Small island tourism economies and the tourism area lifecycle

*Why Aruba and Sint Maarten have exceeded their carrying capacity*

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1. Introduction: what makes Small Island Tourism Economies tick?

Small island development as a field of research has gained considerable attention over the past three decades. This is understandable, as islands each have their unique characteristics, while at the same time offering a microcosm of national development that may provide valuable insights on a larger scale (McCall 1994; Briguglio 1995; Baldacchino 2004). While the field of island studies is dedicated in large part to external influences and threats common to all islands, such as different dimensions of globalization and climate change, islands are agents in their own development trajectory as well, even on a world stage. As it turns out, some islands around the world show remarkable similarities in their strategies of carving out their niche in a globalized world economy and constitute paradigms of island development (Bertram 2006).

The Small Island Tourism Economy (SITE) model is one such paradigm (McElroy and de Albuquerque 1998; McElroy 2006). SITEs are found all over the world, in the Caribbean, the Pacific, the Mediterranean and the Indian Ocean. Like many island studies however, research based on the SITE model is largely oriented towards their macro-level commonalities and similarities in their external relations, in particular to their markets, the countries of origin of their tourist visitors. Tourism product development, -marketing and factors determining (overseas) demand are the most common topics, usually studied from a business management perspective (Croes, Robertico R. 2000; Shareef, Hoti, and McAleer 2008; Ridderstaat and Nijkamp 2013).

The internal dynamics of island development are far less often the object of research, although noteworthy examples exist (Cole 1997; 2007; Cole and Razak 2009; Croes, Robertico R. 2012). Questions as to what internal factors promote, discourage or shape SITE development are much harder to answer.

What makes SITES tick? What are the internal governance and socio-economic processes that help understand how SITEs develop into destinations with a high tourism intensity, and why they react the way they do, when – being small islands - inevitably the limits of their carrying capacity are reached?

In exploring answers to these questions, two SITE cases are researched: Aruba and Sint Maarten. Both former island territories of the Netherlands Antilles, they are now constituent countries of the Kingdom of the Netherlands (hereafter: the Kingdom) (Oostindie and Klinkers 2012). They therefore share a non-independent constitutional status while their legislative framework has common roots and is anchored in the Kingdom Charter.
It is worth mentioning at the outset that both islands have developed along similar lines *in spite of* rather than *by virtue of* belonging to the same governance structure. Their path is fundamentally different from the other four Caribbean islands in the Kingdom, and although sharing some conducive preconditions, the similarities in their SITE development cannot be attributed to common causal factors related to their constituent structure. This circumstance gives added value to this choice of case studies.

Although both are consistently among the islands with the highest tourism intensity according to the SITE definition, research into their SITE development path is scarce, with some studies on Aruba and very few on Sint Maarten. The language barrier in using Dutch language sources may be a factor in this regard. To date, no comprehensive study has been conducted that covers both islands and their very similar development trajectories. It is a goal of this thesis to fill this gap.

**Problem statement; SITEs arriving at the end of the lifecycle**

The SITEs Aruba and Sint Maarten both struggle with the limits of their carrying capacity (Cole and Razak 2003; TTCI 2004), and are presently considered to have arrived in the stagnation phase of the tourism area lifecycle (TALC) (Butler 1980; Butler 2006a). While answering the question whether their evolutionary trajectory indeed matches the stages of the TALC, the question of *how* this happened from a governance and socio-economic point of view, is addressed. The present situation confronts the SITEs with a multi-dimensional problem. Starting with the heart of the SITE model, the tourism product itself has become dated and weary, leading to less repeat visitors and more challenging competition. Secondly, the volume and scale of tourism has grown tremendously, filling practically all readily available locations. This is part of the now globally recognized phenomenon of over-tourism. A third factor is population pressure. To supply the workforce for this rapidly growing industry, SITE populations have grown proportionally - mainly through immigration. Housing, education, health care, infrastructure and other public services have fallen behind as the SITE development progressed, while the large immigration numbers put a strain on social cohesion in previously tight-knit island communities. The previous factors all contribute to environmental degradation, which in turn feeds back negatively into the tourism product and quality of life on the islands. As a fifth dimension, economic productivity has not increased for at least two decades. Worse still, during the growth stages productivity numbers have been flattered by the addition of immigrant workers to the active population, a situation that is now reversing, causing rapid ageing of the population. This multi-dimensional problem, however, has not led to a revision of SITE model, or even to a halt to volume growth.
SITE economies keep growing by volume. In a state of stagnation and having passed well over the limits of their carrying capacity, this is an acute problem. A slide into the ‘decline’ stage would be next, which in effect would mean a collapse of the SITE model, as the different problematic dimensions outlined above tend to compound each other. Additionally, the fact that carrying capacity problems exist has in fact been acknowledged and studied since about twenty years by all important parties in terms of the horizontal governance networks; environmental and other civil society organizations, governments and importantly – the tourism industry itself. Nevertheless, no significant action was taken. The reason for this apparent contradiction must lie in the dynamics of the SITE model itself. It is therefore very important to analyze the socio-economic dynamics and governance ‘inner workings’ of the SITE model, to arrive at an explanation.

