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CARIBBEAN TOURISM, TRENDS, POLICIES AND IMPACT

1985-2002

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Introduction

Caribbean states are heterogeneous in size and economic structure. Notwithstanding this diversity, the services sector is for the majority of these economies the linchpin for economic growth.¹

Available data for the past thirty years show a marked upward trend in the sectoral contribution of services to the growth of GDP (45% and 68% in the 1970's, and the 1990's). For the same period the sectoral contribution of manufacturing to growth showed a slight increase (23% and 28% of GDP) while that agriculture contracted significantly (42% and 3%). In the same vein the sectoral value added of the services sector as a percentage of GDP reached on average 62% during the 1990's while that of agriculture and manufacturing were 11% and 10% respectively.² (See Table 1 below and also Table 15 in Annex 1). This growing specialisation in services is also visible from an analysis of export data³ and becomes clearly highlighted when Caribbean economies are compared to other world countries. Services represent 48% of global exports of goods and services, which contrasts with a paltry 14% in the case of Latin America (See Table 17.in Annex 1). Computations of revealed comparative advantage⁴ indices for the services sector from 1980 to 2000 show that most Caribbean countries are among the highest ranked in the world (See Table 1 below and Table 35 in Annex 2).

¹ The service sector is defined as including the divisions 50 to 99 of the International Standard Industrial Classification (ISIC). These divisions include wholesale and retail trade, hotels and restaurants, transport, government, professional and personal services and real estate services. In some country cases Hotels and restaurants are included in wholesale and retail trade which correspond in turn to the divisions 50-55 of ISIC. Imputed banks service charges and imports duties are also traditionally included in the services sector. See, World Bank, 2002. This document deals mainly with the English speaking Caribbean and in particular with CARICOM Caribbean economies. Other Caribbean countries are mentioned and included when the analysis requires it.

² The sectoral value added refers to the net output of a given sector and is equal to outputs minus inputs.

³ The Subregional Headquarters for the Caribbean has distinguished in its work and research between two economic poles: **service and resource based economies** as some countries are driven by the services sector while other depend on their natural resource base to propel their economies. The first category comprises the majority of small Caribbean economies, Bahamas and Barbados. They are most vulnerable to external shocks given the strong sectoral linkages of services (in particular tourism) to the other areas of economic activity. **Resource based economies** comprise mostly the larger Caribbean states (Belize, Guyana, Jamaica, Suriname, Trinidad and Tobago). The structure of these economies is highly biased towards the production and export earnings from exports of traditional products (sugar, bauxite, oil, and diamonds). Increasingly, with a few exceptions, countries have moved from the latter to the former pole. The most recent example is St. Kitts and Nevis, that due to its failing sugar industry has sought to increase its specialization in services.

⁴ This follows the methodology of Karsenty (2000), "Just How Big are the Stakes?", GATS 2000: New Directions in Services Trade Liberalization. Pierre Sauve and Robert Stern, eds. Washington, DC. Brookings Institution, 2000. The revealed comparative advantage of say country i for product j is measured by the item's share in the country's exports relative to its share in world trade. The data for the computations were obtained from UNCTAD's Handbook of Statistics, 2002 and includes 147 countries. Data includes transportation, travel, communications, construction, insurance, financial services, royalties and license fees, other business services and personal, cultural and recreational services.

Table 1									
The contribution of services to growth and GDP and the ranking of relative specialization of CARICOM economies									
Sectoral contribution to growth, sectoral value added and sectoral composition of GDP by decadal averages									
	Agriculture			Manufacturing			Services		
	1970	1980	1990	1970	1980	1990	1970	1980	1990
Sectoral contribution to growth	42.33	29.03	3.67	22.64	25.79	28.02	345.04	45.19	68.31
Sectoral value added as a percent of GDP	...		11.40	....	.....	9.76	.....	.....	61.66
Sectoral composition of GDP	....	17.2	18.6	.....	12.7	11.6	.....	39.1	47.2
Revealed comparative advantage index for commercial services									
Country ranking in descending order according to the 1980-2000 average									
Country	World Rank	1980		1990		2000		Average 1980-2000	
Belize	3	5.11		4.66		4.51		4.72	
Barbados	4	5.20		4.77		4.70		4.70	
Montserrat	5	.....		4.92		4.27		4.55	
Grenada	9	3.77		3.78		3.97		3.78	
St. Kitts and Nevis	14	1.70		3.60		4.03		3.48	
St. Lucia	15	2.82		2.95		3.62		3.44	
The Bahamas	23	.....		3.42		3.83		2.97	
Antigua and Barbuda	24	.....		3.61		3.28		2.94	
St. Vincent and the Grenadines	28	3.72		1.81		3.87		2.58	
Dominica	33	2.56		2.05		3.30		2.23	
Guyana	88	0.30		1.36		....		1.10	
Suriname	95	1.66		0.34		0.94		0.92	
Trinidad and Tobago	105	0.59		0.77		.....		0.78	
Note: The sectoral composition of GDP is provided only for two years 1990 and 2000. ... denotes not available.									
Source: World Bank (2002), UNCTAD (2002) and ECLAC (2002)									

Within the services sector tourism is the mainstay of the majority of regional economies. This is particularly the case of the smaller economies of CARICOM, where tourism plays an important social role and has a major impact on their financial stability and their external position.

Tourism generally appears in the national accounts under the sub-sector of Restaurants and Hotels or is included in wholesale and retail trade. When viewed from this perspective tourism carries a lower weight than transport, communications, banks or government services. However, due in part to its strong linkages to other sectors of the economy and other services sub-sectors, this method clearly underestimates the contribution of tourism to services or GDP (see Table 2 below).

