

SPAIN IS TOO DEPENDENT ON TOURISM. WHAT NOW?



The coronavirus crisis has severely affected the travel sector all over the world and countries whose economies are highly dependent on tourism are experiencing even more devastating effects. One of them is Spain.

Tourism in the country amounts for more than 15% of the economic output and the crisis has dramatic consequences. According to the EU Commission, GDP will fall by 10.9% this year. **The Spanish central bank is even less optimistic: they predict a fall of 15.1%.** 5.5 million people, 23.6% of all employed people, could lose their jobs.

Historical Dependence

The dependence on tourism has been growing for decades. Under the dictator Franco, Spain marketed itself as an exotic travel destination (with the slogan “Spain Is Different”) and in 1973 it became the most popular holiday destination ahead of Italy.

The share of tourism in total economic output continued to grow. In the years of European integration, Spain enacted a modernization program in the 1990s. Shipyards, steel companies, textile companies were privatized, and some were closed. Instead, the government opted for tourism as the driving force of the economy.

In the mid-1990s the country became a holiday superpower. At the same time, Spain’s construction companies became international giants and the construction industry became the most important economic pillar. The development of both industries was mutually dependent.

However, both have proven to be less resistant to crises. This was evident during the financial crisis in 2008. The construction industry collapsed, and tourism had to secure economic recovery. Now tourism is stumbling, and nobody knows what will happen next. The sector itself is solid and of high quality but the problem is not the industry itself, but the lack of alternatives to it.

38 Million for Promotion

And in the meantime, the Spanish government has spent over 38 million euros for a campaign to present the country internationally as a safe holiday destination. Nevertheless, business is sluggish even three weeks after the borders have been opened.

For example, on the Costa del Sol, where there are masses of tourists in July, only 36% of the hotel capacity is occupied. And in Mallorca, hoteliers complained even before the obligation to wear a mask was introduced. Catalonia and the Balearic Islands have also introduced the unconditional mask requirement. And thus, a question arises: can tourism with a mask help save the country’s economy?

Tourism a Dilemma?

The dependence on tourism is a dilemma for Spain. On the one hand, you want to minimize the risk

of new diseases. On the other hand: how should you help the industry in which a mask requirement, as well as new foci of infection (over 70 active ones in the country), can be damaging to business?

“Maybe Spain will eventually make a living from science, but we are still doing it from tourism,” said the Spanish chief epidemiologist Fernando Simon recently.

The scientist has become a pop icon and his statement goes well with a question that goes beyond the coronavirus problem and has long been an issue for politicians and economists in Spain: how can the Spanish economy be made more crisis-resistant?

Some Optimism for the Future

Despite the rather grim situation, there is some optimism for the future. **Spain hopes to receive grants and loans of up to 140 billion euros from the EU Next Generation Reconstruction Fund.** The economy Minister Nadia Calviño has announced that she wants to invest the money from Brussels in digital and ecological conversion.

This is also an urgent need for Spain. A team of Spanish economists has calculated that in Spain only 32% of all work can be done from home. In the EU, only Romania, Bulgaria, Slovakia and Hungary are less prepared for the home office model.

These investments could represent the notional light at the end of the tunnel for a country which desperately needs to revitalize its economy and create a model which is much more resistant to future crises than the current one.

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