

Does emission permits trade in aviation realise tourism-led growth and sustainable tourism?*

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November 13, 2019

Abstract

Using an R&D-based growth model with aviation for tourism, we investigate how introducing emission permits trading into aviation sector influence tourism-led growth and sustainable tourism. We find that decreased permits for aviation lead to sustainable tourism under the generous permits allocation for manufacturing sector, if giving up realising tourism-led growth. This is because the policy improving environmental quality results in trade-off relationship between tourism consumption and economic growth rate. Under the generous permits allocation for aviation sector, the policy leads to decreased tourism consumption and pollution-intensive aviation. Our findings imply that emission permits trading by aviation may inhibit sustainable tourism.

Keywords: sustainable tourism; tourism-led growth; emission permits trade; transport; innovation.

JEL Classifications: L93; O30; Q56; R40; Z32.

*The author acknowledges financial support from the Early-Career Scientists from the Japan Society for the Promotion of Science No. 19K13706. This work was supported by JSPS KAKENHI Grant Number JP19K13706. The author is responsible for all of the errors in this article.

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