



# **Dutch Disease, Ecotourism and Development Funding.**

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# Outline and Rationale

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- This paper outlines the mechanics of the Dutch Disease theory and makes the point that an ecotourism strategy can be nurtured and promoted as a means to help consolidate the overall revenue flows from tourism. The paper argues for a greater flow of developmental funding from large MNCs, (especially those in the energy sector) and the state for ecotourism projects.



# Introduction

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- This study focuses on the leatherback turtle and its capacity to serve as a hub for ecotourism activity in the North Eastern segment of the T&T economy. This bloc of the T&T economy is fairly rural and unlike other parts of the economy has to date no oil bearing rocks.
- The leatherback turtle is the largest amongst sea turtles and can grow to as much as 6.5 feet in length and weight up to a whopping 1,400 pounds. This turtle is circum global and has a range that spans virtually all of the world's oceans.

# Format of Presentation

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- The rest of this presentation proceeds as follows:
  - Outline of the mechanics of the Dutch Disease theory,
  - A discussion of the symptoms of the Dutch Disease in T&T,
  - An illustration of key trends in the tourism sector of the T&T economy,
  - Outline of the main aspects of an ecotourism strategy, founded on the leatherback turtle,
  - A discussion on prospective sources of developmental funding.

# Mechanics of the Dutch Disease

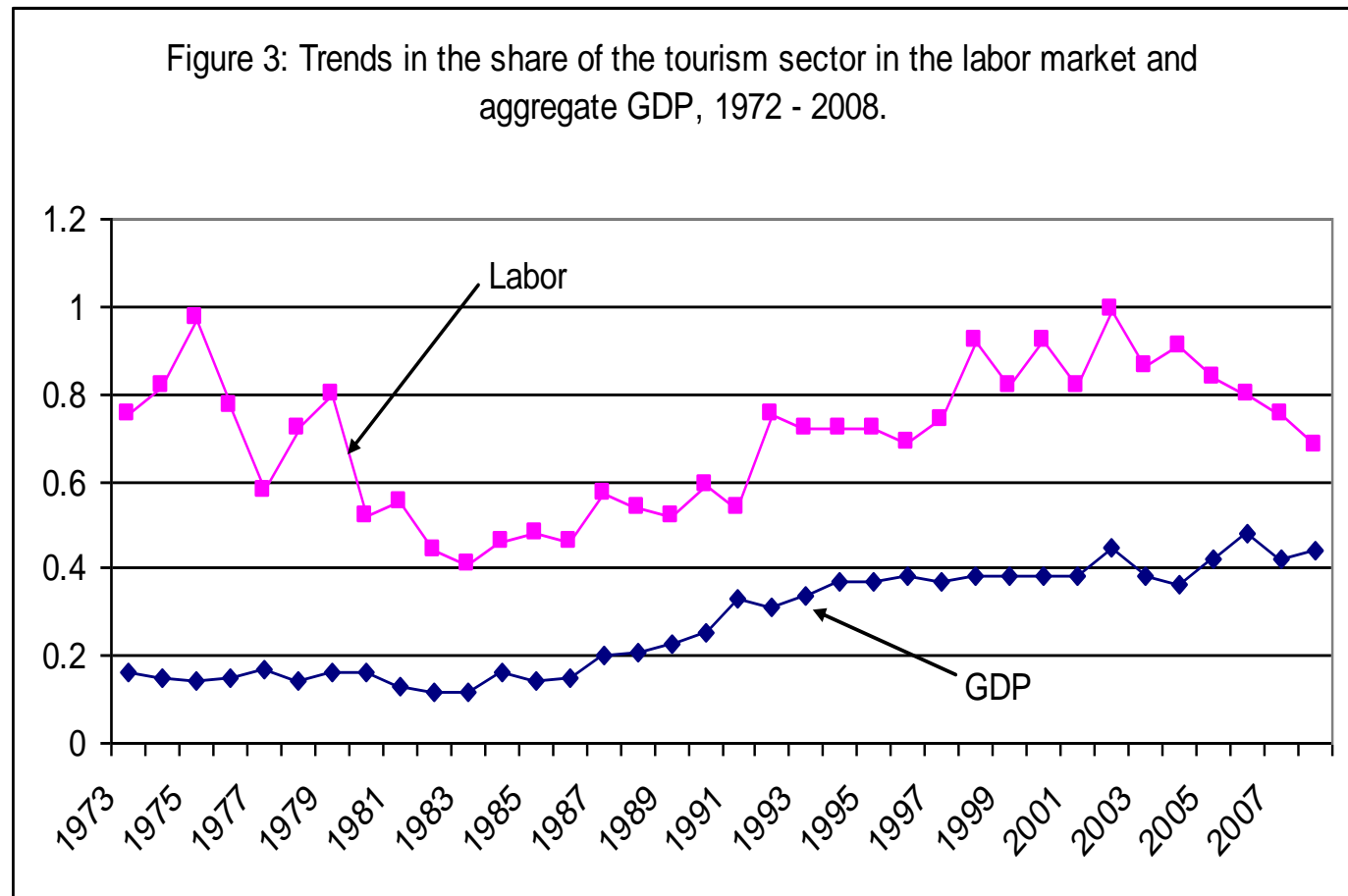
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- $Y = T + NT$
- $T = BT + NBT$
- $Y = BT + NBT + NT$

