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CHANGE FACTOR IN
THE MEDITERRANEAN ISLANDS.
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AND THEIR FUTURE**

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TOURISM AS THE MAIN CHANGE FACTOR IN THE MEDITERRANEAN ISLANDS. THE CASE OF THE BALEARIC ISLANDS AND THEIR FUTURE

Antoni Sastre Alberti

Tourism has ushered in major changes in the Balearic economy since 1960. This industry has become the most important economic activity on the Islands, and in recent years its share of the Balearic GDP has reached about 55%.

The Balearic economy depends to a very large extent on services. The agricultural sector only contributes to 2% to GDP and is in deep crisis following Spain's accession to the EU. The manufacturing sector, contribute to around 10%. This sector, with the exception of shoes and jewellery has limited export potential. The performance of the construction sector, with a GDP share of 10%, depends on tourism development.

The growth in tourism has permitted the Balearic Islands to increase their income to \$15,000 per capita, which is more than 50% higher than that for Spain as a whole, although its relative magnitude in Spain has tended to decline since 1989.

The Pre-Touristic Period

Before 1960, tourism development in the Balearic Islands was on a relatively small scale. The situation in the Balearic Islands was similar to that of the rest of the Mediterranean Islands; that is the agricultural sector contributed towards the bulk of employment opportunities. The manufacturing sector largely consisted of textile and shoes production, artificial pearls in Majorca and jewelleries in Minorca. This manufacturing industry was established in Minorca at the end of 19th century, taking advantages of the low wages and of currency repatriation possibilities from the Spanish colonies in America.

Tourist businesses started at the beginning of this century. In 1905 the first hotel was opened in Majorca. In 1935 (being a year before the Spanish Civil War Majorca had 3,317 hotel beds and was visited by 40,000 holiday-makers. Hence, the importance of tourism at that date was already significant. Unfortunately, the Spanish Civil War meant not only a break in the touristic activity but also the beginning of an emigration period to America due to the economic problems in which the Balearic economies found themselves.

The isolation and boycott suffered by Spain as a result of the support given to Germany and Italy during the Second World War, negatively affected the arrivals of foreign holiday-makers. Nevertheless, since 1945 Spanish customers from the mainland started to arrive on the Islands, and in 1950 the doors were opened for foreign tourists. By 1953, the Balearic Islands welcomed more foreign holiday-makers than Spanish ones. The

number of hotel buildings went on the increase.

THE TOURIST BOOM 1960 to 1972

At the beginning of the 1960's a remarkable increase took place in the number of arrivals to our Islands and tourism became the major economic activity. To cope with this new situation, a great deal of workers were needed. They came from the peninsula giving rise not only to economic changes but also to social and cultural ones.

The main factors influencing this major change in the Balearic Islands were:

1. The Spanish "Plan for stabilizing the Economy" dated 1959
2. The rapid development of the European economies during the fifties and sixties
3. The attraction of the Islands, in particular their mild climate and relative proximity from the main European cities.

This mentioned economic plan ushered in a change in the economic policy of Franco's government following the Civil War. The devaluation of the peseta and the reduction of barriers gave rise to a liberalization process in the Spanish economy. As a result, foreign investment increased.

The development of European economies led to a rapid increase in the demand for travel. New enterprises were created, in particular tour-operators and charter companies, to deal with tourism as intermediaries.

A great number of flights became available at affordable prices. At the same time, the demand for holiday beds was guaranteed, since tour-operator companies offered a package, which included both flight and accommodation at very reasonable prices. This gave rise to what is known as mass tourism.

The attraction of the Balearic Islands led the tour-operators to consider the Balearic Islands as a favourite tourist destination in the Mediterranean Sea. The Islands had a large number of hotel beds -17,840 in 1950 and a tradition conducive towards the development of tourist trade. The new airport, which was opened in 1960, permitted the landing of large aircrafts. The location of the Balearic Islands is an additional advantage in this regard and the flight does not last more than two hours from most European cities. Finally, the Balearic Islands enjoy a mild climate, beautiful beaches and picturesque landscapes.

This rapid increase in demand brought about a radical transformation in the economy of the Balearic Islands. The agriculture sector, which in 1960 employed about 40% of the working population, was drastically trimmed down, and its leading role was taken over by economic activity connected with tourism, including construction and trading. The textile industry, which was relatively large before 1960 almost disappeared, but a section

of the manufacturing sector, notably shoes and jewelleries expanded, mostly in the export markets. In addition there were demographic changes. The number of inhabitants on the Islands was 443,327 in 1960 and 558,301 in 1970. This increase was due to immigration from the poorer regions of the peninsula.

An arrangement which had positive results on tourism, related to the system of advance payments by tour-operators to the hoteliers on condition that the same prices were kept for 4 years and that a number of beds were retained for the clients of the tour operators. This arrangement permitted the hoteliers to afford the construction of new hotel buildings. However, this also resulted in a high degree of dependence of the Island's hoteliers on the tour-operators, who were the real touristic dealers on the Islands.

The administration of the Balearic Islands, quite centralized by those days, saw tourism as an advertising tool rather than as an economic subject. And, in that sense, they supported tourism on a mass scale as a way to obtain currency, without bearing in mind the negative consequences, which may arise, such as a lack of urban planning, poor equipment supplies and environmental policies.

All these facts conditioned the later development of our Islands.

TOURISM BETWEEN 1973 and 1989

The growth tendency in tourist arrivals was reversed in the first half of the seventies as a result of the fuel crisis which strongly affected our Islands, and for the first time the number of arrivals started to decrease forcing some hotels to close down. Between 1973 and 1979 a total of 257 hotels and lodging houses were closed down. Many others had to operate at a reduced capacity and the trade in general suffered a decline. The number of British holiday-makers dropped considerably forcing several tour-operators to go bankrupt.

