Cruisin’ To Exclusion:

Commodity Chains, the Cruise Industry, and Development in the Caribbean

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*Globalizations*

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Introduction
During the summer of 2006, Royal Caribbean’s “Freedom of the Seas” was launched from Finnish shipyards, becoming the new largest cruise ship in the world. At 160,000 tons, three and a half football fields long and 184 feet wide, the ship contains an impressive array of offerings for up to 4,375 passengers on 15 passenger decks. Among them are an indoor promenade with shops and restaurants, a casino, jogging track, rock climbing wall, boxing ring, children’s deck, casino, day spa and fitness center, movie theatres, jogging track, ice skating rink, and the world’s first on-board surfing pool. The ultra-Voyageur class ship will be joined by two sister ships over the next two years.

Today as many as 70 cruise passenger ships are at sea in the Caribbean at any given time. Cruising is booming, growing by upwards of 10 percent a year. Wood (2000; 2004), among others argues that cruise tourism amounts to globalization at sea. Yet the political economy and development dimensions of the activity remain understudied. This article examines the political economy of cruise tourism from the standpoint of globalization, and provides a global commodity chains (GCC) approach in order to assess developmental implications in the Caribbean and elsewhere. It shows that growing concentration in cruise lines, combined with particular organizational attributes and firm strategies, serve to keep many of these benefits from reaching destination countries. While this conclusion by itself may not be surprising, the GCC framework demonstrates that organization of the industry and related power resources are largely responsible for this outcome. Moreover it demonstrates that newer strategies are enhancing cruise ship revenues at the expense of destination countries.

The remainder of the paper proceeds as follows: the next section discusses the international cruise tourism industry and links it to contemporary debates regarding
globalization. A second section discusses global commodity chains (GCC) as an analytical model for examining development at a micro level. A third applies the GCC framework to cruise tourism in order to highlight power and distributional effects. The concluding section briefly discusses implications of the findings.

The International Cruise Industry Overview

Within the overall tourism industry, the cruise sector constitutes one of the fastest growing sectors. In 2001 more than 12 million people took cruises, up more than 700 percent since 1980 (War on Want/ITF 2000). Despite this growth, cruising remains a very small segment in the overall global tourism industry, accounting for only about 0.6% of the all the hotel beds worldwide (WTO figures reported in Dowling 2006) and a fraction of the 832 million tourists that crossed borders in 2006 (WTO 2007). Cruise ship travel has grown by 8.4 percent a year over the past decade, roughly three times as fast as the global economy (ICCL n.d.). The International Council of Cruise Lines, an industry peak association, predicts that by 2010 more than 21 million people will take cruises (Berger 2004, 3). One relevant question is the extent to which the industry is truly global in scope. Although its popularity is growing all over the world, in one sense cruise tourism is primarily a regional phenomenon. According to Tourism Concern (2000), more than 60% of cruise tourists originate in North America and 58% of arrivals went to the Caribbean in the year 2000 (see Table 1 and Table 2), although its share of the world market are steadily declining due to the rapid growth of the European and Asian markets.

[Table 1 about here]

[Table 2 about here]
Within the Caribbean region, growth in cruise tourism has steadily outpaced stopover tourism in recent years. Cruise tourist arrivals totaled nearly 20 million in 2004, compared to 3.8 million in 1980 and 7.8 million in 1990 (CTO 2007). Recent trends have mirrored those in the global tourism industry, with cruise traffic growing steadily over the past four years, even while land-based tourism saw absolute declines in arrivals in 2001 (-2 percent) and 2002 (-3.4 percent) (CTO 2004). The portion of overall tourists to the region made up by cruise travelers has grown from slightly more than 1/3 in 1980 to nearly 44% in 2001 (Wood 2004, 156). In 2004 cruise passenger arrivals (19.8 million) threatened to overtake stopover tourists (21.6 million) (CTO 2005b, 1). Some countries have even seen an absolute decline in land-based tourists as cruise tourism has grown.