Current theory about SITEs mainly focuses on the external characteristics of island development, classifying and comparing SITEs on broad macro-economic and tourism volume indicators. Valuable as this may be, little systematic research is done into the governance choices and internal socio-economic dimensions of the island model. This makes it hard to understand why SITEs have developed as they did, and why they currently seem to make counter-intuitive choices in the face of an ostensibly finite model. Two cases are observed to gain insight into internal factors determining the development path of SITEs. This leads to the main research question:

*How have governance and socio-economic factors contributed to the current unsustainable state of the SITE development model and its resistance to change in Aruba and St. Maarten? How can inclusion of these factors improve the descriptive and explanatory power of the SITE framework?*

**Theoretical framework**

*Tourism Area Life Cycle (TALC) concept*

This thesis deals with islands on a dedicated tourism-oriented development path. They are in fact countries as well as tourism destinations in their entirety. It is therefore an obvious choice to view them as such and use the Tourism Area Life Cycle (TALC) theory as a frame of reference for the chronology and content of their development path. TALC is a well-established and much built-upon theoretical framework of the evolution of tourism destinations, introduced and further developed by Richard Butler (Butler 1980; 1996; 2006a; 2010; 2006b). As the author indicates, the roots of the model were in geography (Butler 2006a, p.13), and built on earlier concepts of evolution of tourism areas. TALC proposes the characteristic S-shaped curve, which echoes the shape of the more general product life cycle theory and has become the TALC’s trademark.
At the core of the TALC model are the five stages that lead to the top of the S-curve; exploration, involvement, development, consolidation and stagnation. The latter two stages, however, bring a tourism destination to the limits of its carrying capacity. Sustainability of tourism development, in the environmental sense as well as in the broader sense of ability to maintain socio-economic levels, has therefore been an essential part of the TALC framework from the start. The model foresees a range of possible scenarios after the stagnation phase, from reinventing the tourism product to achieve ‘rejuvenation’ on the positive side, to a negative spiral of product weariness and carrying capacity limitations leading to ‘decline’. From its inception, TALC is a cautionary tale regarding the limits of carrying capacity in tourism destinations, as well as offering a way out that implies an active governance model of public-private partnership (Butler 1980, p. 9). The carrying capacity message however, although theoretically widely adopted, has not led to effective actions in practice at a national governance level, according to the author of the model (Butler 1996). In the course of this thesis, the TALC will be continuously used as a frame of reference, and the implicit question whether the development of the two islands indeed follow the TALC stages, is addressed as well.
Small island development paradigms and the Small Island Tourism Economy (SITE) concept

The 1992 UNCED conference linked environmental sustainability and development for the first time as the theme of a dedicated UN conference. Within this context, islands were quickly recognized as a group that merits separate attention, which led to the Barbados plan of action (United Nations 1994) and its successors. This in turn gave rise to a body of literature on the topic of sustainable tourism on islands (Briguglio, Archer et al. 1996; Briguglio, Butler et al. 1996). This cemented the status of sustainability as a crucial concern, a topic that was in essence recognized earlier as central to the TALC model. However, most literature on sustainable tourism in islands focuses on adapting tourism products and strategies on islands, without explaining the dynamics of how unsustainable tourism develops or why it persists.

