

FIFTH PART

# CHALLENGES FOR THE FUTURE

**THE DEVELOPMENT** of tourism in the Balearic Islands is neither impromptu nor accidental, but a clear sign of initiative, innovation, adaptation and use of territory, population, history and culture with regard to the opportunities which have appeared thanks to the massive explosion of the modern traveller. The geographic position of the Balearic archipelago, its geomorphological characteristics –the climate being the main advantage–, the extension and attraction of its coast, the beauty and diversity of its landscape combined with its great ability for attracting immigration and strengthened by business tradition and dynamism –which has as exponents small and medium businesses– have enabled the creation of a tourism atmosphere, of a supply of products and services oriented to satisfying the needs of travellers and at the same time a wide market of subcontracting and production of intermediate *inputs* that have been reinforced by the provision of equipment and public services on the part of the governments.

From a structural perspective, the influence of tourism on the Balearic economy and society must be pointed out. The discovery at the beginning of the sixties of a new use for poor land, scrub and pine woods on the coast, allowed the Balearics to initiate a truly dynamic transformation, of reassigning resources which, in the long term, has directly and indirectly affected standards of production, occupation, exportation and generation of wealth and has also left its mark on society –social structure and class–, cultural identity –language and heritage–, lifestyles and, consequently, the way of life and the values that characterise the people of the Balearic Islands.

This has been a process which –without obviating the existence of ruptures– has allowed the Balearics to progress in terms of welfare and quality of life and has favoured the terciarisation of the economy and, in part, the development of more advanced services in the field of quaternary activities –which support the tourist industry and the flow of income it generates and quinary services –which easily connect with tourist specialisation and lead, likewise, to a greater level of development and welfare–. Nevertheless, this same specialisation has brought deficits in the productive structure which need to be addressed in order to be successful in confronting competition from emerging destinations, the progressive integration of economies and the growing configuration of a global framework in which markets operate and businesses and individuals (tourist) interact.

It is in this context, and in that of a broader Europe, that the Balearic Islands need to define a strategy, in capital letters, in order to be positioned among the leading regions of Europe in social progress, development and welfare, not only for economic reasons but also for social and environmental reasons; a strategy which is not sufficiently outlined nor agreed on for the present.

The fact that the Balearics is able to set this strategy in motion with the banner of tourism is an opportunity that should not be scorned, taking into account the fact that tourism is the backbone of the Balearics and its main tool for exterior projection. However, it must be recognised that the traditional vision of tourism<sup>249</sup> is not, these days, sufficient in dealing with the new patterns of tourist behaviour –the motivations and expectations of which are becoming more and more sophisticated– nor indeed with some of the traditional patterns, which was already shown more than two decades ago and which continue to be unsolved.<sup>250</sup>

<sup>249</sup> Exclusively related to the rapid growth of the influx of tourists at whatever price, without evaluating the negative consequences provoked by tourist massification, the absence of planning and criteria and the maximization of capacity.

<sup>250</sup> Orientation of undifferentiated market supplies, high concentration of two nationalities (German and British), high seasonality, strong dependence on external tourist operators, excessive pressure on natural resources and intense urban degradation in some zones, low level of training, isolated technologies, obsolete equipment and facilities, weak differentiation of products and services, among others.

The Balearic tourist system finds itself at a crossroads, in a phase of transition, between what it was and what it will be. Some of its comparative advantages are on the brink of disappearing, without there being any new ones in sight. Muscle is being lost and is getting weaker and weaker. This is why, if the Balearics wants to play a role of leadership, built from its own proven ability to adapt, it should move towards new conceptual schemes where a guarantee for the future is founded on innovation and not only on adaptation, otherwise present competition and potential will seize a growing part of the market and, in the process, returns derived from tourist activity will be lost.

It is therefore necessary to design a tourist strategy which does not depend on maximising capacity or increasing the influx of tourists,<sup>251</sup> but guarantees the best economic, environmental and social conditions in which to develop tourism. In this task, not only having insufficient statistical knowledge or quality of tourist data available, but also insufficient economic, social, cultural and environmental information, makes the establishment of the most basic mechanisms that the Balearics need to confront this stage of transition, exceedingly difficult.

Thus, making the principles of the maximisation of profits compatible with the limits of nature, the conservation of the environment and the ultimate aspiration of guaranteeing welfare, requires not only a modification of the goals of the tourist policy, but also a commitment of the economic and social agents, through a deep change in the lifestyle, scale of values and economic culture which impregnates the society. It is also an ethical requirement for future generations, so that they will likewise be able to satisfy their needs.

For this reason the next ten or fifteen years are crucial. This type of approach must necessarily focus on the long term, since issues of a structural kind take time to form and become established, and consequently if they are to be modified, there is no other option than to propose strategic goals and guidelines in agreement with this time period.

Nevertheless, the visualisation of the long term must not make us forget that the longest road always begins with the first step. It is time, therefore, to begin a process of transformation, 'the second transformation', and to build a new tourist culture which, from a holistic approach, taking into account the multiple dimensions inherent in tourism and the interrelations which it establishes, ensures the destination's international position and, at the same time, stimulates a lasting path of economic growth, without jeopardizing the welfare of future generations, as the only way to guarantee regional prosperity.

Everything considered, moving towards a new tourist culture implies accepting the challenge of sustainability and ensuring competitiveness by managing the complexity of the situation; three challenges on the same road, which allow individual interpretations but which cannot be undertaken separately. The fact is that the returns derived from the adoption of a sustainable pattern will not give any competitive advantage if the ability to express them in a greater contribution of value is not established in each one of the processes (interactions) that take place in different dimensions of the tourist system, and vice versa.

<sup>251</sup> So erroneous as to orientate policy towards increasing the number of tourists would be to orientate it towards reducing it.

### 5.1. THE CHALLENGE OF COMPLEXITY

**MOVING TOWARDS A NEW TOURIST CULTURE** is equivalent to progressing in integral, holistic tourist planning, capable of making the existence of a competitive tourist market –which assigns resources efficiently– compatible with strategic regulating measures which take into account the multiple dimensions inherent in the tourist system –some of which have only been marginally contemplated until today– and, especially, the interrelations established between them, with the final aim of determining and designing coherent guidelines which serve as a reference framework for taking sectorial decisions and responding to the desired tourist option and to the way of reaching it in the future.

In fact, on this journey it is essential to have a vision of the future<sup>252</sup> which can be used as a reference, circulated among economic and social agents and which, compared to the current situation, enables the study of foreseeable tendencies and the determining of corresponding lines of action, in a coordinated way. It is not, therefore, about determining a set of possible future scenarios –tendencial, of rupture, etc.–, in accordance with what could seemingly happen, but about showing clearly the options society has to achieve what it wants. Planning, by definition, is nothing more than a method of rationalising the decisions which are consciously orientated towards the transformation of reality.

In this process, the reality of Balearic tourism must be considered as an enormously complex system, given that it is integrated by multiple components (subsystems) narrowly related in such a way that acting on one of them impinges on the situation and behaviour of the others in a succession of mutually determining factors.<sup>253</sup>

Thus, for example, the Balearic tourist market is built according to the capabilities and skills of the regional labour market and, vice versa, the labour market responds to the restrictions and potential that the tourist market imposes. In the same way, the Balearic tourist market cannot be understood without the global environment in which products, services, management and technologies of regional tourist production are adopted at a world level and, on parallel lines, the appearance of new global structures force the Balearic tourist market to operate with the same solutions, price structures, sales and distribution organisations, invoicing systems etc., and force them to adapt –reinventing new products and services– and differentiate themselves by their intangible elements –reputation, brand, quality of life, etc.–, with which they enter into permanent *feedback*.

The success or failure of tourism does not depend, therefore, only on the tourist market, but on the set of complex interrelations which are interwoven with other subsystems (labour market, global setting, territory and natural environment, social dynamics, legal and institutional framework, etc.). In fact, the great change the new tourist culture exacts is, precisely, the importance that it confers on the interrelations between the different subsystems, which contain additional information –not directly observable– which is essential for the transformation of a complex system<sup>254</sup> such as tourism. Moreover, as a consequence of these interrelations, the system acquires a set of properties that cannot be understood by the simple addition of its parts and that, according to the principles of Lorenz, explain: (1) the difficulty of predicting the behaviour of the system, (2) the existence of a dynamic pattern that can be

<sup>252</sup> In the Balearic Islands there has not been a real social debate which addresses the social costs and benefits associated with the different options that the archipelago has in tourism.

<sup>253</sup> The UNWTO (1998) sustains that tourist activity is a complex result of interrelations between different factors which must be considered together systematically, that is, a set of interrelated elements that evolve dynamically.

<sup>254</sup> The complexity of a system is derived from the links established between the elements of the system and not from the number of elements, given that these simply increase the level of complication but not of complexity.

studied and understood and (3) most importantly, the enormous impact a small change in the system can have, known as ‘the lever effect’ (Gleick, 1987).

Thus, what is important is integral planning as a mechanism to determine a global rationality that confers on the stakeholders the capacity of anticipation –in the face of a more and more mutant reality– and the right approach to achieve the desired goals. This implies not only identifying and classifying each and every one of the elements of the tourist system, but also, and especially, analysing and understanding the interrelations established between them,<sup>255</sup> so that they move in favour of the desired transformation.