## Symptoms of the Dutch Disease

- Appreciating real exchange rate
- Expansion in the size of BT
- Contraction in size of NBT

# Trends in the shares of value added and Employment in the Tourism Sector, 1973 to 2008.



# The decline of mass tourism and the rise of eco tourism

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- From an economic perspective, ecotourism is a means of valuing nature and as Roberts and Thanos (2003) noted, “*Ecotourism was developed as a way to commercialize the economic value of sensitive ecological regions, protecting forest and generating employment and income, at the same time*”.

# The decline of mass tourism and the rise of eco tourism

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- The ecotourism industry gained momentum with the germination of the environmental movement in the late 1970s.
- The UNWTO has noted that by the start of the 1990s the ecotourism industry was the fastest growing subset of the aggregate tourism industry.
- Indeed by 2004, ecotourism grew at almost three (3) times the pace of the global tourism industry as a whole.



# The decline of mass tourism and the rise of eco tourism

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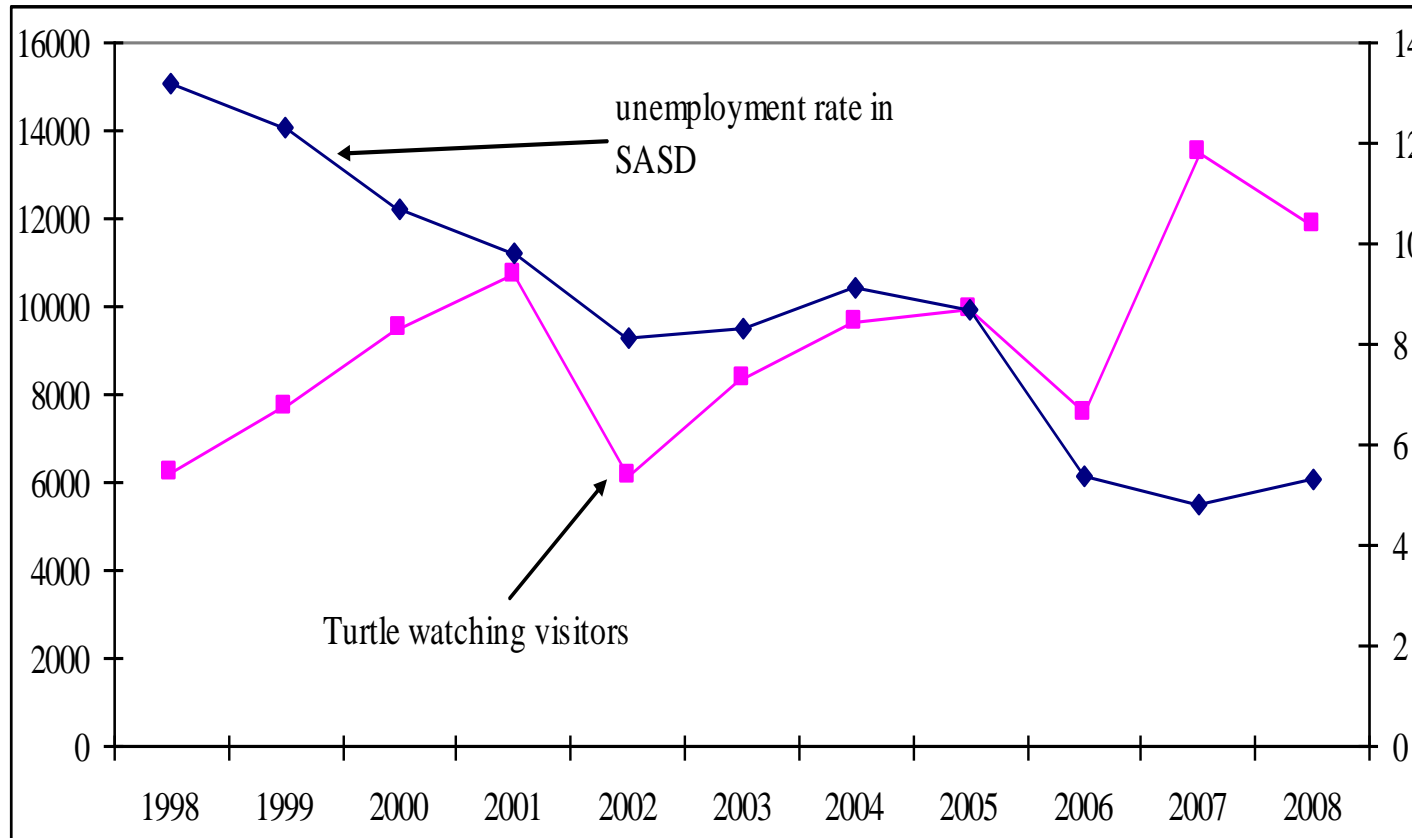
- The ecotourism industry has thrived in an era when mass tourism has begun to lose its followers.
  - For example, a survey showed that 60% of British tourists felt that big tour companies had only superficial holidays, and 80% of tourists have had enough of beach and resort type holidays.