From the early 1990s onwards, McElroy and De Albuquerque, building on a simplified version of the TALC blueprint, started ranking tourism islands based on the ‘Tourism Penetration Index’, a benchmark composed of three different tourism intensity indicators (1998). This framework eventually evolved into the Small Island Tourism Economy (SITE) model proposed by McElroy (2006). As with Butler’s life cycle model, the concern about the ‘mature’ stages of development and the limits of carrying capacity are a main element of the SITE model since its inception. In an early example of SITE studies against a TALC background, a 1992 article on Sint Maarten/St. Martin and Bermuda, considers Sint Maarten - perhaps prematurely - to be in the stagnation phase and on the threshold of decline (de Albuquerque and McElroy 1992a, p.15). Clearly, the SITE concept is a template fitting Aruba and Sint Maarten very well, although SITE studies are usually limited to high-level observations of tourism numbers and other macro indicators, seldom looking at the internal factors driving SITE development.

The SITE model is in turn member of a small family of ‘island development’ paradigms. Previous studies into Pacific, Caribbean and other islands resulted in the MIRAB model, for islands relying on migration, remittances, aid and bureaucracy, first described by Bertram and Watters (1985; 1986). Other islands seem to fall into the ‘PROFIT’ category proposed by Baldacchino (2006a; 2006b), driven by local jurisdictional autonomy in the fields of ‘people, resource management, overseas engagement, finance, and transportation’. The SITE model so far mainly offers confirmation that different islands in this group indeed fit the various phases of the tourism life cycle and thus express similar characteristics. However, questions as to how and why islands follow this trajectory, and what determines their ‘success’ or ‘failure’ in doing so, have so far been addressed only sparingly. These are the questions this thesis seeks to address.
The Vulnerability and Resilience debate

An extensive academic debate exists about the impact of shocks on developing countries, and in particular on islands. The key distinction is between vulnerability, the extent to which an external shock affects an entity, and resilience, the capacity to absorb a shock and to ‘bounce back’ and transform (Brigugio 2004; Briguglio et al. 2009; Philpot, Gray, and Stead 2015). Generally, export concentration in a small range of products (“monoculture”) is considered to generate vulnerability. The question whether this rule applies to tourism islands is one of the topics of this thesis.

SITEs are examples of extreme - yet intelligently executed - specialization, a strategy is described in island literature with the term ‘speciation’ – borrowed from evolutionary biology by Bertram and Poirine (2007) and further elaborated by Baldacchino and Bertram (2009). Speciation combines overall concentration on one product with a high degree of internal flexibility and adaptivity to changing circumstances. The question whether speciation – thus far described as an island strategy in general terms - should be recognized as an important characteristic of SITEs is addressed in this thesis.

Furthermore, an important recent development in the tourism-vulnerability debate is the distinction between shocks and stressors (Calgaro, Lloyd, and Dominey-Howes 2014). The concept of ‘stressors’ refers to slow-moving long-term detrimental factors that affect a society over time, which covers the factors caused by exceeding the limits of carrying capacity, thus linking back to the situation of SITEs in the latter stages of the TALC model. In this thesis, the relevance of stressors to the SITE model is investigated.

Occupational strategies and labor market segmentation

Attempts to find explanatory factors of resilience in labor market and migration mechanisms are scarce. In the case of SITEs, with their heavy reliance on immigrant labor, there is reason for investigation in that direction. In doing so, a link was made to the concept of ‘occupational multiplicity’ introduced by Comitas (1963) based on research into labor market strategies in Jamaica. Flexibility in terms of hours worked, concurrent jobs in unrelated occupations, acceptance of under- or overemployment as well as flexibility in migration decisions are factors that may well be lending socio-economic resilience to SITEs.

