

## Tourism as a driver of sustainable development in Pacific least developed countries<sup>1</sup>

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### Abstract (one paragraph)

*This paper argues that tourism constitutes a key solution to the development predicaments of Pacific LDCs. Due to their geographic isolation and the small size of their economies, they are unable to become vital parts of regional and global production value chains. Consequently, the solution lies in structural transformation from agriculture to the services sector such as tourism. In order to make tourism a viable driver of sustainable development one must consider the following policy recommendations: (a) selective promotion of niche tourism sectors that have linkages with the rest of the economies so that tourism can build strong links with other productive services; (b) introducing green tax initiatives to increase revenues from tourism and to use them to lower the risk of overexploitation and improve infrastructure and connectivity; and (c) (co-)branding through subregional cooperation. To ensure long-term gains, all these must be done in a sustainable manner with little impact on natural environment.*

### Executive Summary (1,000 words)

Four Pacific LDCs, namely Kiribati, Solomon Islands, Tuvalu and Vanuatu, face major development predicaments in pursuing sustainable development due to the remoteness, the small population size and the lack of economies of scale. These countries are unable to integrate into regional and global value chains and production networks. Consequently, one potential solution may lie in a unique pattern of structural transformation that is targeting niche products and high-end and environmentally sustainable tourism services. If pursued in a sustainable manner, tourism development can raise significant revenue and enhance the sustainability of the development progresses. These will in turn help build economic and

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The views expressed in this paper are those of the authors and should not necessarily be considered as reflecting the views or carrying the endorsement of the United Nations.

environmental resilience and accelerate progress towards the achievement of the SDGs of the four Pacific LDCs.

Tourism is generally found to be a good driver of economic growth; it can increase economic activity, create and sustain jobs, attract investment, contribute to the balance of payments, help to keep local businesses viable, regenerate and restructure economies where industries are in decline, and reduce poverty. Tourism can be one of the enablers of achieving the SDGs if it brings resources to host communities and does not compromise the ability of future generations to meet their own needs, that is if tourism is pursued in a sustainable manner. Tourism is referred to in Goal 8, target 8.9, on promoting sustainable tourism that creates jobs and promotes local culture and products; Goal 12, target 12.b, on monitoring development impacts on sustainable tourism; and Goal 14, target 14.7, on increasing the economic benefits to small island developing States from the sustainable use of marine resources, including through tourism.

It is particularly crucial for Pacific LDCs to make tourism a driver of sustainable development as these countries will in a foreseeable future graduate from the LDC category and lose access to several international support measures. While the graduation from the LDC category is unlikely to make much material difference to the economies of any Pacific Island LDC at least in the short-run, continued LDC status sends a signal of their need for continued international development support and enables them to collaborate in international negotiations. Their development predicaments may therefore be compounded by the graduation if they are to leave the category without building sufficient levels of economic and environmental resilience.

The impact of the COVID-19 pandemic, the extent of which is not yet known, could result in a significant continued contraction of tourism activities if the current pandemic situation is prolonged and if fiscal and monetary policy measures fail to support affected local businesses within the tourism sector and local populations employed therein. The medium- to long-term global context is, however, generally supportive of the development of tourism in Pacific LDCs, due to an increasing demand from the emerging middle class of developing Asia and the ageing society in the developed countries on the Pacific rim. Furthermore, among new travellers there is a strong sense of environmental and cultural responsibility and a growing desire to give back to the destination and local communities. Pacific LDCs also have strong advantages over other potential competitors due to their rich natural environments, indigenous cultures and, in the case of Vanuatu, existing cruise infrastructure.

Pacific LDCs face, however, several challenges related to the sustainability of the tourism sector itself. In terms of economic sustainability, one of the most pertinent structural issues are weak linkages

between tourism and local economies. The tourism sector in Pacific LDCs tends to have an enclave nature, with large foreign ownership of tourist businesses and a lack of local capacity to meet tourists' demand for goods and services. This limits job creation and promotion of local culture and products, thereby threatening the long-term sustainability of tourism. Moreover, there is a shortage of financial resources for major new tourist infrastructure development and refurbishment and upgrading facilities.

There are also increasing concerns about environmental sustainability. Overexploitation by the tourism sector is a serious threat to the fragile ecosystems of Pacific LDCs. In addition, climate change and extreme weather events have detrimental impacts on the tourism sector as it heavily relies on coastal areas, which are particularly threatened by sea level rise, cyclones and typhoons.

In sum, to leverage tourism to promote sustainable development in Pacific LDCs, the positive development impact of tourism must be increased by using the opportunities related to contemporary trends and addressing existing barriers, bottlenecks and challenges. This paper proposes the following four sets of policy options in this regard:

First, Pacific LDCs can selectively promote certain types of tourism that could address the challenges related to the sustainability of the tourism sector. Such selection can be based on the possible links that the sector can build between local populations and the tourism sector. One possibility is to promote more *Green* and *Blue* tourism and more community-based tourism activities. Promoting culture-based tourism is particularly an effective way to address concerns over sociocultural sustainability while also being instrumental in generating production links to the local economies.

Second, the Pacific LDCs could consider introducing green tax initiatives, with the explicit objective of supporting environmental conservation as well as the sustainable livelihood of local populations. They could also consider greening their tax systems by reallocating funds towards projects and activities to enhance environmental sustainability or to correct for externalities caused by tourism.

Third, regional cooperation should be enhanced to promote a common Pacific brand to raise the global profile and to improve connectivity. A common branding, with a clear marketing strategy promoting Pacific cultures as a whole, could increase the attractiveness of the Pacific as a place with a variety of attractions. Marketing and promotion of a single Pacific brand could also be used to gain bargaining power. Collective negotiation between the Pacific LDCs as one group and their development or trade partners may also be useful, especially in the face of LDC graduation.

Finally, to address the impact of the COVID-19 pandemic on the tourism sector, both broad mitigation measures to address the consequences of the outbreak and specific policies to support tourism-related activities will be essential. The four Pacific LDCs have already introduced the former set

