

INCREASING THE ECONOMIC PERSPECTIVES OF SUSTAINABLE TOURISM: INFORMATION NEEDS AND GAPS*

By

S. B. Jones-Hendrickson, Ph.D.
Professor of Economics
University of the Virgin Islands
St. Croix, VI 00850
sjonesh@uvi.edu
sjonesh@yahoo.com

*Address prepared for GEO/CZCP Workshop on “**Earth
Observation Support for Sustainable Tourism in Small
Island States,**” San Juan, Puerto Rico, March 9-11, 2011

Introduction:

We are at critical juncture in Small Island Developing States (SIDS) as far as the issue of sustainable tourism and economic development are concerned. According to the United Nations there are thirty-eight (38) SIDS and fourteen (14) Non-United Nations SIDS members. Of these two groups of 52 countries, see tables one

and two below, 23 or 44% of the states are in the Caribbean, broadly defined to include the Central American country of Belize and the South American countries of Guyana and Suriname. And even though the latter two countries are not island states in the strict geographical sense, they are still small states in the contextual sense. We wish to focus on six areas, not in any order of importance, but merely to highlight the essentiality of the issue of the economic perspectives of sustainable tourism and the information needs and gaps.

Table 1.0: UNITED NATIONS SMALL ISLANDS DEVELOPING STATES

1	Antigua & Barbuda	20	Federation of Micronesia
2	Bahamas	21	Mauritius
3	Bahrain	22	Nauru
4	Barbados	23	Palau
5	Belize	24	Papua New Guinea
6	Cape Verde	25	Samoa
7	Comoros	26	Sao Tome and Principe
8	Cuba	27	Singapore
9	Dominica	28	St. Kitts and Nevis
10	Dominican Republic	29	St. Lucia
11	Fiji	30	St. Vincent and the Grenadines
12	Grenada	31	Seychelles
13	Guinea-Bissau	32	Solomon Islands
14	Guyana	33	Suriname
15	Haiti	34	Timor-Leste
16	Jamaica	35	Tonga
17	Kiribati	36	Trinidad and Tobago
18	Maldives	37	Tuvalu
19	Marshall Islands	39	Vanuatu

Table 2.0: Non-UNITED NATIONS SMALL ISLANDS DEVELOPING STATES

1	American Samoa	8	Guam
2	Anguilla	9	Montserrat
3	Aruba	10	Netherlands Antilles
4	British Virgin Islands	11	New Caledonia
5	Commonwealth of Northern Marianas	12	Niue

6	Cook Islands	13	Puerto Rico
7	French Polynesia	14	U.S. Virgin Islands

Source: *UN Office of High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States.*

The six areas of focus are:

- (1) The value of tourism;
- (2) The importance of environmental factors;
- (3) The risks and the values of the earth's resources;
- (4) Observing the needs of the SIDS in the region;
- (5) The gaps in economic perspectives and sustainable tourism, and
- (6) The need for greater dialogue among the parties concerned.

The Value of Tourism:

For the 23 countries in question and all of the SIDS in particular, tourism is tagged as global money-maker. As a consequence, the tourism industry has a significant impact on the revenue streams of the countries in question, impacting the Gross Domestic Product of countries in excess of 50 percent in many of the countries in the region. Given the diversity and at the same time the uniqueness of the SIDS, the tourism product brings about its attendant diversity and uniqueness on the body economy of the respective countries. Of principal moment, however, the tourism product is an export in a macroeconomic perspective. The tourism product is consumed. There is a twist, however, in the context of the tourism product. This is by far the only product where the transaction requires the transportation of the consumer to the product as opposed to mailing the product to the consumer. In a structural and systemic sense, therefore, the tourism product orchestrates unique social impacts, and calibrates dimensionalities which tend to reconfigure customs, lifestyles, demographics, disease patterns, food consumption, and revenue streams, and at the same time introduces some elements of criminal activity and other deviant behaviors.

