

'The trick is to develop brand rather than land'

The Balearics

Mark Mulligan says the worst excesses of overdevelopment have been avoided

Son Forteza is as far removed as you can get from the sunburnt masses and rundown hotels of Mallorca's popular coastal resorts.

Tucked away at the base of the Balearic island's brooding Tramuntana range, the 16th century stone farmhouse has been restored and refitted as an "ideas factory" and events centre for Camper, the hip shoemaker and design group that began life in the nearby city of Inca, once an important centre of European footwear production.

However, Inca's shoe factories are long gone, the victims of price competition in the 1970s and 1980s from northern Africa, Portugal and parts of mainland Spain.

Even those sustained by Camper's orders well into the 1990s have gone the way of so much of Spain's light industry over the years, leaving Inca as the Balearic equivalent of a rustbelt town.

A few leather workshops and artisanal stores are the city's mainstay now, and that is largely thanks to the tourists who pass through on the way to the beach resorts of the north coast.

For a generation now, the Mallorcan economy has been centred on tourism and property development – the two sectors where Spain's recession began.

Industrial crafts and agriculture have made way for package holidays and second residences for sun-starved northern Europeans.

Aside from Camper, the island's best-known companies are now international hotel operators, such as Sol Meliá, Riu, and Barceló.

Air Berlin, the low-cost German carrier, uses the

island's outsized airport as a hub for southern Europe.

Tourism and its auxiliary service sectors account for at least 70 per cent of economic activity on the Balearic Islands – which include Menorca, Ibiza and Formentera – against a national average of just over 10 per cent.

Rags to riches stories abound, and for most of Spain's 10-year economic boom, the islands' residents enjoyed among the highest standard of living in the country.

Both Mallorca and Ibiza are peppered with multi-million dollar mansions and villa conversions owned by royalty and celebrities.

"In Mallorca and Ibiza, there was no transitional phase," says Joana Barceló, head of tourism at the Balearic regional government.

"We went directly from a mainly agrarian economy to one based on tourism."

Despite this rapid transformation, wholesale destruction of the islands' natural assets has been largely avoided.

Although corruption, poor planning and simple bad taste have resulted in ugly buildings in some of the early resort areas, Mallorcan officials were the first in Spain to recognise the perils of overdevelopment, and take action.

A €2-a-night eco-tax was levied on five-star hotel guests across the islands in

2002 to help fund conservation of national parks, recycling initiatives and the demolition of dilapidated hotels.

The levy was abolished two years later, and corruption involving land deals and tourist resorts remains a problem.

However, successive regional and local governments have largely moved towards reducing sharply the amount of land available for housing and hotels, demolishing illegal struc-

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tures and extending protected areas.

"The fact that Mallorca was the first part of Spain to give itself over to mass tourism means that it was also the first to develop an environmental conscience," says Maria Lluïsa Dubon Pretus, Mallorca's regional minister for land use.

With aesthetic sensibility and sustainable development now embedded in public policy, the islands' main problem at the moment is the global financial and economic crisis.

Consumer sentiment,

business and convention travel, company and government financing – all were hit at once.

The downturn has battered the economy, driving unemployment from less than 10 per cent to above 22 per cent, and forcing numerous travel agencies, tour operators and property developers into creditor protection. Ancillary businesses have gone down with them.

The euro's strength against the pound – which has recently started to waver – was particularly hard on the Balearic economies, where UK tourists and second home-buyers form the biggest market after Germany.

After a sharp drop last year, arrivals in Mallorca from the UK have continued to fall this year, down nearly 30 per cent year-on-year to the end of April.

The German market was also weakened by recession, although the decline in visitor numbers has been slightly smaller.

"Until September 2008, we had become used to double-digit growth every year," says Daniel Chavarria Waschke from property agents Engel & Völkers in Mallorca.

"Then business just stopped dead. Only recently have we noticed signs of a pick-up," he says.

If there is an upside, it is that it has helped focus minds on how to add value to a slightly jaded tourism model, while consolidating support for sustainable development.

"When mass-market tourism dominates the sector which, in turn dominates your economy, then it would be absurd suddenly to reject it out of hand," says Joan Gual de Torrella, chairman of the Mallorcan Chamber of Commerce.

"However, Mallorca also has renowned cuisine, good hospitals and clinics, spectacular natural beauty and a store of know-how and experience in tourism."

"The trick now is to develop the brand rather than the land."



70 per cent of economic activity in the islands is tourism

Alamy