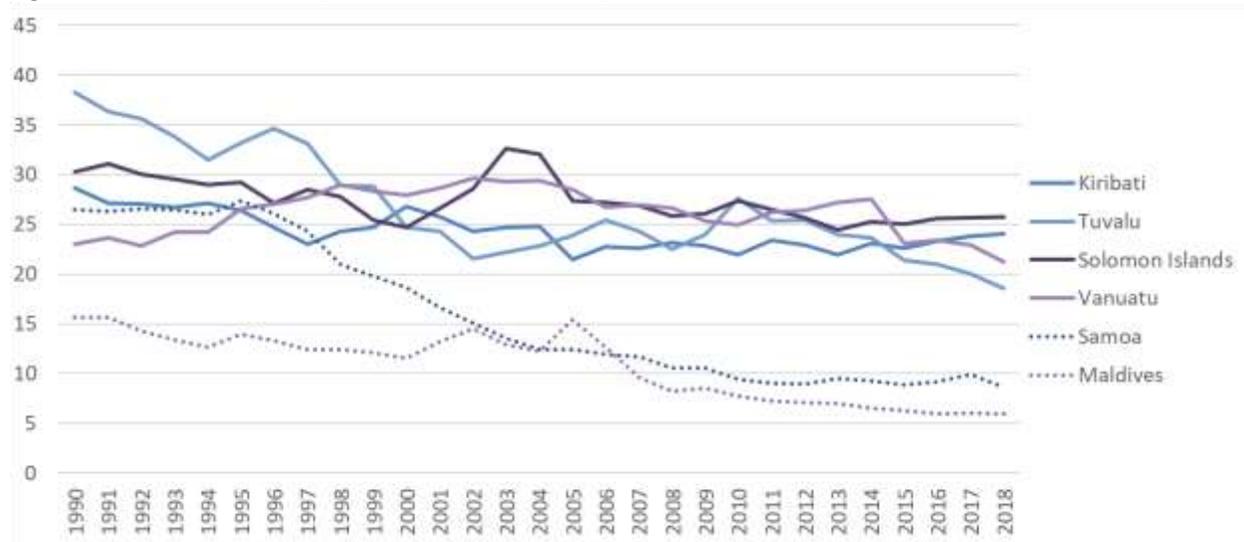
of measures that intends to slow the pace of the transmission of the virus. However, specific actions, such as targeted fiscal and monetary measures to support affected local businesses, especially tourism-related MSMEs, and local populations employed therein, are also critical in addressing the consequences of the collapse of inflows of inbound visitors.

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### 1. Introduction

Four countries in the Pacific, namely Kiribati, Solomon Islands, Tuvalu and Vanuatu<sup>2</sup>, are classified as least developed countries (LDCs). Due to their geographic isolation and the small size of their economies, they face major development predicaments in pursuing sustainable development. As manufacturing-led structural transformation is not a feasible option for these countries, they are unable to integrate into regional and global value chains and production networks. Indeed, structural transformation as measured by the change in agriculture value-added as a share of total value-added has been slow and moderate, with a stark divergence between the four Pacific LDCs and the two former LDCs of the Asia-Pacific region, Samoa and Maldives (figure 1).

Figure 1  
**Agricultural value-added (% of total value-added)**



Source: United Nations National Accounts Main Aggregates Database (UN-AMA).

While sustainable development generally requires structural transformation, given the special circumstances of the Pacific LDCs with few economic alternatives, tourism can be a conduit of sustainable development if its development can spillover to strengthen economic and environmental sustainability of

<sup>2</sup> While Vanuatu official graduated from the group of LDCs in December 2020, the paper includes Vanuatu as one of the Pacific LDCs because of the similarity of development predicaments and economic structure and for simplicity of expression.

these economies. The Pacific LDCs have a comparative advantage in tourism, which has grown into a leading economic sector.

Moreover, notwithstanding the COVID-19 pandemic, the long-term global context is generally supportive of the development of tourism in the Pacific LDCs, due to the increasing demand from the emerging middle class of developing countries in Asia and the ageing society in the developed countries on the Pacific rim. Among new travellers there is a strong sense of environmental and cultural responsibility and a growing desire to give back to the destination and local communities (Cocker, 2017). Furthermore, as vaccination programmes roll out, international travel can resume in a “Pacific Bubble” to welcome back tourists from Australia and New Zealand. With the rapid pace of vaccination in other large tourism source markets for the Pacific, such as the EU, US and China, positive sentiment towards tourism could rise quickly. Risk perceptions of tourists are also changing; tourists are now seeking uncrowded and low risk destinations, such as Pacific islands, where they can still practice social distancing while spending time in nature, rather than visiting commercially driven, city-based mass tourist attractions.

Tourism is generally found to be a good driver of economic growth; it can increase economic activity, create and sustain jobs, attract investment, contribute to the balance of payments, help to keep local businesses viable, regenerate and restructure economies where industries are in decline, and reduce poverty. Experiences of former LDCs, such as Maldives and Samoa, indicate that tourism development played a key role in the process of structural transformation and contributed to generating employment and stimulating the local economies (ESCAP, 2019). Indeed, tourism was one of the key enablers behind the successful graduation and smooth transition of Maldives and Samoa (Perrottet and Garcia, 2016).

It is particularly crucial for these countries to make tourism a driver of sustainable development as these countries will in a foreseeable future graduate from the LDC category and lose access to several international support measures. While the graduation from the LDC category is unlikely to make much material difference to the economies of any Pacific Island LDC at least in the short-run,<sup>3</sup> continued LDC status sends a signal of these countries’ need for continued international development support and enables them to collaborate in international negotiations alongside other countries, which is critical in mitigating the impact of climate breakdown (Gay, 2021). Their development predicaments may therefore be compounded by the graduation if they are to leave the category without building sufficient levels of economic and environmental resilience (ESCAP, forthcoming).

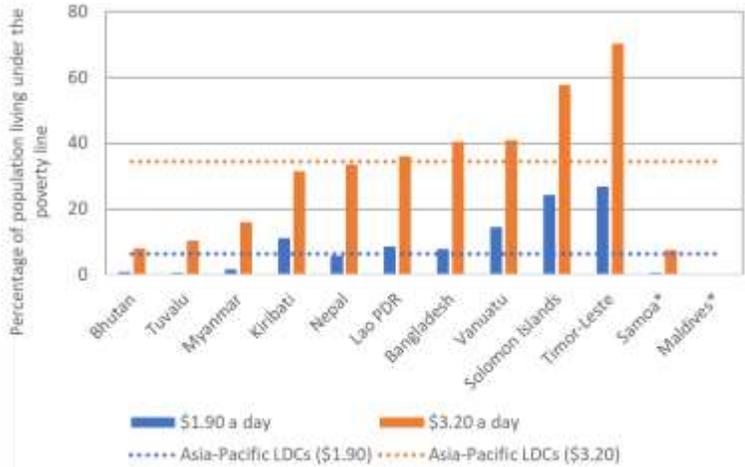
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<sup>3</sup> Solomon Islands have signed an interim Economic Partnership Agreement with the European Union to compensate for the loss of fisheries preferences after losing access to the Everything But Arms (EBA) scheme.

This paper argues that, if pursued in a sustainable manner, tourism development of the Pacific LDCs can potentially raise significant revenue, which in turn may accelerate progress towards achieving the Sustainable Development Goals. Sustainability of tourism is of paramount importance and must be paid particular attention as the sector has also the potential to negatively affect the natural environmental local economies, and marginalise local populations, and thus impede rather than support inclusive development. In the 2030 Agenda for Sustainable Development, tourism is referred to in Target 8.9 on promoting sustainable tourism that creates jobs and promotes local culture and products; Target 12.b on monitoring development impacts on sustainable tourism (sustainable consumption and production / SPC); and Target 14.7 on increasing the economic benefits to small island developing States from the sustainable use of marine resources, including through tourism. Tourism also has the potential to indirectly contribute to all other Goals. For instance, it is pivotal to poverty alleviation as a source of employment and income.