As part of a growing trend, cruise passenger arrivals outpaced land arrivals in 11 of the 21 Caribbean Tourism Organization countries reporting cruise passenger as well as land based arrivals in 2004 (CTO 2005a; also see Wood 2004). Data for 2004, reported in Table 3, show consistent growth in cruise passenger arrivals throughout the regions, with the exceptions of Bermuda, Curacao, Martinique, Trinidad and Tobago, Jamaica and the Cayman Islands. In part this decline reflects distributional shifts among Caribbean destinations due to changing company strategies. Five destinations continue to draw the bulk of cruise traffic: The Bahamas, Cozumel, the United States Virgin Islands, the Cayman Islands and Puerto Rico each draw more than one million cruise passengers annually and together account for more than 50 percent of the arrivals to the region.

[Table 3 about here]

Cruise Tourism and Development: A GCC Approach
Tourism is, of course, controversial from a development standpoint. Reducing the debate to its simplest terms, proponents of the activity cite job creation, export earnings, tax revenues, and the multiplier effect that tourism spending promotes throughout the economy. Critics argue that most of these benefits are overstated due to leakages and control of the industry by outside actors (for a representative summary of the literature see Lea 1988; Crick 1989; Brohman 1996; Clancy 1999). In many ways the debate over tourism and development mirrors that of the political economy of development literature as well as the globalization literature. Two related questions dominate: Who benefits and where does power lie?

One promising analytical framework that addresses precisely these questions is the global commodity chains (GCC) approach. Hopkins and Wallerstein (1986) define a commodity chain as “a network of labor and production processes whose end result is a finished commodity.” Commodity chains research therefore follows the life-cycle of any given product, from natural resources, various production processes, wholesaling, marketing and consumption. The central questions to be addressed include why particular stages of the life-cycle take place where they do, how the industry is organized (and why), and where the economic surplus goes. In other words, at the heart of the research agenda is the question, “[w]here does the global commodity chain touch down geographically, why, and with what implications for the extraction or realization of an economic surplus?” (Appelbaum and Gereffi 1994, 43).

Commodity chains research concentrates on three primary areas: first the input-output (temporal) dimension; second, the spatial dimension; third, the governance dimension (some add a fourth institutional dimension). The implications for development
are straightforward, especially relating to this last factor. Identification of the underlying governance structure (industry organization, network management, etc.) of a particular economic activity helps to explain the allocation of economic surplus. As Gereffi (1996, 113) argues, much of developmental possibilities and limitations are determined by which export niches or links in the chain particular countries occupy within a globalized economy. Related Global Value Chains (GVC) research tends to therefore emphasize “industrial upgrading” into the more lucrative links of the chain for developing country actors (Gereffi 1999; Raikes, et al. 2000; Gereffi et al. 2005; for a summary of the commonalities and differences between GCC and GVC approaches, see Bair 2005).

Early GCC research identified two archetypal governance structures: a producer-driven chain (PDC) and a buyer-driven chain (BDC). A producer driven chain refers to traditionally organized industries that tend to be dominated by large manufacturers. Through internalization of core and peripheral activities along the chain, they tend to shape production processes and garner a greater share of economic surplus. Found most commonly among capital intensive industries with high entry barriers and economies of scale, ownership and control by transnational corporations (TNCs) are present at most, if not all links along the chain. In contrast, within buyer-driven chains large, globally integrated firms dominate here as well, but they are more commonly marketers, wholesalers and retailers who maintain an arms length relationship with producers. Through reliance on global sourcing strategies, much of production in the industry is done in poorer regions of the world and dominant firms act primarily as “big buyers” of the product while concentrating on design and marketing within the industry. Suppliers are frequently captive to the big traders and retailers and, with competition fierce, are
under constant pressure to reduce costs. Here technology and capital requirements are low and there are few barriers to entry. Profit margins at the production nodes of the chain tend to be quite low and downward pressures on high proportionate labor costs predominate.

