/ Brief Report**

The 90's have been a period of significant changes in the Brazilian economic structure. These modifications were a result of the commercial and financial opening, as well as the production reorganization initiated by the Collor Plan, or more recently from the inflation control promoted by the Real Plan. Such changes have put forward many discussions and theories about the income distribution process, mainly because of the inflation tax removal.

It is convenient to point out that in February of 1999, the Brazilian government, in function of the decrease of the foreign currency reserve in the last months, adopted a series of measures, among other the depreciation of the Real in relation to the dollar. With the complementation of the reforms of fiscal adjustment, the most important being the reform of the social security, and a more austere monetary politics, based on the elevation of the interests rate and cut of the public expenditures, the government of Brazil hopes to contain the return of the inflation.

In this context, nothing expressive happened in the country's economy after the inflation tax decline resultant from the *Economy Stabilization Plan*, but the consumption elevation.

Today, the consumer can optimize purchases and increase expenses with travels and leisure, making all the domestic tourism process reasonable.

However, the economic stabilization process itself, which has the exchange rate policy as the main principle, brought some new problems on the domestic tourism consolidation process, as follows:

- in some situations, it is even cheaper to have an international trip than a domestic one. Consequently, there was an attractiveness that made the passengers look for others tourist destinations;
- not a long time ago, the tariff structure for domestic flights was one of the most expensive in the world. Only recently, this picture started to change;
- the Brazilian currency appreciation in relation to the American dollar and particularly in relation to the Argentine peso caused a decrease on the purchasing power of these currencies in the Brazilian goods and services market. It originated a decrease on the number of international tourists arriving in Brazil, in the beginning of Real Plan;
- the Brazilian economic policy itself keeps the internal interest running high as a way to attract international capital flow, what makes the financing offer for domestic trips more difficult. But this situation this does not occur with international trips, in which companies enlarge the financial sale term up to 24 parcels. This situation promotes the emissive traffic, limiting and restricting the receptive traffic.

This reality came up with the necessity to adapt the economical agents and many market segments directly or indirectly entailed to the tourism activity. This initiated an authentic individual, managerial and sectorial reengineering.

Looking to revert this initially unfavorable scenario, the Federal Government took some actions, such as:

- implementation of the National Tourism Policy, elaborated together with the Sectorial Tourism Chamber, enlarging the existing financial opportunities to the tourism "industry";
- modification on the Cabotage Law, looking to benefit maritime cruises with foreign ships by liberalizing the Brazilian coast;
- change on the Visa Law, by decreasing the foreign tourists requirements to go in the country;
- marketing operations looking to promote the Brazilian image in the global market, especially by divulging the benefits of the Economic Stabilization Plan to the foreign investor;
- investments in Brazil's image, by substituting the appeal for the Brazilian women sensuality (so called "sexual tourism") by leisure, gastronomy, culture and ecotourism attractions;
- creation of sub-regional flights throughout Brazil and to the neighbor countries, looking to build up an air transport network for the tourism attractions points not served by the major airlines companies;
- making the Brazilian aviation market more flexible, encouraging the charter flights, which contributed for the reduction of the price of the internal tourism;
- creation of new alternatives for internal trips regulation, by reducing tickets prices charged by the airlines companies;
- elaboration of an integrated and shareable plan for the tourism activity, working in close cooperation with the private sector;
- search for the tourism equilibrated self-development.

Such attitudes will make possible the development of strengths and differentiation factors heading against an even more obstinate competition. This action has the objective of promoting a competitive insertion in the national and international markets, which scenario is marked by an even more intense globalization process in the world economy.

The globalization process implies in the specialization necessity, where each country has to contribute as a "home base" for products always with a superior quality and lower costs. This picture requires a constant innovation and development of product technology, processes and services, aiming to get differentials which will guarantee a higher competition power in the international market. Such dynamic is represented at state and national level.

Technology has made the world even smaller, with technological progress has been incorporated faster that we can imagine. In this scenario, innovation, pioneering, competitiveness and productiveness earns will represent the key for the contemporary enterprises survival and success.

In this context, the consumers preferences have converged throughout frontiers all over the world, diversifying and sophisticating the product and service options, making possible the differentiation and exploitation of market niches.

The biggest industry in the planet –tourism, is also affected by the individual consumers decisions, demonstrating the paradox that the more integrated the world becomes, the more intense is the search for differentiated experience by the individuals – the small protagonists decide.

The bigger and more competitive the tourism gets, the more attractive authentic cultures become for the tourists. These cultures are seen as non standardized or not commercialized, but characterized as opportunity niches and competitive markets in the global economy.

All over the world, and also in Brazil, the people are making more trips, and the tourism and travel market answers with travel packages coherent to any budget or situation, corresponding to more product and tourism market segmentation, among which:

- resultant from new technologies allied to an artificial atmosphere. For example, in this category we can find the theme parks, which had in the last years an impressive growth in Brazil;
- linked to the nature and the environment, active vacations with new experiences (ecotourism, mountaineering, animal observation). These are also strong attractions in Brazil, due to its continental dimension that presents a variety of natural beauties such as Amazon, Pantanal in the country-side of Brazil and the Chapada Diamantina in the State of Bahia, among others;
- related to cultural, religious or sportive events, originated from the natural products re-conversion – sun and beaches, standing out the events tourism / congresses (scientific, technical and professionals) and "incentive" travels.

The most recent statistics indicate an impressive tourism growth in the 90's, targeting the feasibility of leisure complexes to answer the demand. World Hotel Statistics shows the participation of foreign guests in the world hotel groups, that used to be 48% in 1986, and rose to 53% in the early 90's. At the same period, the tourist participation in vacations worldwide used to be 49%, and in Latin America 60.5%.

It is also important to comment about the hotels infrastructure existing in Brazil today, which owns more the half a million of rooms, distributed in 18,026 lodge establishments, located in every State of the Confederation.