This paper illustrates how tourism in the Pacific LDCs can be advanced in a sustainable way to provide a greater development impact in these economies, particularly for local economies and local populations. Large proportions of these populations are still living in poverty (figure 2). Linking them more closely to tourism and its benefits will therefore be an important aspect of strengthening these countries’ development and making it more sustainable.

Figure 2  
**Poverty rates of Asia-Pacific LDCs, including former LDCs**



Source: Authors’ calculation based on estimates from World Bank, PovcalNet database.  
 Note: Estimates are for 2018.

It is important to note, however, that the impact of the COVID-19 pandemic, the full extent of which is not yet known, could result in a significant contraction of tourism activities if the current pandemic situation is prolonged and if fiscal and monetary policy measures fail to support affected local businesses within the tourism sector and the local populations employed therein.

The rest of the paper is organized as follows: Section 2 discusses the current status and opportunities of tourism in the Pacific LDCs. Section 3 identifies the main challenges to tourism development, including concerns over economic and environmental sustainability of the sector, as well as its high exposure to sudden demand shocks such as the COVID-19 pandemic. Section 4 presents experiences and lessons learned from other Asia-Pacific island countries, including two former LDCs, focused on addressing the challenges and concerns. Section 5 contains policy recommendations.

## 2. The status and the opportunities of the tourism sector

For Pacific LDCs, tourism is one of the most economically viable sectors. Indeed, tourism has already become the largest economic sector in Vanuatu and has the potential to become a key source of employment and income growth as well as poverty alleviation in others.

International arrivals of overnight and same-day visitors to the four Pacific LDCs reached 393,000 in 2018, marking an 80% increase since 2008 (table 1). While Vanuatu received nearly 90% of the visitors to these countries due to a sharp increase in cruise ship arrivals, the number of inbound tourists also increase sharply in other three LDCs over the same period (Kiribati – 92% increase, Solomon Islands – 102% and Tuvalu – 47%).

Table 1

### International arrivals of overnight and same-day visitors, 2008 and 2018

	Overnight visitors			Same-day visitors			Total visitors		
	Arrivals (Thousands)		Percentage change	Arrivals (Thousands)		Percentage change	Arrivals (Thousands)		Percentage change
	2008	2018	2008-2018	2008	2018	2008-2018	2008	2018	2008-2018
Kiribati	4	6	49	..	2	..	4	8	92
Solomon Islands	16	28	71	..	5	..	16	33	102
Tuvalu	2	3	47	..	..	..	2	3	47
Vanuatu	91	116	28	106	234	121	197	350	78
<b>Pacific LDCs</b>	<b>112</b>	<b>152</b>	<b>35</b>	<b>106</b>	<b>241</b>	<b>127</b>	<b>219</b>	<b>393</b>	<b>80</b>
<b>Small island developing States in:</b>									
<b>Asia-Pacific</b>	1 811	3 131	73	173	482	179	1 984	3 614	82
<b>Latin America and the Caribbean</b>	17 806	24 792	39	14 030	19 621	40	31 836	44 413	40
<b>Africa</b>	1 407	2 551	81	54	75	39	1 461	2 626	80
<b>World</b>	847 185	1 180 243	39	607 278	642 874	6	1 454 463	1 823 117	25

Sources: ESCAP, based on tourism arrival data from UNWTO Compendium of Tourism and SPTO (2019).

Notes: (..) indicates data not available. Data reported are for 2008 and 2018 or latest year available.

The sector's contribution to GDP and employment are high albeit a large disparity across the four countries. Tourism receipts as a percentage of GDP were 7.3% for Kiribati, 6.4% for Solomon Islands, 17.8% for Tuvalu and 31.7% for Vanuatu in 2018.<sup>4</sup> In terms of employment, Vanuatu had the highest share of tourism employees (34.5%), followed by Kiribati (15.5%), Solomon Islands (11%) and Tuvalu (2.3%).<sup>5</sup>

Despite the short-term disruptions of tourism activities due to the COVID-19 pandemic, as pointed out already, the long-term global trends are generally supportive of the development of tourism in Pacific LDCs if the current pandemic situation dissipates without altering long-term global growth prospects. This is because of the increase in disposable incomes in the developing countries in Asia, especially China, which is creating a sizeable middle class. China's middle class is projected to increase from 54 million people in 2005 to 1 billion by 2030 (World Bank, 2017), and there has been a significant increase in Chinese visitors worldwide. The number of Chinese outbound tourists increased from 4.5 million in 2000 to 150 million in 2018, with an average annual growth rate of 16% (UNWTO and CTA, 2019).

An opportunity also lies in the ageing population in the Asia-Pacific developed countries which could boost demand for warm weather outdoor activities and indoor cultural events and attractions, such as marine-based tourism, cruise tourism and culture-based tourism. These types of tourism are of relatively high added value, with the exception of cruise tours. The Pacific LDCs also have strong advantages over other potential competitors due to their rich natural environments, indigenous cultures and, in the case of Vanuatu, existing cruise infrastructure.

Another trend favourable to the Pacific LDCs is the strong outbound tourism demand from Australia and New Zealand. Australians and New Zealanders visit Pacific islands looking for beach leisure and resort-based tourism. They are also one of the key contributors to the expansion of the cruise industry in the Pacific. Strong tourism demand from Australia and New Zealand also presents an opportunity for the Pacific LDCs to develop niche and high-end tourism services, such as fishing tourism. These two countries together account for 70% of inbound fishing tourists (SPTO, 2015).

### **3. Challenges**

The tourism sector of the Pacific LDCs, however, faces several challenges over its sustainability as well as those associated with their geographic features and structural vulnerabilities.

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<sup>4</sup> Tourism receipt data are for 2018 and taken from the SPTO's Annual Review of Tourist Arrivals in Pacific Island Countries 2018.

<sup>5</sup> Employment data are for 2018 and from ESCAP (2020).

### **3.1 Economic sustainability**

The current level of its economic sustainability is low because the tourism in the Pacific LDCs is an enclave sector, with large foreign ownership of businesses and a lack of local capacity to meet tourists' demand for goods and services. This limits job creation and promotion of local culture and products, thereby threatening the long-term sustainability of tourism.

For example, a relatively high proportion of tourist expenditures is channelled through foreign tour operators and online bookings. In 2018, only around 60% and 63% of pre-paid expenses that tourists pay were transferred as revenues to Solomon Islands and Vanuatu, respectively (NZTRI, 2019a; 2019b). The rest was kept by foreign operating companies.

Their challenge is also about a high concentration of tourists' spending in a smaller number of islands, which limits the geographic dispersion of economic benefits of tourism across countries. This is further compounded by expensive domestic air transportation, which often makes it unaffordable for tourists to travel to outer regions. A vibrant tourism sector therefore is not necessarily inclusive in terms of population that benefits from it.