While the bulk of early commodity chains research examines manufacturing industries, there has been more recent attention to other areas such as agriculture (Daviron and Gibbon 2002; Gibbon 2003) computer software (Ö Riain 2004) as well as services (Rabach and Kim 1994; Clancy 1998). BDCs and PDCs were first posited as polar opposites of sorts, but subsequent research has uncovered additional governance structures (Clancy 1998; Ö Riain 2004; Gellert 2003; Bair 2005). In a recent article, Gereffi, et al. (2005) now posits a typology of five governance structures.

Mapping the tourism commodity chain, however, presents particular problems. The temporal and spatial nature of tourism differs from that of manufactures. As with many services production and consumption take place simultaneously and in the same locale. Therefore it is often difficult to trace certain links in the chain touching down in one area of the world and the next in another part of the world. More important, tourism is not a single industry; rather, it is multifaceted and overlaps with other sectors of the economy utilized by nontourists. The main subsectors are constituted by accommodation, food and drink, and transport, but also include shopping, sightseeing, and other goods and services. Judd (2006) laments the failure to integrate tourism studies into larger debates regarding political economy and geography in general and commodity chains more specifically. He argues the central problem lies in the failure to identify exactly what constitutes the tourist product and offers that the “tourist experience should be understood
as a product consciously produced and marketed, and that its value is determined by the costs of the inputs necessary for its construction” (2006: 324). Using this definition, he identifies tourism within a GCC framework as: 1) marketing and image of a destination, 2) place infrastructure and 3) tourist providers and some service industry labor as the primary links of the chain.

Such an approach is mistaken on at least two accounts. First, in claiming that tourism must be defined based on its production costs rather than consumption price, Judd ignores the materialist foundation of the GCC approach. At it heart the approach begins with the finished commodity, and works backward to examine how and where economic surplus is distributed. Second, Judd’s tourism commodity chain components are overarching to the point of being totalizing. One might ask what isn’t part of the tourism commodity chain. Those interested in the automobile commodity chain do not examine necessary infrastructure such as roads, bridges and tunnels. Moreover, much of the place infrastructure for tourism is simultaneously built for non-tourists. How does one disaggregate these linkages? Under such a definition, mapping the chain becomes next to impossible.

Judd contends the central problem is that scholars do not treat tourism as a single product or industry. Yet the reality is that there is no single tourism product and therefore levels of commoditization and organization vary considerably (Shaw and Williams 2004; Mosedale 2006). Tourists visiting friends and relatives utilize a very different set of goods and services than those on a long-haul package tour. Moreover, tourism is made up of several sub-industries. Clancy (1998) applies the GCC approach to the hotel and airline subsectors of tourism, arguing that while airlines conform to traditional PDC
models, the hotel sector holds more in common with BDC chains through decentralizing production and entering into markets through arms-length contractual agreements such as franchising, management contracts and leasing. As a result, while developing countries are able to appropriate greater surplus in airlines, the bulk of economic benefits in the tourist-class hotel sector accrue to large firms, many of them foreign owned.

Mosedale’s (2006) study of the package tourism industry between the UK and St. Lucia is consistent with this approach and is particularly illuminating from a commodity chains and development standpoint. He shows that the market power of large, vertically integrated tour operators within the UK sending market, along with the importance of that market to St. Lucia, translates into bargaining strength and favorable entry conditions in the local market. The implications for development are clear: local actors, especially smaller less-capitalized producers, are confined to the less lucrative rungs of the commodity chain where they face continual downward price pressures. Mosedale’s specific findings, however, are only generalizable where dominance by large integrated tour operators exists. The key issue for applying GCC analysis to tourism is which segment of tourism and which local market?

The Global Commodity Chain of Cruise Tourism

It is important to note that cruise tourism, although growing rapidly, still amounts to a very small part of the overall global tourism market. In addition, due to the short length of stay in ports by many cruise ships, cruise passengers are not included in official aggregate tourism statistics. Despite this, as is noted above, cruise tourism has become an increasingly important component in the tourism market for many regions and individual
countries. Again, the task at hand is threefold: 1) Determine the input-output components in the cruise product, 2) examine the spatial component by examining where the cruise product touches down geographically, and 3) uncover the organizational structure underlying the industry. Due to space limitations, only brief attention will be devoted to the first two items, while the bulk of the findings relate to the governance structure of the cruise business.