The value of the tourism product is sourced in the wealth, centrality of the heritage of the countries in question, and other intangibles that attract a person to one destination as opposed to another. When the transactions end of tourism damage the countries in question, then it is the country that will be in disequilibrium as far

as its sustainability of tourism is concerned, especially if that lack of sustainability negatively impacts the revenue potential or revenue stream of the country. By and large, tourism's value is functionally related to how it positively impacts the revenue stream of a country. On the other hand, tourism and its lack of sustainability can harm the natural wealth of a country by the general and specific behavior of the people who visit the tourism sites. Given the densities of tourists, who for the most part, are usually ill-informed about the countries, their behavior could be the cause for social disruptions and thus scar-inducing between the locals and the tourists. Hence there could be a disjuncture between the locals who need tourism but who really do not want the tourists. Take for instance the following.

Last week I took a group of my Economics class to visit the Central Bank and the Eastern Caribbean Stock Exchange in St. Kitts. On Thursday we went on a "sugar train" ride around the island on a locomotive that now takes tourists and not sugar. A taxi driver who was giving a very exciting history of the St. Kitts and Nevis and about the interactions between the French and the English was suddenly and, in my view rudely, interrupted with a question. "What is the crime rate like in St. Kitts?" Of course the taxi driver, my students and some of the other tourists expressed dismay and the insensitive question. One is not saying that the issue of crime is not important. But, as the saying goes, there is a time and place for everything. That question epitomizes the salience of what we say when we say that there could be a disjuncture between the tourist and the locals. Crime is important, do not get wrong. The issue is, was that question of cardinal importance at that time.

In areas where tourism centers on the natural environment, that oft mentioned "eco-tourism," there could be major ecological degradation of the natural habits via wastes, etc. When the locals depend on the natural areas, or used to enjoy the natural areas, but are now forbidden or barred from the natural areas, like beaches, etc., a series of retarding social burdens could develop. So instead of sun, sand and sea, we have sun, sand, sea and sex as the commodities that the countries sell. Thus prostitution, criminal activities and other deviant behaviors are factored into the matrix of concerns.

The Importance of Environmental Factors:

In order to increase the economic perspectives of sustainable tourism, we have to understand the importance of environmental factors. It is imperative that we protect and sustain the environment given the fact that in many respects the very environment that is being used by the tourists may not be renewable. If the

environment is not preserved then the sustainability of the tourism product will be handicapped and no matter what regulations come after the fact, it would be like trying to stop the horses when they have already bolted out of the gates.

In a recent Environmental Protection Agency conference in the USVI, it was noted by one of the speakers that we in the Virgin Islands dump twelve pounds of garbage per day compared with the USA mainland where the equivalent is 4.5 pounds of garbage per day. Now, while it seems hard to believe, when the evidence is sifted we note that in the region we tend not segregate our garbage: recycling is seen more as a fad than a mechanism to control waste in our countries. So our garbage disposal areas become dumps and not landfills because the dumps have no liners to containerize the waste and keep seepage from entering the aquifers, etc. To compound the issue, there have been some instances where cruise ships have allegedly dumped waste outside what they believe is ostensibly the marine borders or boundaries of our countries. Thus in this instance our marine life is impacted. Given the importance that marine life is to tourism in our part of the world, it becomes once again of lack of respect for the environment.

Added to this instance we note cases where some hotels which want to renovate and upgrade their hotel plants to make them more competitive with hotels regionally and internationally, simply reach for aesthetics and pay little or no attention to the impact on the environment. So in countries where the environment is very fragile or very active from a growth perspective, hotels are built and no concern is paid to the flora and fauna of the country in question. In the case of St. Kitts a massive development is taking place on the fragile peninsular of the island, but there seems to be no open, public environmental impact statement to indicate that this mega-tourist resort has features in place to protect the environment. Often, large legal firms support large hotels, in small countries, and take the legal battle to environmental groups. Thus scarce resources are frittered away by those who have to keep those who do not have from protecting the environment.

So those hotel companies who build on the shores or close to the shores, rather than putting up “turbidity curtains” around their projects in question to ensure that the water quality is protected, that the coral reefs are not damaged, etc, that intake pipes are not merely sitting on the floors of the ocean, they fight for their rights to build because they got permission from the legislatures. We do not know what we are breathing in via seawater chillers in the air-conditioning systems of the sea-side hotels. And when the seawater that is used to chill the air-conditioner in our sea-side hotels, especially those that use reverse-osmosis, do the hotels merely dump the hot-water back into the sea? When rum distilleries complete their fermentation

processes, do they merely dump the hot residue into the sea because they are within plus or minus one standard deviation from the mean as established by the relevant environmental protection agency? What impact does that kind of water have on our fish, the entire marine life, and hence or tourism product? You see, for the most part we do not know because there is no one given the fish-eye's view. We are only getting the developer's eye view. It is like Columbus. Our history in the Caribbean was rudely disrupted and cavalierly written by Columbus and his peers. But nobody gave the historical perspectives and antecedents of the Kalinagos, the Borinquens, the Lucayos and the Tainos.