What tourists and operators spend their money on is a key issue for sustainability as the extent to which tourists buy locally made goods and services determine their economic footprint. Thus, locally made handicrafts and other souvenirs provide income to local artisans. They also enable skills and knowledge to be maintained and passed down younger generations, potentially providing important employment opportunities in economies that face significant challenges in developing local industries, especially manufacturing. Indeed, the Pacific LDCs have small or almost no manufacturing sectors, which means that many goods need to be imported. While operators could spend more on local agriculture produce, research has noted that local food items are often not available in sufficient quantity. Also, locally produced food can be more expensive, may be of lower quality than imported items, and may often not be supplied as consistently as imported goods.

Indeed, the questions of how and where tourists spend their money and on what goods and services reveals that one of the most pertinent structural issues undermining economic sustainability of tourism of Pacific LDCs is a weak linkage between tourism and local economies. Tourism development must create links to the local economy to support local populations. Norbu, Tateno and Bolesta (2021) illustrate the importance of the backward and forward linkages within a given economy for sustainable development, particularly in countries with severe development challenges such as LDCs. They show the role of the multiplier effect, pointing to the existence of significant deficiencies in the area. The indirect

economic impact through multipliers constitutes a solution to making the tourist sector more sustainable and with greater developmental impact.

Naturally, given the constraints of Pacific LDCs and the variety of resources they possess, there cannot be a one-size fits all approach to remedy as there is a large degree of heterogeneity in island countries. For Kiribati and Tuvalu, their small land mass means marine-based tourism is, for the most part, the predominant option. For Solomon Islands and Vanuatu, which have some land resources, other types of tourism can also be further developed. All, however, must be extensively linked to the local economy through backward and forward linkages.

### **3.2 Environmental sustainability**

The level of environmental sustainability is also considered low as climate change, extreme weather events and overexploitation by the tourism sector have been a serious threat to the fragile ecosystems of the Pacific LDCs.

While the tourism sector can be a contributor to climate change and pollution, it is also negatively impacted by these phenomena, as tourism sector's stakeholders are affected by rising sea-level, extreme weather events, coral bleaching (Cheer and others, 2018), accumulation of waste, including plastics and the nano and microparticles in various marine species. Limited financial and human resources, infrastructure and, on occasion, a lack of effective institutions, means that enforcement of regulations to protect and preserve the natural environment, especially fragile marine habitats, is a challenge.

Another factor that significantly undermines environmental sustainability of tourism is severe and extreme weather events, including tsunamis and cyclones. Pacific LDCs are particularly vulnerable to environmental disasters. For example, Category 5 tropical cyclone Pam was estimated to have caused damage and losses in Vanuatu that amounted to almost \$450 million, equating to about 64.1% of GDP (Vanuatu, 2015). In Vanuatu, the tourism sector accounted for 20% of the total damage and losses to the economy, with accommodation representing almost 90% of sector's damage and losses (Vanuatu, 2015).

Severe weather events not only deter tourists from visiting Pacific LDCs but also damage hotel inventory and transportation infrastructure that need repairing or rebuilding. It is expected that with the advancing of climate change, the frequency and intensity of extreme weather patterns will continue to increase (ESCAP, 2019b). Indeed, "environmental degradation impacts the availability of resources, particularly for development of the so-called "Blue Economy" or the "Ocean Economy", which relies on the natural environment, as it reduces fish stock, pollutes sea water and degrades the overall natural habitat, which otherwise could have served as an important economic asset. It affects tourism and

contributes to the depletion of human capital due to deteriorating living conditions and the spread of diseases” (Bolesta, 2020). In this regard, the urgent need is to secure sufficient resources to build a resilient tourism sector, especially through developing climate-resilient tourism infrastructure, which would prevent disasters from undermining development gains (ESCAP, 2019b).

### **3.3 Socio-cultural sustainability**

The third challenge is socio-cultural sustainability. Culture serves as a major tourist attraction and can also preserve or revive cultural practices (Tolkach and Pratt, 2019). However, overtourism, can also contribute to the negative cultural impacts through increased globalization and the homogenization of cultures. Indeed, globalization is often perceived as a threat to the preservation of traditional culture. Tourism is also perceived as a way to re-evaluate traditional culture among youth. While it is recognized that cultural performances maybe less authentic when performed for tourists, it is also recognized this option to preserve cultural heritage is better than the alternative of losing the skills and knowledge of cultural expressions entirely.

### **3.4 Other challenges**

Pacific LDCs have a comparative advantage in tourism due to their endowments in the pristine natural environment and their cultural heritage. However, they face worldwide and regional competition. Pristine natural environments are not exclusive to them as other island destinations, such as Caribbean islands, are also well endowed and can be direct competitors. Islands in the region can also be direct competitors with each other. Tourism in the Pacific is characterized by strong marketing campaigns that compete amongst themselves (Tauaa, 2010). As a result, the sector has a core-periphery structure, with an unevenly spread of tourism activities across the region. This competitive nature of tourism in the region is visible with clear gaps in terms of small island countries’ tourism market size, with very competitive countries such as Fiji, Maldives and New Caledonia attracting most of the arrivals in the Asia-Pacific region; and countries such as Kiribati and Tuvalu attracting fewer visitors.

Pacific LDCs also face a shortage of financial resources for major new tourism development and for refurbishment and upgrading facilities. While Pacific LDCs attract investors primarily from Australia, New Zealand and more recently from China, there is little other investment from outside the region. In addition to high interest rates in these countries, customary land tenure systems and land fragmentation pose an addition challenge for attracting investment.

This is coupled with high cost of transportation due to long distances and limited transport connectivity, which increase the cost of operating commercial flights and cruise ships and decreases market competitiveness. Inadequate domestic infrastructure limits the number of visitors to be accommodated in some islands (shortage in terms of electricity supply, air connectivity, waste management and visitor facilities).

High vulnerability to external shocks, such as economic crises in other countries and the COVID-19 outbreak of 2020, and adverse circumstances, such as political and social tensions, could also negatively affect tourism activities. While the full impact of the outbreak of COVID-19 is still largely to be determined, tourism is expected to be one of the hardest hit sectors, with the wider social impact of the crisis going far beyond tourism. Micro, small and medium sized enterprises (MSMEs), which make up around 80% of the tourism sector globally, are expected to be particularly impacted.

Moreover, some Pacific LDCs face particular social and political tensions. For example, Solomon Islands were the site of ethnic violence between 1998 and 2003, which saw fighting between militants from Guadalcanal Island and the neighbouring Province of Malaita. As a result, although in 1997, Solomon Islands welcomed almost 16,000 international tourists, this number dropped to 2,400 in 1999.