Thus, the true engine of transformation depends on the capacity of the Balearic tourist system to make these interrelations act and not, as has happened until now, only their elements act independently, in favour of a double goal:

■ To satisfy tourists’ needs as much as those of the resident population through patterns of technology, production, consumption, spacial localisation (of the service areas, urban agglomerations, communication networks and infrastructures), protection of the land, landscape design, etc., which guarantee the contribution of tourism to the attainment of an increasingly high level of welfare (competitivity).

■ To obtain, through tourist development, a high rate of accumulation, savings and investment which enable the generation of the financial and economic resources necessary to guarantee that future generations will be able to satisfy their own needs (sustainability).

Having arrived at this point, it must be recognised and asserted that Balearic tourist planning has not explicitly adopted this systematic

consideration of reality, but quite the contrary; it has propitiated a prejudiced, reductionist rationality, excessively centred on the tourist market forces of supply and demand,<sup>256</sup> or, in other words, clearly orientated to the attainment of some specific results in the short term instead of paying attention to the way in which these are reached. The temptation has been, therefore, to follow inertia and adapt tourism performance to the events instead of creating or transforming internal productive conditions in order to capture the market and stabilise it for the future with the aim of guaranteeing competitiveness and sustainability of the tourist system.

In parallel, the legal and institutional framework has centred most of its actions on the sphere of the market without explicitly considering a joint vision of the elements which make up the tourist system and disregarding crucial aspects in the long term, such as training, innovation etc.<sup>257</sup> Even in the exclusive field of the tourist market, questions referring to the improvement and diversification of tourist supply have been solved without sufficiently considering aspects such as obsolescence, the fragmentation of the productive sector, the size of the sector, etc.<sup>258</sup> The conclusion is clear: there have been abundant guidelines for development in the last two decades, which, considered altogether, could form part of an incipient tourist policy, but each one of these actions seems to have its own goals, without an all-embracing strategy that coordinates them in favour of a common goal.

A serious and realistic approach to tourism in the Balearics must consider continuity in time and be conscious of the social and environmental consequences<sup>259</sup> of the production and consumption of tourist goods and services, facts which point out the need to link complementary instruments to the market, despite its proven capacity to assign resources

<sup>255</sup> These have been, in fact, the two principles that have guided the structure and dynamics of the writing of this WHITE BOOK.

<sup>256</sup> On this issues, see section 2.2. Analysis of the tourist market, in the second part of the work.

<sup>257</sup> For more information see the analysis in the forth part: Medium and long-term conditioners.

<sup>258</sup> For a more detailed analysis see subsection 2.2.4. Business structure, in the second part of the work.

<sup>259</sup> On this issue, see section 4.2. Environment and demographic pressure, in the fourth part of the work.

Traditional tourist planning	New tourist planning
Understand tourism as a closed system, where the bi-directional exchange of a flow of goods and services between tourist supply and demand takes place	Understand tourism as an open system, where multi-directional exchanges of flows of goods and services among various subsystems takes place
Orientated to the <i>output</i> (the results) –for example, the number of tourists, cost, tourist expenditure, etc.– and measures efficacy (the capacity to reach the goals)	Orientated to the <i>outcome</i> (consequence of the results) –for example, change of tourist preferences, etc.– and measures efficiency (relation between the goals that must be reached and the resources used for that purpose).
Relies on the number of tangible <i>inputs</i>	Relies on knowledge, skills and management. As well as tangible <i>inputs</i> , considers the intangible ones –brand, reputation, quality of life, etc.–
Give account of public expenditure	Shows the value attached to the production of tourist goods and services
Justify social and environmental impact	Minimises social and environmental impact
<i>Act a posteriori</i>	Looks ahead
Linked to the short-term	Linked to the long-term

Table 5.1

### New orientations of tourist planning

Source: own creation

and promote private initiative, among which planning stands out.

It is precisely with planning that the Government has the opportunity of establishing, in coordination with tourist and social agents, a global rationality that makes the actions of the tourist market coherent with the socio-economic and environmental structure. In order to put this type of planning into operation, it is necessary to institutionalise tourism –improving the institutional conditions of the organisms that are directly or indirectly related to it, as well as human resources and materials–, in a way that occupies a central place in economic policy and be integrated into the sectorial policies of the various departments (agriculture, industry, energy, transport, urbanisation, education, innovation, health, public works, natural environment, work and training, etc.). Moreover, from the perspective of public administration, it is necessary to improve and reorganise the sys-

tems of information and documentation and promote types of interinstitutional work which consider principles of new governing –opening, participation, efficiency, responsibility and coherence–. Only in this way can greater efficiency and homogeneity be obtained in the measures and regulations that will guide the development of tourism.

On the other hand, the regional implications and the structural nature and, in certain measure, secular of the issues that tourist planning must undertake, force the consideration of a sequence of guidelines circumscribed to a long-term strategy. The Balearic Islands have arrived at the present situation after more than fifty years of tourist development, from which a highly complex socioeconomic structure has been created, with interactions of a double nature. It would therefore be very risky and simplistic to try to analyse, value, propose and direct very short-term solutions. Moreover, the

depth to which certain standards of technology, consumption, and production have taken root, highlights the importance of taking collective decisions and the necessary participation of society in the forming of new values, positions and motivations concerning tourism, which points also to a slow process and a prolonged time period which could be favoured by the incorporation of tourism into educational programmes at different levels of teaching. Many unimaginable short-term lines of action can be key for a long-term tourist strategy.

Nevertheless, planning must begin as soon as possible and must be sustained and simultaneous in many areas, which is what is required by the creation of multidisciplinary teams capable of undertaking the complexity of the system and defining a set of medium and long-term guidelines, which move in specific lines of action beginning in the short term. Logically, these actions directly depend on the identification of the essential elements of the system and an analysis of the resulting interrelations.

In this sense, the University, with its responsibility of meeting the challenges that the Balearic society faces, must develop an important role in the process of tourist planning, for which it must documentarily specify and support the various interrelations that are produced thanks to tourism and, at the same time, stimulate the research and development of new technologies capable of responding to the various strategic goals that stem from them. This requires the creation of a network of specialists which, conveniently stimulated, can join forces around basic and applied tourism research, which at the same time requires the training of human resources through university studies and postgraduate studies.<sup>260</sup> The spread of innovation is as important as the innovation itself, that is to say, the transfer of

scientific knowledge to the business sector in particular and its use by the tourist system in general, which makes the linking of units of interphase able to connect supply and demand, essential. Likewise, the plan of R+D+i of Balearics, as an orientor of regional investigation, must take into account the needs of integral tourist planning when prioritising certain lines of research. The lack of entrepreneurial capacity to take on this investigation strengthens the need of preferential attention on the part of the public sector, even more.

Thus, integral planning requires, in the first instance, an analysis of those internal factors –under control– which are essential in relation to the above two mentioned goals. This is why it is crucial to increase knowledge of the dynamics of the Balearic tourist market and its relation to the economic, social and environmental context of the islands, highlighting the conflictive aspects and their causes as much as existing potential and restrictions. Moreover, a study of the present state and the forecasted development of the principle factors that condition, in the short and long term, the continuity of tourism, already commented on in the third part of the WHITE BOOK is inescapable. From among all the processes that take place in the Balearic tourist system, it is interesting to highlight, principally, the way in which it is produced, that is to say, the technology used to satisfy resident and tourist needs and their repercussions. This conception sees technology as a social product, based on knowledge –scientific or not– that emerges and develops in certain economic and sociocultural conditions to transform or control one or more of the interactions that take place within the tourist system and which finally affect the tourist market itself, the natural environment, social dynamics, etc. In this sense, the importance of the R+D+i in the creation, from the

<sup>260</sup> Despite the economic and sociocultural importance of tourism, research into the various dimensions of tourism (geographic, sociological, environmental, legal, economic, etc.) has been comparatively reduced in the Balearic Islands. There has been no interest in demonstrating the strategic importance of this research, which has resulted in a dispersion of researchers and in the practical non-existence of specialist teams.

standpoint of a certain body of knowledge, of alternative technologies that adapt to the new preferences of society with respect to tourism, is understood.

As well as the internal factors, the growing interdependence of the economies and transnational character of tourism, also force us to consider external factors –out of control– with reference to tourist dynamics seen at state, Mediterranean, European and world level. It does not seem logical to think about a strategy outside what happens at an international level, because, among other reasons, external determining factors could invalidate Balearic strategy. This analysis must consider the development of competitor countries, geopolitical aspects, motivations of demand, the ability of supply to meet demand, the capacity of interconnection with external markets, etc., but also global aspects such as dislocation, climate change, etc.