Approximately half (49%) of the apartments are located in the South-eastern Region, with 8,558 lodge establishments. The North-Eastern Region with 4,784 lodge establishments and 21% of the rooms disputes the second place with the Southern Region, which owns 2,842 lodge establishments, but owning 19% of the total

rooms. The Northern and Center-Western Regions together have only 11% of the total rooms, distributed in 1,842 properties.

The Southern Region of Brazil has 273,325 rooms and São Paulo concentrates around 50% of those, distributed in more than 4,400 business units, while, Bahia concentrates 36%, of the 117,421 rooms in the North-Eastern Region with almost 1,800 companies. Such numbers may be explained by the particularities of both states. São Paulo, with its economic importance, attracts a very intense tourism business, including fairs and convention events, and Bahia, by its notable position in the region represents about one third of the regional GDP.

In general terms, the average number of accommodations in Brazil is still very low. Excluding a few category hotels, which represent less than 1,000, the lodge establishments average size is below 5 rooms, and more than half of the total have around 30 rooms .

Wishing to quantify this asset, and establishing as a base to reposition amount of the 18,026 lodging accommodations in the country, the total investment in hotels infrastructure, according to the official tourism authority in Brazil - EMBRATUR, may be estimated in US\$ 20 billion.

This number assumes an important relevance and some interesting implications for the market supplier, in some simple simulations:

- the yearly 5% growth of hotel infrastructure, is equivalent to an annual investment of US\$ 1 billion;
- at the same time, an equivalent amount between 2% to 4% of this patrimony has to be invested annually in asset reposition, summing up an annual sales between US\$ 500 million and US\$ 1 billion.

Based in the states and regional operational rating performance, the annual sector total revenue is estimated from US\$ 5 to 6 billion. This turn-over means for the supplier market:

- US\$ 500 to 900 million annually (from 10% to 15%) in non-durable supplements purchases (foods and beverages, stationers, amenities, printed matters, etc.);
- US\$ 200 to 600 million annually (from 4% to 10%) in a diversified maintenance materials and services purchases;
- US\$ 150 to 360 million annually (from 3% to 6%) in many operational material repositions purchases (crackers, crystals, bedclothes, table linen, bathing clothes, etc.);
- US\$ 200 to 300 million annually (from 4% to 5%) in publicity and others marketing expenses, and;
- US\$ 300 to 600 million annually (from 6% to 10%) in several administrative and general expenses and purchases.

Due to this reality, the sector contributed to the Government treasures more than US\$ 500 millions annually, based in direct taxes, social taxes, income tax, and others.

The numbers above reveals how attractive this segment is and the cash quantity that is able to turn-over the country's economy.

Talking about job creation, the tourism activity in Brazil hires 287.265 specialized and semi-specialized workers, which pays monthly a salary average of US\$ 250 to 400. The total salary mass exceeds annually US\$ 1,3 billions, which add more than US\$ 1 billion in social taxes and computation benefits (medical assistance, vacations, licenses, meals, etc.).

Another important modernization process for the Brazilian Hotels Infrastructure was the owners and majority associates awareness to look for operators to manage theirs hotels. In the United States and Canada 70% of the

hotels properties find themselves protected by the hotel network. However, in the South America this number is not so extensive, reaching only 6%.

This association with the operators have been occurring by franchising, making easy and feasible attracting foreign tourists. Therefore the tourism industry, unlike the other activities and economic segments, is characterized by the interdependence of its agents so that the productive and consumer system can complete themselves.

The proof is that almost 95% of cruise ships sales and reservations are made by tourism agents. Others examples are the tickets sales of the airline companies and car rentals by travels agents that correspond to 90% and 50% respectively.

Now, according to the accommodation sales, this rate falls significantly, reaching only 35%, what can put off new investments.

Another interesting point to be discussed is about the country's job diffusion in the international market. Talking about tourism, Brazil's image has been associated to the city of Rio de Janeiro, which is consider the main "open door" for the foreign tourists.

As an example, we may include in this paper others destinations and the exploration of specifics market niches.

Among these markets niches, just like what was commented world-wide, we will make some brief comments about ecotourism, which is promising to become an important development vector for the Brazil's tourism if well explored.

Brazil has a 8,511,596.33 Km<sup>2</sup> surface area that comprehends with its territorial extension from the equatorial region up to the north to even non-tropical areas at the south, different climes and an amazing ecological diversity. Among these areas we have:

- The Amazon Forest with an enormous biological resources and a variety of animals and plants life has been considered one of the planet is last forest reserve;
- The Atlantic Forest with a diversified forests ecosystem mosaic and a very differentiated flower structure and composition also presents a variety of soils, relieves and climate characteristics of the enormous region where it is placed;
- The Bushy which has 2 millions km<sup>2</sup> surface;
- The Pantanal, as the major foldable land areas in South America. At the Brazilian part there are several species from endemic to migratory ones;
- The Caatinga or Semi-Arid with an animal life rich in beautiful fowls, such as the blue arara and the acauã (a type of serpent predator falcon);
- The Araucária Forest, also known as "the pinhais complex", due to the Brazilian pine tree predominance;
- The South Camps, characteristic of the Southern Region, which are denominated by "pampas";
- The Manguezal, a type of coastal vegetation that forms one of the most typical tropical ecosystems with a great geological and ecological importance;
- The Insulates and Costs Zones, the Brazilian coastline has a vast extension surface of 7,367 km, with a intense ecosystem variety: duns camps, islands, reefs, rocky coasts, bays, estuaries, cliffs and sand-banks.

We can say that the tourism activity plays a key role in the country development process, estimating that it has 5.5% share in the GDP, it is responsible for 1 out of 11 jobs offered, and also acts as an income distributor.

Brazil has a diversity of products and potentialities although its participation share in the global tourism flow worldwide is still small, in comparison to some consolidated destinations such as France, Italy and Spain.

