TOURISM AND ECONOMIC DEVELOPMENT

# No country has ever grown rich on tourism. What that means for Thasos and Eastern Macedonia–Thrace!

*An analysis of regional policy, environmental cost and alternative ways out*

***Lambros Sakellariou, August 2026***

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## The argument — and its real limits

The essay by **Marko Jukic (Bismarck Analysis, published in Palladium Magazine)** advances a claim that irritates precisely because it is largely correct: **no country has ever grown rich through tourism**. Jukic's arithmetic for Croatia — 1.93 billion overnight stays a year to reach Swiss GDP per capita, against 85 million in 2024 — is not merely striking. It is a proof of impossibility.

Before we transfer the argument to Thasos, however, we owe it honesty about its weaknesses:

- **It builds a straw man.** No serious policymaker claims that tourism alone will deliver Swiss incomes. The question is not "tourism or Switzerland", but **"what kind of tourism, and with what distribution of the benefit".**
- **It conflates tourism as monoculture with tourism as a sector.** The Balearic Islands have among the highest GDP per capita in Spain. Iceland, Portugal and Croatia achieved real convergence with a tourism contribution. The problem is not the existence of tourism; **it is the absence of anything else**.
- **Its prescription is shallow.** "Turn to industry" is not a policy; it is a wish. The deindustrialisation of the South has structural causes — energy costs, fragmentation into micro-enterprises, institutional quality, a monetary union without a fiscal one — that are not reversed by tax incentives for young entrepreneurs.
- **It underestimates recoverable productivity.** Tourism does suffer from "Baumol's cost disease"[1] (Baumol, 1967): a waiter serves the same tables as in 1960. But spend per visitor and season length are not natural constants — they are policy variables.

**What does hold absolutely, and concerns us directly:** the model of mass, cheap, seasonal tourism produces a low productivity ceiling, high exposure to shocks, and a social structure of owner-rentiers on one side and low-wage workers on the other. In 2020 Greek travel receipts collapsed by roughly 76 % within a single season (Bank of Greece, Border Survey). No manufacturing region in Europe saw a shock of that magnitude.

## Eastern Macedonia–Thrace: the poorest region with the "cheapest" tourism model

EMTh is not just any Greek region. It is consistently **the poorest or second-poorest in the country**, with GDP per capita around 55–62 % of the EU-27 average in purchasing power standards (Eurostat, regional accounts). Its population (roughly 560,000 at the 2021 census, ELSTAT) is shrinking and ageing.

[1] "Baumol's cost disease" describes the phenomenon whereby in labour-intensive sectors — food service, hospitality, care, the arts — productivity remains almost static, because human labour itself is the product and cannot be automated. Wages, however, follow the high-productivity sectors, so costs rise without a corresponding rise in output — which is why tourism has a structurally low ceiling, and why Greece as a whole is growing poorer.

At the same time the region has something the Cyclades do not: **a vast overland hinterland**. The border crossings at Promachonas, Exochi, Nymfaia and Kipi bring millions of visitors by car from Bulgaria, Romania, Serbia, North Macedonia, Poland and Czechia. That is an advantage in volume — and a disadvantage in value.

### Table 1: Two tourism models, two different economies

| Feature | Model “Balkan hinterland" (Thasos) | Model ”air / premium" |
|---|---|---|
| Mode of arrival | Private car, ferry | Air, cruise |
| Average season length | ~3.5 months (June – mid-Sept.) | ~6–7 months |
| Spend per overnight stay | Low | High to very high |
| Booking channel | Often in the country of origin | International platforms / tour operators |
| Fiscal capture of revenue | Weak | Stronger |
| Infrastructure pressure per € of revenue | **Very high** | Moderate |
| Vulnerability | Road access, fuel prices, neighbouring incomes | International air travel |

The decisive line is the second-to-last: **Thasos bears the maximum environmental and infrastructural burden for the minimum economic return.**

## The ”Balkan model" of Thasos: anatomy of a leakage

I described this picture in studies ten years ago. Today the people of Thasos describe it themselves. It is specific and recurrent:

1. A citizen of a neighbouring Balkan country buys a house or flat on Thasos.
2. They rent it to compatriots — through an agency, a Facebook group or a personal network in the country of origin.
3. Payment is made into an account in Sofia, Bucharest or Belgrade.
4. The visitor arrives by car, often carrying part of their food supplies.
5. What stays on the island: the waste, the sewage, the water consumption, the traffic congestion.