	Electricity and water	Wholesale and retail trade	Hotels	Transport	Communications	Banks	Real estate	Government services
Anguilla	3.3	8.4	32.2	5.6	14.3	17.5	3.7	15.0
Antigua and Barbuda	4.6	11.3	15.0	13.5	12.0	12.7	12.0	18.8
Barbados	6.3	30.9	23.0	13.0	26.8			
Belize		39.4		27.1		10.0	10.7	12.8
Dominica	5.8	17.2	3.3	12.7	15.1	17.5	4.7	23.7
Grenada	6.7	14.5	9.6	17.2	17.1	12.8	5.2	16.9
Guyana		21.3		25.2	0.0	14.6	4.7	34.3
Jamaica	6.4	24.1	13.4	20.6	0.0	17.4	10.6	7.4
St. Kitts and Nevis	2.5	21.6	7.2	10.8	13.9	18.4	3.8	21.8
St. Lucia	6.2	15.8	16.4	13.4	11.4	13.1	8.8	15.0
St. Vincent and the Grenadines	7.8	21.0	3.1	17.3	14.6	12.2	3.3	20.7
Suriname	11.2		18.4	15.6		16.1		38.7
Trinidad and Tobago	2.9	27.0	0.2	24.5		17.2	21.0	7.2
Average	5.8	21.0	12.9	16.7	12.5	15.0	8.0	19.4

Source: Own computations on the basis of official data.

Due to the lack of a precise national account quantification of the contribution of tourism to services and GDP in the System National Accounts (SNA, 1993), such as the satellite account which are absent in most of the Caribbean economies, the importance and impact of tourism is measured through alternative indicators. These include the number of stay-over visitors, cruise and yacht visitors, visitor expenditure, gross receipts, and/or hotel occupancy indicators. The economic impact is measured through the visitor expenditure and motivation surveys which provide insights into spending patterns if these are combined with establishment surveys whereby attempts are made to link expenditure survey with the cost structure of the industry.

According to the standard definition stay-over visitors are tourists as these are defined as persons staying at least 24 hours in the country visited but less than 12 months. Cruise passengers are considered as a special type of same-day visitor whereas yacht visitors are considered tourists due to the length of their stay.⁵ The absence of a precise methodology to measure the contribution of tourism to these countries' economies is compounded by the fact that in some cases there is also an absence of uniformity in the classification and format followed to publish tourism statistics.

The United States constitutes the main tourist market for the larger Caribbean region, including the Hispanic Caribbean Group, the Dutch West Indies, the French West Indies and the US territories, and accounts for 53% of the total number of tourist arrivals followed by Europe (23%). Intra-Caribbean tourism represents 6% of the total. For the CARICOM countries, the United States market represents 38% of all visitors followed by the Caribbean (28%) and Europe (23%).

CARICOM countries have a natural comparative advantage for the development of the tourism industry and are long-established tourist destinations. In addition, some of its member states are amongst the most important tourist destination in the larger Caribbean region. However, CARICOM economies have lost market share relative to other Caribbean destinations, due to relative cost disadvantage and in some cases these economies have also witnessed a decline in tourist expenditure and receipts and in the growth of visitors. This deteriorating performance was aggravated by the September 11th events which dealt an important blow to the development of the tourism industry in the Caribbean.

Cost considerations and the constraints imposed by size as well as limited resources have prompted the CARICOM countries to increasingly focus on a niche-market approach to tourism. On the one hand, a niche market approach can seek diversify the product to spread and reduce the risks of over-dependence on one segment of the market. Indeed, in recent times, regional policy and strategy have focussed increasingly on embedding tourism in the indigenous culture through community tourism, heritage and eco-tourism. Hoteliers are also striving to attract a greater share of the conference and business tourism market. Nevertheless, although there are nodes of success in these areas in some countries, the region for the most part has not made significant advance in these newer aspects of tourism.

An alternative approach to niche market production has consisted in trying to isolate the tourism industry from prevailing economic conditions dampening and providing a buffer stock for the possible effects of economic shocks or sudden downturns. The latter approach has been followed by the Barbadian authorities, which have tried to develop high-bracket income tourism.⁶

⁵ These are standard World Tourism Organisation definitions.

⁶ See, H. W. Armstrong and R. Read *Microstates and Subnational Regions: Mutual Industrial Policy Lessons*. *International Regional Science Review* 2, 1: 117-147 (January 2003).

The main policy tools to develop the tourism sector have been favourable incentives and policies geared towards promoting its competitiveness and sustainability. In the Caribbean, the main incentives have been outlined in legislation pertaining to the hotel and restaurant sub-sector and in fiscal legislation. The incentives take the form of tax concessions and tax holidays for a number of years, including for the construction of hotels and duty free imports of some supplies and materials. However, skewed distribution of benefits in favour of larger operators, have acted as an economic distortion, which might mean that the incentive is sub-optimal in terms of fostering the development of the sector.

Governments have not resorted to protectionist measures to enhance the tourism sector as it has been one of the more open and unregulated sectors in the region.⁷ Indeed as an example, all OECS economies made specific sector commitments under GATS related to the tourism sector. These include tourism per-se and travel related activities, recreation and sporting activities, (entertainment services, sporting and other recreational) and transport services (international passenger transportation services and maintenance and repair of vessels).⁸

This paper provides an overview of the structure and performance of the Caribbean tourism sector. Importantly, it evaluates the role of policies and strategies as they impact the growth and competitiveness of the sector. Although the paper is not definitive on the subject, it provides some initial work on aspects of the industry that are not the typical focus of research. These include industrial structure, evaluated in terms of size, concentration, economies of scale and scope, competition and market types, for example oligopoly. Further the paper, examines the concept of clusters as it applies to the industry and the possibility of promoting virtuous cycles of technology, information and innovation spill-overs from these clusters.

Following the introduction the paper is divided into nine sections. Section 1 is an overview of recent trends and developments in the sector. Section 2 evaluates the forces driving changes in demand in the sector including demand in the stay-over, cruise and yachting sub sectors. Section 3 focuses on the structure of the industry. Section 4 assesses the development of clusters in the industry and how they contribute to competitiveness. Section 5 evaluates the extent and critical role of linkages-backward and forward in the industry. Crucially, section 6 examines the policies and strategies that policy makers have implemented to drive growth and reform in the sector. Reflecting its growing importance, section 7 analyses the role of information and communication technology as a catalyst for change in the sector. Section 8 provides some policy recommendations for fostering a dynamic, competitive and sustainable sector with greater domestic ownership and welfare. The final comments and reflections are found in the conclusion.