Beyond internal and external factors, planning must make explicit the environmental conditions that legal and institutional framework imposes on the market, where tourist agents act following their own interests with the aim of orientating tourism in the direction chosen. In no case must planning substitute or interfere in the freedom of the establishment of companies, which must invest in order to participate in the tourist market business, but they must determine goals and specific measures –in the form of restrictions, regulatory instruments, elimination of obstacles, etc.– in order to tackle specific aspects such as obsolescence, the lack of cooperation among agents, the deficit in innovation, etc. In this sense, all the possible regulatory instruments must be considered initially, as much those genuinely of the market –taxes, subsidies, etc.– as those of compulsory regulation, in order to produce the necessary

changes in the technological structure and in the modes of conduct of business people, citizens, and tourists.<sup>261</sup>

It is evident that, despite the importance of the regulatory network which the Government establishes, the companies of the sector and the financial organisations are the backbone of transformation. If the first are necessary because they accumulate knowledge and have the human and material resources with which to confront the volume of technological investment necessary in the short, medium and long term, the second are also necessary to supply the necessary financing and cover risk. However, in order to obtain participation in this process, a clear framework of reference together with a real policy of incentives is necessary. Strong economic signs (prices), limitations and precise goals are needed in order to favour cooperation among economic agents and reorientate investment in the desired direction. The design of a coherent policy of incentives will be a key aspect in the future of Balearic tourism.

In this sense, tourist planning must be inscribed in a legal framework that permits and promotes the development of a long-term tourist strategy, and that constitutes an essential instrument with which to take sectorial decisions, favour investment and develop the markets. Order, vital for the establishment of any system, comes, mainly, with the legal and institutional framework, norms and procedures. If this stability is not attained, all the elements of the system are centred on maximising the short term and disregard the effects of their decisions in the long term. This is why it is important to stabilise the system. According to experts on complexity, the self-organisation of a system is reached largely by the presence of ‘factors of attraction’ (Ritter, 2009). A factor of attraction can be the profit motive, but also cooperative spirit, leadership.

<sup>261</sup> For a more detailed analysis, see section 4.5. Legal structure and institutional framework, in the fourth part of the work.

In the present time, companies and destinations need to see beyond day to day in order to discover the reforms that need to be introduced and the way to apply them, with the purpose of foreseeing the products and services that, in an increasingly mutant market, will become obsolete, and at the same time lead the appearance of new products, services and processes, convincing and inducing everyone else to make modifications.

The fight against the obsolescence of certain areas and tourist establishments is one of the most complex phenomenon that the Balearic Islands must tackle. With respect to this question, it has to be understood, on the one hand, that the strategy of disinvestment on the part of companies, in response to the loss of attraction or stagnation of the destination, can be successful in the short term, given the decrease in private profits<sup>262</sup> and, consequently, of the capacity of the investor.<sup>263</sup> On the other hand, especially in oligopsony markets, the strategy of disinvestment can also be optimal for the sector which is smaller-sized and of an independent character –which does not belong to big groups of companies–, while continuing to profit from the differentiated quality derived from certain intangible or public goods of the urban or natural environment. As much in one case as in the other, the obsolete or de-phased character of some establishments or zones do not impede them from continuing to have sufficient demand and exhibiting reasonably high occupation rates. All of this makes it difficult for economic agents to find their own incentives to modify this behaviour, and, at length, given the deterioration of the image that obsolescence creates on the destination as a whole, induces other establishments, even of higher quality and financial capacity, to follow the same path of disinvestment (Gonzalez *et al*, 2006) and, as a consequence the destination enters truly

into decline. Thus, obsolescence as an optimal strategy of one or more private agents results in loss of social efficiency, with relation to the resources available for tourism and, at length, in the loss of private and social profits.

Together with obsolescence, the absence of regulation or collective action, the weak definition of property rights, the existence of external effects and of asymmetric information or the characteristics of public goods also explain that common pool resources –natural resources, landscape, urban environment, among others– are not only the object of over-exploitation but moreover private agents do not have incentives to invest in their maintenance,<sup>264</sup> which at length also leads to private and social loss of profits.

These and other examples –such as the disregard for innovation, training, etc.– illustrate that if economic agents behave rationally and look for maximum individual profit, they can arrive at socially inefficient situations, that is to say, they do not generate maximum welfare for society. The incentives to behave egoistically, or think that others behave in this way, make economic and social agents obtain a lower net profit than they would have obtained if they had cooperated. Cooperation is a necessary condition for achieving a socially efficient result.

One of the great challenges that the new tourist culture faces is, precisely, that it can be individually rational to not participate in it, that is to say, not cooperate. Thus, processes of negotiation and discussion about how to share the profits and distribute the costs that cooperation impose, are necessary. Incentives must be created for agents to cooperate in a context defined by: (1) the multiplicity and heterogeneity of subsystems and activities related to tourism –which demand the design of strategies and

<sup>262</sup> About this question, consult subsection 3.1.5. Efficiency and profitability, in the third part of the work.

<sup>263</sup> The literature that adopts this perspective identifies obsolescence with a mature or declining state, in accordance with the theory of the life cycle of Butler (1980). In essence, the characteristics of these phases are: reduction of the private and social profitability of tourism, high rotation of the property of tourist businesses, changes of use from tourist to residential installations and the modification of the segments and patterns of demand towards a lower quality differentiation and lower price (González *et al*, 2006).

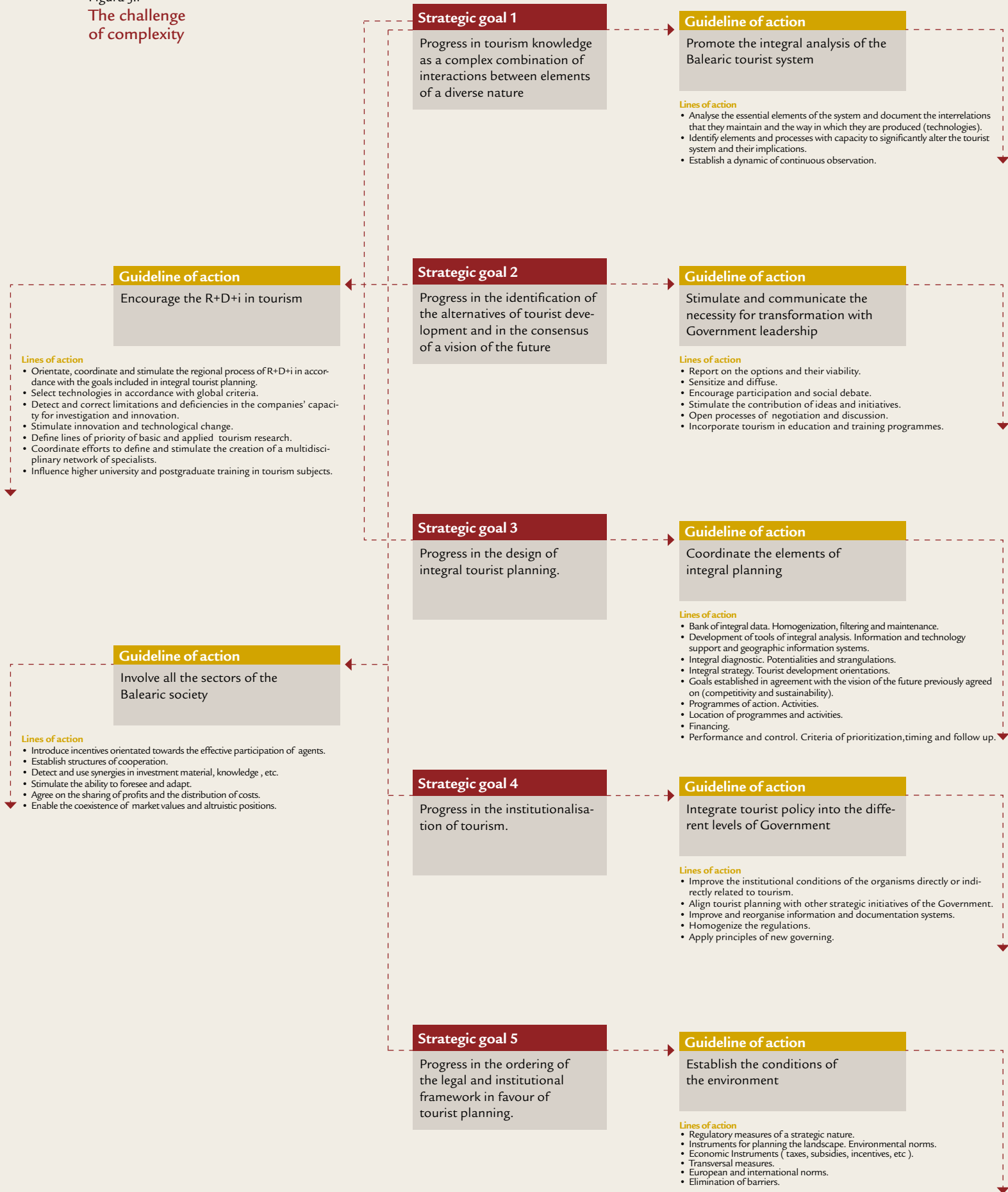
<sup>264</sup> On the contrary, the deterioration of the landscape and of the urban environment lead to changes from the use of tourist places to residential use and in an increase in the density of population, as much tourist as residential.

heterogenic policies-; (2) the unequal distribution of negotiating power; (3) the different expectations of losses and gains –there are activities or subsectors that require big investments and, therefore, a long-term vision , while others require short-term actions in order to make use of favourable opportunities in the market-; (4) high negotiating costs and (5) uncertainty regarding costs and aggregate profits.