### Where exactly the value leaks

| Stage | Where the money ends up | What stays on Thasos |
|---|---|---|
| Booking / commission | Country of origin | — |
| Accommodation rent | Country of origin (often undeclared in Greece) | — |
| Fuel / tolls | Split | Partly |
| Ferry ticket | Greek operator | Yes |
| Food service / retail | Local | Yes — but low spend |

| Stage | Where the money ends up | What stays on Thasos |
|---|---|---|
| **Cost of waste collection, sewage, water, road network** | — | **Entirely local** |

This is not a Greek peculiarity. **UNEP**[2] estimates that in developing destinations **40–50 % of tourist spending "leaks" out of the local economy** — a share reaching 80 % in small island states. Thasos has reproduced the structure of a colonial tourism economy — inside the EU.

### The crucial distinction: the problem is not a legal loophole, it is an enforcement gap

Here we must be precise, because public debate routinely misses it:

- Income from **immovable property is taxed in the state where the property is located**. This holds in every bilateral double taxation treaty Greece has with the Balkan countries (OECD Model, Article 6).
- The rent on a house in Thasos is therefore **owed in Greece**, regardless of whether it was paid into a bank in Sofia.
- The **DAC7** Directive (Directive (EU) 2021/514) obliges digital platforms to report landlord income to tax authorities, with automatic exchange between Member States.
- The **Short-Term Rental Registry** of the Greek tax authority AADE makes the Property Registration Number mandatory.

**Conclusion:** the tools exist. What is missing is **data cross-checking and an audit presence on the ground**. This is a policy choice, not a legislative void. And it may be the only intervention capable of raising revenue without adding a single visitor.

## The cost that stays: waste, cesspits, water

Thasos has a permanent population of roughly 13,000. In August the real population multiplies. Every network on the island — waste, sewage, water supply, electricity, roads — is sized somewhere between the two figures, which means **wrong for both**.

| Pressure | Mechanism | Local consequence |
|---|---|---|
| **Waste** | August peak 6–10x; minimal separation at source | Overloaded collection, fly-tipping, transport costs |
| **Sewage** | Many settlements without a complete sewerage network and treatment plant; cesspits and tanker trucks | Aquifer contamination, coastal risk, threat to "Blue Flag" status |
| **Water** | Boreholes at peak load; low summer rainfall | Salinisation of coastal aquifers — **irreversible** |
| **Wildfires** | Forest ecosystem + summer peak + abandoned land | Recurrent disasters (1985, 1989, 1993, 2000, 2016) |
| **Marble quarries** | Extraction of white dolomitic Thasos marble | Permanent landscape alteration, dust, spoil — but also high-value export |
| **Out-of-plan construction** | Absence of a completed Local Spatial Plan | Sprawl, costlier networks, loss of landscape |

[2] UNEP = United Nations Environment Programme.

**The asymmetric accounting is the core problem:** municipal charges are calculated on square metres, not on use. A house that accommodates 40 people in August pays the same as a shuttered one. The equation does not balance — and it will not balance through better management of the same revenue.

Particular attention belongs to **salinisation**: once seawater has entered the coastal aquifer, reversal takes decades or is practically impossible. This is the most underestimated, irreversible environmental risk on Thasos — more so than waste, which is at least manageable.

## $CO_2$ storage at Prinos: a second “heavy industry" with open questions

Opposite Thasos, in the depleted Prinos oil field, Greece’s largest geological carbon dioxide storage project is being developed. The storage permit was published in the Government Gazette **ΦΕΚ 121/Δ/20.02.2026**. The project sits within the European framework of Projects of Common Interest (TEN-E, Reg. (EU) 2022/869) and is governed by **Directive 2009/31/EC** on the geological storage of $CO_2$.

The matter concerns Thasos directly: the same marine system, the same tourism image, the same region.