The input-output and spatial aspects of the industry can in fact be dealt with in tandem. These involve the components that go into the cruise “product” and their origin. As we will see below, because much of the cruise vacation takes place aboard the ship, this involves not only the capital and labor of the ship itself, but also a wide range of inputs including food and water, hotel supplies for cabins, fuel, supplies and labor related to recreational activities. At the most basic geographic level, the spatial aspect of cruising involves consumption by passengers from primarily wealthy countries, especially the United States, and involves consumption in poorer regions, mainly the Caribbean, Mediterranean, and Indian Ocean. As Tables 1 and 2 show, this is less the case than it was 10 years ago, but is still the predominant pattern. Two recent trends in cruise destinations are the growth of the Alaskan market in the United States and the overall expansion of the Asian market.

Although more research is needed with respect to all of these factors, certain issues are clear. For instance, the cruise industry is a capital-intensive business in the sense that the ships themselves demand considerable capital outlays. Cunard’s Queen Mary II, then the world’s largest passenger cruise ship upon entering service in 2003, was built for $800. Carnival Corporation, the world’s largest cruise line, recently completed
$6.35 billion capital expenditure to put 13 new vessels into service between 2003-06 (The New York Times, 2003). It plans to deliver 17 more ships between the end of 2007 and 2011, 12 of them to be built in Italy (International Cruise and Ferry Review 2006; company web page). Royal Caribbean’s Freedom of the Seas, built by Aker Yards in Turku, Finland in 2006 as the newest largest cruise ship in the world, took more than a year to build and carried a price tag of more than $900 million. A larger ship, codenamed Genesis and projected to be longer than the USS Ronald Reagan, the largest warship in the world, will cost a record $1.1 billion when it is delivered in 2009 (Cruise Industry News 2006; San Jose Mercury News 2006). Typical costs per berth on a modern, large cruise ship may amount to about $170,000. Most of the capital for such expansion is Western in nature.

As is detailed below, three companies dominate the global cruise tourism industry. Each is publicly traded on global stock exchanges, although families tend to hold a large portion of control. The cruise industry is in the midst of a huge building boom, including not only new vessels, but much larger ones. As of early 2007 at least 40 new ships, worth $24.9 billion, are on order for delivery before 2011 (Cruise Industry News 2007). Some are too large to go through the Panama Canal and require the construction of new pier facilities in destination markets. Much of the shipbuilding link in the global commodity chain takes place in European shipyards. In 2006 Aker Yards bought out French shipbuilder Chantiers de l’Atlantique’s Alstrom Marine facilities. Aker, which operates 15 yards in 6 countries, joins Germany’s Meyer Werft (25% of world market) and Italy’s Fincantieri (40% of world market) as the predominant cruise ship builders in Europe, although some ships are also built in Asia, especially Japan and
South Korea. The cruise firms increasingly use the “sister” ship concept, where several ships are built to the same specifications, reducing construction and follow-up costs.

Although the cruise business demands heavy initial capital outlays, its operation is a labor intensive business. Typical ships have a 2:1 passenger to crew ratio and the luxury lines often approach 1 crew member for each passenger. As Wood (2000; 2002) shows, an increasing share of that labor force originates in Asia in low wage nations. In part this is due to changing strategies of cruise lines. Cruise ships are essentially two separate entities: A ship with traditional officers and crew, and a hotel/resort with appropriate staff. Labor is highly segmented by pay and national origin, with cruise lines increasingly attracting employees from low wage nations in Asia, Eastern Europe and Latin America. Very few employees come from either Africa or the Caribbean. One cruise line, Carnival, actively recruits in Indonesia, running a training school there. Wood (2002, 423) reports just one Caribbean national employed on one voyage to the region in 2001 among a crew of 650. State policies also shape this process to some degree. On many ships Filipinos make up the nationality with the greatest representation among the crew. This is in part the product of aggressive labor promotion by a Filipino state agency, the Philippine Overseas Employment Administration (POEA), which targets sea-based work in particular (ITF/War on Want 2000; Wood 2002, 432). The trade publication *Cruise Industry News Annual* reported “The industry relies primarily upon Asian crew for its deck and engine positions, and the recent economic problems in Asia have made jobs at sea even more desirable.” (CINA 1999, 220, reported in Wood 2002).