This thesis uses ‘labor market segmentation’ theory as an avenue to help explain the specific socio-economic structure of SITEs. This concept describes a situation in which groups in the lower strata of the labor market are limited in their access to the higher levels on grounds other than skills and qualifications, for instance based on contractual status (permanent/temporary), on belonging to the formal or informal economy, or on personal characteristics such as gender or
immigration status (ILO 2020). This phenomenon is originally described pertaining to industrial societies. In its modern form it has its roots in the 1960s studies of Peter Doeringer and Michael Piore on the US labor market (Doeringer and Piore 1970) that led to the landmark study of Piore and Sabel (1984). In the European context, the research by Loveridge and Mok was groundbreaking (1979). Labor market segmentation is of particular relevance to immigration dependent, high-intensity economies and therefore its applicability to SITEs is analyzed in this thesis.

The idea to apply labor market segmentation to SITEs is inspired by the seminal study ‘Double or Quits’ published by the Aruban Central Bureau of Statistics in 2004, in which some fundamental questions are explored about the economic sectors immigrants come to work in, and equally important, which sectors locals preferred and moved into (CBS Aruba 2004).

**Governance theory**

In addressing questions related to the governance of SITEs, this thesis draws on the school of thought of which Torfing is an important representative (Torfing and others 2013). Furthermore, the island development paradigms mentioned earlier (MIRAB, PROFIT, SITE) each imply a certain set of governance choices and strategies. A significant body of literature is dedicated to island governance choices, often in relation to vulnerability and resilience (Baldacchino 2010), or to achieving sustainable tourism (Briguglio, Archer et al. 1996; Briguglio, Butler et al. 1996). SITEs participate in both vertical as well as horizontal governance networks. The vertical governance network of the Dutch islands, including the SITEs Aruba and Sint Maarten, in particular their constitutional relations within the Kingdom of the Netherlands have been studied extensively, sometimes in comparison to other non-independent jurisdictions (Clegg and Pantojas-Garcia 2009; Oostindie and Klinkers 2003; Oostindie 2006). The horizontal internal workings of governance in the Dutch SITEs, however, have been the subject of far less academic research, with the notable exception of Haan (1998) where it concerns institutions and ‘rent seeking’ and recently Roitman and Veenendaal on the topics of small-island political processes (Veenendaal 2013; Roitman and Veenendaal 2016; Veenendaal 2016).

**Research Approach and methodological choices**

To answer the issues raise, a number of specific research questions were raised, starting with the main social and economic dynamics, which the islands have experienced. Full dedication to the tourism industry and a close relation between tourism growth, economic growth and immigration are the most immediately apparent characteristics of the SITE model. However, do the factors that at first promote rapid growth and low vulnerability, play the same role in the later stages
of the tourism life cycle? This leads to the first sub-question, which is addressed in chapter 2:

*What are the main socio-economic dimensions of the extreme SITE model present in Aruba and Sint Maarten? What do these dimensions mean for the vulnerability and resilience of the model?*

The debate on vulnerability and resilience plays a main role in development studies in general, and has special relevance to islands, as they are inherently burdened with factors like remoteness, connectivity and issues of small geographic scale. To explain the particular nature of SITE vulnerability and resilience, most studies focus on tourism demand dimensions and their fluctuations. However, this might not be sufficient to understand the ability of SITEs to withstand shocks or to bounce back after shocks. Factors in the social and economic structure of SITEs, particularly in the labor market, may contribute to resilience as well. Furthermore, the relative lack of vulnerability of SITEs contradicts the conventional wisdom that diversification is a necessary condition to withstand external economic shocks. Finally, where the debate until recently was focused on short-term shocks, recent research broadens the issues to long-term stressors, opening a different view on SITE vulnerability. On these topics, internal mechanisms characteristic of SITEs could explain their particular vulnerability/resilience makeup. This leads to the second sub-question, elaborated in chapter 3:

*How can its low vulnerability and high socio-economic resilience be explained on macro and micro levels? What role do individual labor market strategies play? When it comes to vulnerability of the model, is there a distinction between shocks and stressors?*