Finally, limited data availability makes it difficult for policymakers to evaluate performances of the tourism-related activities that are complex and fragmented in nature. An ongoing attempt is being made to provide more robust measurement of tourism as an economic activity, notably through the use of the Tourism Satellite Account (TSA). The TSA is a statistical framework developed by the UN, UNWTO, Eurostat and OECD as a way of measuring the direct contribution of tourism consumption to a national economy in a manner that is consistent with a country's system of national accounts (UN and others, 2010). It does this by contrasting data from the demand-side (the acquisition of goods and services by visitors while on a tourism trip) with data from the supply-side of the economy (the value of goods and services produced). In this way, tourism economic data become comparable with other economic statistics. However, the construction of a TSA is not easy, particularly for Pacific LDCs, partly due to its heavy data requirements, such as counting of travel agencies/tour operators and measuring of business travel consumption and tourism-specific durable goods. As a result, a TSA does not exist in or is not publicly available in most Pacific island countries. The challenge is therefore to devote resources, time and funds, to producing required data so that future analyses can aid policy decision making (Pratt, 2015).

#### **4. Experiences of other Asia-Pacific LDCs or Pacific Island Countries**

This section considers several ways to address the sustainability concerns raised in the previous section by drawing upon their own experiences as well as lessons learned from their Pacific peers and two former Asia-Pacific LDCs, namely, Samoa and Maldives.

##### **4.1 Blue and Green Economy**

One way to address these sustainability concerns is by selectively promoting certain types of tourism that fit both the concept of the *Blue Economy* – referring to the sustainable use of ocean resources for economic growth, improved livelihoods, and jobs while preserving the health of ocean ecosystem (World Bank and DESA, 2017) – and the *Green Economy* - defined as the economy that aims at sustainable development without degrading the environment while reducing environmental risks and considering ecological scarcities. For Pacific LDCs effectively linking the concepts of Blue and Green economies to the local economy and local populations would entail promoting marine-based tourism, cruise tourism (under rigid standards and conditions) and culture-based tourism.

##### **a. Marine-based tourism**

Marine-based tourism represents an important area for creating effective linkages to local economies and is where the four Pacific LDCs have a key comparative advantage. Types of marine-based tourism that already exist and could be further developed in these countries are, for example, whale watching, dolphin watching, game fishing, scuba diving, including shark diving, and parasailing, surfing, windsurfing or kitesurfing. Shark diving can have important consequences for wildlife preservation. Moreover, diving, whale watching and shark tourism can be developed with a significant and leading role of local communities.

Several studies have been conducted estimating components of marine-based tourism in the Pacific. For example, in Vanuatu a total of approximately 47,000 dives were undertaken in 2013, equating to about 9,000 divers. In addition, 9,000 snorkel trips were recorded. The corresponding value-added of the dive shops is estimated at approximately \$ 1.6 million in 2013 (Pascal and others, 2015). In total, the annual economic value of marine and coastal ecosystem services in Vanuatu in 2013 on tourism and recreation was estimated to be \$ 9.59 million, representing 1.2% of the GDP.

In Kiribati the economic value of marine and coastal ecosystem services was estimated at \$ 3.9 million or 2.3% of GDP in 2015 (Rouatu and others, 2017). Within the same Marine and Coastal Biodiversity Management in Pacific Island Countries (MACBIO) project, the economic value of tourism

marine and coastal ecosystem services in Tonga was estimated to be between US\$ 2.0-4.9 million, which translates to 0.5-1.1% of the nation's GDP (Salcone and others, 2017). In the Solomon Islands, the tourism component of the economic value of tourism marine and coastal ecosystem services was estimated to be \$ 15.8 million, equivalent to 1.4% of GDP (Arena and others, 2015).

Besides the significant economic value that marine-based tourism can bring to the region, these marine and coastal ecosystem services can be developed with a significant and leading role of the local communities, the natural experts and protectors of the region and its resources, being also more determined to preserve the local natural environment. In addition, many of these activities, especially shark diving, can have important consequences for wildlife preservation. This is already taking place in many countries. It is of paramount importance that policies are in place to ensure the local participation of tourism development, making it the leading force of the industry. This, however, cannot be sustained by pure regulation but must be underpinned by adequate training programmes and broader education-related efforts.

#### b. Cruise tourism

Cruise tourism was an expanding market globally at least until the COVID-19 pandemic broke out. Cruise arrivals to Pacific LDCs reached 241,000 in 2018 (table 1). This sector has potential to be expanded further in a sustainable manner to produce a better developmental impact. It can bring business opportunities to local economies if backward linkages are strengthened.

However, cruise tourism may not necessarily fit the concept of Blue Economy and even be associated with negative impacts on the environment. For example, many cruise ships are registered in a country offering a "flag of convenience" meaning also that they could avoid destinations' environmental standards and labour laws. Large vessels such as cruise ships use heavy oil fuel for their engines and often discharge pollutants into oceans. Indeed, on occasions, cruise ships are responsible for major accidents, and, as a result, pollute waters and contribute to degrading of natural environment. Moreover, accommodation of large cruise ships into port requires a great deal of initial capital investment in infrastructure as well as maintenance costs (Brida and Zapata-Aguirre, 2009). This is something that Pacific LDCs may not be able to afford.

The COVID-19 pandemic, which has particularly affected cruise ships, has also posed an additional significant risk by its high exposure to sudden demand shocks. Many cruise lines were forced to temporarily shut down their operations in a bid to reduce the spread of the virus. As of April 2020, all

major cruise ship destinations in the Pacific, namely Fiji, New Caledonia and Vanuatu, had closed their cruise ports (Tateno and Bolesta, 2020).

Another concern surrounding the benefit of cruise tourism is how much of the generated revenues are shared with local populations. For example, cruise tourism in Vanuatu is estimated to have generated very few resources that go to the grassroots (Cheer, 2016). A series of reports have catalogued the cruise industry's contribution to four Pacific island countries: Fiji (IFC, 2019); Papua New Guinea and Solomon Islands (IFC, 2016); and Vanuatu (IFC, 2014). These studies were all conducted using the same methodology and so provide a useful comparison. As can be seen from Table 2, Fiji and Vanuatu have the larger cruise ships docking, especially compared with Solomon Islands. Vanuatu has the highest average expenditure per call at \$ 85 while the port calls in Papua New Guinea vary widely from \$5 to \$52. Although the average expenditure per call in Fiji is only around a half of that in Vanuatu, that number corresponds to 46% of Fiji's average daily spending of overnight travellers, compared to 34% of Vanuatu's and 8% of that of Solomon Islands. As such, Fiji and Vanuatu have a relatively larger direct economic impact. Fiji, also has a relatively larger indirect economic impact, compared to Vanuatu because Fiji has a lower leakage rate – a share of revenue which is exiting the local economy – 2% for Fiji compared to 41% for Vanuatu. Leakage has been estimated based on the findings of face-to-face interviews and business surveys as well as understanding of the ownership structures of key industries. Leakages came from four sources: (a) cruise operator supply chains for goods and services; (b) cruise operator-organized tours and excursions; (c) a high proportion of cruise passengers going ashore, but returning early; and (d) foreign-owned businesses (IFC, 2019). A higher leakage rate in Vanuatu means more cruise tourist expenditure is exiting the economy with less remaining for the local businesses and community.

