

Tourism as a Driver of Economic Diversification in Emerging Markets

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Abstract. Tourism has become one of the key strategies for economic diversification, with the potential to create job opportunities, attract investments, and drive overall development. For most of the developing economies, particularly small island developing states have struggled to break free from dependency on narrow sectors like farming or fishing. This research focuses on the role of resort tourism and emergence of digital nomads in economic resilience of island economies. With the emphasis on Maldives, Mauritius, and Seychelles, the research is conducted in the form of qualitative case study and is justified by Tourism-Led Growth Hypothesis and core-periphery theory. The information is taken out of governmental publications, tourism boards publications, and scholarly articles. The results indicate that it is possible to rely on tourism to attract diversification with favorable policy and planning. Nevertheless, challenges like environmental strain and ownership by foreigners still exists. Recommendations and future research on the long-term impacts of digital nomadism on tourism-based economies were also provided in this paper.

Keywords: Tourism, Economic Diversification, Digital Nomads, Resort Hotels, Emerging Markets

1. Introduction

Most emerging markets, especially Small Island Developing States (SIDS), are prone to economic vulnerability as they depend on few types of industries like agriculture or fisheries. With the increasing pressures of the global economy, diversification has come to be one of the key or core areas of development policy. Available literature points out the power of tourism in national development; nevertheless, there are great possibilities to be refined on the level of the individual tourism model capacity to lead structural transformation in the long-term perspective in dealing with web-based tourism models, such as resort development and digital nomadism [1].

The following paper addresses the question: This research examines how tourism contributes to economic diversification in young island economies, with a particular focus on resort hotels and the rise of digital nomads. This research contains the case study methodology based on the Tourism-Led Growth Hypothesis and on the core-periphery theoretical framework of examining the issue of economic consequences of tourism. The experimental cases include the Maldives, Mauritius and Seychelles.

With the description of the common trend in resort tourism as well as the new “living abroad” phenomenon, the paper will shed light on the changing economic role of tourism. The implications will offer a guide to policymakers and other participants of hotel management, particularly the development of inclusive, resilient, and future-looking tourism policies. The study is relevant to current discourse of sustainable development and provides a basis on which future research on mobile workforce and tourism economy can build.

2. TLGH and core-periphery frameworks

The Tourism-Led Growth Hypothesis (TLGH) posits that tourism serves as a catalyst for economic development, particularly in developing economies. The theory considers tourism as an invisible export that generates an inflow of foreign currency, which in turn stimulates domestic consumption, investment, and employment. In particular, it applies to small island developing states (SIDS), whose traditional sectors of activity such as agriculture or manufacturing can be limited by the size of land, infrastructure, or resource endowments [2]. Under these conditions, tourism is a major contributor to GDP growth. The TLGH has been proved true by evidence on Maldives and Seychelles, since these two countries have used the power of tourism to boost their foreign exchange budget, development of services industries, and to finance major development, including construction of airports and seaports.

Conversely, the core-periphery theory has a warning view. This framework argues that global economic structures create hierarchies where rich, industrialized 'core' nations dominate poor, developing 'periphery' nations through unequal trade, investment, and power dynamics. Most of the SIDS are geographically at the economic edges and depend a great deal on tourists of core countries [3]. This reliance puts them under the risk of external shocks such as economic recessions and travel bans. This susceptibility was observed during the COVID-19 pandemic, when various island economies had experienced sharp and almost immediate contractions of the economy because of stagnated flows of tourism.

Where TLGH by outlining the growth potentials of tourism emphasizes, core-periphery theory by emphasizing on strategic planning to prevent the dependency. Income diversification in tourism is being achieved by decentralizing and promoting eco-tourism, cultural tourism and digital nomadism which lowers vulnerability. Moreover, the policies should go an extra mile and guarantee that local people get direct benefit by tourism income [4]. Tourism exacts a dependency remedy that should not be implemented unless there is no local ownership, capacity-building and participatory planning. These two theoretical frameworks aid in explaining the opportunities and constraints of tourism as a diversification strategy about, especially in emerging island economies, to one another.