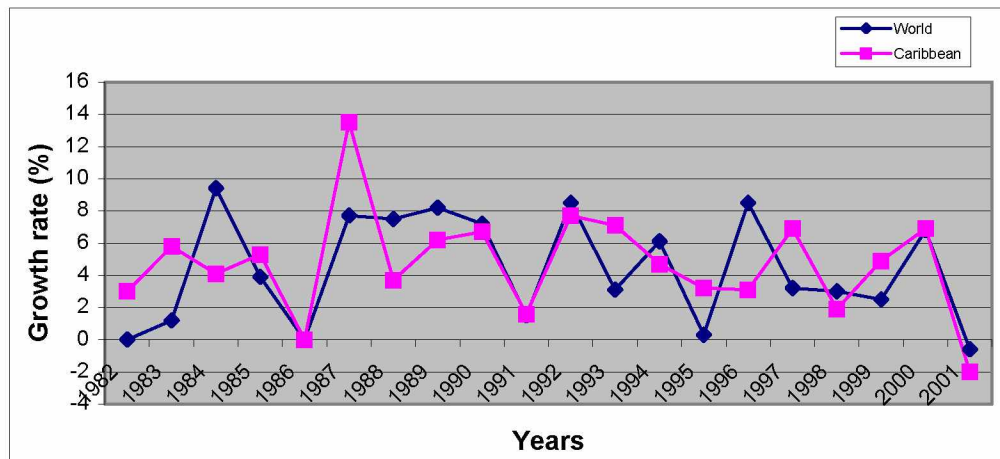
⁷ Tourism is in fact one the most liberalised sectors under the General Agreement on Trade in Services (GATS).

⁸ See, WTO. Trade Policy Review. OECS-WTO Members Report by the Secretariat. WT/TPR/S/85. 2001. The GATS commitments by OECS countries included bounding market access for the development of hotels exceeding 50 rooms. Some restrictions were applied to commercial presence. St. Vincent and the Grenadines was the only member state having made commitments with respect to travel agencies, tour operators, and tourist service guides.

1. Recent tourism trends and developments

World tourist arrivals increased from 457.3 million in 1990 to 696.7 million in 2001. Between 1995 and 2001, they posted an increase of 3.8% (See Figure 1, below). The market share of Europe the dominant destination slipped marginally from 58.8 per cent of the total in 1995 to 57.8 per cent in 2001. The market share of the Americas also declined somewhat from 19.7 per cent in 1995 to 17.4 per cent in 2001. The share of North America fell by about 2 per cent to 12 per cent, while the market share of Central America and South America remained about constant at 0.6 per cent and 2.1 per cent. For its part the Caribbean share remained almost constant around just over 2 per cent, in spite of a lower growth in tourist arrivals than the world average (3.2% for 1995 to 2001. See again Figure 1 below)).

Figure 1: Comparative Growth in World and Caribbean Tourist Arrivals 1982-2001



Source: Caribbean Tourism Organization

Within the Caribbean region, CARICOM economies have visibly lost market share to the Hispanic Caribbean comprising Puerto Rico, the Dominican Republic and Mexico (Cancun and Cozumel). explained in greater part by the shift away from European Tourists from the English speaking Caribbean tourist destinations to the Spanish speaking ones.

CARICOM regional share of stay over and cruise tourist arrivals represented 38% of the total in 1990 and declined to 34% in 2001. Within CARICOM, service based economies' share decreased from 28% to 23% while resource based economies were able to maintain their share (2.8%). For the same period the regional sub-grouping comprising Cuba, the Dominican Republic and Puerto Rico increased its from 28% to 32%. (See Table 3 below).

Table 3
Stay over and cruise tourist arrivals
As a percentage of the total
1990 - 2001

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
CARICOM	37.70	38.38	38.67	37.79	36.50	36.07	35.55	34.13	33.73	34.43	34.60	34.02
Antigua and Barbuda	2.26	2.29	2.22	2.20	2.16	1.92	2.03	1.98	2.08	2.07	2.15	2.04
The Bahamas	17.86	17.15	16.80	15.91	14.38	13.52	13.50	12.65	11.96	12.96	13.25	13.29
Barbados	4.16	3.81	3.73	3.71	3.83	3.99	3.89	3.72	3.73	3.45	3.48	3.35
Belize	1.16	1.07	1.18	1.28	1.42	1.42	1.42	1.15	1.10	0.78	0.82	0.79
Dominica	0.27	0.55	0.65	0.63	0.79	0.84	1.05	1.11	1.10	1.00	1.00	0.89
Grenada	1.39	1.40	1.35	1.32	1.34	1.54	1.52	1.34	1.40	1.35	1.00	0.88
Guyana	0.33	0.36	0.36	0.48	0.49	0.46	0.37	0.29	0.24	0.27	0.34	0.31
Jamaica	6.42	7.45	8.11	7.81	7.33	7.54	7.40	7.15	6.94	7.33	7.19	6.86
St. Kitts and Nevis	0.58	0.68	0.77	0.77	0.90	0.86	0.69	0.72	0.90	0.81	0.77	1.05
St. Lucia	1.25	1.55	1.62	1.57	1.69	1.76	1.69	2.10	2.28	2.23	2.30	2.40
St. Vincent and the Grenadines	0.70	0.69	0.56	0.57	0.55	0.63	0.49	0.36	0.37	0.42	0.51	0.48
Suriname	0.15	0.12	0.08	0.26	0.28	0.28	0.22	0.23	0.20	0.21	0.19	0.18
Trinidad and Tobago	1.18	1.25	1.24	1.26	1.35	1.33	1.27	1.34	1.41	1.54	1.62	1.51
Other Caribbean Countries	62.30	61.62	61.33	62.21	63.50	63.93	64.45	65.87	66.27	65.57	65.40	65.98
Cuba	1.78	2.11	2.19	2.45	2.67	3.28	4.08	4.39	5.18	5.84	5.72	5.75
Dominican Republic	8.26	7.30	7.48	7.49	7.87	7.77	8.28	9.32	9.88	10.72	10.85	10.51
Puerto Rico	18.05	17.95	17.92	17.51	17.71	17.45	16.89	17.30	17.20	15.61	15.33	16.06
Rest	34.20	34.27	33.75	34.76	35.26	35.42	35.20	34.86	34.01	33.41	33.51	33.67

Source: Itam et al (2000) and Caribbean Tourism Organisation (2002)

Visitors to the Caribbean comprise mainly the stay-over visitors or tourists who spend a day or more in a given destination, cruise-ship passengers and who spend less than a day. These primary categories are complemented by yachting tourism and other segments, which in the Eastern Caribbean and the Bahamas is more important than cruise ship visitors. For 2002, 42% of all visitors on average were registered as tourists (stay over visitors) and 52% as cruise-ship passengers (See Table 4 below).