# Advantages and disadvantages of an ecotourism strategy founded on the leatherback turtle

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- In the first instance the ecotourism industry can help to create employment. Members of the local community can benefit from patrolling the beaches during turtle season. Residents can set up guesthouses etc. The local business class should also be able to benefit from a greater ecotourism effort as it can help to increase the number of people coming into contact with local markets.

# Visitor Arrival Traffic and Unemployment Trends in SASD 1998 to 2008



# Advantages and disadvantages of an ecotourism strategy founded on the leatherback turtle

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- The community as a whole can benefit from better street lighting, roads, electricity, water, telephone facilities etc, as the government, private sector and others contribute towards the development of the ecotourism sector.
- Ecotourism offers the residents of a community incentive to preserve various facets of their physical history, fashion etc.
- From a macroeconomic perspective there is the prospect for a greater inflow of tourism revenues. This is particularly useful when an economy has a foreign exchange crunch.

# Advantages and disadvantages of an ecotourism strategy founded on the leatherback turtle

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At the same time:

- Stakeholders would have to take great care to ensure that local culture is not eroded and a mentality of servitude does not develop.
- Stakeholders would also have to counter the emergence of an overly materialistic culture. The literature is replete with examples of the various dangers associated with bringing foreigners in contact with isolated populations.
- Ecotourism such as that based on turtle watching may be focused mainly on primary sector goods such as “watching the turtles nest”, but does not involve much higher valued added products.
- Employment benefits may be only marginal and some may be in undesirable areas such as prostitution.