These attractions can be reflected in every tourism sector, such as: construction of new hotels business units, possibilities of joint-ventures for all of airlines companies with national ones, construction of new theme parks and even in the nautical tourism by the investments in new marinas.

We have as an example the São Paulo city that is going through a "boom" in the hotel sector. The country's major business center will receive at least 38 new business units until the year of 2002. This means a 50% increase in the hotel and flat apartments offer, after another stagnation decade. Together with these investments, it is expected the construction of two new convention centers, with a US\$ 400 million investment.

In relation to the new investments attractions, we believe that Brazil can offer several incentives for the international investor, especially after the Economic Stabilization Plan - the Real Plan, that recovered the investor trust in the country.

It is important to emphasize that the Economic Stabilization Plan changed deeply the Brazilian State profile, promoting several privatization in some strategic sectors, with focus on the electrical and telecommunication ones.

Even with the current economic policies and with the fiscal adjustment and the tax reform, among others, the country will still have conditions to go through a liquidity problem initiated by the Asian crisis that affected many emerging countries, which Brazil is one of them.

Finally, we note from the data from the Brazilian Tourism Company - EMBRATUR, related to the year of 1997, when there was a 6 million tourism flow, generating a US\$ 45 billion wealth.

### **II.3 A View About The State Of Bahia**

The State of Bahia has a 561,026 km<sup>2</sup> of territorial extension, with a very nice climate and its population is up to 12,541,745 inhabitants. The State geographic location is strategic, as the main connection link between the Brazilian Northeastern and the Southeastern Region. This was decisive, by its location advantages, for the Bahian industrial park consolidation, which is a producer of intermediate goods.

The Bahian actual social-economic configuration initiated to form from the middle of the 70's, with the strengthening of the Salvador Metropolitan Region (RMS) industrial belt, particularly when the Petrochemical Complex started to operate.

We can find the Bahian economic *Gold Years* between the end of the 70's and by the middle of the 80's. In this decade which was considered *spoiled* by the Brazilian economy, Bahia had an excellent economic performance in relation to the others, with a GDP growth up to 44.6%. The national structure changes, implemented since 1994, find Bahia in a privileged moment. The industrial park concentrates itself in internationally competitive sectors: chemicals and petrochemicals, mining and metallurgy, besides paper and cellulose. Between 1994 to 1996, the Bahian GDP grew in an annual average of 4.1%, always with an impressive participation of the industrial sector. At the same period, this fact initiated the growth of the GDP per capita from US\$ 2,245 to US\$ 2,727.

The industrialization started as a natural consequence of the urbanization and the expansion of the tertiary sector (commerce), emphasizing the tourism – the Bahia natural vocation - which nowadays has the tourism major receptor locations of the Brazilian Northeastern region and of the country.

Besides that, the State Public Sector effort to improve the financial conditions - taken place since the beginning of the decade and recently consolidated with the success of the privatization process - allows strategic investments in several economics and infrastructure sectors, making reasonable multiples private investments in new sectors of the economic activity, expanding and diversifying it to obtain a better economic integration.

The Salvador hotel infrastructure growth and modernization, already initiated from the 70's, and the coastline cities discovered as tourism locations, e.g. the city of Porto Seguro, shows the Bahian tourism vocation and its importance for State economy.

Placed in the Brazilian Northeastern Region, the State of Bahia represents localization advantages about distance and accessibility to major markets as the Southeastern, Northeastern and the Northern regions of the country, and the main world economies, such as: United States of America, Central America, Europe and Africa.

Effectively, the Bahian tourism development, as we emphasized before, started by Salvador, that once consolidated as a tourism location, expanded its activities to other Bahian coastline regions.

As an example we can find especially the cities of Porto Seguro and Ilhéus, in the south coastline, and recently Praia do Forte in the north coastline, in addition the Chapada Diamantina in the countryside of the state, with its rich historical, cultural and ecological patrimony, allowing the job and income creation by this activity in several State regions.

Tourists flow to the state has presenting a positive growth, especially since 1992, as we may see in the table, aiming to attract 4 million tourists until the year of 2005 (with an estimate of US\$ 2 billion of investments by the private sector until this year).

We may see that the foreign tourism demand and also the foreign tourists flow to Bahia over doubled between 1983 and 1997 (look at the table in the next page). It is noted, in reason of a bad state politics for the sector and a global recession, a significant reduction of the tourists' flow in the year of 1990.

Only in the year of 1997, the tourism flow to Bahia was approximately 3.1 million against the 1.9 million in 1991, what is equivalent to a growth of 53% in the period. Nowadays, Salvador represents less than half of the tourism flow to Bahia, considering Porto Seguro, Ilhéus, others coastline cities locations and Chapada Diamantina.

Estimates that by the year of 1998, due to the exterior promotion done by the State, that there will be an annual average growth between 4% to 6% until 2005:

<b>Bahia</b>			
<b>Tourist`Global Flows (1983-1997)</b>			
<b>In Thousand Units</b>			
<b>Year</b>	<b>National</b>	<b>Foreign</b>	<b>Amount</b>
1983	1,797	121	1,918
1984	1,878	160	2,038
1985	1,987	180	2,167
1986	2,461	218	2,679
1987	2,245	203	2,448
1988	1,960	195	2,155
1989	2,069	235	2,304
1990	1,599	178	1,777
1991	1,782	202	1,984
1992	1,708	257	1,984



1993	2,046	304	2,350
1994	2,263	314	2,577
1995	2,259	322	2,581
1996	2,530	272	2,802
1997	2,769	340	3,109

We can demonstrate in the next table, the quantity and the origin of foreign tourists that visited Bahia in the year of 1997. By using this data, we can make some conclusions and initial questions:

- North-American market needs to have a better exploration with a specific promotion and divulging work;
- one of the possible reasons for the low tourists flow from United States can be attributed to the low numbers of American's hotel operators in the country, and to the nonexistence of them in Bahia (researches done by the tourist operators reveal that it is a demand of this market);
- a new redefinition of air fares, with the possibility for others companies to operate in the Mercosur route would contribute to the increment demand of this destination.