Table 2  
**Indicators of cruise industry in Fiji, Papua New Guinea, Solomon Islands and Vanuatu**

	Fiji 2018/2019	Papua New Guinea 2016	Solomon Islands 2016	Vanuatu 2014
Number of calls at researched ports per year	145	60	13	201
Cruise ship calls	..	136	47	..
Average number of passengers per call	2,073	1,311 – 1,927	530	2,081
Average passenger spending per call (in US\$)	44	5-52	14	85
Direct economic impact per ship (in US\$)		71,923	35,153	
Direct economic impact per year at researched ports (in millions of US\$)	21.4	4.3	0.4	25

Indirect economic impact per year at researched ports (in millions of US\$)	22.7	0.1	0.03	14
Leakage (% of total economic impact)	2%	6%	10%	41%
Employment opportunities	4,593	203	21	3,250

Source: IFC (2019).

Differences in the economic impacts, especially the employment impacts of cruise tourism across different Pacific countries can be attributed to the underlying features of their tourism economies. Compared to Fiji and Vanuatu, Solomon Islands and Papua New Guinea have limited tourism infrastructure (such as road transport and retail destinations). Additionally, there is a higher incidence of subsistence farming and fishing. This means that the informal economy is difficult to capture and has limited indirect impact on the wider economy as revenue is kept by the family producing the good or service, without it being recorded. The supply chains when assessing indirect impacts are very short, involving only one supplier, if any at all, hence the indirect and induced impacts of tourism are limited.

The analysis above reveals there is room to further increase the benefits of cruise tourism for local populations. Even in Fiji where the cruise industry already has a large economic impact, IFC's survey (2019) finds that 47% of cruise passengers wanted to spend more, but were constrained by the insufficient supply of goods and services. For local communities to benefit more will require that they build, in the long term, capacity to provide stable supply of goods and services of international standards to mitigate the unmet spending opportunities. Significant expansion of infrastructure and preventing negative impact on the environment will also be required. However, if leakage remains large, the overreliance on cruise tourism could turn to be a threat to economic sustainability.

Overall, cruise tourism has the potential to be expanded further in a sustainable manner to produce better developmental impact. It can bring business opportunities to local economies if backward linkages are strengthened. However, this will require that local communities build, in the long term, capacity to provide a stable supply of goods and services of international standards to mitigate the unmet spending opportunities. Significant expansion of infrastructure and the prevention of negative impact on the environment will also be required.

### c. Culture-based tourism

Culture-based tourism, in particular community-based cultural heritage tourism, is one of the land-based tourism development possibilities that fit the Green Economy concept. Among Pacific LDCs, Solomon Islands and Vanuatu should have a high potential of attracting tourists in this area (SPTO, 2014).

Promoting culture-based tourism is an effective way to address concerns over socio-cultural sustainability while also being instrumental in generating links to the local economy. This segment of tourism has a large potential, with around 360 million of tourism trips annually, worldwide. Tourists in this segment tend to spend many days at their destinations, typically between 7 and 16 days, with sizeable spending of between \$4,000 and \$9,000 per arrival (SPTO, 2014).

This could be leveraged further through event-based cultural festivals that might attract general international tourists as well as diaspora peoples to return to their homelands to attend these cultural events. One example of this is the Festival of Pacific Arts & Culture. It is the world's largest celebration of indigenous Pacific Islanders. Indeed, a former LDC, Samoa focuses its tourism development on cultural links to local communities. For example, Samoa's tourism development strategy is centred on sustainability concepts, promoting a community-based cultural heritage tourism. It promotes both intangible cultural heritage, such as dances, craft production and performances, as well as tangible cultural heritage, such as monuments and archaeological sites. One example is the beach *fale* tourism where tourists are hosted in local communities and participate in activities such as handicrafts workshops, cooking demonstrations and performances (Ford and others, 2019).

A community-based cultural heritage tourism can protect and preserve communities' culture by giving an economic value added to the existing historical and sociological value. More access to the tourism sector is given to local populations, since a significant part of cultural heritage is located in customary lands. Besides, targeting this niche market mainly requires the utilization of existing assets, local cultural heritage, lowering the costs of access to the industry and transmitting benefits directly to the communities; helping to address challenges related to employment, schooling and medical needs. In this way, tourism can benefit directly the communities involved, can help for the preservation of the cultural heritage, can facilitate inclusion of remote communities in economic and social activities, lead to strong interactions between the communities and the visitors, share culture, knowledge, give self-value to the local communities and award the tourists with a genuine experience.

#### **4.2 Green fee initiatives**

Several Pacific island countries have implemented green tax initiatives and fees on tourism-related activities to raise revenues for environmental management and conservation. Although precise data is often lacking, the revenues raised are intended to offset visitor impacts and protect marine and coastal ecosystems, at the same time contributing to socioeconomic development of local communities. For example, Maldives collects a \$6 green tax per day from tourists at resorts and hotels and a \$3 from

tourists staying at guesthouses. This way, the Government raised \$59 million in 2019, part of which was used for developing waste management mechanisms and sewage facilities. In Palau, the so-called green fee of \$15 was introduced in 2009 and added to the departure tax. It was subsequently increased to \$30 and then to \$50. Effective January 1, 2018, Palau legislated a Pristine Paradise Environmental Fee (PPEF). A fee of \$100 is now included in the price of inbound international airline ticket into Palau (Palau Customs, 2018). The ticketing airline is responsible for collecting the PPEF. Palauan passport holders are exempt. In addition, international visitors are required to sign a pledge to respect the environment and culture. The objective of the tax is to protect 80% of Palau's exclusive economic zone as the Palau National Marine Sanctuary. The fund is also intended for development of tourism-related infrastructure, such as the international airport. A small share goes to the general fund of the National Treasury and local governments. A total of \$9.1 million was raised through this funding mechanism in 2018 and is expected to be used for, among others, the conservation of protected marine reserves as well as for the management of fishery and aquatic resources. The green fee mechanism is managed by an independent non-profit organization, Protected Area Network Fund (PANF).

While Pacific LDCs already collect tourism-related taxes in the form of hotel, departure and services tax, green tax initiatives could be considered for the purpose of generating additional financial resources to promote environmental sustainability, as well as to manage the flow of tourists, particularly to the areas with fragile ecosystems and inhabited by endangered species. This may also be effective in targeting high-end tourism markets as they discourage low value-added tourism activities. With its intrinsic features, it has been employed in Galapagos Islands of Ecuador, Bhutan and other places.<sup>6</sup> However, a transparent and inclusive use of the collected financial resources is the key for the successful implementation of green fees in Pacific LDCs.