	Stay-over	Cruise-ship	Excursionists
Anguilla	38.7	61.3
Antigua and Barbuda	38.8	61.2
Barbados	48.0	62.0
Belize	39.0	60.0
Dominica	32.7	66.8	0.5
Grenada	46.8	51.6	1.6
St. Lucia	39.1	59.7	1.2
Jamaica	61.9	48.0
Montserrat	63.2	36.8
St. Kitts and Nevis	27.8	68.5	1.6
St. Vincent and the Grenadines	30.1	29.0	5.4

Note: In the case of St. Vincent and the Grenadines 36% of total visitors correspond to yachts.
Source: ECLAC on the basis of official information. See Tables 18-29 in Annex 1 for further details.

As shown in Table 5 below the United States is the main tourist supplier on average followed by the Caribbean and Europe (37%, 26% and 24% of the total respectively). Canada is another important market for Caribbean tourism. At the country level, European tourism originates in the United Kingdom and to a lesser extent in France and Italy. For those countries that exhibit a high dependence on the Caribbean market (Dominica, Montserrat, St. Kitts and Nevis and to a lesser extent St. Vincent and the Grenadines) the country origins include the French West Indies in the case of Dominica (46% of the total in 2001); Antigua and Barbuda in the case of Montserrat (48%); the United States Virgin Islands and Antigua and Barbuda in the case of St. Kitts and Nevis (19%, 16% and 13% of the total respectively); Barbados and Trinidad and Tobago in the case of St. Vincent and the Grenadines (32% and 29% respectively).

Countries	USA	Europe	Caribbean
Anguilla	62.7	16.7	15.4
Antigua and Barbuda	27.1	35.2	15.4
Bahamas	85.1	6.1	2.3
Barbados	21.0	48.7	18.2
Belize	54.2	15.2	0.9
Dominica	21.8	16.3	57.0
Grenada	26.1	32.6	22.2
Montserrat	16.8	25.5	52.3
St.Lucia	36.5	33.0	24.4
St. Kitts and Nevis	36.3	14.9	40.3
St. Vincent and the Grenadines	27.4	26.7	37.4
Trinidad and Tobago	31.1	19.6	25.1
Average	37.2	24.2	25.9

Source: Caribbean Tourism Statistical Report 2001-2002

High average tourism dependence in the Caribbean is manifested in a number of indicators of performance. Between 1992-2001, stayovers per resident population ranged from an average of 13 in the British Virgin Islands and St. Maarten to less than one in Trinidad and Tobago and Guyana, the latter two countries being essentially goods-producing economies. In between the extremes, stayovers per resident population averaged 9 for the Cayman Islands, 7 for the Bahamas and less than one for the Dominican Republic and the Jamaica. The figure for the Dominican Republic and Jamaica reflect the relatively large size of their population by the regional standard.

Tourism dependence is also reflected in the weighted average share of sectoral output for different sectors. For example, for the Caribbean as a whole, the weighted share of agriculture increased from 17.2 per cent in 1990 to 18.6 in 2000. Meanwhile, the weighted average shares for mining and manufacturing declined from 39.4 percent to

36.8 per cent and 12.7 per cent to 11.6 per cent, respectively. By contrast, the weighted average share of tourism climbed from 39.1 per cent to 47.2 per cent.

Similarly, per capita tourism expenditure in the Caribbean is high by international standard. Per capita visitor expenditure for the region as a whole, averaged US\$ 3197 between 1992 and 2001. However, given the relatively high net factor payments paid abroad (profits, dividends, commissions etc) the contribution of tourism to gross national product might not be as high as expected. Per capita value added in the sector ranged from a high of over US\$ 13,000 in the Cayman Islands to a paltry US\$7 in Haiti. In the middle range were countries such as the Bahamas with a per capita visitor expenditure of US\$5000, St. Lucia US\$1713 and Jamaica US\$433. In relation to GDP visitor expenditure averaged 11.8% for 1992 to 2001 but has shown a declining trend (12.35% and 10.79% in 1992 and 2001). See Table 6.

Visitor expenditure is also a significant proportion of merchandise exports-an average of 1200 per cent for the period 1992-2001. Meanwhile, the median ratio for the region was 1800 per cent. Expenditure ranged from a staggering 23600 per cent of merchandise exports in the quintessential tourism economy of the Cayman Islands, to 10 per cent in the largely goods-producing economy of Trinidad and Tobago. (See Table 7 below). When both exports of goods and services are included the ratio of visitor expenditure to exports averaged 42% for 1992 to 2001. See Table 8 below.

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Anguilla	21.42	24.18	25.47	23.95	22.44	25.20	24.20	20.36	19.52	21.00
Antigua and Barbuda	21.23	22.45	21.73	18.51	17.68	17.69	16.80	16.50	16.26	14.68
Barbados	14.56	15.96	17.15	16.35	15.84	14.89	14.81	13.40	13.67	13.24
Belize			6.34	6.57	7.31	7.13	8.60	8.11	7.77	7.48
Dominica	5.10	5.34	5.40	5.76	5.79	8.71	7.95	8.32	7.81	7.56
Grenada	6.24	7.12	8.37	7.82	7.48	6.99	6.45	6.54	6.36	5.85
Guyana	8.35	9.55	16.06	12.57	9.97	8.27	8.46	8.96	12.33	12.29
Jamaica	24.88	22.23	22.25	20.74	18.63	16.73	17.28	18.35	18.81	16.97
Montserrat	8.63	10.16	13.74	12.25	7.38	5.02	7.93	9.18	9.05	9.18
St. Kitts and Nevis	13.73	13.03	12.84	10.45	10.07	9.07	9.76	4.57	6.53	6.67
St. Lucia	15.48	16.45	16.00	17.90	17.40	18.17	17.16	15.07	14.87	14.45
St. Vincent and the Grenadines	6.53	6.82	6.70	5.77	8.47	8.90	8.64	8.79	8.32	8.53
Trinidad and Tobago	2.01	1.95	1.77	1.36	1.91	3.30	3.18	3.05	2.64	2.39
Average	12.35	12.94	13.37	12.31	11.57	11.54	11.63	10.86	11.07	10.79

Source: On the basis of official information.