These and other factors require leadership on the part of the Government when determining tourist policy, which must not be confused with the task of managing it. If tourist policy has demonstrated anything during the last two decades, it is the scarce utility of isolated initiatives. Progress towards a new tourist culture requires the participation of all the sectors of Balearic society. However, although society jointly recognises the need to reorientate the present path of tourist development and take correcting measures –as much of a global nature as of a sectorial and subsectorial nature-; it is doubtful that transformation will happen simply because society is willing to collaborate. It is not enough that people want

change or consider that planning includes more points of concordance than of disagreement or more potentialities than restrictions. The effective involvement of all the economic and social agents is needed, and this involvement will only be produced if the cooperation of everybody is guaranteed. If this guarantee is not given, nobody will risk a cost in order to solve a problem that concerns everybody. This is the paradox of the isolation of Sen (1976), which impedes people from showing their preferences (altruistic) as members of a collective and leads them to act in accordance with their individual preferences (egoistic). Unfortunately the market system cannot guarantee cooperation. It is the Government which must ensure that the market permits the expression of altruistic preferences, which demand the introduction of incentives, measures and regulatory and economic signs of tourist planning itself in the tourist market (internalise), so that it is orientated towards the goals of competitiveness and sustainability. Either of these two questions constitute, in themselves, a challenge. If society wants to combine them and tackle them simultaneously, the complexity appears very clearly.

Figura 5.1  
The challenge  
of complexity



## 5.2. THE CHALLENGE OF COMPETITIVITY

**MOVING TOWARDS A NEW TOURIST CULTURE** consists of making progress in the recognition and activation of the mechanisms (levers) of value creation in each one of the processes (interactions) that take place among the different dimensions of the Balearic tourist system, as the only way to combine the 'situation rents' with the ability needed for anticipation and adaptation required by the market, in order to guarantee the international position of tourism and its contribution to regional prosperity.

It is certain that this mission displays a markedly ambitious nature, therefore it is necessary to welcome and integrate, from a holistic vision, the multiple ways in which the activities and the actors of the tourist market interact among themselves and with the rest of the subsystems (social, environmental, etc.), a motive for which it is essential to accept that the proposed challenge can only be faced by embracing its complexity.<sup>265</sup> Beyond the definition of the commercialised product (tourist experience), which not only integrates the basket of goods and services consumed, but also something as complex as the satisfaction of the expectations formulated by tourists at the moment of choosing the destination (Bravo, 2004), it is essential to assume that:

■ Transversely, the multiplicity of subsystems, activities, and agents that participate in the supply and consumption of the tourist product force the consideration of the heterogeneity of the attributes that define it. In fact, in general terms, competitiveness is associated with the ability of a destination to satisfy tourists' expectations and simultaneously assure the satisfaction of the needs of the population and local agents.

■ Temporarily, the speed of world change confers a special relevance on the dynamic aspect of tourist competitiveness and, consequently, on the ability to adapt and anticipate market tendencies. Likewise, the explicit adoption of an intertemporal focus involves tackling short-term goals –incorporating the premise of not overlooking the most immediate sectorial results, in terms of income, profitability, and market quota—but also in the long term –ensuring the continuity of tourism<sup>266</sup> and appealing to structural aspects such as the qualification of human capital, the provision of infrastructures, etc.

■ Spatially, the fragmentation of the chain of value between places of origin and destination with respect to the generation, lending and consumption of the various components of the product leads to elements which, at least a priori, are not completely controllable by the destination, indeed condition the competitiveness of the regional product as much or more. With respect to this question, the development of technologies of information and communication are postulated to enable the modification of formulas for the management, control and commercialisation of the tourist product.

Beyond complexity, taking this path does not present an easy task, because despite being convinced that it is essential to maintain regional prosperity,<sup>267</sup> the activation of value-creating mechanisms compels the beginning, in accordance with the current situation, of a transformation process not exempt from tensions (incompatibilities), especially in the short-term, which must necessarily be solved within the system itself. Thus, the need to improve competitiveness implies the assumption of adjustments, costs and improvements in productivity which,

<sup>265</sup> For a detailed analysis of this question, see section 5.1. The challenge of complexity.

<sup>266</sup> As defined in the third part of the work.

<sup>267</sup> The introduction of the notion of prosperity is important given that it emphasises the non-economic aspect of competitiveness and stresses the undesirable nature of competitiveness at any price. (IMD, 2005).

in the first instance, may conflict with various aspects of economic and socio-political life. Nevertheless, there are also complements emanating from the interaction of different factors –economic, social, cultural and institutional– able to neutralise conflicting aspects.

Be what may, the fact is that, although the balance of the last two decades emphasises the importance of the international place of Balearic tourism<sup>268</sup> and its contribution to regional accounts,<sup>269</sup> the development registered, above all during the last decade, shows signs of weakening, which affects the annual results and which, in a context of growing competition, points to significant risks capable of eroding the competitive position of the destination.<sup>270</sup> Comparably, analysis of the sources of regional growth shows that the accumulation of production factors has stopped being a sufficient and viable alternative to sustain the real creation of wealth, thus calling for urgent attention to the structural aspects that enable the stimulation of productivity<sup>271</sup> and consequently long-term welfare.

In accordance with this situation, redirecting tourist competitiveness cannot stand in the way of the advanced state as much of tourist development as of regional development, because doing so would restrict the options available. On the one hand, the phase of the destination cycle, as is well-known, conditions the factors that determine competitiveness, the roles played by the driving agents of the system and the effects tourism has on regional economy (Butler, 1980). Thus, the fact that the maturity of the Balearic destination results in an increase in the sensitivity of demand with respect to variations in prices –in a context of growing competition–, deterioration of the environment, massification and high dependence on Northern-European tour operators, can only be compensated for

in terms of improvement in quality, as much of services as of the environment and, consequently, of the tourist experience.

On the other hand, the level of economic development reached by the Balearic Islands, shown directly in the rising curve of income per capita, reveals the attainment of a high level of welfare that has widened the range of rights obtained and has transformed the needs, priorities and preferences of economic and social agents. Having arrived at this point, the elements that do not only determine, but also stimulate regional competitiveness, must necessarily develop from the mere use of production factors towards efficiency and, finally, towards innovation (WEF, 2005).

At this point, it is crucial to forge the foundations that guarantee, in the last analysis, the transition of tourism based on the endowment of resources to tourism based on knowledge. This is the challenge of competitiveness. It is a challenge which, in accordance with its complexity, must be internalised by tourist planning and taken up by economic and social agents as relating to excellence that guides decision taking. In short, it is a question of progressing in the same direction in which the conceptual plans of international competitiveness have done: transfer part of the effort from the traditional approach of comparative advantage –that associate the attainment of commercial results with the endowment of resources– towards a perspective based on competitive advantage –that resorts to the addition of value by means of the consideration of elements related not only to the productive environment but also social, environmental and institutional.<sup>272</sup>

This change of outlook does not in any way imply forgetting about the comparative advantages Balearic tourism has traditionally

<sup>268</sup> On this issue, consult section 2.1. Evolution of tourist flows, in the second part of the work.

<sup>269</sup> For more information, see the analysis carried out in section 1.4. Economic contribution of tourism, in the first part of the work.

<sup>270</sup> On this issue, see section 3.1. Risks and opportunities for tourism, in the third part of the work.

<sup>271</sup> Productivity is the basis of the return of investment, determining, at the same time, the aggregated rate of growth which enables a competitive economy to grow more quickly in the medium and long term (Tugores, 2006). For a more detailed analysis, see subsection 3.2.1. Regional competitiveness, in the third part of the work.

<sup>272</sup> On this matter, see the introduction in the fourth part: Medium and long term conditioners.

depended on, but, very much to the contrary, suggests managing them from the criteria of efficiency as the only way to (1) strengthen them with the aim of building competitive advantages over them and, at the same time, (2) free the resources needed to stimulate levers of value, the source of competitive advantages. This transfer is necessary as much from a microeconomic point of view –in as much as it contributes to the improvement of short-term company profitability–,<sup>273</sup> as macroeconomic –given that it increases productivity, guarantees long-term regional prosperity and, at the same time, strengthens the trinomial tourist-society-environment, advocated by the new tourist culture.

On this stage, the strategic goals that sustain the challenge of competitiveness are centred, from the start, on maintaining and strengthening the Balearic Islands' own comparative advantages with respect as much to their own attributes as to inherited resources –natural (climate, landscape, etc.), geographical (locality, proximity to main markets, etc.) and cultural (historic heritage, regional customs, etc.)– over those acquired –material (facilities and tourist equipment) and non-material (tourist tradition, international recognition and accumulated experience)– which, together, have created an image of high renown in international markets.