### **4.3 Infrastructure development**

Tourism development is dependent on infrastructure, such as ports, airports, roads, water, waste-water management, communications and energy, among public sector responsibilities; accommodation, retail, many attractions, as a private sector role. However, Pacific LDCs do not have the capital base to invest in large scale projects; implementing tourism-driven infrastructure priorities is, in many cases, dependent on multilateral or bilateral aid. The limited capital resources also impede the growth of private sector facilities, which has led, for example, to the involvement of national pension funds financing large

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<sup>6</sup> See ESCAP (2020) for details.

scale tourism development in Samoa. The accommodation sector in Pacific LDCs is not as well developed as in a few other tourism-intensive destinations such as Maldives.

A lack of infrastructure negatively affects tourism. For instance, after the infrastructure at Vanuatu's Bauerfield International Airport had deteriorated, carriers subsequently reduced services, which impacted international tourism arrivals. In response, the World Bank funded megaprojects to upgrade the runway, taxiway and aprons of the Bauerfield airport to boost the economy and rebuild its aviation market. Also in Vanuatu, a new cargo wharf at a cruise port at the capital, Port Vila, was funded by Japan to reduce cruise/cargo vessel conflicts. In parallel, New Zealand funded a major waterfront project to provide a recreation zone for visitors and locals alike, relieving pressures on the main street of Port Vila. At Luganville, on the northern island of Espiritu Santo, China's EXIM bank's concessional loan funded a replacement wharf suitable for cruise ships.

Experiences of other small island countries indicate that provision of infrastructure that promotes connectivity is key to facilitating tourism sector development. For example, the Government of Fiji has often provided road access to major new resort developments, enabling resort complexes to operate. In Maldives, enhanced air connectivity through infrastructure development, including the expansion and upgrading of Velana International Airport, played a major role in tourism's development.

Infrastructure must also evolve to enable tourism to grow. Faleolo airport near Apia, the capital of Samoa, has recently had an aid-funded terminal redevelopment as well as a further upgrade to the runway and terminal facilities funded by the World Bank. Henderson Field, on Guadalcanal, Solomon Islands, is the next Pacific island airport to be upgraded to enable the country to meet the demands of the growing tourism sector. Across the Pacific, tourism-driven demand for new infrastructure contributes to GDP through on-going construction programmes. As new transport and service infrastructure comes on-line continued tourism growth is facilitated through easier access, improved ground transport and more reliable services.

#### **4.4 Regional cooperation**

Regional cooperation is of paramount importance for making tourism an effective driver of sustainable development in Pacific LDCs. Considering their remote location, tourists are more inclined to visit at least several destinations as part of one visit to the Pacific. This is also partly because various countries offer various tourist attractions; for example, shark diving in Fiji, whale watching in Tonga, volcano trekking in Vanuatu, wrecks diving in Solomon Islands and Papua New Guinea.

Indeed, Pacific island countries have various tourism-related regional cooperation and integration mechanisms. For example, the Pacific Tourism Organization (SPTO, formally known as the Pacific Tourism Organization) is an intergovernmental body for the tourism sector in the Pacific, responsible for marketing, research and statistics and sustainable tourism development. The four Pacific LDCs are official members of SPTO. SPTO promotes innovative partnerships in the areas of cruise sector development, human resource development and training, air access and route development and investment and product development that will further support the regional cooperation in the sector. In 2016, the SPTO launched a new Pacific brand, with its brand slogan “Ours is Yours”, to promote Pacific tourism globally. The brand intends to evoke the welcoming nature of the Pacific peoples, the Pacific spirit of sharing and the unique cultures and the pristine natural environment.

Another initiative has been the Pacific Islands Air Services Agreement (PIASA) that aimed to increase air access to Pacific island countries and to bring efficiency to their national airlines by creating an open sky, a free market for aviation in the region. To date, the agreement has not yet delivered improved air connectivity in the region. For one, PIASA took time to be signed by only eight States of the Pacific Islands Forum, due to concerns over fierce competition that could be harmful to national and regional airlines relative to international airlines. In addition, PIASA came in the context of many bilateral agreements between the Pacific islands, international airlines, and some key regional markets such as Australia and New Zealand.

Partnerships have also been launched to protect natural assets. For instance, the Secretariat of the Pacific Regional Environment Programme (SPREP) oversees cooperation in the Pacific region for protecting and improving the environment and to ensure sustainable development. Other sub-regional organizations are also active in protecting the environment. The Oceania Regional Office of the International Union for Conservation of Nature (IUCN ORO), in partnership with the SPREP and Governments, are working to support the implementation of multilateral environmental agreements. The Micronesia Challenge is another example of subregional cooperation, with five Micronesian Governments committed to conserve at least 30% of the near-shore marine resources and 20% of the terrestrial resources across Micronesia by 2020.

Regional cooperation should go beyond the Pacific subregion and be underpinned by greater cooperation of the entire Asia-Pacific region. Asia-Pacific emerging economies possess all the ingredients to facilitate further development of the tourism sector in Pacific LDCs, particularly considering that rising levels of income usually go hand-in-hand with greater demand for international travel.

## 5. Policy options

To leverage tourism to promote sustainable development in Pacific LDCs, the positive development impact of tourism must be increased by using the opportunities related to contemporary trends and addressing existing barriers, bottlenecks and challenges. Doing so, however, requires policies that generate additional revenues which can subsequently be used for development of these countries and to link the tourist sector more effectively to the local economy.

Tourist arrivals could be increased, for example, by targeting fast-growing markets such as China and other emerging economies, as the case of Maldives illustrates (see box 1). However, while increasing the number of tourists, provided that obstacles such as limited infrastructure are addressed, may be the easiest way forward for certain countries, this may not be an easy undertaking for Pacific LDCs, as over-tourism and rapid development can pose a serious threat to fragile ecosystems and natural environments of these countries.

### Box 1

#### **Maldives success in tourism development**

Maldives is a good example of how tourism can foster economic development in an island country. Maldives' tourism sector was central to country's graduation from the least developed country status in 2011 (Perrottet and Garcia, 2016). Tourism goods and services tax accounted for 30% of government's tax revenue in 2018 (Maldives Monetary Authority, 2018).

Maldives' strategy of tourism development has been oriented towards high-end resort tourism. Indeed, Maldives developed the unique concept of "one island, one resort", with over-water villas and spas offering a first-class experience, thus making Maldives a premium destination (World Bank, 2017). Maldives mainly attracts tourists from Asia and Europe looking for resort-based holidays, beach holidays, wedding-honeymoon holidays and water sports, such as diving and snorkelling. This has been made possible through the original Tourism Act of 1979 and multiple well-targeted tourism master plans. The Government has created a suitable business environment to attract foreign investments, set measures to account for environmental and social sustainability of the tourism sector, and tries to encourage local communities to be part of the sector, in terms of employment and investment. While tourism activities used to be concentrated around the capital city of Malé, the Second Tourism Master Plan 1996-2005 decentralized tourism activities away from the capital to spread the benefits across the country (Perrottet and Garcia, 2016).