Table 7: Ratio of Visitor Expenditure to merchandise Exports

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	92-01
Anguilla	58.7	39.4	30.0	40.4	28.2	38.0	19.5	19.9	12.8	17.9	30.5
Antigua and Barbuda	3.8	4.5	6.6	4.7	6.8	7.3	7.5	7.9	6.9	6.4	6.2
Aruba	1.6	1.7	1.9	1.8	2.1	2.0	1.7	1.6	1.8	n.a	1.8
Bahamas	6.5	8.0	8.0	7.7	7.2	6.2	3.0	3.7	4.6	n.a	6.1
Barbados	2.4	2.8	3.3	2.6	2.3	2.4	2.8	2.5	2.6	2.7	2.6
Belize	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	n.a	0.5
Bermuda	5.3	14.2	10.3	9.2	9.0	8.3	11.1	9.4	8.2	7.0	9.2
Bonaire	n.a	n.a	n.a	n.a	5.5	9.6	8.9	9.6	5.5	n.a	7.8
British Virgin Islands	6.2	14.2	n.a	n.a	51.7	49.0	n.a	11.8	12.4	11.2	22.4
Cayman Islands	63.3	152.7	159.4	119.7	175.5	238.7	444.7	374.7	399.4	n.a	236.5
Cuba	0.3	0.6	0.7	n.a	n.a	n.a	1.0	1.2	1.1	1.0	0.8
Curacao	0.1	0.2	0.2	n.a	n.a	n.a	1.0	0.9	0.7	1.0	0.6
Dominica	0.5	0.6	0.7	0.8	0.7	0.8	0.6	0.9	0.9	1.0	0.7
Dominican Republic	n.a	n.a	n.a	n.a	n.a	0.5	0.4	0.5	0.6	n.a	0.5
Grenada	2.0	2.2	2.2	2.5	2.8	2.1	1.3	0.9	0.8	1.1	1.8
Guadeloupe	2.1	2.7	2.4	n.a	n.a	2.7	3.1	2.7	3.1	n.a	2.7
Guyana	0.1	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.1
Haiti	0.4	0.4	0.6	0.4	0.4	0.3	n.a	0.2	0.2	0.2	0.3
Jamaica	0.8	0.9	0.8	0.8	0.8	0.8	0.9	1.0	1.0	1.0	0.9
Martinique	1.1	1.7	1.7	1.5	1.6	1.4	n.a	n.a	n.a	n.a	1.5
Montserrat	7.6	7.4	8.1	1.6	0.2	0.6	6.7	6.9	8.0	12.3	5.9
Puerto Rico	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	n.a	0.1
St. Kitts and Nevis	2.1	2.6	3.4	3.4	2.9	1.6	1.7	1.6	1.1	1.2	2.2
St. Lucia	1.7	1.9	2.4	2.5	3.4	4.0	4.1	4.9	6.4	5.1	3.6
St. Maarten	n.a	n.a	n.a	n.a	7.5	15.7	16.3	n.a	19.0	n.a	14.6
St. Vincent and the Grenadines	0.6	0.8	0.9	0.7	1.2	1.5	1.5	1.6	1.5	1.8	1.2
Suriname	0.0	0.1	0.1	0.1	0.2	0.1	0.2	0.1	0.1	n.a	0.1
Trinidad and Tobago	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Turks and Caicos Islands	11.9	11.2	n.a	n.a	n.a	29.0	n.a	8.5	n.a	n.a	15.1
US Virgin Islands	0.4	0.4	0.3	0.3	0.2	0.3	0.4	0.3	0.2	n.a	0.3
Total Caribbean	6.7	10.1	9.8	9.2	12.4	15.1	20.7	16.9	17.9	4.2	12.3

Source: Caribbean Tourism Organization

Table 8
Ratio of visitor expenditure to exports of goods and services
1992-2001

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Anguilla	76.39	79.05	80.81	85.41	81.38	89.33	74.69	80.47	81.66	83.71
Antigua and Barbuda	59.63	63.03	67.22	61.43	64.07	62.60	60.41	60.92	63.33	61.62
Bahamas	77.42	78.97	77.97	76.16	78.31	75.01	71.42	72.24	63.83	66.51
Barbados	57.18	60.19	59.55	55.02	52.15	52.65	54.34	51.06	63.39	62.88
Belize	22.60	24.78	25.72	25.93	28.66	26.57	33.16	29.75	26.43	26.80
Dominica	27.03	29.54	31.43	30.55	30.04	35.22	30.67	32.33	33.36	37.79
Grenada	2.48	2.75	3.28	3.10	3.02	2.93	2.98	2.84	2.34	2.40
Guyana	8.17	10.75	18.34	15.78	12.23	10.35	10.20	11.70	17.18	17.66
Jamaica	38.64	39.81	32.13	31.48	32.87	33.28	35.38	36.79	37.15	36.72
Montserrat	64.11	66.38	78.46	54.15	17.05	24.91	56.34	40.35	50.15	63.33
St. Kitts and Nevis	59.75	60.48	63.58	54.93	52.34	47.99	50.56	26.02	38.82	38.75
St. Lucia	64.20	67.39	66.38	70.53	76.04	79.10	75.82	71.34	68.68	...
St. Vincent and the Grenadines	29.79	36.83	39.20	30.15	42.68	48.11	47.04	45.00	42.31	45.33
Trinidad and Tobago	5.09	4.42	4.15	2.59	3.90	6.43	6.87	6.66	4.78	4.75
Average	42.32	44.60	46.30	42.66	41.05	42.46	43.56	40.53	42.39	42.17

Note: ... denotes not available

Source: On the basis of official data and Caribbean Tourism Organisation

Room occupancy rates in the region compares unfavourably with newer destinations in the Pacific and other destinations. Moreover, high fixed costs in the region means that relatively low room occupancy rates imply high average costs and costly spare capacity. Between 1997 and 2001, an average of just over 61 per cent in the rooms in the region was occupied. In addition in the majority of CARICOM country cases, due in part to limitations imposed by size, the share of total rooms in hotels with 100 or more rooms is below 59% making it difficult to realise economies of scale (See Table 9 below)

As expected room occupancy rates varied among countries, based on the quality of the product, marketing and consumer preference, among other factors. Average room occupancy rates varied from a high of 73.6 per cent in Aruba to a low of 32.4 per cent in Belize, a largely goods-producing economy. During the same period, average room capacity for the region declined by 1.5 per cent.

