

# Why relying on tourism isn't in Vanuatu's interests after Cyclone Pam

April 16 2015, by Joseph Cheer

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Efforts to rebuild Vanuatu's economy may concentrate on tourism, but it's wiser to diversify, despite the challenges. Credit: Joseph M. Cheer, Author provided

Cyclone Pam has left an indelible mark on the landscape and psyche in Vanuatu. And the famed resilience of the country's ni-Vanuatu people has been severely tested. Apart from rebuilding, attention should swiftly shift to how the country's economy can be made more resilient in the event of future crises.

Vanuatu is deemed one of the world's happiest countries while conversely it is considered the most vulnerable because of exposure to natural disasters.

One of Vanuatu's biggest challenges is how to handle the sharp decline in tourism. The World Travel and Tourism Council estimates that in 2013 tourism's total contribution to GDP (including wider effects) was 64.8%, generating 55.4% of total employment.

The call for tourists to return is understandable and Cyclone Pam is a reminder of the acute vulnerability of tourism-dependent economies. This is not to say that tourism should be wound back. Instead, the call is for policymakers and key aid donors like Australia and New Zealand to urgently consider how Vanuatu can move beyond a disproportionate dependence on tourism.

## **Economic diversification**

The question "if not tourism, what then?" is inevitable. This suggests that capacity to diversify its economy is limited. Such an approach is complacent economic policy that ignores the risk of relying too heavily on tourism.

The main sector that holds potential for greater economic diversification is agriculture. The World Bank estimates that agriculture comprised 28% of GDP in 2013, although much is absorbed in the small domestic market and in subsistence consumption. Vanuatu's capacity for beef,

kava, tropical fruit, coffee, cocoa and other potentially high value produce must be developed.

Tess Newton-Cain, founder of DevPacific Thinknet argues that the focus should be on low volume-high return activities that includes in-country value adding such as honey, coffee and chocolate, and the small but potentially lucrative horticulture and aquaculture industries.

Vanuatu's proximity to Australia and relatively lower labour costs makes the potential for a services sector attractive. This could include back office and call centre operations. Vanuatu's zero corporate, income and capital gains tax regime is a strength. However investment in vocational education, requisite infrastructure and economic incentives are crucial.

Manufacturing is another sector for consideration, especially ready-made garments, food processing and craft industries. Although the barriers are considerable and few countries in the region had mixed success with this strategy, it deserves examination for the long-term.

Recently the potential for deep seabed mining has been raised. This involves the exploration for diamonds, precious metals and mineral ore. While the environmental impacts have been criticised, if it can be managed carefully, it deserves serious evaluation.

Irrespective of the route taken, the effectiveness of institutions and political processes are enduring impediments that must be overcome.

## **Tourism policy and planning**

One of the key questions that should be posed is: what kind of tourism should be developed? To answer this question with clarity, deep insights into the overall impact of tourism are essential.

This requires fine-grained, longitudinal research beyond simplistic measures of international arrivals, expenditure and expatriate investment. Research that identifies modes of tourism that are high yield, low impact and have a higher tendency for trickle-down effects is pressing, yet rarely conducted.

By comparison, Vanuatu's destination image of sun, sand and sea is ubiquitous with destinations in the Pacific and Asia, and it must draw more strongly on its unique cultural and landscape attributes. Further, Vanuatu's price competitiveness and quality of tourism infrastructure and services lag its competitors with the phrase "three star destination at five star prices", often and perhaps unfairly used to describe Vanuatu.

## **Tourism and grassroots impact**

Also under-acknowledged is the question of the grassroots impacts of tourism. Increasing arrivals and tourist expenditure does not automatically confer a positive impact and obsession with these metrics stifles constructive debate about the efficacy of tourism.

Tourism is largely dominated by international intermediaries and expatriate owner-managers, mostly Australians and New Zealanders resident in Vanuatu. While they are necessary and important players, increased attention must be given to optimising the engagement of ni-Vanuatus for more meaningful grassroots impact.

Most visitors remain within the Port Vila tourist enclave or visit for the day on a cruise, assuming they disembark. With limited numbers spending considerable time in the outer islands, dispersal of tourist expenditure and linkages to the broader grassroots is curtailed.

Strengthening grassroots engagement must be a focus if "*turism blong yumi blong evriwan*" ("tourism belongs to everyone" in the local Bislama language) is to occur.

Tourism and aid are the lifeblood of Vanuatu's economy. If Vanuatu is to withstand crises of a similar magnitude in the future, increased economic diversification will build greater resilience. And as Kirk Huffman, guardian of Vanuatu culture argues, [tourism](#) has to be developed in a culturally sensitive and sustainable manner.

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