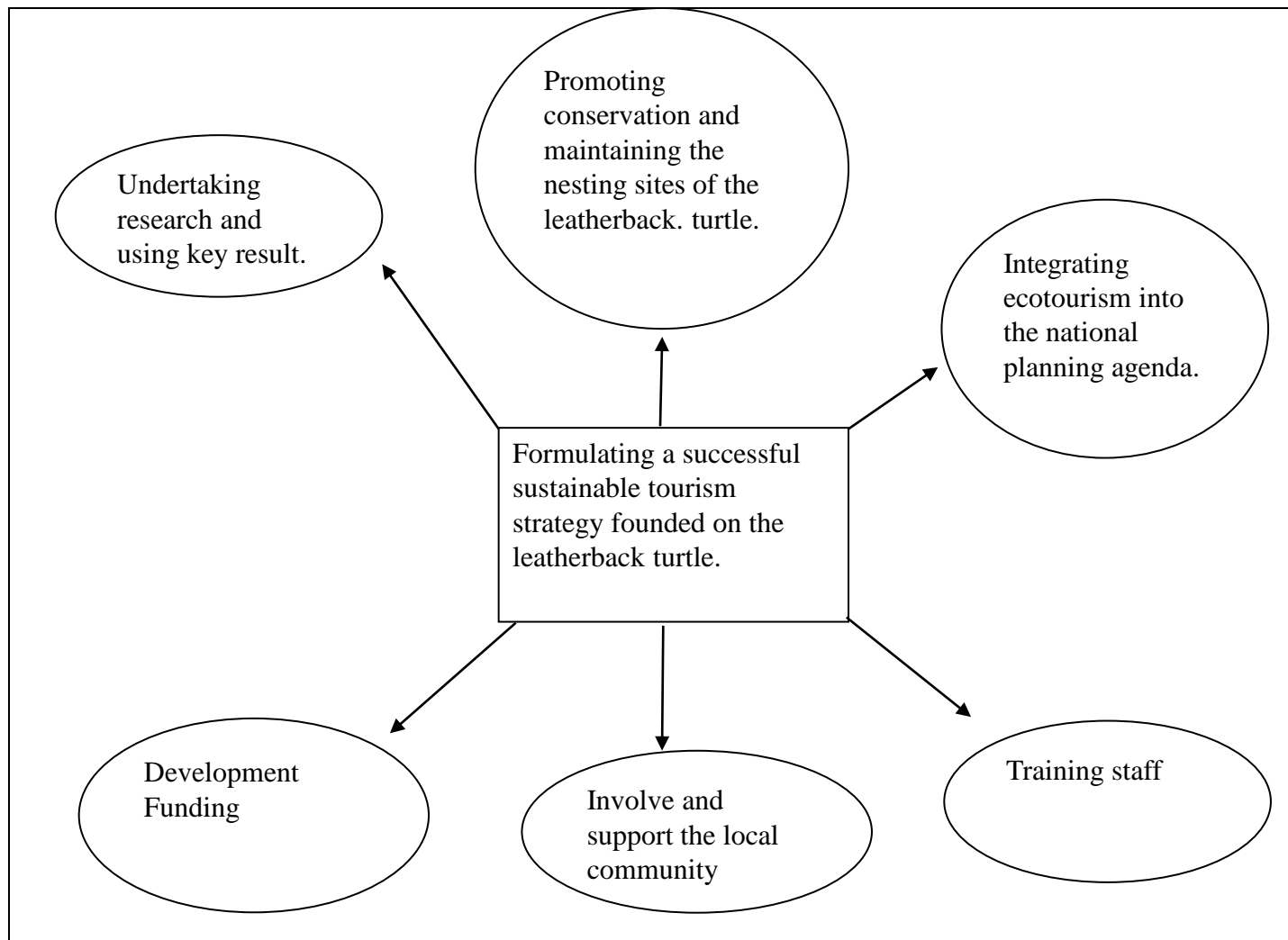
# Advantages and disadvantages of an ecotourism strategy founded on the leatherback turtle

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- For ecotourism to be successful the local populations have to capture a significant amount of the profits generated. However, some estimates have put the proportion of earnings by the host community as less than 10% of the tourist expenditure on ecotourism (Place 1998). Note that (ICTs and E-Commerce combined have the potential to remove the middle men and significantly increase this percentage).

# Aspects of an eco-tourism strategy -

Broad sweep elements of an approach that could help to shape a successful ecotourism strategy





# Developmental funding

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There are 6 main source of developmental funding for ecotourism projects, these are;

- Big international NGO's – BINGOs. These include groups such as The Nature Conservancy and Conservation International.
- Bilateral donors: this refers to one country providing funds for an organization in another country, e.g. USAID.
- International Foundations: these include agencies like the Ford Foundation and the Rockefeller Foundation.



# Developmental funding

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- Multilateral Banks
- Corporate philanthropy: In this regard, BHP Billiton and more recently ALNG must be commended for their leading roles. However, there are other large foreign corporate players in T&T and these firms should be called upon for meaningful support.
- The state

## Some concluding points related to greater development funding by the corporate energy sector and the state

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- Real effective exchange rate, oil prices and NBT
- Ratio of investment income and FDI inflows
- Oil rents
- Value added from the energy sector
- Because of the “hands up” benefits of ecotourism investments as compared to traditional gifts.

# Concluding points

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- The ecotourism activity should be complemented by other activities within the community. The agriculture sector should not be ignored. The SASD community would need to be wary of becoming overly dependent on tourism.
- Even so, it is important to remember that all types of tourism leave an ecological footprint. Ecotourism is really a form of compromise economic activity which sets limits but allows some form of accessibility. It must be complemented by strict management practices.
- Quite apart from promoting conservation and maintaining biodiversity an eco-tourism strategy must reflect the physical carrying capacity limitations, be integrated within the wider natural development plan, involve the local community, define service standards, build capacity among the local providers, incorporate a research agenda and be adequately funded.

# Concluding points

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- The macroeconomic profile of the Trinidad and Tobago economy reflecting a rising energy focus and a polarization of the export platform suggest that policy makers should promote a greater diversification of the production and export revenue earning platforms away from oil and natural gas.
- Funding for ecotourism in Trinidad and Tobago should come by way of project funding from the government sector as well by venture philanthropy from firms in the energy sector of Trinidad and Tobago economy.



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Thank you