<b>Amount</b>	<b>Country of Origin</b>	<b>Number of Tourists</b>
	ARGENTINA	39,130
	GERMANY	35,290
	SPAIN	27,730
	FRANCE	23,190
	ITALY	18,520
	URUGUAY	16,880
	USA	14,950
	PORTUGAL	10,960
	CHILE	10,350
	SWISS	8,150
	ENGLAND	6,600

	BELGIUM	5,950
	HOLLAND	4,760
	PARAGUAY	3,150
	ISRAEL	2,540
	AUSTRIA	1,900
	CANADÁ	1,600
	JAPAN	1,400
	BOLÍVIA	1,200
	DENMARK	1,100
	OTHERS	104,650
	<b>TOTAL</b>	<b>340,000</b>
	EUROPE	168,560
	SOUTH AMERICAN	89,850
	NORTH AMERICAN	17,100
	OTHERS	64,490

The State Tourism flow can be evaluated by the general turn-over rate at the main airports. There was a significant rise in the number of international *charter* flights, and also, in the weekly regular flights, that increased from 3 on April'91 to 23 on February'97.

Only in the Luis Eduardo Magalhães Salvador International Airport, was registered from January to September of 1998, a total of 36,130 operations, including arrivals and departures, with 2,816 international flights and 33,314 domestic ones. In relation to the same period of 1997, these numbers represents a rise in the general, international and domestic, turn-over rate of 22%, 22.8% and 13.8% respectively.

Passengers turn-over rate in Jan.-Sep'98 corresponded to a totality of 1,506,769, increasing 20.8% in comparison to the same period of 1997.

While the international flight passengers number (91,082) decreased 6.4%, the domestic flight passengers (1,415,714) increased by 23.1%. The number of arrived passengers (803,061) was, in the same period, superior by 19.7% in relation to the departed passengers (703,735) that was 22.1% greater than Jan-Sep'98.

In the same way, the international charters flight turn-over rate had a positive growth in Jan-Sep'98, with a totality of 204 operations, including lands and take offs. In relation to Jan-Sep'97 this represents a 30.8% growth. There was a participation of 20,256 passengers in these flights, of which 9,705 were departures and 10,551 arrivals, registering an increase of 25.5%, 23.6% and 27.2%, in relation to the same period of 1997, in the totality of registers and in the departures and arrivals, respectively.

It is important to emphasize that in comparison to Jan-Sep'91, the charters flights turn-over rate performance, in the same period of 1998, registered an increase of 195.7% in the flight numbers (lands plus take offs), and of 34.3% of the departures and arrivals total.

The 20,256 passengers transported by international charter flights, corresponded to 22.2% of international flights passengers number over Jan-Sep'98 in the Luis Eduardo Magalhães Salvador International Airport.

However, the general turn-over rate in Ilhéus Airport, in Jan-Sep'98, registered a totality of 3,156 flights (lands plus take offs) and of 139,557 passengers. It means a decrease of 4.4% in the flight numbers and an increase of 24.1% in the number of passengers, at the same period of 1997.

Analyzing the commercial aviation of the Porto Seguro Airport turn-over rate in Jan-Sep'98, in comparison to the same period of 1997, allows us to certify that the total of arrived and departed passengers increased from 336,000 to 382,000, registering a 13.6% growth, while the operation numbers, including business aviation, grew 22.1% in the period, raising from 6,946 to 8,480.

Each one of these data was given by the Air Department, through INFRAERO, attesting the consolidation and potentiality of the State main destinations, as an important instrument to show the new investments attraction viability. It is important to register that from last November the commercial aviation flow will be initiated to the State newest airport located in Lençóis town. It will mean a wider range of possibilities to entice tourists to visit one of the most attractive regions in the State - the Chapada Diamantina.

We believe that three basic factors contribute towards the Bahian consolidation as an international tourist destination:

- traditional destination saturation does not have many differentiated products to offer, in spite of presenting high consumption characteristics emphasizing the structure services, where the nature, culture and adventure aspects are scarce. In this way, there is a demand for new competitive products in quality and price;
- sun, beach and popular culture are the attractions which attracts the most developed countries tourists;
- an increasing interest for a new tourism type - the ecotourism, with adventure routes and contact with an untouchable nature.

The State of Bahia has all of the pre-requirements to fit in the tendencies pointed above, however, the lodge accommodations and tourism services offered are not at the level desirable of its potential. Considering that the tourists flow to the competitors destinations with the State of Bahia reaches up 31.8 million people, as follows:

- Mexico 14.9 millions
- India/ Thailand/ Australia 9.7 millions
- Morocco/ Tunisia 7.2 millions

By certifying the importance of tourism, the strategic formulation by the State of Bahia to look for a better state development by means of transforming it socially and economically, according to an adequate models to its culture and to the contemporary world modernity. This is centered in political compositions that recognizes and attends, simultaneously and fully, both for the population interests and for the increase to the private productive accumulation.

In the specific case of tourism, this mentality is characterized by actions to promote urban and regional development, through basic infrastructure investments (sanitation, electric energy, roads, airports constructions, etc.) that implicates positively in the populations lives welfare, what is essential for a better attention to the tourists.

In this way, it is searching for a self-development, based in three essential conditions: economic feasible , socially fair (by providing to the native population the same benefits given to the tourists) and biological health (by not degrading the environment and by offering a better life condition with investments in basic sanitation).

Looking to capture necessary resources to make possibly this strategic, was presented to the Inter-American Development Bank (IDB) a project called Bahia State Tourism Development Program. The main objective was to endow the State the conditions needed for a perfect profit of its natural, historical and cultural possibilities, organizing the territorial region and defining the necessary actions for the tourism development.