Little research has been done on additional sources for the cruise product, but most anecdotal evidence suggests that most regular supplies are provided by suppliers
near home ports, and not by those in destination countries. Patterson and Rodriguez (2004, 77), for example, report that cruise lines making port in Dominica in the Caribbean, purchase nothing other than potable water.

The organizational or governing structure of the cruise tourism industry is complex and changing. Moreover, the business does not fit neatly into either the PDC or BDC archetypes associated with commodity chains research. Although there are upwards of 70 different cruise lines in the world, three companies, Carnival Cruise Lines (CCL), Royal Caribbean International (RCI) and Star Lines (which includes Norwegian Cruise Lines) accounted for more than three-quarters of the world’s berth’s in 2002 (Kester 2002; Dowling 2006). The concentration is even greater in the Caribbean, where according to Wood (2002), the Big Three accounted for 86% of Caribbean Cruise capacity. Within the U.S. market, the largest in the world, CCL and RCI account for more than 80 percent of the market.

All three lines have multiple brands aimed at the highly segmented market (see Table 4). Carnival operates some 12 brands on some 82 ships with 155,000 berths. In 2003 it completed a buyout of P&O Princess Lines, winning a bidding war with RCI and paying $5.5 billion for the then fourth largest line. Carnival boasts that at any given time some 170,000 passengers are at sea on one of their ships. RCI, the second largest, recently bought Spanish tour operator and cruise line operator Pullmantur and now possesses 35 ships with more than 60,000 berths. Malaysian-based Star Cruises, owner of Norwegian Cruise Lines and its 22 ships contain some 35,000 berths.

In 2002 the three firms together combined for $11.5 in revenues and netted profits of $1.66 billion (Klein 2003). Carnival alone earned record profits of $2.3 billion in 2006
on revenues of $11.8 billion (company web site). Carnival and Royal Caribbean together earned more than $3 billion in 2005 (San Jose Mercury News 2006). According to Boorstin (2003), Carnival’s stock has risen from $20 in 2003 to more than $51 in early 2005. RCI and Star have also been very profitable.

What accounts for the profitability of cruise lines? Growing demand is a key element. Fewer than 15% of Americans, the world’s largest cruise market, have taken cruises, and the demographic has changed in recent years from older Americans to a much broader segment of the population. The average age of passengers, for example, dropped from 65 in 1996 to 45 in 2006 (Dowling 2006). Global demand is also up, especially in Europe and Asia. But while demand accounts for part of the answer, various aspects of the PDC and BDC models also help explain this trend. Among the traits associated with PDC, internalization and economies of scale account for one advantage. The tourism “product” is traditionally quite decentralized, made up of transportation, lodging, food and beverage, entertainment, excursions, souvenirs, etc. By their nature cruises internalize many of these expenditures. Advertised as “all inclusive,” the cruise product brings together various aspects of transport with lodging and food and beverage, as well as many aspects of entertainment. Berger (2004, 7) recreates a summary provided by Carnival president Bob Dickenson and an associate, which lists the expenditure for a typical land-based tourist as opposed to a cruise passenger. Each is assumed to spend just over $200 per day. For the land-based tourist that expenditure is diversified, with no one vendor capturing more than $85. In contrast, due to the inclusive nature of the cruise, all but $28 is spent on board and all but $38 goes directly to the cruise line. Much as in other
PDC business, the very nature of the cruise business is such that firms consolidate the product.