Air connectivity played a major role in tourism's development, with Maldives benefiting from bilateral air service agreements with 29 countries.<sup>7</sup> The country has around 40 direct flight connections with Europe, 55 with the Middle East, and over 200 with Asia per week. It has invested in domestic transport infrastructure and is now equipped with four international and eight domestic airports. To access the most remote atolls, Maldives has the world's largest seaplane fleet with 49 aircraft reaching nearly

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<sup>7</sup> Source: Maldives Civil Aviation Authority. <http://www.aviainfo.gov.mv/transport.php>.

1,200 islands, servicing over 60 resorts, transporting about 960,000 passengers with 120,000 flights annually.<sup>8</sup> The country continues to improve its connectivity through new infrastructure development such as the expansion and upgrading of Velana International Airport.

Maldives source markets composition has changed over time. Europe represented 73% of Maldives' inbound tourists in 2008 and 49% in 2018, while the Asia and the Pacific share increased from 21% in 2008 to 42% in 2018.<sup>9</sup> This shift has been mainly driven by China, the largest source market since 2010, representing 19% of the total tourist arrivals in 2018. Maldives has clearly targeted tourists from China through various marketing strategies – for instance, through internet and social media (70% of bookings in China are made online) and through trade fairs in China to promote Maldives to tour operators. In addition, air connectivity with China played an important role with direct flights from seven Chinese cities, including Shanghai and Beijing (Perrottet and Garcia, 2016).

Maldives' experiences may offer a possible model of tourism development for other small island countries, particularly its successful targeting of high-end segments and the diversity in the source markets, as well as the revenues obtained from the tourism goods and services tax which allowed for a significant rise in Government's revenue. Nevertheless, for the model to be effectively applied to other islands, the latter's existing externalities need to be integrated and adapted to their specific situations.

To balance the tourism development and the risk of overexploitation of natural resources by the tourism sector, the following three policy options are proposed for Pacific LDCs.

First, it is necessary to strengthen the links between local populations and the tourism sector, so that local communities benefit more from the rich natural, marine resources of Pacific LDCs. This can be done, for example, by offering more *Green* and *Blue* tourism and more community-based tourism activities. It can also be achieved by providing training programmes to increase the employability of local workers in the tourism sector as well as in agriculture and other services from which forward linkages with tourism can be strengthened. This *community-based approach* will not only contribute to enhancing socio-cultural sustainability but also to strengthening production linkages between the tourism sector and the rest of the economy, and offering more decent, stable job opportunities, thereby enhancing economic sustainability.

Second, Pacific LDCs could consider generating additional revenues by introducing green taxes, fees and other special mechanisms, with an explicit objective of supporting environmental conservation as well as the sustainable livelihood of local populations. These taxes and fees could be useful to increase revenues from tourism or to address the risks of overexploitation of the tourism sector. Alternatively, if

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<sup>8</sup> Source: Maldives Resort Market Research, Jones Lang LaSalle (JLL). <https://www.jll.com.sg/en/trends-and-insights/research/global-resort-report-2019>,

<sup>9</sup> Sources: Ministry of Tourism, Arts and Culture of Maldives (2009). *Maldives Tourism Yearbook 2009*; and Statistics Yearbook of Maldives 2019 (accessed 6 March 2020).

enough fees from tourism is already being collected through a departure tax or service tax, greening tax systems could be considered by reallocating funds towards projects and activities to enhance environmental sustainability or to correct for externalities caused by tourism. This, however, requires a careful assessment of tax changes to ensure the right balance between additional revenues raised and the impact on the number of inbound tourists. This also requires a process of transparent and inclusive stakeholder engagement in designing and implementing such initiatives and a robust conservation and associated management rules and systems.

Finally, regional cooperation could be enhanced to promote a common Pacific brand to raise the global profile. Tourists coming from far away are inclined to visit several destinations as part of one visit to the Pacific. A common branding, such as the Pacific Tourism Organization's "Ours is Yours", with a clear marketing strategy promoting Pacific cultures as a whole, could increase the attractiveness of the Pacific as a place with a variety of attractions. Marketing and promotion of a single Pacific brand could also be used to gain bargaining power and share best practices and market research among the Pacific islands. Countries could, for example, collectively negotiate with transit countries for the latter to provide visa exemptions to transit passengers travelling from and to the Pacific island countries. They could also explore the possibility and feasibility of introducing a Pacific-wide common sustainable development fee on inbound tourists, particularly cruise visitors, whose positive impact on local economies has been limited. This could lessen the fear of tax competition. Given the remote location of Pacific LDCs and the distances between them, connectivity issues also must be effectively addressed..

Regional cooperation should go beyond the Pacific subregion and be underpinned by more intense cooperation of the entire Asia-Pacific region. Asia-Pacific emerging economies possess all the ingredients to facilitate further development of the tourism sector in Pacific LDCs: large populations and increasingly wealthy citizens interested in international travel. Pacific LDCs can utilize the existing trends and benefit from the new waves of potential tourists.

Policies must be tailored to the specific conditions of each country and contain a wide range of options, such as those discussed above, including new fees and mechanisms to generate revenue, diversifying types of tourism that ensure effective links to local economies to generate new employment, and enhancing regional cooperation to combine resources and address challenges. Most importantly, to make tourism an effective driver of sustainable development, the development of new tourist sectors, in which the leading role is played by the inhabitants of Pacific LDCs, is of utmost importance.

## 6. Conclusion

Pacific LDCs need to accelerate action to implement the 2030 Agenda. To do so, they can take full advantage of their blue economy and the development of a particular type of local content intensive tourism. This will entail ensuring the sustainability of tourism activities while increasing revenue streams that benefits local communities.

Addressing the consequences of the COVID-19 pandemic, however, must take priority. The four Pacific LDCs introduced countermeasures consisting of, for instance, travel restrictions and isolating individuals with suspected cases of COVID-19. These actions have been needed due to the relatively rapid transmission of the virus, as well as the limited capacity of the health-care systems of these countries.

Looking forward, targeted fiscal and monetary measures will be necessary in the short term to support affected local businesses, such as in tourism-related services, particularly local MSMEs providing employment to local populations. While typical stimulus programmes include direct cash transfers, wage subsidy to businesses and cheap financing to MSMEs, a compensation packages for employees in large informal sectors, such as farmers and fishers who provide supplies to the tourism sector, should also be considered (Sen and Kenny, 2020; World Bank, 2020). Through a stimulus, Governments can ensure the wellbeing of local populations and the survival of local MSMEs and prevent the former from falling into poverty and the latter into disarray.

Finally, despite the short-term disruption of tourism activities due to the COVID-19 pandemic, long-term efforts for the development of the tourism sector should not be undermined. This paper calls for a need to take full advantage of the blue economy – a concept depicting sustainable use of vast oceanic resources – to foster their development, especially through the tourism sector. Given that the economic and social impact of the COVID-19 pandemic will be hard felt on the people of the Pacific LDCs, collective actions are particularly desired. In this regard, while suggesting a number of long-term policy measures to leverage tourism to promote sustainable development, regional and subregional cooperation needs to be enhanced further to promote a common brand for the Pacific subregion to raise their global profile.

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