The global tourism flow was referred to in 1997, we notice that occurred the following distribution in relation to the State visited cities:

**State Totality 2,915,000**

Salvador 390,000

Porto Seguro 641,000

Ilhéus 165,000

Others 719,000

This data confirms that the tourist flow is relatively well distributed among all the State cities, at consolidated locations, allowing the establishment of a strategic plan.

Therefore, the program divided the State into five geographic regions:

- North Coast;
- All Saints Bay;
- Low South Coast;
- South Coast; and
- Chapada Diamantina.

The basic criteria for selecting the areas which are the object of intervention in these regions, were: tourism attractions quality, the proximity to tourism locations already established, availability of large non-occupied areas and the possibility to implant equipment in a such way that it will not degrade the environment. This way we can avoid prejudices to the tourism attraction quality.

Tourism conceptions used originate from the elaboration of some essential premises:

- tourism development depends directly on the natural and cultural attractions conservation, which are considered basic raw-materials for the economical-cycle existence linked to the tourism. So, the tourism activity must be regulated not only by the judiciary sphere, but also under some rules that can make compatible the procedure and location interventions, ensuring this patrimony preservation;
- emphasis on the conservation of the localities social and cultural aspects, by means of avoiding the native population dispossess - a fact that have been occurring frequently in the major tourism locations of the

developing countries. Consequently, this initiated the construction of tourism villages closer to the major complexes, by means of approximating the tourists to the native population, what will make possible the offering of several products and services;

- initial investments in infrastructure. The State Government had already invested US\$ 500 million only in the period of 1991 to 1997.

With the definition of 5 geographic and tourism zones, the Bahia State Tourism, Development Program - PRODETUR - established 7 zones for the tourism development and expansion.

Tourism zones, the object of this program, do not exhaust the totality of investments opportunities in Bahia, front the richness and variety of disposable resources. Such definition, as said before, aim to give to the investment processes more hierarchy and priority objectiveness in: infrastructure, road construction, airports enlargement and construction, basic sanitary construction and investment incentives to the State. For each established tourism zone was elaborated a project to zone and arrange the soil use and utilization.

Below, we elaborated a relation of tourism zones, and for each one of them a list of its totality:

<b>Tourism Zones</b>	<b>Relation of the Municipal Districts</b>
1. Coconut Palm Coast (north coast)	Lauro de Freitas, Camaçari, Mata de São João, entre Rios, Esplanada, Conde and Jandaíra.
• All Saints Bay	Salvador, Vera Cruz, Itaparica, Jaguaripe, Salinas da Margarida, Saubara, Santo amaro, cachoeira, São Felix, São Francisco do Conde, Madre de Deus and Maragogipe.
• Dendê Coast	Valença, Taperoá, Cairu, Nilo Peçanha, Ituberá, Igrapiúna, Camamu and Maraú.
• Discovery Coast	Santa Cruz de cabrália, Porto Seguro and Belmonte.
• Whales Coast	Prado, Alcobaça, Caravelas, Nova Viçosa and Mucuri.
• Chapada Diamantina (circuit of the gold and of the diamond)	Lençois, Andarai, Mucugê, Palmei0ras, Iraquara, Itaetê, Seabra, Rio de Contas, Êrico cardoso, Piatã, Abaíra, R. Pires and L.N. Senhora

To have a better knowledge about each tourism zone, we will make some comments concerning each one, briefly, stressing in each one, the most promising business opportunities offered to the investor interested in Bahia.

First, we will show two tables about the investments carried out in each one of these tourism zones:

<b>Tourist Zones</b>	<b>Public Investment (US\$ 1,000.00)</b> <b>1991-1997</b>
Coconut Palm Coast	137,078
All Saints Bay	940,727

Great Salvador	1,077,805
Dendê Coast	74,024
Cocoa Coast	164,506
Discovery Coast	122,422
Whales Coast	55,132
Chapada Diamantina	56,668
Others	60,986
Total	1,611,543

<b>Tourist Zones</b>	<b>Private Investments (US\$ 1,000.00)</b>
	<b>1988-1997</b>
Coconut Palm Coast	327,226
All Saints Bay	340,020
Great Salvador	667,246
Dendê Coast	52,416
Cocoa Coast	89,876
Discovery Coast	383,257
Whales Coast	24,228
Chapada Diamantina	20,092
Others	11,833
Total	1,248,948

Resuming the characterization of each tourism zones, we comment.

#### Coconut Coast Tourism Zone

Located in the Salvador North Coast, this zone is an environment protected area. It is considered priority for the tourism development, due to its proximity to the Salvador International Airport - Deputado Luis Eduardo Magalhães - (55 km) and also by becoming a tourism expansion vector.

The main roadway access is the "Linha Verde" (Green Line) – state railway Ba 099, inaugurated in the end of 1993. It was built parallel to the coast, which links the whole coastline until the State of Sergipe, what favors the region with the easiness of access, making the tourism development possible.

Every main district located alongside of this 56 km of roads are integrated to the Salvador tourism circuit. In the 80's, the beginning of this integration, was marked by an implantation of a high luxury hotel located in Praia do Forte, - the Praia do Forte Resort, which is placed in such area where had had no occupation until that day. Recently, the hotel was enlarged, with a US\$ 20 million total investment.

This hotel's placement demonstrated this region's potential for the international market. Its proof is the distribution of national and international tourists in the high luxury hotels of the Bahia main tourism zone. The Praia do Forte Resort hosts predominately foreign guests.

An relevant enterprise that is taking place in this region is the construction of the Sauípe Tourism Complex, a village located in the Mata de São João District, 93km far from Salvador. To solidify such business unit, it is expected a US\$ 200 million investment, designated to the construction of 1,650 rooms distributed in 5 luxury hotels and 6 inns. It is already defined the operators of 4 hotels of the 5:

- the German Kempinsk Group, internationally recognized by their "palaces hotels" and its presence in 18 countries, will be responsible by the complex's most luxurious equipment with 275 rooms;
- the American Carlson Group will operate a five star hotel specialized in conventions. It will have 425 rooms and a convention center with a capacity of 2,000 people;
- the Sonesta Chain American Group signed a contract to explore the four star hotel, which will have 250 rooms and will target the group tourism;
- the Jamaican Superclubs Group had the responsibility to introduce the "all-inclusive" concept in Bahia - a type of hotel that includes everything, from beverages to tips in the daily rate.