3. New chances for island economies

Small Island Developing States (SIDS) such as the Maldives, Mauritius and Seychelles are structurally constrained economies. These consist of scarcity of natural resources, huge dependency on imports, and susceptibility to external shocks like climate change, pandemics. In the past, these economies have depended on the farming or fishing, which provide scarce and unstable income [5]. Tourism has become the major diversification aspect in the effort of achieving sustainable growth as it provides an alternative source of revenue and the prospects of infrastructure development and creation of jobs.

While island economies are no strangers to tourism, its emerging strategic significance has made the integration of complementary industries critical for sectoral development. Tourism can go hand

in hand with the growth of the following: accommodation, food and beverage services, transportation, arts as well as retail [6]. Moreover, tourism does not need elaborate industrial set up; hence applicable even in the settings where resources are limited.

3.1. Resort hotel development as an economic anchor

Resort hotel development is one of the most obvious approaches to tourism-based diversification. Such countries as the Maldives have built their economic vision on the luxury resort tourism industry. The resorts create both direct and indirect employment, foreign investment and infrastructure investment such as airports and utilities. Tourism has contributed more than 28% to the GDP in the Maldives in 2022, and majority of the revenues are earned through exclusive resort bookings [7].

In Mauritius, this practice is more diversified. The government has actively promoted eco-tourism and cultural tourism, supporting small enterprises, family guesthouses, and integrated industrial development zones. Mauritius has become a popular example of adequate co-existence between the tourist industry and other productive industries like manufacturing industries and the financial services industries [8]. The collaboration of the state with the private investors, education systems, and environmental laws have made the model more equitable. Seychelles and Fiji present some further views which blend in the middle-scale resort development with the community-based tourism. According to the report, with an employment rate of about 25%, the tourist industry of Seychelles involves 1/4 of the population [9]. The small and medium enterprises (SMEs) that have been facilitated by the government with regards to the hospitality value chain include agriculture, crafts, as well as guided tours. These examples indicate that resort tourism can be an economic anchor; however, the degree of its favor will strongly depend on governance, regulation and integration in the local economy.

3.2. Emerging opportunity: digital nomads and long-stay visitors

Digital nomads have become a new sub-sector of tourism, which is able to provide revenues throughout the year. These are people who work on the road traveling and may spend months in a given place as opposed to days. They use non-traditional tourism services such as co-working spaces, long-term accommodation, sport and education, which helps to sustain diverse local economies. Island countries have started to observe this tendency. As an example, Barbados entered the remote work market in 2020 with a Welcome Stamp visa catering to people receiving a foreign income [10]. Mauritius also provides visas with long stay and directed at digital workers. The purpose of these plans is to enhance the overall expenditure per tourist and minimize seasonality of the tourism revenue.

Unlike mass tourists, digital nomads often integrate into local communities through immersion. They can rent apartment homes, take part in local parties, and make use of nearby facilities. The action will help local businesspersons and service providers who might not gain directly through the resort visitors [11].

4. Policy implications and strategic direction

The governments are important in directing the role of tourism in diversification. It involves development of visa systems, digital infrastructures, and improving the local businesses by means of tax incentives or micro financing [12]. Mauritius has closely associated tourism with the country

economic strategy, which means that development of hotels never displaces local industries, but, on the contrary, supplements them. Conversely, using luxury resorts too extensively as it happens in certain regions of the Maldives can lead to monoculture tourism. To prevent this, policymakers should look at zoning legislation, sustainability, and inclusive city planning. To attract digital nomads, policymakers should revisit housing policies to prevent rental market inflation.

One should also take into consideration tourism education and skills development. The hospitality training programs in most of the SIDS are poorly funded thus locals are not in a position to assume managerial or entrepreneurial positions [13]. Locally based and skilled workmen in tourism is the other important aspect in order to maintain economic gains in the nation. Lastly, the aspect of gauging tourism success beyond GDP should be adopted. Concerns on social fairness, environmental influence in addition to conserving culture need also to be considered in tourism planning and assessment.

A few strategic lessons can be identified in policy terms. To begin with, a stronger economic foundation can be achieved through the promotion of mixed models of tourism such as resort, eco-tourism, cultural, and digital nomad tourism. Second, there is a need to ensure the country actively enables local participation in the tourism values chain including SMEs and artisans to tour operators and digital service providers [14]. Third, all future tourism investments, especially those in ecologically fragile islands, need to be patterned after the principles of sustainable development.