The whole touristic sector and even the whole economy, had to adapt to the new situation. Suddenly the immigration wave stopped and between 1974 and 1978 a large number of workers were forced to go back to their homeland.

Nevertheless, this situation started changing in 1978, leading to an upturn. The most important reasons for this change related to the improvement of the European economies and the depreciation of the Spanish currency.

During the 1980's a new expansion took place with a steady increase in arrivals. Thus, the number of arrivals to the Islands during 1981 was 3,889,238, increasing to 4,994,406 in 1985 and to 6,699,700 in 1988, representing the peak reached by the number of arrivals. The bulk of this increase was accommodated in apartments.

It is not possible to give an exact figure of the growth in the number of apartments because many of them operated without a license. But we do know that those operating

legally supplied 30,063 beds in 1981, 58,078 in 1985 and 92,835 in 1989. The number of hotel beds also increased and in 1988 reaching 230,663 in 1985 being about 3000 beds more than in 1974. But in 1989 the number of beds increased to 253,067. This amount was reached thanks to the investment made by the hoteliers.

British customers increased by 250% between 1981 and 1988 due to the low price policy carried out by the British tour-operators.

This second tourism boom was brought about mostly by a favourable exchange rate in Spain, and the expansion of European economies. The new prosperity gave rise to an increase in the per capita income of the Europeans giving rise to a situation where holidays started to be considered as a basic need.

Consequently the Balearic Islands economy expanded rapidly, especially in sectors linked with tourism. On the other hand, sectors which are not linked with tourism, such as agriculture and manufacturing (with the exception of shoes and jewelleries) dropped their share in the Islands' GDP.

There was also a new immigration wave, with high inflows during the high season. The Islands' population changed from 655,909 in 1981 to 767,900 in 1989.

ACTUAL SITUATION

Since 1989, the number of holidaymakers has been reduced in comparison to former years, driving the economy to a new crisis similar to the one in the 1970's. This crisis has been ushered in as a consequence of the too-rapid economical expansion started in the early 1980's. Hotels and apartments have been constantly growing, whereas the demand has fallen, especially in the case of the British tourist market, which is the second largest after the German segment. With excess supply, prices had to be reduced and dependency on tour-operators was again strengthened. Business profits linked to tourism has dropped, forcing hotels and restaurants to close down in the face of losses.

The situation may lead one to conclude that tourist trade based on sun and beaches and led by foreign tour-operators is no guarantee to future success and a new model has to seek to promote sustained growth.

Unfortunately, there is a lack of economic alternatives to tourism on the Islands. As stated, the agriculture sector is very small and is in a critical condition. Typical dry products like almonds, olive oil and carob have not been very profitable for a long time. Milk, being once the main product from irrigable lands, faced a difficult situation not only due to the degree of salt in the water resources but also due to the EEC's milk quota. Majorca's early crop, (potatoes exported to U.K. in the past years) is no longer profit making crops for the growers. Vegetables for local consumption are the only agricultural produce, which can be produced profitably.

The manufacturing industry is mostly locally oriented, 30% of which is linked to construction. Even shoes and jewellery manufacturing are facing difficulties since there are similar products are being produced more cheaply in southeast Asia. The only alternative for the manufacturing sector is via the introduction of new technologies, although success cannot be guaranteed in this regard, due to the fact that European competitors are technologically better equipped.

The construction sector has reduced its production since the 1989 downturn in tourism.

Tourism, therefore, seems to be the only way to keep economic activity at a sufficiently high level. It is important however, to develop a more sustainable form of tourism, with adequate attention being given to the environment, especially in those resorts, which still remain relatively, untouched by man-made pressures.

In this connection, the Islands' local government issued a bill in 1990, which protected about 30% of the Islands land areas. Further pressures from businessmen though forced the authorities to reduce this protection.

Another bill relating to tourism supply, attempts to improve the quality of tourist premises, banning new constructions in the over-built areas and promoting the rebuilding and modernization of old hotels. The aim of the local government, together with the tourist organization, is to encourage hoteliers to upgrade the quality of tourism services and encourage respect for the environment, by/amongst other things, keeping resorts still relatively undamaged, free of any man-made pressure. Care is being taken so as to reduce the negative social and cultural impacts of tourism on the Islands. There is also an attempt to create new alternatives to sun and beach tourism.

WHAT ABOUT THE FUTURE?

The Balearic Islands are now faced with a choice related to whether or not their economy can continue to be based on a constantly increasing number of tourists.

The basic consideration in this regard relates to the carrying capacity of the Islands and the impacts arising from increases in the number of visitor on the quality of life of the residents and the quality of the product provided to the tourists.

It must be kept in mind that the Islands have a limited land-area and that modern tourism is becoming increasingly demanding, in so far as environmental quality is concerned. All this calls for limiting the number of incoming tourists during the high season.

The only possibility for an increase in tourism is during low season. However, this choice is fraught with difficulties because good weather conditions coincide with the Islands' high season. Furthermore, the number of competing resorts is increasing, including the long haul destinations, which are becoming competitive.

If the Balearic Islands want tourism to continue to be the major economic motor, without, at the same time having too many eggs in one basket, drastic policy measures must be implemented to:

- reduce the dependence on mass tourism and on the interests of foreign tour operators;
- improve facilities, equipment and services to attract higher spending tourists;
- protect the environment and water resources;
- reduce the negative impacts on the cultures of the Islands;
- promote a balanced economic system, where the dependence on tourism is not exceedingly high;

In other words, a sustainable tourism development plan has to be called for.