Percentage share	Destination
70 percent and over	Aruba Bermuda Cancun (Mexico) Cozumel (Mexico) Dominican Republic Guadeloupe Jamaica Martinique St. Lucia St. Maarten Puerto Rico
60-69 percent	Bahamas Bonaire Cuba Curacao Turks and Caicos
40-59 percent	Antigua and Barbuda Barbados Cayman Islands Grenada Guyana St. Martin Trinidad and Tobago US Virgin Islands
20-39 percent	Belize Dominica
10-19 percent	British Virgin Islands Honduras St. Kitts and Nevis
None	Anguilla Haiti Montserrat Saba St. Eustatius St. Vincent and the Grenadines
Source: Caribbean Tourism Organisation 2003	

Since employment is one of the main ways in which the region benefits from tourism the quantity and quality of employment in the sector is a major concern for policy makers. Given that employment in accommodation establishments account for the largest proportion of the employed labour force in tourism, data for this sub-sector provides a proxy for industry-wide patterns. The total number of persons employed in accommodation facilities in 2001 was estimated at 153,558. Meanwhile, the average

number of employee per room stood at 1.02 for the region. Employee per room ranged from 0.66 in Belize to 1.74 in British Virgin Islands. In between the extremes employee per room stood at 0.99 for Barbados and 1.21 for Jamaica. Employees per room ratios are higher in the upmarket luxury hotels than in lower class hotels and might reflect their stronger financial position (see Table 10 below).

Table 10: Employment in Accommodation Establishments

Country	Number of rooms	Persons employed	Employee/Room ratio
Anguilla	1069	1587	1.48
Antigua and Barbuda	3185	3649	1.15
Aruba	6962	7995	0.00
Bahamas	13288	16078	1.21
Barbados	5752	5685	0.99
Belize	4463	2934	0.66
Bermuda	3339	3289	0.99
British Virgin Islands	1637	2844	1.74
Curacao	3203	3700	1.16
Dominica	764	975	1.28
Dominican Republic	53964	44031	0.82
Grenada	1118	1200	1.07
Jamaica	24007	29142	1.21
Puerto Rico	12753	14400	1.13
St. Eustatius	139	41	0.30
St. Kitts and Nevis	1593	1599	1.00
St. Lucia	3769	5200	1.38
Trinidad and Tobago	3971	4160	1.05
US Virgin Islands	5048	5049	1.00
Total Caribbean	150024	153558	1.02

Source: Caribbean Tourism Organization

There is still a manifest need to devise an appropriate conceptual and practical framework for measuring direct and indirect employment in other sub-sectors and ancillary activities. This would provide a more accurate picture of aggregate employment in the sector.

2. Tourism demand and evolving market trends

2.1. Parameters and determinants of tourism demand

Although this paper is focussed on tourism supply and appropriate policies for galvanising competitive supply, it is critical to highlight the main demand trends that might impact on the viability of supply. Tourism demand is influenced by many factors, which vary over time. Among the more important determinants of demand are: the level and changes in income in countries of origin, relative prices, relative exchange rates, transport costs, the quality of attractions and service in destinations. Other factors including expenditure on marketing and contingent factors such as war, terrorism cultural and sporting events and political factors also determine demand.

Sinclair and Stabler⁹ specify a tourism demand function as

$$D_{ij} = f(Y_i, P_{ij/k}, E_{ij/k}, T_{ij/k}, DV)$$

Where D_{ij} is the tourism demand function by country of origin I for destination j , Y_i is income of origin i , $P_{ij/k}$ is prices in i relative to destination j and competitor destinations k , $E_{ij/k}$ is exchange rates between I and destination j and competitor destinations k , $T_{ij/k}$ is the cost of transport between i and destination j and competitor destinations k , DV is a dummy variable to take account of special events such as sporting events or political upheavals.

The elasticities of demand with respect to each of these factors vary with importance of the given factor as a determinant of demand. With respect to income, it has been shown that tourism generally tends to be income elastic. Table 11 below shows world income elasticities for tourism exports and imports of 1.45 and 1.39, respectively, while the comparative figures for middle income countries (most Caribbean destinations) were 2.58 and 1.78, respectively. However, Maloney and Rojas¹⁰, in a World Bank study found that the long run income elasticity of demand for tourism in the Caribbean is 1.04, which suggests that even though regional tourism might be a luxury good, it less so than for the world as a whole. However, some high-end segments of Caribbean tourism might be fairly strong luxury good with changes in demand that are fairly greater than proportionate changes in income. Nevertheless, since demand is income elastic current and expected GNP growth and economic stability in source countries have a significant influence on demand.

Table 11: Nominal elasticities with respect to GDP, 1980-1998, on a US\$ basis

	Tourism Exports	Tourism Imports
World	1.45	1.39
Low income countries	2.38	2.87
Middle income countries	2.58	1.78
High income countries	1.25	1.36

Source: World Bank and Egon, Smeral

With respect to price elasticity, using “country of origin” exchange rate, Maloney and Rojas found elasticities -.28 for Caribbean tourism. However, using the critical “competition weighted rate they found elasticities of between -.51 and -.6, suggesting that demand is relatively inelastic. They is largely due to the fairly differentiated product offered in the region, with tourists attracted to the peculiar “charm” of a given country, so that small changes in prices will not induce them to shift demand to a different destination.

⁹ See Sinclair, Thea, M. and Stabler, Mike. (1997) “The economics of tourism”, Rutledge, London

¹⁰ Maloney, W. F. and Rojas, Montes, Gabriel, V. (2001), “Demand for Tourism”.

In the case of Caribbean economies, in particular for Barbados, the income elasticity of demand for tourism is greater than one and in some cases has been found to oscillate between 0 to 12 depending on time of season and accommodation (See, Worrell, 1987).

Relative prices and real effective exchange rates (REERs) are also important drivers of tourism demand in the region. Table 12 below shows variable patterns in the evolution of REERs in a number of countries in the region. The REER of all the countries selected appreciated on average between 1995 and 2001, indicating probable loss of competitiveness in the tradable goods and services sectors. The REER of Trinidad and Tobago and St. Kitts and Nevis appreciated by an average 2.8 per cent and 2.3 per cent, respectively. Meanwhile, macroeconomic stabilisation in Guyana, particularly declining domestic inflation resulted in a moderate appreciation of 1.8 per cent. The REER of Dominica appreciated on average by 1.6 per cent between 1979 and 2001.