Therefore, on the one hand the importance of designing and putting into effect guidelines of action able to value, from a tourist point of view, the wide range of inherited resources and at the same time advocate a guideline of efficient use compatible with the creation of value in a continued way, can be highlighted. It must be pointed out that this approach considers, in the first analysis, the use of the climate-landscape combination of sun and beach as a basic dimension of the tourist product, which

confers on it the category of first lever of value and which, therefore, totally eludes the concept that assimilates it to a model of low-value massified development and of significant negative impacts. The biggest challenge for a tourist economy is to know how to use natural and cultural capital in a rational way and make its use compatible with conservation.

On the other hand, the challenge of competitiveness cannot be faced without establishing measures that pursue the capitalisation of the baggage (material and non-material) acquired and propitiate a continuous dynamic of renovation and enrichment in response to changes and tendencies. For this reason, reactivating investment, considering the enterprising nature that has historically characterised the Balearic tourist business class, is key to the ability of the main segments of supply to continue the process of adapting their structure, business model and commercial products. It is a question not only of stimulating individual profitability and guaranteeing long-term survival, but also of contributing positively to safeguarding international recognition of the destination, maintaining the decision centres of big international groups and attracting more productive foreign investment.

In this way, with respect to material capital, it must not be forgotten that tourist development has led to the accumulation of a considerable stock of productive capital with the passage of time, with regard to facilities, equipment and infrastructure, which sustains the lending of the most basic dimensions of the tourist product. Taking into account the degree of consolidation of the Balearic tourist sector, and also its degree of maturity, the guidelines of action are forced to divert the biggest part of their effort from the management of quantity to the management of quality. Only with this premise will

<sup>273</sup> About this issue, consult the conceptual framework developed in subsection 3.1.5. Efficiency and profitability, in the third part of the work.

the creation and modernisation of facilities become coherent with changing requirements of demand and the environmental requirements in which the service is given. In any case, it is necessary to adopt, once more, an integral approach that tackles the different ages of tourist establishments and avoids the inertia which, in great measure motivated by the maintenance of mass tourism, has been based more on the contention of costs than on the attainment of higher levels of quality. In addition, although at an individual level profitability and obsolescence continue to be compatible, at an aggregated level they condition not only the attainment of the competitive position desired, but also the erosion of the present position.

Comparably, with respect to non-material capital, the accumulation of a wide range of knowledge acquired by experience, although informally, has shaped a tourist tradition that has impregnated the local agents' way of doing things (companies, citizens and public administration) and has consolidated the sector. It is understood that the ability of the agents to respond to the climate and produce wealth depends in great measure on the selection, organisation and analysis of experience accumulated over a length of time, without forgetting the need to combine it with new knowledge, generated within the system or outside it. Precisely, the management of this knowledge as a way of converting it into information applicable to solving problems and taking decisions, constitutes one of the bastions of Balearic tourist development, as much from an internal point of view –given that it is set up as a perpetuating element of the generation of value–, as external –given that it constitutes an exportable service (know how) to other destinations–.<sup>274</sup> In this framework, it is essential to bring together generated knowledge and ensure that it will be shared and constantly transmitted, which

requires making technical resources available (infrastructures and information and communication technologies), human resources (training and attraction of talent) and institutional resources (learning platforms, meeting points and interaction between agents).

On this path, to forge real competitive advantages it is necessary to identify, stimulate and combine, in an adequate and coordinated way, those levers of value that guarantee not only the efficient use of inherited and acquired resources, but also largely aggregate, to the basis of these resources, multiple layers of value. In accordance with this issue, the Balearic Islands, in a context in which destinations and companies compete globally on the basis of competitive advantages locally consolidated, has to act decisively on structural factors of the region which are key for the development of the business sector –in so far as they promise a wide range of business opportunities– and for regional prosperity –given that they lead to an improved quality of life, social cohesion, etc.

Moreover, if the traditional approach –which bases competitive advantage on prices– continues to sustain part of Balearic competitiveness, the subjection of sectorial results and, by implication, of foreign standing, to the supply of a product of acceptable quality at relatively reduced prices is over. To begin with, in regional terms, the level of Balearic development can no longer continue to be based on a low-cost structure, as much from an economic as from a social point of view.<sup>275</sup>

At the same time, in tourist terms, the advantages of the supply of a low-priced product of relatively superior quality to that provided by emerging Mediterranean destinations, is progressively reduced as these destinations gain knowledge, capital and tourist tradition.

<sup>274</sup> A reference to this is the process of the internationalisation of the main Balearic hotel chains, succinctly described in epigraph 2.2.4.1. Lodging, in the second part of the work.

<sup>275</sup> In this sense, there is nothing more to be done than to check the deterioration of competitiveness-price that the islands have accumulated during the last decade, compared to the main European markets and competitor destinations, as explained in subsection 3.2.2. Tourist competitiveness, in the third part of the work.

For this reason it is necessary to abandon the mistaken strategies of short-term profitability centred on determining prices in an isolated way, which do not take supply factors into account (that is to say, sequence and location of the generation of value) and demand (this is segmentation), at the time that they jeopardize the progress of other structural dimensions of tourist competitiveness.<sup>276</sup> It is therefore necessary to integrate price policy into a short and long-term planning design that works in the service of efficiency and quality, as a way of differentiating the product, in these mature and very homogenized times, from the nearest competitor destinations.

In accordance with this premise, the challenge of competitiveness necessarily involves stimulating the following levers:

■ Innovation,<sup>277</sup> since it forces new forms of production to emerge, modifies the possibilities for the use of natural resources, favours the extension and diversification of productive activities and influences productivity, and enables, in an advanced stadium of development, not only more efficient production, but also the efficient production of new products of greater value added. Innovation in tourism involves, therefore, the proposal of new ideas, processes and services that correspond to demand preferences, improve management efficiency, are viable in accordance with costs and guarantee, in the last analysis, priorities in terms of quality, diversification and the differentiation of the product.

■ Human capital,<sup>278</sup> as the main *input* of tourist service, plays an essential role, given that the innovative process only has repercussions on an improvement in production if its returns are properly used. It can be observed that, beyond qualification, aspects referring to the structure

and functioning of the labour market in general and the conditions of the tourist sector labour market in particular (seasonality, rotation, etc.), must be taken into account; all these issues, inside a framework of improvement of labour relations, are key aspects in the stimulation of competitiveness through the relationship between productivity, employment and salaries.

■ Infrastructures,<sup>279</sup> such as the provision of public services, constitute a lever of value with a clear effect on productivity, given their strategic role in the development of their own tourist activity and others with which this activity is related. Nevertheless, the multiplying effects that arise from this do not depend as much on the volume of investment in new infrastructures as on adequately selecting them and improving the management of existing ones, such as the services that sustain them.

■ The legal and institutional framework,<sup>280</sup> given that it does not only link the manifestation of tourist activity (such as regulation of supply, protection of the tourist, etc.) and the promotion of the destination, but also includes a multitude of dimensions which interact with the market (such as the arranging of territory, tax, urbanisation, transport, security, innovation, training, health, foreign relations, etc.), becomes, as the idea of competitiveness grows more sophisticated, an essential ally in the definition of the conditions of the environment, to the point of conditioning efficiency and the efficiency of the rest of the levers. Thus, beyond the necessary coherence of the promulgated norms in the different legislative spheres, (national, regional and local) and for each of the fields (tourist, territorial, labour, etc.), it is crucial that the legal and institutional network anticipates resident and tourist needs and adapts easily to the transformations faced by the tourist system as a whole.

<sup>276</sup> For a more detailed analysis, see subsection 3.2.2. Tourist competitiveness, in the third part of the work.

<sup>277</sup> On this matter, consult section 4.4. Innovative ability, in the fourth part of the work.

<sup>278</sup> Consult the analysis in section 4.1. Labour and training market, in the fourth part of the work.

<sup>279</sup> For a more specific analysis, consult section 4.3. Infrastructures and public services, in the fourth part of the work.

<sup>280</sup> For a more detailed analysis, see section 4.5. Legal and institutional framework, in the fourth part of the work.

As important as influencing these levers is developing the ability to communicate, with consistency and persistence, everything that has been worked on in order to create a chain of competitive value; not in vain does the image determine the attitude and predisposition of the tourist when choosing a destination. With respect to this, it is not necessary to continue stressing the importance of creating an image based on a previously made decision of dynamic positioning able to anticipate the tendencies of the market, projected homogeneously and coherently, directed not only to real and potential markets, but also to the regional agents involved.

Moreover, it must not be forgotten that the competitiveness of tourism is based on the strong and constant link of standards of coordination between the public sector and the private sector,<sup>281</sup> the participation of the local population<sup>282</sup> and, especially, on the competitiveness of companies –as a way of improving procedures and activate valuable creative ability–. It can be observed that, in the Balearic Islands, this

aspect requires special attention, given that the degree of atomisation of the tourist sector, and therefore regional<sup>283</sup> affects negotiating ability and the degree of internationalisation. Therefore, the challenge of competitiveness, along with the rest of the inherent challenges when adopting a new tourist culture, cannot be undertaken without the cooperation of the agents involved.