The emerging mobility trend translates into the need to modify the business models of the hotel managers and tourism stakeholders. The short-term industry has to change its traditional short-term services to serve its long-term guest, such as flexible pricing of rooms, co-working opportunities, or even partnership with the community. Hospitality training and training of workforce should also change according to changing demands of changing customers and adapting technology to deliver services. In sum, although tourism may spur the process of diversification, it cannot be regarded as a single solution. The future is seen in combining the various forms of tourism with the national strategy to development, having a high level of regulatory control as well as the distribution of the fruits of development among its population.

5. Discussion

This discussion confirms that tourism holds immense potential as a diversification strategy for emerging island economies. The development of resort hotels especially in the Maldives and Seychelles has built a very good base of economic prosperity through attracting foreign investments and creation of employment [3]. However, this model has come under scrutiny for its long-term sustainability. These economies are overly dependent on luxury tourism markets, which means they are very vulnerable to the world shocks, including pandemics and economic crises of tourist-exporting destinations. This supports into the fact that diversification within tourism is as important as diversification outside tourism.

The rise of digital nomadism presents an opportunity to expand tourism's scope in these regions. The remote worker presents a changed type of visitor profile, one which is prized by longer visits, reliable internet connectivity, and community integration. Compared to the classical tourists, digital nomads demonstrate a certain propensity to contribute to the local economies on a regular basis by housing themselves, co-working, and spending on their lifestyle [15]. Even their existence can make the situation in tourism less seasonal and stimulate demand even in the non-seasonal periods. But they also introduce emerging governance issues of housing inflation, cultural clash, and strain on infrastructures which are not designed to accommodate long term residential structure.

These findings concur with Tourism-Led Growth Hypothesis (TLGH), which emerged to bolster the argument on tourism and its potential effect of boosting national GDP as well as the service industries. However, the core-periphery approach is less black and white as it reminds of the structural inequalities that can also remain in case the tourism development is forced or controlled in a very bad way. When foreign ownership is huge and indigenous entrepreneurship is low then the gains of tourism will not trickle down to the population. This lends urgency to governance and broad-based policy design in making sure that tourism is not only a source of growth but development as well.

6. Conclusion

This paper examines how tourism—particularly resort development and digital nomadism—alleviates economic dependency in emerging island economies. The analysis with the support of case studies on the Maldives, Mauritius and Seychelles using the Tourism-Led Growth Hypothesis and core-periphery theory shows that tourism has established itself as a main economic sector in small island developing states (SIDS). Resort tourism generates income, employment, and investment, while digital nomadism offers a newer, more flexible form of economic engagement, which brings the benefits of tourism to a wider stretch of users in terms of the time frame.

The main research question how tourism contributes to economic diversification has been answered by such facts as the dynamics of industry growth, unusual variants of tourist industry policy and formation of non-standard categories of visitors. Indicatively, the results reveal that tourism is one of the most effective means of promoting diversification yet, governance, preparedness of infrastructure, and alignment of policies determine its success. More regulated and locally integrated countries, such as Mauritius, are more likely to get more balanced and inclusive results than economies overly reliant on foreign-owned luxury resorts.

Despite these insights, the study has limitations. It focuses on a relatively small sample of island case studies, and its qualitative approach may under represent quantitative performance metrics. While environmental and social impacts are touched upon, they require deeper exploration. Generalizability could be enhanced through comparative studies with Caribbean or Pacific island regions.

To enhance this research, future research may incorporate some statistical analysis, interviews with stakeholders or long-term monitoring of the economic impact. They also would have been interesting to examine the role of digital nomads in the labor market, housing and culture that would find necessary reflection as remote work becomes more mainstream. Summing it up, tourism is a practical choice towards economic diversification of the vulnerable island economies provided that it is an element of strategic management. The hybrid strategy which involves both old tourism infrastructure and policies that are friendly to mobile, long stay visitors can be the most resilient. To the fully utilizing the potential of tourism development, sustainable planning, community interaction, and investment in digital and human infrastructure will be a crucial aspect.

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