The reality is that the regional product is becoming ever more substitutable in other destinations, including the pacific countries. With intense competition in the market place today, favourable relative prices compared with competing destinations could propel growth in demand for the region's product.

**Table 12 Real effective exchange rates for selected Caribbean economies
1979-2001 (1995=100)**

	Antigua and Barbuda	Belize	Dominica	Grenada	Guyana	St. Kitts and Nevis	St. Lucia	St. Vincent and the Grenadines	Trinidad and Tobago
1979	107.6		87.96	88		112.75	95.6	102.1	113.88
1980	110.5	102.7	94.76	91.5	523.8	112.22	97.2	101.3	116.8
1981	115.7	111.4	102.4	105.8	567.4	115.93	106.7	107.1	128.48
1982	117.4	118.6	105.8	112.3	641.8	119.06	109.4	110.9	142.4
1983	118.4	125.2	112.58	118.4	754.3	120.36	111.1	114.9	163.13
1984	122.6	130.3	121.89	126.3	772.2	122.66	116.4	116.8	187.31
1985	120.9	138.3	125.27	126.4	798	122.2	115	115.6	195.82
1986	112.9	123.7	116.23	117.8	757.3	117.92	108.1	113.7	135.53
1987	108.3	114.7	111.8	105.9	389.3	110.69	106	108.5	125.6
1988	107.8	113.5	105.13	102.8	170.9	103.53	99.3	101.9	117.82
1989	108.9	111.7	109.47	107.5	136.3	106.06	101.2	102.8	116.2
1990	106.1	104.8	104.25	99.8	96.6	102.11	95.5	100.3	118.7
1991	107.9	103.3	106.06	99	82.5	101.84	97.7	102.5	119.13
1992	106.5	100.7	106.99	98.1	90.6	100.49	98.4	101	121.69
1993	112.7	106.6	110.04	103.5	98.9	103.32	102.3	108	109.93
1994	103.7	102.3	106.16	103.5	98.2	102.25	101.3	105	102.43
1995	100	100	100	100	100	100	100	100	100
1996	101.6	105.3	101.4	101.2	108	100.8	101.3	104.2	101.88
1997	102.8	108.5	106.92	103.8	113.8	109.57	103.7	107.8	102.29
1998	105.1	108.2	112.08	104.9	114.5	112.5	106.9	111.7	107.35
1999	105.5	105.6	111.16	105.7	103.8	114.99	110.3	111.2	110.22
2000	107.7	107.1	113.34	109.6	109.4	117.63	116.4	114.2	115.36
2001	111.5	109.2	118.42	113.8	110.5	119.65		116.5	124.1

Source: On the basis of IMF Financial Statistics

Transportation costs account for a major part of a total tourism package from Europe and the United States to the region. Therefore significant changes in transport costs tend to affect both the absolute demand and timing of demand for tourism services in the region. Moreover, increasingly keen competition in newer markets means that increases in transport costs to the region, adds to problems of quality competitiveness to make the region less attractive to consumers. This might be a crucial factor behind the aggressive efforts at cost cutting by the charter services operating in the region, often subsidised by regional governments.

Table 13 below shows that transport costs (freight and insurance costs) as a percentage of the total cost of merchandise imports varied for different Caribbean countries. Transport costs for the Barbados increased from 7.8 per cent of imports in 1980 to 10.8 per cent in 1999. Meanwhile, transport costs for declined from 11.4 per cent in 1980 to 3.4 per cent in 1999 probably contributing to improved costs competitiveness. Notably, transport costs for the Bahamas fell dramatically from 27.5 per cent of imports in 1980 to 6.9 per cent in 6.9 per cent.

Table 13: Transport Costs for selected Caribbean countries (Percentages) 1990-1999					
Country	1980	1985	1990	1995	1999
Bahamas	27.5	53.7	2.9	6.9	-----
Barbados	7.8	7.4	10.8	10.3	10.8
Belize	n.a.	11.2	10.8	10.3	11.8
Grenada	2.8	5.3	0.0	3.2	n.a.
St. Lucia	12.9	9.1	11.9	12.0	n.a.
St. Vincent and the Grenadines	9.1	10.0	11.5	12.1	n.a.
St. Kitts and Nevis	n.a.	n.a.	n.a.	n.a.	n.a.
Jamaica	11.4	9.2	12.7	7.2	3.4
Guyana	6.0	6.3	n.a.	n.a.	n.a.
Trinidad and Tobago	12.0	11.2	14.5	n.a.	n.a.

Source: BADEPAG and IMF Financial Statistics Yearbook (2000).
 For Barbados, Jamaica, and Costa Rica the last year for which data is available is 1998.
 b/2001
 Transport costs were computed as the ratio of freight and insurance that appears on the debit side of the balance of payments for each of the countries considered divided by the value of import merchandise. In this case, the freight and insurance components were approximated by the ratio of the difference between c.i.f. and f.o.b. merchandise imports to c.i.f. merchandise imports.

The total quality of the tourism product is probably one of the most critical influences on demand. Tourists today put a premium on high quality services delivered in an efficient and timely manner. Further with advantage of information technology the tourist is more cost conscious, has the ability to weigh a basket of options through scenario analysis and is more standards savvy. Also, tourists now demand a wider variety of attractions and services and often traditional natural resource based tourism would not suffice. Indeed, cultural events such as Carnival in Trinidad and Tobago, Reggae Sunsplash in Jamaica and the St. Lucia Jazz Festival have become important tourist attractions over time. Nevertheless, on the whole, the region has suffered from stagnation,

partly on account of insufficiently varied attractions. In addition, relatively tight profit margins in the sector and lack of venture capital and equity finance means that firms have not been able to undertake the requisite product development and rejuvenation that is necessary. Consequently the competitiveness of the regional product has suffered in most destinations, except the newer ones such as Cuba¹¹ and the Dominican Republic. Cuban tourism has grown because of its reputation as a safe destination, curiosity due to opening and significant investment by European firms in the tourism sector. On the other hand, the Dominican Republic is more price competitive than CARICOM destinations due to lower labour cost which facilitates “mass market” tourism.

2.2. Demand in the stay-over, cruise and yachting sub-sectors

Growth in arrivals in the most important (in terms of receipts and employment) stay-over market, declined by 2per cent in 2002. This decline in demand reflects lingering adverse impact of September 11 attacks on the United States.

