Tourism-Dependent Small Islands, Inclusive Growth and the Blue Economy

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Summary:

Tourism-dependent Small Island Developing States face a number of mounting pressures, calling into question the potential for further development of the industry. We argue that, in the short to medium term, tourism is a pragmatic strategy but that islands' tourism dependence could be mitigated by the strengthening of economic linkages and the reduction of economic leakages.

Island Tourism: from 'desert islands' to huge resorts

Islands have been capturing our imagination in popular culture since Defoe's novel Robinson Crusoe (1719). A multitude of movies and TV survivor shows staged on "desert islands" have followed, and a multi-billion dollar industry has emerged.

Since the massification of leisure travel, the "unspoiled paradise" of tropical islands has been a marketing meme promoting international tourism across the world: from the

Caribbean to the Indian and Pacific Oceans. Although early tropical-island tourism was dominated by the so-called “snowbirds”—the wealthy elite flocking to the Caribbean to escape the northern hemisphere’s winters—by the 1960s rising disposable income and falling airfares led to waves of international tourists lapping at islands’ shores and the birth of the “pleasure periphery” of the industrialized Global North. Newly independent countries in the Global South in need of economic development further encouraged international visitors so that by 2018, global tourism flows had reached 1.45 billion international arrivals with an expenditure of over $1.5 trillion.

Consequently, of the 58 Small Island Developing States (SIDS) recognized by the United Nations (UN) today, the majority are highly dependent on international tourism from the Global North to fund their economies (Table 1). Hosting tourism on islands can, however, be a “two-edged sword” given that its major economic benefits can also create local vulnerabilities such as an increased demand for water, food, and energy; elevated sewage, waste, and pollution; coastal-zone urbanization and development; overcrowding and traffic congestion; degradation of natural assets, including coral reefs, mangroves, and seagrass meadows; and an erosion of the well-being of the local population. Yet despite these damages, growth is expected to continue; the World Bank projects that coastal and marine tourism will be the largest value-adding segment of the ocean economy at 26% by 2030.[1]

Table 1. Tourism key data for 2018, selected small island economies

	Population	International arrivals	Ratio citizen : tourist	International tourism receipts (US$ millions)	Tourism contribution to GDP (%)	Total employment in tourism, direct & indirect (%)
Antigua & Barbuda	96,290	269,000	1:3	557 (2017)	44.1	44.1
Aruba	105,840	1,071,000 (2017)	1:10	2,024	98.3	99.1
Bahamas	385,640	1,627,000	1:4	3,355	40.4	48.4
Barbados	286,640	680,000	1:2.5	1,125	34.9	34.9

Dominican Republic	10,627,190	6,569,000	1:0.6	7,561	17.2	16.0
Fiji	883,480	870,000	1:1	956	38.9	35.3
Jamaica	2,934,860	2,473,000	1:0.8	3,099	34.0	30.8
Maldives	515,700	1,484,000	1:2.8	3,028	66.4	32.4
Mauritius	1,265,300	1,399,000	1:1.1	1,887	24.3	23.2
Seychelles	96,760	362,000	1:3.7	564	67.1	66.7
Trinidad & Tobago	1,389,860	375,000	1:0.26	453 (2017)	7.6	9.5
Vanuatu	292,680	116,000	1:0.4	217 (2010)	48	41.1

Source: Sources: UNWTO data,[8] WTTC Country Reports 2019, [9] and World Bank. [10]

The "blue economy" concept seeks to retain the benefits of the growing ocean economy while developing it in a responsible way to ensure the sustainable use of the ocean's resources to increase well-being and equity in coastal and island societies.[2] It is expected to play an important role in helping achieve a number of the UN's Sustainable Development Goals (SDGs) and is a central component of the UN's upcoming Decade of Ocean Science for Sustainable Development (2021–2030). However, this is a tall order for an industry that predominantly relies on the littoral zone for tourist activities rather than the extensive marine areas that compose much of SIDS' territories. The resources within the vast marine areas contribute more to the fishing, mining, and oil sectors, whereas tourism's contribution to the blue economy is more problematic. Some sizeable estimates that appear highly positive, such as the $19 billion valuation of coral-reef tourism through activities such as diving, have been published;[1] however, we suggest that such headline figures be used with great caution and that tourism's promotion as a major contributor to the blue economy not be exaggerated. We must instead evaluate the pressures and focus on what can be realistically and practically achieved, and most importantly, we must consider how economic benefits can be retained by SIDS and their citizens.

Under Pressure

Most SIDS have small land areas and high ratios of coastline to land and often lack economic alternatives to tourism. Although tourism contributes significantly to their economies, it also puts significant pressure on islands' natural resources and the environment, especially where visitors significantly exceed local populations; for instance, the Caribbean island of Aruba, which has a population of 105,000 and area around 178 km2, hosted over a million tourists in 2017 (Table 1). The pressures are multiple and range from increasing demand for fresh water for swimming pools, hotel gardens, golf courses, catering, showers, hotel laundries, etc., to mounting garbage; for instance, in Malta the largest landfill has a height of 60 m and is now visible across the island. As the number of tourists increases, imports of fresh foods and other goods via global supply chains will also grow, generating further emissions from freight and augmenting risk associated with supply-chain disruptions. These pressures would be compounded if we factored in cruise tourism, which accounted for 28.5 million tourists globally in 2018.

