PARADISE WITH LIMITS? TOURISM AND DEVELOPMENT TRAPS ON CROATIAN ISLANDS

EXTENDED ABSTRACT

The concept of the development trap has recently gained prominence as an analytical framework for identifying territories that struggle to sustain economic dynamism relative to national and European peers (Iammarino et al., 2020; Diemer et al., 2022; Rodríguez-Pose et al., 2024). Development traps refer to situations in which places become locked into persistent relative positions (whether low, middle or even high income) characterised by limited upward mobility, structural dependence and reduced adaptive capacity. While previous research has provided important insights into the structural and institutional foundations of such traps, considerably less attention has been devoted to how they manifest within local sub-national units in small and open economies, and especially within geographically constrained island contexts.

Islands represent a particularly relevant setting for analysing development traps. Since the emergence of island studies as a distinct field, following Baldacchino's (2004) seminal call for an integrated research agenda, scholars have emphasised that islands are not merely small pieces of land surrounded by water, but complex socio-spatial entities shaped by historical, cultural, political and economic processes. Islandness is therefore not only a physical condition but also a relational and socially constructed one (Baldacchino, 2013; Kelman, 2023). Nevertheless, islands are frequently framed in policy and academic discourse as inherently vulnerable, marginal, and in need of external support due to smallness, remoteness, isolation and limited accessibility (e.g. Briguglio, 1995; Bertram, 2004). While these characteristics can indeed constrain development, they do not automatically predetermine outcomes. Rather, islands display substantial diversity in development trajectories, institutional arrangements and economic specialisations.

Among the economic activities most closely associated with island development, tourism occupies a central position. Over the past four decades, island tourism has become a prominent topic within tourism studies, yet the field remains comparatively underdeveloped and fragmented, with important gaps related to adaptation, investment, proximity, governance, and the specificities of small islands (McLeod, 2025). At the same time, a substantial body of empirical research supports the tourism-led growth hypothesis (TLGH), which posits that tourism expansion stimulates economic growth through foreign exchange earnings, employment creation and multiplier effects. However, recent contributions increasingly highlight that the tourism–growth nexus may be nonlinear, asymmetric, and conditional on contextual factors such as development level, institutional capacity, infrastructure, human capital and digitalisation (Garrod et al., 2024; Seetanah & Fauzel, 2025; Kumar & Patel, 2024).

These insights raise important questions for island economies. If tourism can both stimulate growth and reinforce structural dependence, under what conditions does it contribute to escaping development traps, and when might it instead deepen them? Despite the relevance of this issue, little empirical work has systematically linked development trap theory with island tourism research at the local (municipal) level. This paper seeks to address this gap by

examining development traps across Croatian islands and by assessing the role of tourism in shaping island development trajectories.

Croatia provides a highly suitable empirical setting. Its islands constitute an important component of national territorial identity and economic structure, with tourism playing a dominant role in many local economies. At the same time, Croatian islands differ markedly in size, accessibility, demographic trends and economic diversification. The period 2011–2022 represents a phase of profound and overlapping shocks, including the aftermath of the global financial crisis, Croatia's accession to the European Union in 2013, and the COVID-19 pandemic. These events provide a natural stress test for assessing resilience and long-term development dynamics.

The empirical analysis is based on a unique longitudinal dataset covering 48 municipalities and towns (local administrative units, LAUs) located on Croatian islands. The dataset includes information on income levels, demographic characteristics and indicators related to tourism intensity, allowing for a multi-period assessment of relative economic positioning. Building on recent approaches to development traps, we apply a standardized framework that tracks the position of each LAU within the national income distribution over time.

Two forms of development traps are identified. The first, a stable development trap (DT1), captures LAUs that remain persistently confined to the same relative segment of the national income distribution throughout the 2011–2022 period. An LAU is classified as DT1 if it does not experience any upward movement into a higher decile band and consistently remains within the same three-decile block: a) low (deciles 1–3), b) middle (deciles 4–6), or c) high (deciles 7–9). A specific subgroup is also identified for LAUs that remain permanently in the top decile (decile 10), reflecting a form of high-income stability that may nevertheless mask underlying vulnerabilities.

The second type, a downward trajectory trap (DT2), refers to LAUs that exhibit monotonic stagnation or decline in standardized income over time. Unlike DT1, which focuses on relative immobility, DT2 captures stagnation or negative dynamics, highlighting places whose development path is characterised by erosion of economic position.

This dual typology allows for a more nuanced understanding of island development, distinguishing between different forms of persistence and decline rather than relying solely on static income levels. It also provides a basis for examining how tourism relates to each type of trap.

The results reveal substantial heterogeneity in development trajectories across Croatian islands. A significant number of LAUs are classified as DT1, indicating long-term persistence in relative income positions. Importantly, DT1 is observed not only among low-income island municipalities but also among middle- and high-income ones, suggesting that being relatively prosperous does not necessarily imply dynamic development or upward mobility. DT2 cases, while fewer in number, highlight islands that have experienced sustained relative decline, often associated with specific local conditions.

Tourism intensity is positively associated with higher income levels in several island municipalities. However, the relationship is far from uniform. In many cases, high tourism dependence coincides with DT1 status, indicating stable but locked-in development paths. This suggests that tourism can generate sufficient income to maintain a certain relative position without necessarily fostering structural transformation or diversification.

These findings resonate with recent island tourism literature emphasising nonlinear and asymmetric effects. Garrod et al. (2024), for example, show that in Madeira the negative impact of declining tourism receipts is stronger than the positive effect of increasing receipts, highlighting vulnerability to downturns. Similarly, Kumar and Patel (2024) demonstrate that structural breaks, such as crises, can fundamentally alter the tourism–growth relationship. The Croatian island evidence suggests that repeated shocks during the 2011–2022 period have exposed the limits of tourism-led development in contexts characterised by narrow economic bases.

Moreover, tourism's role appears to be highly context-dependent. Islands with more diversified economic structures and stronger institutional capacity are better able to translate tourism activity into broader development benefits, while those heavily specialised in tourism are more likely to exhibit characteristics associated with development traps, including seasonal employment, limited innovation, and exposure to external demand fluctuations.

By integrating development trap theory with island studies and tourism economics, this paper contributes to several strands of literature. First, it extends the application of development trap concepts to local sub-national units in small and open economies. Second, it provides empirical evidence on the diverse ways in which tourism interacts with long-term development dynamics in island contexts. Third, it reinforces calls within island tourism scholarship for more place-sensitive and interdisciplinary approaches (McLeod, 2025).

From a policy perspective, the findings challenge simplistic narratives that portray tourism as a universal engine of convergence for island regions. While tourism can play an important role in generating income and employment, reliance on tourism alone is unlikely to enable many islands to escape development traps. Instead, policies should focus on diversification, strengthening local innovation systems, enhancing digitalisation, and improving institutional capacity. In line with Seetanah and Fauzel (2025), digitalisation may act as a key moderator, enabling islands to capture greater value from tourism and to develop complementary activities.

In conclusion, Croatian islands can indeed be seen as "paradise with limits": attractive destinations whose development potential is constrained by structural characteristics and path dependencies. Understanding these limits through the lens of development traps provides a more realistic basis for designing policies aimed at fostering resilient and inclusive island economies.

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