If we ask ourselves what choices were made in SITEs that led to their specific development path, we need to look at the governance framework they operate in. This is particularly true of the question why, in the stagnation stage, there is a lack of purposeful policy action to address the carrying capacity problems and to avoid the risk of sliding into a decline stage. The SITEs in question find themselves in a rather unique context of vertical and horizontal governance networks, which all play a role in their particular SITE trajectory and their results. This leads to the third sub-question, which is the subject of chapter 4:

*How did the governance framework of Aruba and Sint Maarten influence the SITE development of each island, analyzed in phases following Butler’s TALC concept? In particular: When and how did governments and other actors acknowledge the islands’ limits to their carrying capacity, and how did they react to this?*
The issues raised above together set the stage for the final issue raised in this thesis. If indeed these high-intensity SITEs have developed along similar lines into the present stagnation stage, given certain socio-economic and governance characteristics and dynamics, do they help to explain why the SITE model has a tendency to keep growing, instead of governments heeding the warnings given by the evident carrying capacity problems? I will show that SITEs not only exceed their carrying capacity limits, but also no longer show any increase in productivity. This – broadly carried – realization in the islands started around the turn of the 21st century. In spite of this however, no significant measures have been taken to change the SITE trajectory, and volume growth continues. This constitutes a paradox; an apparent contradiction between the knowledge of an unsustainable trajectory and the lack of action to change its course. If an apparently untenable situation persists, it is usually in the interest of certain groups or actors who do benefit from the status quo. In first instance, this is hard to see, since the average productivity and income levels have not progressed for decades in the SITEs researched here, taking away an important condition for the generation of benefits to the model. Nevertheless, an explanation to this paradox is sought in the socio-economic structure, more in particular in the labor market-migration junction on these islands. This raises the final issue, put forth in chapter 5:

*Why does a SITE model that is in a phase of stagnant productivity and lacks average income growth, go unchallenged and unchanged? What explains the perceived ‘success’ of the model and the reluctance to slow down tourism growth or modify its characteristics?*

Aruba and Sint Maarten form an interesting pair of SITE case studies. Although sharing a common constitutional background and framework, they independently followed comparable tourism island development paths, reaching very similar outcomes. Situated at opposite ends of the Caribbean basin, their development was highly divergent from the other four Dutch islands, and received passive resistance rather than encouragement from the Netherlands Antilles level. Therefore, without any degree of policy coordination or other common causal factors, the two case studies show remarkable similarities that reinforce the likelihood of the results of this study being relevant to other SITEs, particularly those of a high tourism intensity.

When researching questions of macro-economics and demography, secondary statistical sources are used pertaining to both SITEs, to create time-series that show correlations between variables and similarities and differences between both islands. For the recent decades, this data is mainly obtained from the statistical bureaus of both islands and often further processed and reworked. For the 20th century, data from various written sources is used, as the official sources are sometimes less dependable or comprehensive.
Questions with a historical dimension mostly pertain to the governance aspects of how the SITEs passed through the stages of the TALC. These questions are answered based on information from a mix of government planning and policy documents, various other forms of ‘grey literature’ supplemented with a series of 36 interviews with contemporary experts and actors. A full list is included in appendix 1. This information is largely qualitative in nature. This is true as well for questions regarding vulnerability and resilience of the two SITEs observed here. Data on several instances of external shocks is derived mainly from contemporary reports and expert interviews.

Labor market segmentation is researched with the aid of the results of labor force surveys and other statistical data in both islands, often further interpreted and processed. As mentioned above, the Aruban study ‘Double or Quits’ has been a crucial initial source for this line of investigation (CBS Aruba 2004).

More in-depth research is conducted into matters of individual occupational and labor market strategies in SITEs. More than twenty extensive semi-structured interviews were conducted with immigrant- as well as local workers, to gain insight into the complex strategies of combining different jobs and gaining income in the SITE labor market. As the number of interviewees was limited, the resulting information is qualitative and indicative. For the purpose of this thesis, this is sufficient, follow-up research will have to shed light on the quantitative significance of the different findings.

An article addressing the socio-economic aspects in the first subquestion was previously published in International Development Planning Review (Alberts 2016). Socio-economic resilience in SITEs and individual labor market strategies were explored in Resilience and Tourism in Islands: Insights from the Caribbean (Alberts and Baldacchino 2017)