The fifth hotel, which will work on the *long-stay* system - a type of hotel targeting families in long time season, still haven't closed any contract to any operator. However, the inns and the village will be in charge of a single operator, not yet defined. The Sauípe Complex inauguration is expected in October 1999.

With these two examples of investments, one already consolidated and the other in process, we certify this tourism zone potential for new investments.

### All Saints Bay

The All Saints Bay hosts several islands up to the north: Santo Antônio, Coqueiros, Bom Jesus dos Passos and Frades (this one is located 21 km far from Salvador). The Frades Island is considered the most beautiful one in the bay. Its central localization, landscapes and beaches attract a huge number of tourists in nautical attractions, besides its enormous potential for tourism, actually not well explored due to an equipment deficiency. Two locations presents as the most feasible for enterprises implantation: the Ponta do Meringote and the Ponta de Nossa Senhora de Guadalupe.

Briefly, the Todos os Santos Bay has several fantastic recesses to the ecological and cultural tourism (old sugar mills and farms from the colonial period), comprising river mouths, mangroves, beaches and colonial cities with patrimonial and cultural expression. It is greatly favorable to the nautical tourism, offering nice wind, sea, water and temperature conditions for sport, leisure and competitions.

### Great Salvador Tourism Zone

As was said before, the State tourism started in Salvador, the nation's first capital (from 1549 until 1763). Salvador hosts a valuable historical-architectonic patrimony from that period that made it one of the most important historical centers in South America, emphasizing its churches, one for each day of the year, which most of them were built in the baroque style.

The Pelourinho, a mark of the Salvador historic center, has been declared part of the Cultural Heritage of Humanity by UNESCO. It is fully revitalized and completely restored by the State Government, with a US\$ 30 million investment.

Allied to all of this, Salvador has other attractions based on its natural beauty and tropical climate, with a totally urbanized coast road formed by good hotels, restaurants and a diversified night life. There are extensive green areas fully preserved, e.g., the City Park and the Pituacu Metropolitan Park.

The State Government, together with the Inter-American Development Bank (IBD) resources, made one of the country's biggest investments in basic sanitary, which is 95% completed. This is resultant from the beforehand

conception that the State consolidation, as a major tourism location, have to go through many interventions to improve the local population life quality.

### Dendê Coast Zone

It is composed by 26 islands, which the main ones are: Tinharé, where Morro de São Paulo is located, Boipeba and Cairú, which forms the Tinharé archipelago.

The zone's main product is Morro de São Paulo locality, that already has several small-size hotels and its main target is the tourism for young people.

It has adequate areas for the ecological tourism development, due to its islands with desert beaches, workmanship naval shipyards, fishermen villages and an abundant mountainous relief, besides rivers and waterfalls.

The Camamu Bay deserves emphasis for the nautical tourism, as the third largest bay in the country. Economical viability researches shows that it is very attractive the investments in this locality, with a diversified exploration profile, inclusive with the vocation and possibility to attract maritime cruises, using the Campinhos beach as the initial location, with its deep cane plot allowing cruises with bigger raft to enter in.

### Cocoa Cost Tourism Zone

Expects an implantation of the Itacaré-Ilhéus Tourism Center, comprehending 15km of coastline extension, between the sea and the state roadway. It is 70km far from Ilhéus, and its airport is connected to the Salvador International Airport within 30 minutes by air.

Ilhéus Southern Region urbanization is marked by high luxury hotel enterprise, targeting the leisure, as: Jardim Atlântico, Arraial Canabrava and Transamérica Comandatuba.

But it is in the north direction where the Itacaré-Ilhéus Tourism Center is located, when we can find that the major beaches extensions still preserved, with lots of opportunities for the ecotourism. The Encatada Lagoon is a rising star in the Ilhéus hydrographic resources.

Ilhéus is considered another important destination of the State, disposing of all the basic infrastructure needed to host the tourist. However, it must have a better use of its possibilities, through the consolidation of the investments already carried-out in the Far-South and make feasible news enterprises inside of the proposed Tourism Center. Below, it was done a small brief about the city and its characteristics.

Since the XVI century, the Jesuits had installed themselves in the region, initiating the colonization process. They legated to Ilhéus a valuable religious architectonic patrimony. Its urban architecture had gone by some changes at the beginning of this century, with the cocoa activity prosperity, which was the most important activity until the early 60's.

Lately, the tourism has been gaining importance and presenting itself as one of the best alternatives, by the airport modernization feasibility, the implantation of a high quality hotel infrastructure and the construction of a convention center. The Ilhéus-Itacaré Tourism Center, thus, will be benefited of all advantages that its proximity to Ilhéus district can offer. The zoning project of this area contemplates an implantation of 10,000 rooms, in hotels, inns, chalets, besides golf courts, land sports, horse racing and nautical centers.

### Discovery Coast Tourism Zone

It is in this zone where the Porto Seguro Caraiva Tourism Center will be developed, located 55km far from the Porto Seguro airport, comprehending 32km of coastline extension.

By its attraction diversities, Porto Seguro became the second largest tourism location of the State, coming right after Salvador, and the third in the Brazil's Northeastern Region. Among its resources we can find several



beaches, each one with peculiar characteristics, favorable for diving, fishing, bathing, etc.

This zone has a valuable ecological reserve, the Discovery National Park, marking the Brazil's discovery place and comprehending original regions of Mata Atlântica.