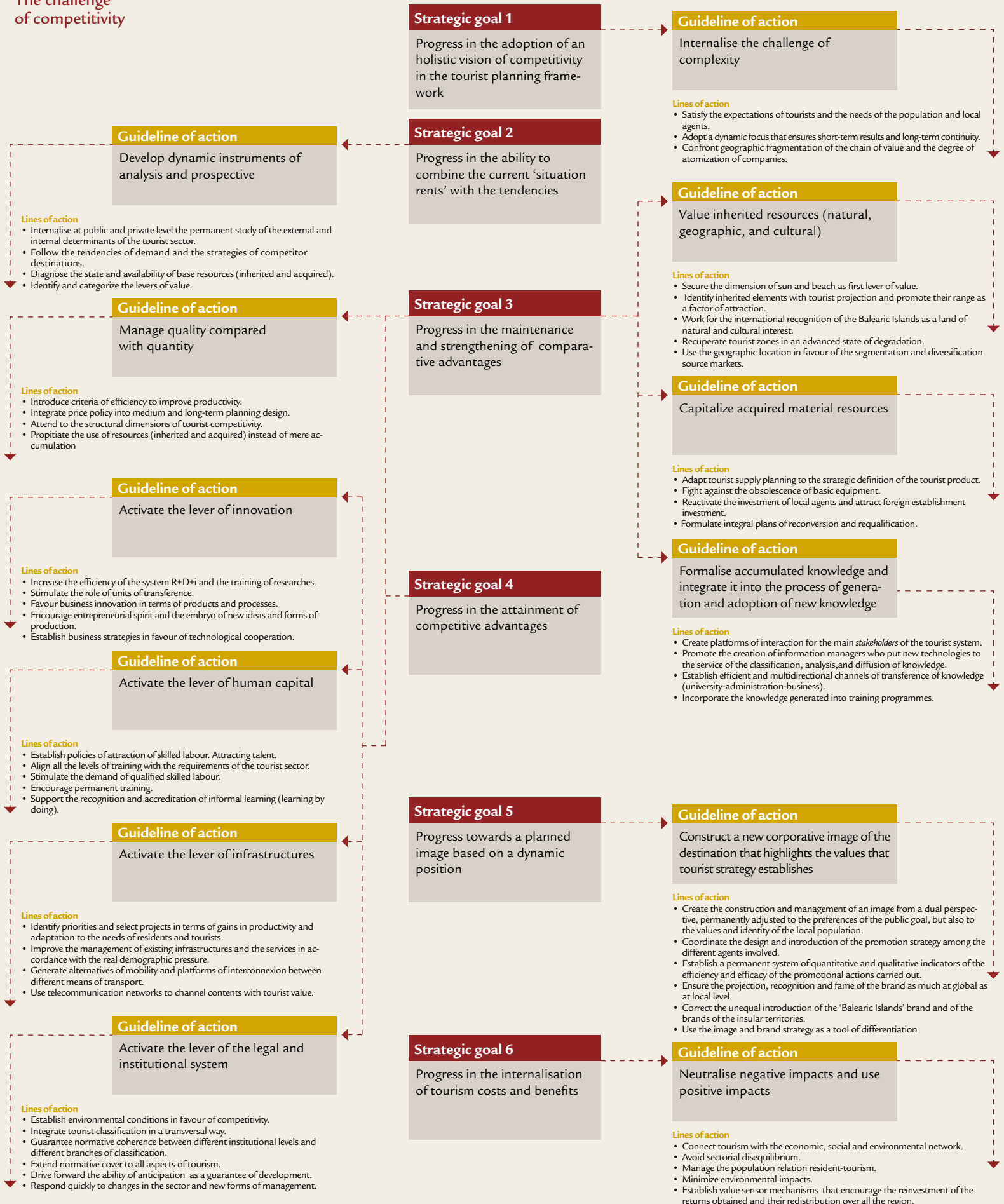
Everything considered, the search for prosperity by means of tourism, as the ultimate goal of the challenge of competitiveness, involves the internalisation of profits and costs channelled by the system on the rest of the economic structure, the physical medium and the social dynamic. The justification for this need does not stem only from the incentives for continuing tourist activity, but also from its ability to accumulate the necessary economic resources to make use of the complementaries of the trinomial tourism-society-environment and, in the last analysis, to ensure the adoption of the challenge of sustainability with guarantees for the future.

<sup>281</sup> This position has been recognised by European governments, so that the Treaty of Lisbon establishes that the EU adopts the goals of promoting the creation of a favourable environment for the development of tourist companies and of propitiating the cooperation between member states by means of, above all, the exchange of good practices ( see title XX1, art.176B). On this issue, see subsection 3.1.6. Public sector and Private sector, in the third part of the work.

<sup>282</sup> For more information, see subsection 3.1.7. Resident and tourism population, in the third part of the work.

<sup>283</sup> On this matter, see subsection 2.2.4. Company structure, in the second part of the work.

Figura 5.2  
The challenge  
of competitiveness



### 5.3.5. THE CHALLENGE OF SUSTAINABILITY

<sup>284</sup> In general, the term conservation evokes present non-utilisation of resources in order to be able to use them in the future. Nevertheless, from environmental economics, which is the approach followed here, conservation is defined as the appropriate use of resources in each moment.

<sup>285</sup> Internalisation refers to the process through which economic and social agents become aware of the impacts on the environment caused by their activity and incorporate them into their decision-making.

<sup>286</sup> The majority of the goals have been expressed in quantitative terms –in accordance with anthropocentric orientation (eg. number of tourists)– or in qualitative terms –in accordance with ecocentric orientations (eg. carrying capacity)–. With respect to this, see Coppock(1982), O’Reilly(1991), Tisdell and Wen (1997) and Seild and Tisdell (1999).

<sup>287</sup> An habitual dilemma in the framework of sustainability is between growth and sustainable development (Pezzy,1989). Nevertheless, following Bretschger (1998), in future both concepts will be used indiscriminately.

<sup>288</sup> Technically, entropy is a non-decreasing function that measures the distance of a system with respect to its equilibrium in relation to adjacent systems. The processes of transformation of material and energy increase the entropy of the system and, consequently, decrease the work which, in physical terms, the system can undertake (Ayres, 1999).

<sup>289</sup> Utility, understood here as a synonym of satisfaction or welfare, is the final goal of any of the branches of economic theory. Thermodynamic utility is called available energy or ‘exergia’.

**MOVING TOWARDS A NEW TOURIST CULTURE** consists of adopting formulas that make tourist development compatible with the conservation<sup>284</sup> of the environment, controlling and internalising<sup>285</sup> the interactions established inside the Balearic tourist system in order to guarantee, finally, the ability to satisfy resident and tourist population needs without jeopardizing the welfare of future generations.

This statement, which fundamentally proposes the attainment of a social goal, has been analysed, during the last two decades by different disciplines (economics, sociology, anthropology, ecology, etc.) in accordance with the proper definition of the environment which admits the physical-natural, cultural, economic and social circumstances surrounding people and other living beings. Thus, at international level, a large number of articles and reports have been published, referring to the possibilities of maintaining tourist expansion as an engine of economic growth as opposed to the natural, cultural, economic and social impacts it exerts, which has helped to sensitize public opinion and has provoked growing attention towards ‘sustainable tourism’ (Archer, 1996; UNWTO, 1999b). Nevertheless, it has to be recognised that, today, the polysemic nature of the term has caused it to be associated with numerous goals<sup>286</sup> and, at the same time, to be used to adorn discourses and declarations or to formulate synonyms, referring to tourist developments as balanced, integrated, harmonious, compatible, alternative, green, etc. The result is that, at the present time, ‘tourist sustainability’ is an ambiguous concept, confusing and difficult to apply in practice.

Nevertheless, in economies in which, like that of the Balearic Islands, tourism has an important

contribution in terms of growth and monopoly a substantial part of production resources are pertinent and maybe even compelled –given the relation of bidirectional dependence that it maintains with the environment– to lay down a path of sustainable tourist growth,<sup>287</sup> understood as that pattern of production and services –and of consumption of resources– that does not diminish the ability of either the resident nor the tourist population to satisfy their needs, whatever time period is considered.

However, behind the possibility of maintaining continued tourist growth hides an important restriction: the limits imposed by the physical-natural environment. Thus, according to the opinion of some authors, as much inside as outside economics (Boulding, 1966; Georgescu-Roegen, 1971; Daly, 1987, 1993), lasting economic growth is not possible given the finite supply of material and energy and the entropic nature<sup>288</sup> of the processes of realignment and transformation, facts that, in the long run, impose physical limitations on economic growth by the law of diminishing returns.

Nevertheless, this vision omits the fact that economic activity in general and tourist in particular, more than a process of transformation is a process of the creation of value (Smulders, 1998). In fact, economic growth is no more than an increase in the flow of generated economic value. Therefore, although tourist growth is certainly limited from a quantitative viewpoint, growth measured in terms of value does not have to be so; whenever feasible, through transformation, it can create more value, more utility,<sup>289</sup> from the same available quantity of material and energy. Thus, even though it is accepted that material and energy are essential for

the generation of value, there is no minimum requirement to attain a certain level of production or aggregated welfare. Moreover, tourist activity is nourished essentially by two basic inputs, material and energy and knowledge (technological<sup>290</sup>), which combined flexibly, give rise to other factors of production – natural resources with different degrees of processing, work, capital, etc. – or to directly consumable goods and services (Smulders, 2000).