In a nutshell, sustainable tourism has to be centered in a matrix that sees it as a development trajectory that focuses on minimizing environmental damage, mitigating cultural retardation, and averting hemorrhaging of the heritage and cultures in question. All of these are vital to both the physical and social environments.

The Risks and the Values of the Earth's Resources:

In this section on the risks and value the earth's resources, we wish to focus on three types of decision-makers and their associated risks. In risk analysis in economics James Tobin introduced us to three types of risky persons. There are risk averse, risk neutrals and risk lovers. The risk adverse person avoids risks at all costs. The risk neutral person is neither here nor there as far as risk is concerned. The risk lover is like the contestant on the popular television program, "Deal or No Deal."

In valuing the earth's resources in our part of the world, there is the harsh suspicion that we would want to be risk neutrals, but the clear reality is, we tend to be risk lovers. We assume that the more people we bring in our countries, the more we pack activities on the limited land space that we have, the better off we will be. Too often we let ourselves be seduced by the number of ships we have in our harbors and forget the Law of Unintended Consequences. When the density of externals gets too high vis-a-vis internals, the tipping point of our resources leads into chaos.

In a sense we see a million dollars on our horizons of decision-making. But to get to the deal or no deal, we have to expose ourselves to greater risks of damaging our environment, squandering our resources, frittering away what we have for sure, for some possible larger gains. We tend to forget the scientific principles that guide or thinking. We n economics claim to be follow the scientific method. Now this

scientific method when applied in the area of increasing economic perspectives and sustainable tourism, forces us to go via the dichotomous routes of what is and what out to be. We are either under the mantle of normative economics, that is what ought to be or under the rubric of positive economics, that is what is. Thus we locate our decision-making along the risk continuum but nevertheless we assume that it ought to be that we can use up our environmental resources, either or ourselves or through our fancy, pretentious and ostentations idea of “Invitation to Invest.”

We invite tourists to come to our shores, because we believe that we can stand the risk. But alas, we forget the consequences of environmental degradation associated with too heavy a tourism density and too many ups and downs leading to disequilibrium in the sustainability matrix. We are then forces, if we are serious at all, to consider the opportunity costs or loss of resources that many have been stripped to facilitate the kind of development demanded by tourists. By and large, our tourism sector tends to try to replicate an environment for tourists that they have back home. So, in a water-scare resource country, we promise the mega-hotels in our states a million gallons of water per day.

In a fundamental sense we tend to recreate mini-developed countries in our micro-state economies or our SIDS. We strive for three stars, four stars, four diamonds and five diamond hotels, but in the process e sacrifice our resources on the altar of consumption patterns that are inimical to our local consumption. In a sense, the opportunity costs are sometimes forgotten. Opportunity cost is the value of the next best alternative forgone. Too often, however, opportunity costs reflect an ocular reflection. Like beauty, opportunity is in the eyes of the beholder, the decision-maker. We see ships in our harbors but we know precious little about their impact on our marine resources. Airline travel is well regulated in terms of noise pollution. Ships which come to our waters bring and leave. We see them bring hordes of people who we profess to like. In many respects the ships are like thieves in the night. They come, they occupy and leave. Their leaving is not only their physical presence; their leave is what they leave in our waters that impact on our marine and human resources.

Needs, Gaps and Action:

Too often the tourists to the Caribbean see a region or perceive of the Caribbean as a place of mass and splendor where pulsating sounds blast us with overt and covert suggestions, steeped in the literature of double entendre, flowered in the calypso, reggae and soca. Sex and politics bombard the airwaves with all kinds of social

gymnastics. Parades, fetes, fry-fish and Johnny cakes, dumpling and salt-fish, roti, curry and rum are the proverbial elixirs of youth where Stella can get her groove back, and presumably where Johnny will stay up all night with a ginseng-up and a red bull.