The historic-cultural aspects originated from the country's discovery are associated to the natural aspects. Porto Seguro developed itself from its port, explored since the XVI century by the Portuguese colonizers, and that is the reason why most of the urban center are dated from this century.

Porto Seguro's economy is strongly based in tourism. The district centralizes services to attend the tourists that visits the region, offering nautical tours, excursions and a intense night life with lots of bars and restaurants (news music rhythm have come from Porto Seguro, e.g. the Lambada). The recently inaugurated airport in 1996 allows regular and charters flights.

From Porto Seguro, using its infrastructure, will start to show up new investments expected for the region, where the *Master Plan* predicts the implantation of 35,000 rooms, in resorts, inns, hotels, villages, theme parks, land and nautical sportive equipment.

It is expected for this region in a short and medium-time term investment up to US\$ 150 million destined to build up a tourism complex, denominated Terra à Vista Complex, which will have a total of four hotels, 1,000 rooms and one house condominium. It will be developed at the Trancoso and Arraial D'Ajuda locality, occupying a 10,000m<sup>2</sup> area.

The construction of the first hotel is already defined with 250 rooms, expecting the inauguration to occur on April 22nd, 2000, the commemorative year of the Brazilian 500 years of discovery.

The State Government had already initiated the construction of a road that connects, by the continent, the Porto Seguro district to those localities, optimizing and making possible Porto Seguro airport utilization.

### Whale Coast Tourism Zone

It is located in the far south coastline, where the Ponta da Baleia Tourism Center - Abrolhos will be implanted. This tourism center will be based, in one side, the Ponta da Baleia where will be installed the Ponta da Baleia Tourism Complex which is located in the continent, in the Caravelas district. In the other side, in the Abrolhos National Park no human construction is allowed, where the Abrolhos Theme Park will be placed.

The Abrolhos National Park, the region major tourism location, offers a wide variety of nautical attractions and also submarine observation activities up to 10 meters deep, due to its crystal clear water that offers a visibility up to 15 meters. It hosts one of the planet's richest maritime biota, with a variety of corals types and several fish species.

The Ponta da Beleias Tourism Complex will comprehend an extension of 12km of beaches and 3km of width. The Complex will have the objective to supply the hotels infrastructure, to make the tourism exploration and the region's maritime potential reasonable.

Caravelas district will be the complex's main urban support and the initial point for the the region visitation, due to its proximity to the airport, to others urban facilities and the existence of disposable areas to implant international enterprises.

### Chapada Diamantina Tourism Zone

The Chapada Diamantina is located in the State's central region, occupying a totality of 152 hectares of highlands, cut by canyons, waterfalls, rivers and flowered camps. The climate, height and vegetation reveal the Chapada Diamantina predominant ecological vocation, thus, appropriated for the national and international ecotourism development.

Its main support point is situated in the Lençois district, that reckons with 3 category hotels and several inns, and its airport capable to land the "Boeing 737" airplane type. This airport was inaugurated in October '98.

So, we may note the tourism importance for the State development. We will add others data from the Bahian Official Tourism Company – BAHIATURSA, which confirms this affirmative:

- it estimates that tourism generated a global revenue of US\$ 856.6 million in 1997, and established a target of US\$ 1,800 million until the year of 2005;
- nowadays, the State owns 105,200 rooms available, estimates a target of 139,700 rooms in the year of 2005;
- it creates 357,000 jobs, which 65,000 are direct ones, and estimates a target of 501,000 jobs, which 91,100 are direct ones, in the year of 2005;
- nowadays, the State population depending of the tourism reaches up to 714,000 people, and it estimates a target of 1,002,000 people in the year of 2005.

Still, we can add that the Bahian tourism even disposing of a peculiar and differentiated product with the motivation and attractions, need to have an integrated work, in close corporation to the private sector. This attitude aims to endow this product with an image always renewed, a high quality in its several constituted elements, and consequently to have competence to definitively concretize the power that the tourism owns as the social and economical development promoting activity, in benefit of the Bahia State and its population.

It is necessary, also in the new investments attraction strategy, to create an even more modern mechanisms, searching for a more aggressive action on capturing partners for new projects, mainly with international investor and pension funds.

One way to make this possible, inside of a modern State structure, is the creation of a business agency responsible for the identification and feasibility of economical viability study for new projects in each one of the regions and responsible to look for interested people in each one of the business or projects.

This agency could be the Development Bank of the state - DESENBANCO. By the other hand, to be engaged in the process of attracting new investments, it is important for the DESENBANCO became more efficient and creative. I think, that a participation of one bank in this process will give credibility and trust for the international investor and pension funds.

### **III. PART 2 / CULTURE**

For the Bahian people culture has a strict relation to its historic past. Portuguese, African-Americans and Natives promoted a race, culture and creed miscegenation, where it can only be found in Bahia.

The Bahian are a happy, funny and hospitable people, these characteristics are easily identified by the daily contact on the city's streets and in the popular feasts, mainly during the Carnival.

In the arts, we have internationally known writers as Jorge Amado and Ubaldo Ribeiro. In the popular music we have composers as Caetano Veloso and Gilberto Gil .

The "WORLD MUSIC" ascent as an international phonographic market consumption tendency marked a change in the position of the music produced in the 3<sup>rd</sup> world, that started to feed important international markets as the USA, France and England's. This global flow placed the so called "axé music" in evidence and reflected significantly in Salvador city, that from the 90's stopped being a raw-material producer center to became a extra-occidental musicality exporter center.

This phenomenon allied itself and came to add to another one already existent, the so called *Trios Elétricos* (trucks with speakers that plays electronic music, generally guitar, bass and digital pianos- more recently) that from the 60's until today have become the attraction of one of the country's most popular feasts, the Carnival.

When the so called Trios Elétricos started to incorporate in its repertoires the "axé music" it initiated a Bahian music *big explosion* that start to impose new styles and to be well diffused all over the country.