### The case for and against, without embellishment

| Arguments in favour | Arguments against / open questions |
|---|---|
| Uses existing infrastructure of a depleted reservoir, with no new land take | The field has decades of drilling; the **integrity of legacy wells** is the classic leakage pathway |
| Offers a decarbonisation route for hard-to-abate sectors (cement, refineries) | The North Aegean Trough is among the **most seismically active zones** in Europe |
| Preserves technical employment and expertise in Kavala | **Lock-in risk**: extends the life of polluting installations instead of replacing them |
| European funding and institutional framework | **Transfer of liability to the state** after closure (Art. 18, Directive 2009/31/EC) — the long-term risk is socialised |
| Measurable contribution to national climate targets | **Contradictory capacity figures** within the permitting documents themselves |

### The problem with the numbers — in broad strokes

This is where the criticism is strongest, because it rests not on assumptions but on the documents themselves:

- The permit (Art. 5 § 2) states **18.5 Mt** of approved capacity, with provision for an increase to **60 Mt** under Article 173 of Law 4964/2022.
- The Environmental Impact Assessment states in one place 18 Mt by 2045 and 22.8 Mt by 2050 (theoretically up to 100 Mt), and in another 60–70 Mt.
- The storage site is defined as 20.6 km².

**When the same study gives a range from 18 to 100 million tonnes, this is not a technical detail.** It is the foundation on which reservoir pressure, area of influence, leakage scenarios and the monitoring plan are calculated. A change of an order of magnitude in that variable materially invalidates the impact assessment.

*Note: the question of these contradictions is already before the Committee on Petitions of the European Parliament (petitions by Sakellariou and Pavlaki, Art. 227 TFEU). This text does not prejudge their outcome.*

**The substantive question for EMTh:** if the region is to host European infrastructure of strategic importance, **what comes back to the region?** The record is not encouraging. Accepting the risk of an industrial installation and receiving tourism crumbs in return is the worst possible combination. And that is exactly what will happen if the project is ultimately approved!

## The vicious circle — and the points where it breaks

The problem of Thasos is not linear. It is circular, and that is why it sustains itself:

> *Cheap, road-borne, three-month tourism → low spend per visitor → competition on price rather than quality → low wages, undeclared labour, zero investment in skills → need for still greater volume to offset the thin margin → pressure on water, sewage, waste, landscape → degradation of the product. Result: cheaper tourism still.*

And in parallel, the municipality cannot finance the infrastructure, because its revenue is not linked to visitor volume.

**The circle breaks at many points. Not one.**

## What can be done: interventions at three levels

### Level 1 — Local (Municipality of Thasos): what can begin this year

**1.1 Island Observatory — ”you cannot manage what you do not measure"**

There is today no reliable picture of how many people are on the island on any given day. Without it, every discussion of carrying capacity is opinion.

- Daily recording of passengers and vehicles at the ports (Keramoti, Kavala)
- Water and electricity consumption by settlement
- Tonnes of waste per week
- Declared vs. estimated bed capacity
- **Publication of the data.** Transparency is the cheapest instrument of pressure a municipality has.

**1.2 “Pay as you throw" and separation at source**

- Separate collection of biowaste from hotels and food service — it is 40–50 % of summer volume and the easiest fraction to remove
- Local composting; the output returns to the olive groves
- Seasonally tiered charges for peak-season businesses

**1.3 Completion of sewerage networks and treatment plants[3] — as an absolute priority**

- Register of cesspits and licensed tanker operators, with traceability of loads
- **No new building permit without demonstrated connection capacity**

**1.4 Vehicle management**

[3]Wastewater treatment plant (Greek ΕΕΛ, colloquially ”biological treatment").

- Perimeter car parks at Limenas and Limenaria with shuttle service
- Upgrading the ring bus line to summer frequency
- Differentiated ferry fares for private cars at peak times

**1.5 Extending the season — the only ”free" increase in income**

Every additional month of operation raises revenue without raising the peak:

- **Hiking networks** (Ypsario, trails, mountain villages) — April, May, October
- **Gastronomy with PDO identity**: Throumba Thasou (PDO), olive oil, honey, tsipouro
- **Archaeology and industrial heritage**: ancient Thasos, Aliki, the ancient quarries — material of international standing, underused
- **Diving tourism**, using the legal framework for diving parks
- **Birdwatching** in combination with the Nestos Delta — one of Europe’s most significant wetland systems, 30 minutes away

**1.6 Carrying capacity with legal force**

- Completion of the **Local Spatial Plan** — without it, every commitment is a declaration
- Zones with ceilings on bed numbers
- Restriction of new short-term rental registrations in saturated settlements — **a Greek precedent already exists** in the restriction applied to central districts of Athens