The region is one where one can go from Oistins in Barbados, to Gros Islet in St. Lucia, from the Dockyard in Antigua, from Strand Street, Frederiksted, to the Strip in Frigate Bay, St. Kitts and right here in Old San Juan, PR.

We create these places where, ostensibly, tourists can regale themselves in a gay abandon in the original usage of the word, gay. Behind the social facades lies a tourism product that could easily operate in a low equilibrium trap of non-sustainability. Tourism is a fickle industry. Advisories and warnings could put our countries in the pit overnight. Truly, one bad banana could spoil the whole bunch. We know this, yet we let ourselves be seduced into a tourism product that, for the most part, is non-sustainable in its present contextual manifestation.

So, what should we do?

In the first instance, the policy-makers in SIDS have to come to grips with four fundamental questions, questions that underpin the allocative mechanisms of economics. The questions are:

1. What are the benefits of a sustainable tourism product for the people in our given states? In other words, let us talk metrics.
2. For whom are the benefits generated?
3. How will the benefits be generated?
4. Will the benefits be fleeting or be generated over the long run?

The answers to these questions underpin our answers to the needs, gaps and actions.

SIDS are all confronted with challenges and opportunities. The opportunity costs of not doing anything to maintain our sustainable tourism within the ambit of economic balances will be too problematic in the long run. Conceptually, decision-makers in SIDS have to seek to orchestrate a system that will be public benefit-enhancing and not social cost retarding. Of central moment, increasing economic perspectives of sustainable tourism suggests that SIDS have to frame the essential features of sustainable tourism such that people are aware of the contextual challenges with a one to one mapping in future opportunities moving along a continuum that is systemic and systematic.

In the cross tabulation of the economy, sustainability, tourism and the environment, closing the gaps will be monumental. The challenges of small states center around five major issues (as Sir K. Dwight Venner noted in a meeting in St. Vincent and the Grenadines)

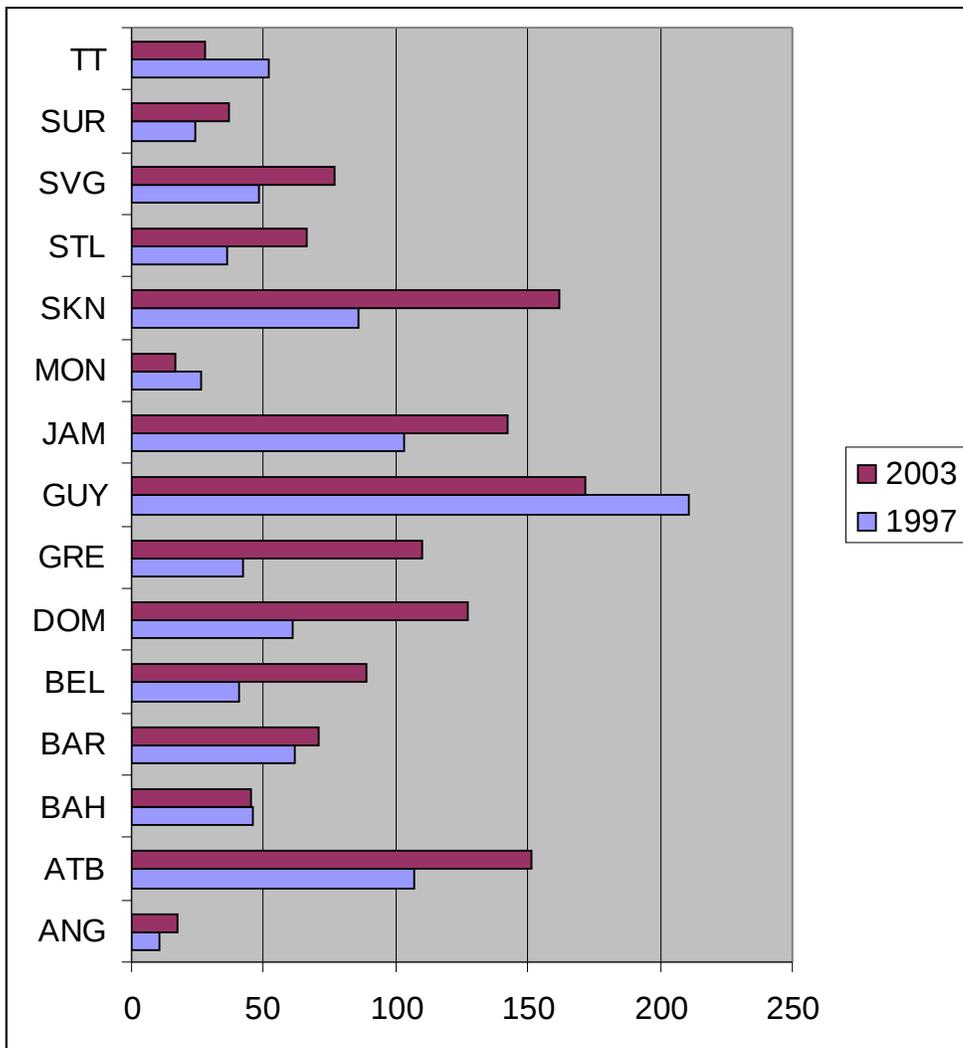
1. Secular decline in growth over the last three decades
2. High levels of unemployment and poverty
3. Declining general revenues as a consequence of recessions
4. Increasing debt to GDP sometimes exceeding 100%
5. Increasing levels of crime and other social deviant behavior