As an example of what represents the Bahian music growth, we will focus in the Carnival, the Salvador city major feast that used to last 3 days and now is 7 days long. This feast goes through all year long, with concerts, rehearsals, micaretas (small carnivals in others cities) and out of season carnivals throughout Brazil. It is positive that Carnival does not represent the totality of the city's cultural production.

But it is evident that the cultural production unleashed by the Carnival, mainly by the music, is the one who build up and give support to the huge symbolic-cultural goods and services market characteristics of the city.

Some of the Bahian singers and musical groups, all linked to the Carnival world, all together sell over 9 million copies, penetrating even in the international market (mainly the European market).

In a recent article the Bahian economist Armando Avena accounted some data that reflect the called "axé economy" strength:

*"... a preliminary survey allows to estimate the turn-over of the "axé economy" actual mass resources up to US\$ 500 million and the State and Municipal's treasure cashed in a US\$ 230 million revenue, only with the Carnival. In this period, about 1.5 million people includes themselves with the feast including 200.000 tourists, resulting in generalized consumption enlargement, mainly by the beer consumption, that reaches up a total of 18 million cans. Besides that, the Bahian feasts made reasonable the sprouting of a phonographic market that creates and exports music, rhythms and new singers that more and more conquests the national and international market. The axé industry invoice is originated from several sources and include, besides the Carnival, the annual records sales, the Carnival costumes sales, the hundreds of concerts and events and several others activities that had not seemed to deal with economy and profitability. Nevertheless, the relation between the tourism and the axé gets more intimate each time and estimate that about 40% of the tourists that visit Salvador are attracted mainly by its cultural production" (Avena 1998) – Translated by the author.*

Therefore, there is no doubt about the dynamism of this economy by its capacity of enlarging the job generation, or by the amount of capital that is already applied, as also by the capacity to increase the tax collecting and the power to attract national and international tourism flow.

Another aspect to be considered is the creation of a musically high qualified labor. In fact, it may make reasonable the attraction of a big phonographic studio to the State, to distribute records all over Brazil and Latin America.

We consider important to comment all the work done by the State Government, by the Culture and Tourism Secretary, that elaborated a study looking to quantify the culture impact on the State GDP.

To make this possible, it is indispensable to know the concept attributed to the culture in the above mentioned study.

The culture, understood as the whole spectacle, presentation and/or event consumed and produced, either literary, culinary, musical, architectonic, religious or tourism, is defined as the contemplation, admiration, and observation of the human total aspects production.

Looking to quantify this consumption, using the theoretical tools of the Social Accounting System, that comes from the total consumption by the resident and non-resident families at market prices, that makes possible the cultural production quantification. Adding to this consumption: the collective consumption (of the government),

the public investment, non-profitable institutions and private companies, the stock variation and the exports less imports.

The Social Accounting advantage, theorized by Richard Stone and oriented by the ONU, is to let economical analyses of international comparative.

The expense is defined by each one component of the measurement of the Bahian culture GDP used the ONU definition.

It follows the considered equation:

Gross Domestic Product = Final Consumption + Gross Formation of Fix Capital + Stocks Variation + Exports – Imports, where:

Final Consumption = resident families consumption + non-resident families consumption + Government expenditures (to estimate this consumption, the cultural production of Bahia was utilized the Public organs budget linked);

Gross Formation of Fix Capital = correspond to the increase of flows, construction repositions and equipment carried out both the private sector and public sectors;

Stocks Variation: as the cultural services stocks variation do not exist, once that everything is produced is consumed, and the cultural goods stocks (records, books, etc..) are difficult to measure, this variation was estimated at zero;

Exports and imports of cultural services and goods = a service balance was done for every concert, records, tapes, CDs, movies and movies tapes that are commercialized by local producers to others states and to the world, versus the products acquired by the State.

*Observation:*

*By a field research carried out in 1,720 resident families, it totaled the expenses made on cultural goods and services. It stipulated the expenses shared on these items in relation to the family budget and extrapolated this value from the total State population, thus, calculating the residents consumption.*

*For the non-resident consumption calculation, it used the revenue generated by the tourism in Bahia, multiplying by the share defined by the research done in the tourists. It stipulated the consumption share on culture (the percentage found in the research was 31%, which 13% was on entertainment products and 18% on the acquirement of handicrafts).*

From those premises, on 1996 data, it came to a percentage of 4.4% in relation to the State GDP, corresponding to the culture impact on the Bahian economy.

Even considering some imperfection on the model used, we noted the importance of this segment for the State development as well as its vocation for the development of activities in this area, besides the music focused before.

#### **IV. CONCLUSION**

Brazil arrives at the end of the millennium amid deep modifications in the development process. The new world conjuncture, brings to the country the opening of new economical horizons, but, at the same time, it proposes the challenge of rethinking the development model adopted up to now to due front to the tendencies of the international market, that it demands, so much of the public power as of the private sector, agility and competence .

We believe, thus, have shown the value of both segments to the Brazil, and especially to the Bahia economy development.

For so much, the achievement of the economical reforms and of adjustment of the public sector are essential so that the trust of the market is established in Brazil.

The State of Bahia that represents about 5% of GDP of the country, is trying to accomplish its part, since 1991, adopting a politics of adjustment of the public sector and reduction of the size of the State in the economy, through a politics of privatizations of the state companies, with prominence for the electric power company and of the state bank.

We stood up for the self-development thesis that fits in perfectly in both segments, tourism and culture, extending out for what is socially fair, economically feasible and biologically healthy.

It explains, socially fair because they are sectors that contributes more emphatic to the income distribution among the population, economically feasible because of the reward that the tourism and culture offers to its investors and biologically healthy because they do not hurt the environment, on the contrary, they contribute for its preservation.

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### **Notes:**

1. *Annual publication of official tourism authority in Brazil*
2. *and (3) Annual publication of the State of Bahia about the tourism sector*

*(4) Report of the State of Bahia about the impact of the culture in the economy of the state*