A second PDC strategy has been one of creating economies of scale to generate cost savings. This has become even more the case with consolidation in the industry over recent years, as well as the building of megaships. Berger (2004, 5-6) using a company press release, lists the food purchases on Carnival Cruise Lines during a typical week, including 37,000 pounds of tenderloin, 78,000 pounds of chicken, 12,230 gallons of milk, more than 426,000 bottles of beer and 210,000 potatoes. While cruises are known for lavish buffets and extravagant meals, both Berger (2004) and Klein (2002) report that most standard cruise lines spend no more than $10-12 per passenger per day on food and beverage. Cruise lines, like hotels, are segmented by class and demographic. While “contemporary” lines such as Carnival, Royal Caribbean and Norwegian, which tend to sail large ships for a mass market, spend about $10 per passenger per day, luxury lines such as Cunard and Radisson Seven Seas may spend $20-25 per passenger per day (Klein 2002, 13-18). Buying power is a key element in this strategy. Cruise lines, like hotels, also standardize many decorative and construction aspects of its fleet, from bedspreads to bar stools (Boorstin 2003).

Buying power is a form of bargaining power, and this larger bargaining power due to sheer size may be seen elsewhere as well. For instance, in the mid 1990s Carnival Corporation decided to stop stocking free shampoo and conditioner for passengers, calculating a cost savings of $2-3 million per year. It began stocking them again after Procter & Gamble, along with Unilever, agreed to supply them to the cruise line for free.

Some of these advantages are not unique to cruise lines, however. Large hotel chains also
operate through economies of scale, and many hotels have successfully moved into the all-inclusive strategy through offering resort destinations that include multiple restaurants, golf and tennis, activities. Hotels also often build and furnish to spec as well, thereby reducing costs. Yet some of these PDC strategies are unique to cruise lines.

The big cruise lines, for instance, have also been able to successfully negotiate extremely low port charges in the Caribbean due to their size along with the substitutability of ports. Outside of Bermuda almost all Caribbean ports charge less than $10 per passenger and more than half charge less than $5 per head (Wood 2004 158, 166). These compare very favorable to airport taxes and reflect cruise line bargaining power. Antigua and Barbuda’s experience in late 2004 is instructive. There the government announced an increased charge $2.50 on cruise passenger port fees. In response the Florida Caribbean Cruise Association (FCCA), an industry trade group, held an emergency meeting to determine whether to boycott the destination (Global Newswire 2004). While the outcome remains in question, previous attempts at hiking port fees by other countries have resulted in boycotts, and efforts to negotiate collectively by Caribbean states (in the form of the Organization of Eastern Caribbean States or OECS and CARICOM) have thus far been unsuccessful (Wood 2004, 164-6). Some governments have successfully increased port charges, but only after agreeing to kick back some of those revenues directly to the cruise lines. Similar patterns have resulted from negotiations over sewage treatment and other environmental matters. The ability to withdraw ships on short notice is crucial here. While hotels and other land-based tourism enterprises often possess sunken costs in local markets that have a negative impact on their bargaining power, cruise ship costs tend to be literally floating.
Cruise Lines have also been able to contain costs through ownership, incorporation and registration strategies. Among the big three, Carnival and Royal Caribbean are headquartered in Miami. Carnival, generally considered to be an American corporation, is incorporated in Panama. Royal Caribbean, which originated in Holland, is incorporated in Liberia. Star Cruises, the number three player, is primarily Malaysian-owned and headquartered, but recently relocated its incorporation from the Isle of Man to Bermuda (Wood 2004, 159). All three gain significant tax advantages from such a strategy (Boorstin 2003).

In addition to tax advantages, the cruise lines enjoy two other benefits from this global strategy. First, they are able to skirt U.S. and Malaysian labor laws, as well as the labor laws in destination countries. Wages and working conditions aboard cruise ships are highly segmented, with lower-level workers working as much as seven day weeks for as many as 12-18 hours per day, for 6-10 month contracts, and earning as little as $500 per month (ITF/War on Want 2000). Although there are international maritime regulations relating to wages, working conditions, and overtime, enforcement is difficult. As is noted above, cruise lines recruit much of their labor from low wage areas of the world. For many, on board wages compare favorably with those offered in native countries. The tax haven incorporation arrangement helps to avoid labor regulation and facilitates the process of lowering overall labor costs.