Given these five boundary conditions, some decision-makers see tourism as the white knight in shining armor. But there is a deception. We cannot continue to live in denial. Mark Twain, the great American humorist is reputed to have said that “Denial ain’t just a river in Egypt.” The five features previously mentioned hang over the heads of decision-makers like the sword of Damocles, thus our decision-makers react, as opposed to act. They think in the proverbial box. But there needs not be any box. Thus to them tourism of a given high consumption, environment be damn, assumes greater cogency than a sustainable tourism product that will be risk minimizing, environmentally friendly and local welfare-enhancing.

In the final analysis as we consider economic perspectives of sustainable tourism within the ambit of information, a few points are apropos.

Today there is much concern about the high Debt to GDP ratio that is in excess of 60%, as we note in figure below.

FIGURE 1: DEBT TO GDP PROFILE IN CARICOM



Source: From my paper on “Competitiveness in the Caribbean.”

First, we suggest similar metrics to Debt to GDP be developed and applied to evaluate and protect countries in the environmental degradation, hence unsustainable tourism.

Second, just like regional countries are pooling their resources to confront debt to GDP, there ought to be a greater collective confrontation of the parameters that affect non-sustainability.

Third, scientists, scholars, civil society, academics and politicians have to begin to write laws to ensure some levels of sustainability and enhance some degrees of set specific tourism to the given countries. Tourism has to be oriented to the respective countries. Mass-based tourism cannot be the type of tourism for all. Fourth, the

public sector must work with the private sector. Too often the private sector depends on the public sector for charity. The private sector must ante up itself. On this score, just a casual list of some of the natural disasters and the impact on the region give a clear picture of what nature has done in economic terms to some of the Caribbean. We have had:

Hurricanes

- Gilbert, 1998
- Hugo, 1989
- Luis and Marilyn, 1995
- Mitchell and Georges, 1998
- Lenny, 1999
- Ivan, 2004

And we had the massive earthquake in Haiti, January, 2010. Associated with these disasters are some partial data. Jamaica was impacted to the tune of US\$4.6 billion as a result of Gilbert. Antigua and Barbuda lost about 15-25% of its workforce that is in excess 6,000 workers as a result of hurricane Luis. Grenada lost twice its Gross Domestic Product as a result of Ivan. Anguilla real GDP fell by 4% as a result of Lenny and finally Dominica, which seems to get hit every year, has seen its agriculture production decline in excess of 20%.

In the final, we have to all take it to the highest level of understanding that natural disasters in the Caribbean are serious issues. There must be a regional holistic approach to tourism and natural disasters. It is imperative that decision-makers think of sustainability of the tourism sector as a public good. Its benefits are not necessarily curtailed if one consumes some of it. From a derived demand point of view, the costs of negatives in tourism could have a magnified effect in the short and long run. In all of this development, we have to be conscious of ***the marginal social benefits and marginal social costs***. Remember what Mark Twain said: "Denial is not just a river in Egypt." We cannot continue to live under a cloak of denial. Let us seize the moment for the entire region and continue to put in place the necessary codes that will be central to our survival. We cannot continue to live on salt fish income with caviar taste, but do not have the caviar income to protect us and our societies in the long run.