In accordance with this perspective, if the Balearic Islands can, through the tourist system, gradually substitute the utilisation of material and energy for knowledge as much applicable to production processes and factors as to consumption, it is possible that a path of sustainable development will be achieved and, in accordance with the processes of the accumulation of capital, intergenerational equity be guaranteed.

The concern for intergenerational equity lies behind the concept of sustainability. The Brundtland report itself (WCED, 1987) requires that human welfare, understood as the ability to satisfy present and future human needs, does not decline in time, or in the words of Newmayer (1999), the ability to provide utility per capita (for a representative member of society) does not decline *ad infinitum*.<sup>291</sup> It is, in short, a question of guaranteeing future generations the same set of welfare opportunities that the present generation has enjoyed or, in other words, to bequeath them a stock of capital – providing direct welfare (goods or services) – with which their needs can be met.

On this path, as the theory of economic growth shows, a wide vision of capital that considers the present stock of natural capital (natural and environmental resources of the biosphere), productive capital (equipment, infrastructures,

etc.), human capital (education, training, labour experience), technological capital (tangible and intangible knowledge) and social and institutional,<sup>292</sup> such as its development in time and the possibilities of substitution between some components of capital and others, in a context characterised by important physical-natural, technological, cultural etc. restrictions.<sup>293</sup>

Unfortunately, this information is not generally available, however. It is as difficult to formulate plausible assumptions about technological alternatives as about the environmental consequences of human activities, facts which, together with the consideration of the irreversibility of harm to the environment and the uncertainty about the possibilities of substitution between various forms of capital, make the definition and choice of a path of efficiency difficult.

Nevertheless, if it is accepted that this course of development is socially desirable and it is known for certain that it exists and is possible to reach, it is pertinent to direct effort to identifying it, sharing it among all the economic and social agents and propitiating that society, through an adequate institutional framework, chooses this course from among all the possibilities. This is the challenge of sustainability. It is a challenge that does not hide the difficulty of determining the desirable properties of this course of action, nor its vulnerability in the face of whatever changes may occur (demand, level of reserves, state of technology, etc.), nor the effects that the search for this type of development can have on the present standard of living, nor the low probability of the market reaching it spontaneously.

On this point, it must be remembered that the working of the economy depends largely on the institutional mechanisms that society de-

<sup>290</sup> A wide concept of technology is adopted, as shown also in section 5.1. The challenge of complexity.

<sup>291</sup> The principle of utility is a philosophical principle created by utilitarianism, which considers that the greatest good for the greatest number of people should be the guiding principle of conduct. It deals, therefore, with a principle of teleological ethics, which bases moral judgment on the consequences of actions. Some of the fundamental authors of utilitarianism are Jeremy Bentham, James Mill or John Stuart Mill. In fact, as Rawls remembers (1971), the idea that utility and justice are linked already appears in the social contract of Rousseau.

<sup>292</sup> Social and institutional capital are produced by individual accumulation and the social contrast of patterns of behaviour, which condition the appearance and application of productive capital

<sup>293</sup> It is therefore important to bear in mind that in the evaluation of sustainability natural restrictions are not the only ones that must be considered.

cides to use, in the form of policies, to encourage and coordinate the sharing of resources in the economy: the rights of property to retain (conserve) or spend (consume) a fixed wealth (capital, in the wide sense); the rights of individuals to commercialise; the laws that define the role of public and private companies; the tax systems and price-fixing systems. Beyond the physical limits is the institutional framework, understood as the combination of market structures, assignation of properties rights and instruments of public intervention, which make it possible, together with social preferences (system of values), for the economy to move to a path of sustainable growth.

The challenge of sustainability requires, therefore, changes in the institutional framework which can only be carried out if this goal is accepted by each and every one of the economic and social agents, from their respective positions, attending to, evidently, the corresponding capacity for action and to their responsibility. A change of scene is as necessary in the internal dynamics of the public sector when meeting the challenge of tourist sustainability as in the private field –citizens and companies–. Questions cannot continue to be rhetorical statements, theoretical or partisan exercises, but must be based on a realistic involvement and introduction with the help of coordinated public action that gives an integral and stable framework, grouping all the political sectorials affected and enabling the development of guidelines and interdepartmental and intersectorial lines of action, favouring new economic plans that study ecoefficiency in depth, enable the unlinking of the production of tourist goods and services from the growing consumption of material and energy and favour the application of new, environmentally advanced technologies and the reduction of impacts in numerous fields.<sup>294</sup>

Some of the mechanisms that favour the attainment of the challenge of sustainability have begun to appear in the heart of the Balearic tourist sector in the form of programmes for saving energy, water and other resources, given the reduction of costs associated with them. Moreover, this type of practice usually gives rise to some kind of certification that gives the consumer information about the environmental behaviour of tourist agents and thus offers a visible response to a demand characterised by growing ecological awareness (Kotler *et al.*, 2003). In this sense, the search for private profits through lower costs, such as the improvement of the company image, leads in a practically voluntary and decentralised way to an increase in environmental quality. Since the pioneer proposition of quality certification of beaches and yachting harbours, represented by the blue flag (Font and Buckley, 2001), the instruments of autoregulation developed by the tourist sector have proliferated to the point, at the present moment, of more than one hundred relevant initiatives identified by the UNWTO (2002), including systems of voluntary certification<sup>295</sup> and environmental codes of conduct.<sup>296</sup> Among these systems ecolabels, which have been mainly applied to regional tourist accommodation.<sup>297</sup>

Nevertheless, although these voluntary responses are highly representative of the direction of change, they are insufficient to meet the challenge of sustainability. In reality, it is a matter of individual actions through which each tourist agent establishes their performance maximising their own operation goal. As has already been shown, one of the great problems of progressing towards a new tourist culture is that it can be individually rational not to participate in it, that is to say, act in an uncooperative way; thus, while some agents progress and lead the introduction of systems of environmental man-

<sup>294</sup> For a more detailed analysis, see subsection 4.2.3. Environmental impacts, in the fourth part of the work.

<sup>295</sup> Certification systems encompass diverse mechanisms, such as the prizes and recognition established by the tourist industry, the environmental labelling systems for companies and tourist spaces and environmental management and auditing systems established by tourist companies that enable the accreditation of sustainable administration through international norm ISO14001 and European regulation EMAS (Chang and Wong, 2006).

<sup>296</sup> The codes of conduct are guides of behaviour or recommendations for the agents of the sector whose goal is to reduce the environmental impacts of the activity. Among this type of behaviour Agenda 21 for the travel and tourism industry (UNWTO, 1998) is emphasised; The Sustainable World Tourism Chart (UNWTO, 1995), etc.

<sup>297</sup> There are examples of ecolabelling of a superior range, such as European ecolabelling for tourist accommodation services (Decision 2003/287/CE) or Green globe 21 –the only ecolabelling applicable to tourist agents and destinations worldwide (Synergy, 2999).

agement and of environmental auditing that go with them or opt for ecolabelling and participation in investment funds, others consider these elements as a distortion that make their operations difficult and jeopardize their results, with which they contribute indirectly to deterioration, or, in other words, to an inefficient result from a social point of view

The challenge of sustainability therefore establishes, as a necessary condition, cooperation, sufficient condition if each and every one of the economic and social agents –public and private– are capable of choosing a function goal so that sustainability appears among the variables of the choice. In the contrary case, the Government will be forced to influence, through compulsory regulations or economic instruments, the behaviour of the economic and social agents.

The listing of regulations (quality or quantity standards of resources, products or processes; norms of accessibility, captation, utilisation and emission; planning norms and ordering of territory, etc.) and economic instruments (taxes, levies and taxes on utilisation, consumption, contamination, services rendered; financing in the form of subsidies, soft credits or tax relief; charges of non-fulfilment and payments of fulfilment; market creation through the negotiable designated permits, etc.) could be extended even more and speed up, here a discussion on the advantages of some and others on terms of efficiency,<sup>298</sup> efficiency, flexibility, equity, and eligibility of agreement with the problem in question. Nevertheless, this discussion, although important, is out of place in these pages. What is relevant to specify is that all these measures are intended to resolve specific problems or conflicts (such as improve the management of waste, conserve biological diversity, reduce levels of contamination, guar-

antee a level of quality of bathing water, etc.) and only in the best of cases are they related to the goal of attaining sustainability, that is to say, in terms of guaranteeing intragenerational and intergenerational equity.

The challenge of sustainability therefore finds itself with an added difficulty. In effect, the packet of available measures is generally directed to achieving a specific goal that in itself constitutes a challenge, for how much one or more of the alternatives to maximise social welfare are considered from those affected by one situation or another. Nevertheless, in reality, from a perspective of sustainability, although these measures –especially ecoeconomic instruments– are conceptually very powerful for reaching environmental goals and developing a crucial role in the internalisation of environmental impacts,<sup>299</sup> they are crippled at the moment of guaranteeing the viability of all the process and ensuring that the alternative finally chosen respects the principle intragenerational and intergenerational equity.