The second set of benefits is also regulatory in nature. In addition to incorporating in countries separate from headquarters or ownership, cruise lines commonly register their ships in flag of convenience nations. Carnival registers nearly all of its ships in Liberia and Panama, RCI registers its ships in Panama and Norway, and Star ships are
registered in Panama and the Bahamas. Ships’ registration also lowers taxes, but more importantly comes into play in the area of environmental regulation. While there is not ample space to fully deal with the environmental impact of cruise ships, it is safe to say that growth of the industry has resulted in controversy over environmental practices.

Royal Caribbean, for instance, pleaded guilty to 21 felony counts of violating pollution laws in 1999 and paid $18 million in fines (The New York Times 2004). Carnival and NCL paid fines for similar violations in 2002. According to the U.S. Environmental Protection Agency, the average cruise ship passenger generates 100 gallons of wastewater each day (from showers, sinks, water for washing food, etc.), including 10 gallons of sewage (reported in Klein 2002, 83). In addition, cruise ships generate paper, plastic, food, fuel and chemical waste (including that from photo processing and dry cleaning). Burning and/or dumping most of these materials at sea is permissible under international law. The International Convention for the Prevention of Pollution from Ships (MARPOL) is charged with regulating waste at sea, but outside of plastic and oil, almost all materials may be dumped in international waters. Moreover, violations of dumping within the territorial waters of nation-states are typically dealt with by the flag of registration state. As Klein (2002; 2003) and Wood (2004) demonstrate, although governments have lodged charges against individual ships and lines repeatedly through the flag of convenience states, they frequently result in no action being taken. Although the U.S. has successfully prosecuted several cruise lines for environmental violations within its territorial waters, a lack of resources limits the ability of many governments to monitor cruise ship compliance to environmental regulations.
Several Caribbean states have attempted to tax cruise ships for land-based waste treatment facilities. The Organization of Eastern Caribbean States (OECS) initiated a $50 million project in the 1990s and attempted to finance the project in part through a $1.50 tax per tourist, whether they arrived by land or sea. The FCAA attempted a divide and rule strategy and threatened to boycott islands that imposed the tax but ultimately accepted it (Wood 2004, 164). Cruise companies also successfully used this strategy a few years earlier to fend off an attempt by OECS countries to raise port fees from $300 per person to $9.25. In the 1995 case, intervention by World Bank (which largely financed the treatment project) and other donor countries may have aided in the successful levying of the tax (Wood 2004, 164). The FCAA has resisted other environmental taxes in subsequent years. In short, bargaining power and flag of convenience status allow cruise companies to avoid many environmental costs.

The final PDC strategy that cruise lines have utilized successfully in recent years has been in the area of broadening and maximizing on-board revenues. The cruise product is largely interchangeable and has led to significant price competition. Cruise lines have attempted (successfully) to make up revenues through on-board sales. Here, in fact, PDC and BDC strategies merge. The basic strategy has been to substitute on-board passenger spending for what had taken place in port or to establish linkages into that expenditure. Part of the strategy has been to increase the entertainment and activity available on board. On many modern cruise ships, offerings include shows, themed restaurants, casinos, spa treatments, golf lessons, shopping in what are essentially indoor shopping malls, bingo, art auctions, cafes and bars, discos and nightclubs. All of these enhance on-board spending, which over the past 10 years has been the source of the
greatest growth in revenues for cruise lines. Mark Barnard, the on-board revenues manager for Holland America, reported that ship revenues from bar sales, casinos, photography, retail sales, art sales, internet charges, shore excursions and spas grew by 41 percent between 1996 and 2001 (reported in Klein 2002, 40).