SIDS also face economic pressures: once international tourism became big business, independent island enterprises faced enormous competition from transnational corporations (TNCs). Large TNC operators are vertically or horizontally integrated and use subsidiary companies to service much of the tourist's visit, including accommodation, transport, activities, and attractions. This leads to economic leakage (profits flowing off island) to foreign-owned businesses, leaving little opportunity for smaller, local enterprises to benefit from tourist expenditure. Leakage estimates range from the World Bank's conservative leakage rates of 55% to over 80% for some SIDS, such as the Bahamas.[3] Economic pressures are compounded by competition between SIDS. In the eyes of the tourist, one tropical-island destination is much the same as another. This is particularly true within island chains, such as the Caribbean, and results in limited competitive advantage. Among Caribbean SIDS, such competition has generated a "race to the bottom" business model and the emergence of intense price competition over harbor dues for cruise ships and increasingly lucrative incentives to attract international hotels and direct foreign investment.

Inclusive Growth: Capturing Local Benefits

For islands to effectively benefit from international tourism, a recent (albeit contested) concept from the international development community is useful. Inclusive growth—broadly being economic growth that benefits more than the poorest quartile in a population—has been recently applied to tourism development in the Global South.

Tourism-led inclusive growth, if effectively carried out, has two main components: maximizing economic linkages to the local economy and minimizing economic leakage off island, as demonstrated by Hampton and Jeyacheya's work in Southeast Asia.[4]

First, we consider economic linkages, particularly backward linkages connecting tourism demand from hotels to the source of the supply of products, such as food, furniture, linens, hotel-room fittings, etc. Let's take food as an example: a large tourist hotel in the Bahamas will require many hundreds of kilograms of food each week, of which 90% is likely to be imported from the US. Potential challenges include issues related to the sourcing of sufficient quantity and quality of fresh produce and sometimes simple bottlenecks such as a lack of chill chain trucks or refrigerated warehousing. Such challenges can be overcome through increasing domestic food supply and linking to on-island industries Some might argue that achieving the quantity of produce needed (especially by larger hotels) would prove challenging for local small island producers—because of small agricultural sectors and higher production costs than with imported foodstuffs—but this can be overcome through farmers' cooperatives, such as in Jamaica, where combining resources allowed capital equipment (e.g., refrigerated trucks) to be purchased and enabled economies of scale from the cooperatives' pooled production.[5]

Inclusive growth can further minimize economic leakage through increasing local ownership and establishing stronger connections between local suppliers. Marketing an island's services to different tourist types can also have a reinforcing effect on inclusive growth. For instance, independent travelers' expenditure generates significantly lower economic leakage than that of conventional mass tourists because independent travelers usually stay in locally owned accommodations, demand fewer imported goods or international brands, tend to prefer local produce where available, and eat in locally owned places rather than in large foreign-owned hotels.

Is Island Tourism Sustainable?

The business model currently adopted by many SIDS is mass tourism, of which TNCs are the primary beneficiaries. Success is presently largely measured in terms of the value and volume of international visitor arrivals, yet local communities and the environment often suffer. The rhetoric surrounding the blue economy and the UN Decade of Ocean Science promises sustainable development, yet this cannot be achieved without full consideration of the challenges facing SIDS: overcrowding, intense development, diminishing resources, and environmental degradation, among others. The projected growth of on-land and cruise tourism is likely to be neither sustainable nor steady given the future competition for prime land and finite resources.

We argue that a greater emphasis should be placed on local-level collaboration and innovation in tourism planning and development; a local desire to manage and protect their own "backyard" can create opportunities for sustainable forms of tourism to evolve so that island communities can be creative and resilient. Hampton and Jeyacheya[6] noted that examples of small, locally developed and managed environmental and social projects in Gili Trawangan restored coral reefs and thus improved the health of the marine ecosystem and attracted additional tourism.

In the short to medium term, and from a socio-economic perspective, it makes sense for SIDS to continue to host international tourism given its importance for employment, livelihoods, gross domestic product (GDP), and government revenue. Indeed, for most SIDS, such as Cape Verde, few feasible alternative economic sectors allow diversification. Some islands have taken to hosting offshore finance and tax-haven activities, providing services for TNCs and wealthy elites, and often facilitating unsavory activities,[7] raising serious ethical and governance issues in the international community. However, ongoing dependence on the globalized and highly mobile tourism industry driven primarily by the Global North could prove risky. Tourism trends and fashions fluctuate, and falling popularity can result in TNC divestment. Societal trends in the Global North with respect to the environmental ethics surrounding international and long-haul air travel could also have an important impact.

In the medium to long term, the reality for these tourism-dependent nations is sobering. With a very limited area and often low-lying land mass, SIDS face the brunt of the effects of climate change: rising sea levels and the growing intensity of tropical storms—most recently the devastating Hurricane Dorian in the Bahamas in September 2019—are the growing reality for many island communities. Economic growth, whether it is inclusive or seen as being part of the blue economy, cannot negate the immediate challenges of losing the primary assets that attract international tourism. Nevertheless, at the destination level, tourism could be made more locally sustainable. Given growing popular awareness of the climate and environmental emergency, businesses wanting to make changes and support initiatives would be pushing at a half-opened door. Strong political and corporate will and collaborative effort are crucial first steps in opening the door fully and implementing realistic policy-led solutions that commit to stronger direct and indirect economic linkages, greater corporate responsibility in supporting local supply chains, and more investment in local innovation and talent to diversify tourism businesses. If action is not taken soon, many of these vulnerable small islands could disappear beneath the waves.

DECLARATION OF INTERESTS.

The authors declare no competing interests.

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