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All eyes on tourism

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This week, two important reports on the future prospects of growth and development in the Pacific region in general and in Fiji in particular were released by two international agencies. One is the annual *Economic and Social Survey of Asia and the Pacific 2016 (the Survey)*, by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and the other is the study by the World Bank on: *The Pacific Possible: Tourism.*

The *Survey 2016,* which reviews the trends in economic growth and development in the immediate past year 2015 in the Asian and Pacific region in general, with some pages devoted to Pacific island countries (PICs) presents an assessment of the prospects in the immediate future 2016 and 2017, given the current constraints. The *Survey* also lays down a series of strategies that are needed in the medium term and the reforms that are specifically required to be implemented. The sector of attention is tourism, which has done the best amongst of all sectors contributing to growth.

The World Bank’s Study, focusing on the tourism sector, now touted as the engine of growth in the Pacific, recommends measures that are to be undertaken by PICs in the context of current constraints of limited range of exportable commodities and falling commodity prices. For Fiji in particular, which has witnessed steady decline in the sugar industry over the last few years as well as the emergence of tourism as the main driver of growth, the recommendations are of importance.

The third report, though not of this week, was launched early this month by International Monetary Fund (IMF) by its Regional Office based in Suva. Entitled the *Regional Economic Outlook on Asia and the Pacific*, the IMF Report rightly stresses the need for building on strengths during the turbulent times. One of the strengths is the emerging tourism sector, which has to be nurtured and taken forward for promoting growth and development. It is apparent that infrastructural gaps and reducing the risks to minimizing the damages due to vulnerability to natural disasters would strengthen the new engine of growth, tourism.

Thus, we have three reports with a single focus: investing in the tourism sector.

The Survey

The Survey says PICs grew only by 6.5 percent in 2015, down from 8.7 percent in 2014. Reasons are that PNG whose output dominates the total output of PICs to the extent of 60 percent was only at 9.9 percent as against the forecasted rate of 15 percent. The decrease was attributed to fall in commodity prices as well as slowdown of the Chinese economy. Fiji's growth in 2015 was 4 percent compared with 5.3 percent in 2014 due to fall in the production of sugar, compounded by lower prices of sugar as well as gold, which brought down the export earnings from these two commodities.

Fiji's growth in 2016 is predicted to slowdown to 2.2 percent, because of the adverse impact of Cyclone Winston on agriculture, especially sugar cane and other agricultural crops. The growth is however, expected to pick up in 2016, thanks to the ongoing cyclone rehab works and already increasing foreign aid and remittance inflows. The growth in 2017 is expected to be by 3.1 percent. The *Survey* reminds us that the preferential access of sugar to European Union will come to an end and hence the new driver of growth has to be tourism.

World Bank Tourism Study

The *Pacific Possible: Tourism* says PICs received US$1.4 billion by way of tourism generated funds through hotel stays and expenditure on meals and tours in 2013, both in the formal and informal sector, and of course airport taxes and others. Fiji's share was US$722 million, which was nearly 52 percent of US$1.4 billion. The per capita earning from tourism was US$820. This is much less than corresponding figures of two island countries, Maldives: total: US$2.3 billion and US$6,776 per capita; and Mauritius: total: US$1.4 billion and US$1,117 per capita.

The tourist arrivals in 2014 in PICs totaled 1.36 million; Fiji's share was 51 percent with 692,630 tourist arrivals. Again, these figures are much less compared to the tourist arrivals of Maldives (1.2 million) and of Mauritius (1.0 million).

The World Bank Study suggests an urgent need for a long-term, balanced and manageable tourism growth to generate an additional increase in the tourism earnings by US$1.8 billion per year and create additional jobs by 128,000 by 2040.

The World Bank Study recommends four key strategy areas for attention:

- improving international transport links to the region;
- attracting higher-spending tourists;
- improving public sector engagement and
- improving linkages between tourism and local economies.

These recommendations are not new.

But the urgency is new: PICs may miss out if the opportunities offered in terms of low commodity prices and oil which have contributed to lower inflation environment with imports being cheaper than before and with plentiful capital overseas, looking for higher returns.

Actions needed

The UNESCAP Survey calls for investment in tourism-linked sectors:

- additional investment in hotel rooms,
- investments for upgrading road and airport infrastructure to withstand the onslaught of annual cyclones and other natural disasters and
- air carriage capacity.

The IMF Report stresses the following, aside from removing infrastructure bottlenecks

- structural reforms for facilitating growth by removing hurdles involving land availability that hinders private sector development
- reforms to improve business climate
- broadening access to health and education and
- promoting financial inclusion

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