In short, cruise lines have followed the PDC strategy of internalizing many aspects of the cruise tourism product that previously had been externalized. The buyer-driven aspect has been in how they have done it. While many cruise lines have moved into the casino or spa or shopping and excursion business, many of those activities rely upon outside vendors who are contracted with the cruise companies. For instance, in the area of on-board shopping, most cruise lines contract with Greyhound Leisure Services’ International Cruise Ships Division or Miami Cruise Line Services, which is owned by Louis Vuitton Moet Hennessy. Klein (2002, 33) reports the former served 77 ships in 2000 while the latter had shops on some 100 ships. Cruise companies have also “internalized” the shore excursion in many cases, while “externalizing” production of that excursion. Shore excursions are frequently sold on board ships. The excursions are run by outside vendors that have contracted with the cruise lines, such as International Voyager Media, Onboard Media, and the PPI group (Klein 2002, 35) and result in a cut for the cruise lines of 10-40 percent (Kroll 2004). On board photographic services and art auctions are also big revenue producers, and are typically operated through contractual agreements with specialized firms.

The cruise companies have also increased revenues from passengers who do go to port. Due to the short stays of cruise ships in Caribbean ports, most passenger expenditure goes to excursions, shopping, and restaurants. Aside from marketing
contracted excursions from the ship, cruise lines have generated significant revenues through “approved” or “recommended” vendors on shore. Klein (2002, 29) reports that one Virgin Island upscale store paid a cruise line $700 per port call to be listed in the ship’s promotional materials in 1994. Kroll (2004) similarly found that many merchants in Alaska paid between $200-500 per ship in order to be recommended by the line. Cruise lines also attempt to cater to passengers on land (or channel their activities) through offering private clubs away from the hustle and bustle of port areas. Many have taken this to a new level through offering “private islands” where passengers, in return for access to an area only frequented by cruise passengers, are captive to cruise line offerings (Klein 2002, 41; Wood 2002, 432).

Conclusion

The cruise industry has experienced rapid growth in recent years, and most evidence suggests the trend will continue. Wood (2004) predicts that soon cruise tourism passengers to the Caribbean will outnumber land-based tourists. This study examines the nature of the cruise product and its spatially asymmetrical links to the globalized world economy. Through utilizing a global commodity chains approach it shows how the cruise lines are in a unique position to reduce costs of supplies, fees and labor. The GCC framework also demonstrates how bargaining power along with firm strategies, including incorporation and utilization of flags of convenience, allow the firms to bypass many labor and environmental regulations that are faced by other tourism providers. Finally, the approach helps to show how cruise lines have combined producer driven and buyer driven strategies in order to maximize revenues while minimizing costs.
The implications for Caribbean destinations are fairly straightforward. While land-based tourism remains an imperfect development strategy, the rise in cruise-based tourism promises increasingly small benefits. Cruise passenger expenditure in port is a fraction of that of land-based tourists. The FCAA estimated that passenger and crew expenditure in Caribbean ports in 2000 was $1.4 billion, a figure that has been criticized as too high by several (reported in Wood 2004, 166). Moreover, as cruise lines pursue their own strategies for maximizing their own revenues (both through substitution and through gaining some of the revenues spent by tourists in port through the strategies mentioned above), this expenditure is becoming smaller. The money passengers spend in port increasingly filters its way back to cruise companies through fees and contractual agreements. Finally, as cruise ships become larger and more luxurious, with more and more shipboard offerings, there are fewer reasons for passengers to go ashore at all. In the words of one Carnival Vice President upon the launch of the Voyager of the Seas in 1999, “This ship can truly function as a destination. You can go on a seven-day cruise and never get off the ship” (Miller 1999, 148, quoted in Wood 2002, 434).

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Sources


International Transport Workers Federation (ITF/War on Want. 2000. “Sweatships,”


Table 1
Cruise Passengers by Nationality

<table>
<thead>
<tr>
<th>Passengers</th>
<th>1992</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>North American</td>
<td>82%</td>
<td>61%</td>
</tr>
<tr>
<td>European</td>
<td>14%</td>
<td>22%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
<td>18%</td>
</tr>
</tbody>
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Source: Tourism Concern
Reported in ITF/War On Want (2000)

Table 2
Cruise Ship Arrivals, 2000

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<th>Destination</th>
<th>Percentage</th>
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<td>American and Caribbean</td>
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Source: CTO 2007
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<th>Star</th>
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