In short, sustainable development is possible, but it is not the solution that the market opts for in a spontaneous way (Solow, 1974; Stiglitz, 1974; Hartwick, 1977), nor even in ideal conditions in which the Government, via economic regulations or instruments, manages to correct market failures. The challenge of sustainability requires something more than economic efficiency. Thus, the only really pragmatic solution to guarantee sustainable development consists in maintaining aggregated stock of natural capital constant (Pearce and Turner, 1990), letting them, of course, produce changes in their composition. In the end, it is not a question of maintaining the stock of natural capital constant, but the flow of goods and services that the biosphere provides.

<sup>298</sup> It can be remembered, at this point, that the concept of efficacy refers to the measure to which a specific goal is achieved, while efficiency relates the degree of attainment of said goal with the cost it has occasioned.

<sup>299</sup> In fact, Buckley (2002), among others, sustains that economic efficiency can be achieved by means of an adequate combination of these instruments.

In this sense, it is necessary to take into account that the biosphere fulfils at least four functions that are valued positively by society in general and by tourism in particular. Thus, the biosphere: (1) provides resources (ground, water, energy, air, etc.) that form part of the production of tourist goods and services and that, therefore, contribute to the creation of value; (2) provides natural goods (landscape, nature reserves, etc.), required by tourists and which, as such, are integral to utility or welfare; (3) works, thanks to its capacity of assimilation, as a rubbish tip for much of the refuse generated by tourist activity and which society wants to eliminate; (4) it is, for the human species, what sustains life and its diversity.

<sup>300</sup> Consult epigraph 4.2.3.2. Energy resources, in the fourth part of the work.

In this way, the challenge of sustainability forces the Balearic Islands to take into account the present stock of natural resources and the flow of environmental goods and services derived from it and introduce it as a restriction when taking any decision on consumption or investment-public or private-that directly or indirectly affects the capacity of the biosphere to develop its functions. In the case of renewable resources, this criteria is relatively easy to translate into practical rules. For example, hydrological resources must be used in such a way that the rate of extraction is not superior to the rate of generation or, in the case of the flow of waste, it must not exceed the capacity of the environment to assimilate it.

<sup>301</sup> For more information, see subsection 4.2.1. Limited base resources, in the fourth part of the work.

<sup>302</sup> It is important to observe that this rule is applied to the combination of investment projects and not individually. In fact, if it is applied to each project it would be unnecessarily restrictive.

However, the application of this restriction is not as evident in the case of non-renewable resources (like ground, fossil fuels, etc.), resources that have lost renewability because of a continued pattern of overexploitation and those that develop functions difficult to substitute (like those that support life, climate regulation, biochemical cycles, etc.). In these circumstances, so that the flow of goods and

services remain constant, it is necessary, on the one hand, to ensure an adequate rate of substitution between renewable and non-renewable resources and, on the other hand, guarantee that the reduction of stock does not result in a reduction of welfare through an increase in production and, therefore, of the economic value of the resource in the long term (Gómez, 1994). An example of the first case is the substitution of fossil fuel energy for alternative energies (solar, wind, etc.). An example of the second case is an improvement in energy efficiency<sup>300</sup> that is to say, the obtaining of the same quantity of output at a lower cost.

Thus, whatever the present circumstances surrounding the different elements that constitute the Balearic Islands' aggregated stock of natural capital (mineral reserves, quality of air and subterranean water, recycling and absorption of waste capacity, biodiversity, etc.),<sup>301</sup> the introduction of the stated restriction forces us to widen the goal of economic efficiency so that from now on, projects of public and private investment that are stimulated in tourism, are only implemented if (1) they respond individually to the challenge of competitiveness stated in the previous box and, at the same time, (2) jointly, they do not misappropriate the flow of goods and services derived from the stock of natural capital.<sup>302</sup> In accordance with this last question, the combination of investment projects must necessarily be complemented with one or more 'shadow projects' (in the terminology of Pearce), with the one purpose of correcting or compensating the environmental harm occasioned by the rest and thus form a programme of sustainable investment. It could be affirmed, therefore, that 'shadow projects' should not be judged from the criteria of efficiency but from economic efficacy, that is to say, according to the capacity to correct or compensate the negative effects of the portfolio of investment projects.

In this sense, the shadow projects must be orientated to:

■ Constituting homogenous environmental units,<sup>303</sup> in accordance with aptitudes –retroalimination, autoregulation, adaptation, stability, etc.–, compatible and incompatible of use, as the only way to guarantee the efficiency or productivity of the physical-natural medium and, consequently, the satisfaction of the needs of goods and services that the development of tourism requires. It is this ability to produce material and energy permanently that sustains the productivity of the tourist system and, hence, the importance of conserving it.

■ Enriching biological diversity,<sup>304</sup> in as much as it is found to be the main support of the productivity of the ecosystem and, consequently, of the productive continuity of the tourist system. This is why the creation of cushioning zones and natural spaces must be propitiated, so that fauna can migrate and move from one environmental unit to another. It is not sufficient to protect specific spaces, but the development of agricultural activities must be stimulated around the perimeters, connected with the same productivity of the space.

Nevertheless, the connection between sustainability and the physical-natural environment is no more than a consequence of the fact that the first is born with the purpose of demonstrating the limits imposed by the second when maintaining a non-decreasing path of welfare, but it is certain that, as has already been seen, natural restrictions are not the only ones that must be considered in the evaluation of the challenge of sustainability. Moreover, if the conditions that arise from the social dimension in which tourist activity is developed are evaded, it will be difficult to answer the basic questions: what, how and for who is it produced.

In this way, given that tourism-environment relations cannot be considered without society's principles, rights, preferences and values with respect to the utilisation, exploitation, conservation, and respect of the environment, the challenge of sustainability forces a deep change in the behaviour and attitudes of the consumption and production of economic and social agents and points to the importance of the participation of all the local agents in the management of accumulated capital (natural, productive, human and technological) and, therefore, in the coordination of the different tourist strategies. Moreover, the formulation of any sustainable tourism strategy must integrate, as well as the constants of the physical-natural environment, the special features of the economic, social and cultural environment in which they must develop. In the contrary case, the social individuals or groups that take part in the processes of accumulation will continue to opt rationally for the intensive use of all types of capital in the short term and, consequently, for an increase in the entropy (tendency to deterioration) of each dimension of the tourist system. This last question acquires special relevance when dealing with resources of shared use that, like climate, the urban and natural environment, landscape and historic-cultural heritage, sustain the basic dimension of the tourist product.

Everything considered, it is necessary to modify the legal and institutional framework in order to strengthen tourism-society-environment relations, which recommends the introduction of changes in the social appropriation of resources of shared use (*i.e.* property rights) and, consequently, direct 'shadow projects' to compensating also for the economic and social implications (costs and benefits) derived from said changes. In this case, 'shadow projects' tackle questions relating as much to the improve-

<sup>303</sup> That is to say, spaces in which there is a certain degree of homogeneity as much in structure as in functioning.

<sup>304</sup> Following the recommendations of Margalef, the term biological diversity is preferred to the more commonly used biodiversity, although both are used indiscriminately throughout the work. In this sense, three types of biodiversity can be distinguished –genetic, of species, of ecosystems–, to which functional diversity should be added, which recognises synergy but also redundancy among ecological services that emanate from different species that live as part of the same biocenosis.

ment of efficiency, through the stimulation of the R+D+i, investment and resource management training, as to the promotion of their own knowledge and conservation.

To ignore the fact that the challenge of sustainability has costs for Balearic tourism, given that it conditions at least three aspects: (1) the attainment of the challenge of competitiveness in so far as the main orientators of sustainability sustain the dimension of tourist competitiveness in the long term; (2) the development of more advanced activities which, like quaternary and quinary services, arise from the adaptation of a pattern of sustainable growth, are easily connectable to tourist specialisation, stimulate productivity and report a greater added value; and (3) the fulfilment of international commitments in the matter of sustainability and, consequently, the transposition of corresponding economic, social, and environmental measures to the regional field.

At this point, sustainability is a key strategic factor for increasing the competitiveness of the Balearic destination in the framework of long-term integral planning, which considers the complexity of the tourist system and the interests of all the agents involved and, vice versa, competitiveness becomes an indispensable condition for attaining sustainability, given that it re-

quires the ability (talent) to develop new products and processes (technologies) that value the different links in the chain of value (transport, accommodation, etc.) and, at the same time, contributes to the most efficient utilisation of heritage and natural resources.

In this sense, it is necessary to stimulate the positioning in the international tourist market of 'new' high value-added products and of 'new' tourist zones based on their own cultural and environmental values, where the quality of services and the high levels of environmental efficiency are established in the main 'attraction factor' of new segments of clients who respond to a more balanced time distribution of tourist flows. This is the only way for the tourist sector to accept the value of sustainability as part of its business strategy. Additionally, it is necessary to put into effect a campaign of sensitization and training directed towards tourist agents, towards the tourists themselves and towards the resident population, given that all of them integrate the chain of value. It is a question, finally, of orientating and creating strong mirror images, good practices and incentives for economic and social agents in favour of the need to strengthen the processes (technologies) that condition the long-term development of Balearic tourism.

Figura 5.3  
The challenge of sustainability