## Level 2 — Regional (EMTh)

| Action | Rationale | Risk |
|---|---|---|
| Single destination **Kavala–Thasos–Nestos–Pangaio** | Disperses volume, lengthens stays, reduces peak pressure | Requires cooperation between competing municipalities |
| Vertical integration of **marble** (processing, not raw block export) | Multiple value added per tonne, year-round jobs | Does not resolve the landscape question; requires strict rehabilitation obligations |
| **Agri-food cluster** with real standardisation and export | Income independent of the tourist season | Fragmented landholdings, weak cooperatives |
| **Energy communities** under local ownership | Energy income stays in the region | Siting within a tourism landscape |
| **Port of Kavala** as a logistics hub towards the Balkans | Exploits the same geography that brings the tourists | Depends on national decisions |
| Genuine implementation of **RIS3 EMTh**[4] | The money exists; absorption is the problem | Administrative capacity |

## Level 3 — National / European: this is where the leakage is decided

**3.1 Targeted tax compliance on short-term rental of foreign-owned property**

[4]RIS3 = Research and Innovation Strategy for Smart Specialisation. It is the mandatory strategy document in which every EU region declares the few fields on which it will concentrate its research, innovation and development funding — rather than scattering it everywhere.

- Cross-checking Land Registry × Short-Term Rental Registry × grid operator DEDDIE (consumption data) × DAC7 records
- A request for automatic exchange of information with Bulgaria and Romania on rents from Greek property
- Audit teams **in season, on the island** — not in November from Kavala

**3.2 Local retention of the climate resilience levy**

A share of the levy (Law 5073/2023) must return **to the municipality bearing the pressure**, earmarked for sewage, water and waste. Today the matching of cost to revenue is broken.

**3.3 Regulating the property market — realistically**

Let us be honest: EU free movement of capital **does not permit** a ban on property purchase by citizens of Member States. What is feasible is indirect and spatial:

- Heavier taxation of these low-use dwellings
- Land-use quotas by settlement (housing for permanent residents vs. tourist use)
- Ceilings on short-term rentals by zone

**3.4 A community-benefit condition for every energy installation**

If the region hosts a $CO_2$ storage project of European significance, it must be accompanied by a binding local benefit package: infrastructure, independent environmental monitoring with local participation, and financial security for site restoration.

## What we should not do

Honesty requires saying what is wrong in the current debate as well:

- **No more subsidised beds.** Every euro of public support for new capacity worsens the vicious circle.
- **No cruise tourism as a solution.** It is the worst model in terms of burden relative to revenue: maximum daily pressure, minimum overnight stay.
- **No “turn to industry" as a slogan.** An island of 13,000 will not be industrialised. Jukic’s argument applies at national, not island, level. On Thasos, the equivalent of the ”industrial turn" is: higher value per visitor + capture of the value that currently escapes + two or three non-tourism pillars.
- **No scapegoating of Balkan visitors.** They break no rules — they use a system that asks nothing of them and that is incapable of managing the situation. The problem is Greek: **we do not price what costs!**

## The decisive conclusion

Jukic is right in the diagnosis and wrong in the prescription. Thasos will never grow rich on tourism — but nor will it on industry, because it lacks the scale.

**What is achievable is more measured and more realistic:** that Thasos stop paying the full environmental cost of an activity from which it collects a fraction of the revenue.

This does not require more tourists. It requires three things that cost almost nothing relative to their benefit: **measurement, fiscal capture, and limits with legal force.**

The alternative scenario is already visible on other Greek islands: degradation never arrives abruptly. It arrives as slow, accepted, everyday attrition — until even the last Balkan visitor stays away. Fellow islanders … get up out of your chairs!

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## Sources

**Point of departure:** Marko Jukic, Bismarck Analysis, Palladium Magazine — ”No country ever got rich from tourism".

**Statistical and institutional sources:**

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- W. Baumol (1967), Macroeconomics of Unbalanced Growth
- Directive 2009/31/EC on the geological storage of $CO_2$ (in particular Art. 18)
- Regulation (EU) 2022/869 (TEN-E) and the Projects of Common Interest lists
- Directive (EU) 2021/514 (DAC7)
- Law 4964/2022, Art. 173 · Law 5073/2023 (climate resilience levy)
- ΦΕΚ 121/Δ/20.02.2026 — $CO_2$ storage permit, Prinos
- Regional Operational Programme of Eastern Macedonia–Thrace 2021–2027 and Smart Specialisation Strategy (RIS3)