Through accidents of geography and changing consumer demand, the cruise and yachting subsector has experienced vibrant growth in the last few decades. Cruise ship tourism which is well documented in terms of number of arrivals has grown faster in the last decade than land based tourism. Cruise ship tourism is mainly driven by large companies. In 2000, two cruise lines explained 64% of the cruise-ship capacity deployed in the region. In addition since the 1980’s the size of cruise-ships has also shown a significant increase. Between 1996-2000 and 2000-2005, the number of berths per new build ship will increase by 27% (1505 and 1914 berths for both periods respectively). Contrarily measurement in the yachting sub-sector is still in its early stages.¹²

The Caribbean is a leading warm weather destination and its proximity to the United States has made it the most attractive cruise destination in the world. Between 1992 and 2001 cruise-ship passenger arrivals to the Caribbean posted average yearly

¹¹ Cuba was once the premier destination in the region, but went into decline in the wake of the Revolution and the United States embargo.

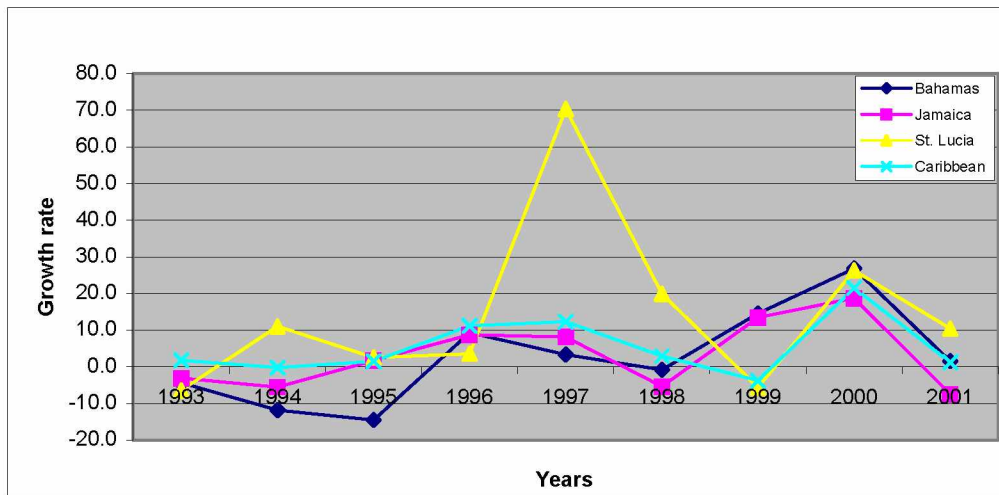
¹² During the biennium 2000-2002 ECLAC undertook a project centring on three objectives. The first was to provide the data, information and analysis that would allow for better understanding of one of the least known and understood subsectors of the tourism industry, namely the yachting sector; the second, to fully utilise this data towards articulating an effective framework for the management of the yachting sector, so as to maximise its potential contribution to the Caribbean's development goals; and third, was to identify those issues that lend themselves to regional cooperative approaches. Within the context of the project, several national yachting studies have been completed in the cases of St. Maarten, Antigua and Barbuda, Dominica, Martinique, St. Lucia, St Vincent and the Grenadines, Grenada and Trinidad and Tobago. In addition consultations have been held in all countries prior to undertaking these reports and national consultations have been undertaken in at least four of the countries to discuss main findings and stimulate national actions in support of the sector. It may be of interest to note that the rationale and impetus for the initial project proposal was based upon previous experiences in Tortola and the rapid growth of yachting in Chaguaramas in Trinidad and Tobago.

See, Antigua and Barbuda. The Yachting Sector. LC/CAR/G.704. 1 November 2002; St. Maarten. The Yachting Sector.LC/CAR/G.708. 23 NOVEMBER 2002. St. Vincent and the Grenadines. The Yachting Sector. LC/CAR/G.707. 8 November 2002.Trinidad and Tobago. The Yachting Sector. LC/CAR/G.711. 9 December 2002.

growth of 5.4 per cent (see *Figure 2* below). In absolute terms arrivals climbed to 10.6 million in 2001 from 8.7 million in 1992. The Dominican Republic (44.7 per cent), the Cayman Islands (11.7 per cent) and St. Kitts and Nevis (17.6 per cent) recorded robust growth rates.

In spite of the fall-out from the September 11 attacks on the United States, the Caribbean has been able to maintain its premier position in the cruise market. Cruise Line International Association (CLIA) reported that the share of cruise bed-days allocated to the Caribbean fell only marginally from 47.7 per cent in 2000 to 46.7 per cent in 2001. Similarly, Caribbean capacity growth at 8.2 per cent was near the world wide average of 10.6 per cent. However, South America recorded exceptional growth in capacity (72.5 per cent) and it is left to be seen whether this portends a medium term growth trajectory.

Figure 2: Growth in Cruise ship passenger arrivals in the Caribbean



Source: Caribbean Tourism Organization

Over the past two decades the Eastern Caribbean, that's to say the islands' arc from the Virgin Islands to Trinidad and Tobago, has witnessed the steady growth and development of marine-based tourism and in particular yachting and its associated services.

The yacht charter-for-pleasure business started innocuously enough driven by mainly small, quite often family-owned operations in the 1960's. This fledgling industry mushroomed into a lucrative multi-million dollar industry by the 1980's and 1990's with little attention or facilitation being given by public sector officials and regional organisations. Charter companies – mostly foreign-owned - have set up shop, and increased their fleet, increased their revenues and generated employment. The Tobago Cays are marketed more aggressively by actors outside of this region than those within, and the BVI is being promoted as the “sailing capital of the World”.

Over time it has become a true regional industry due to the mobility of yachts and because yachting-based services located in different countries exhibit a high degree of complementarity.

It is anticipated that marine-based tourism will continue to expand in the Eastern Caribbean. This segment of the tourism market, responds above all to the demands for the enjoyment of nature, whether this be reefs as in the case of diving, whales for whale watching or islands and sheltered and clean ocean conditions as in the case of yachting. In addition, the increased awareness by tourists and the continued pressures on marine resources are likely to force a more environment-friendly approach towards marine-based tourism in the future.

In a few islands marine based tourism is an important component of the market and land-based support and ancillary services have been developed, whereas in others it remains relatively underdeveloped. In all but a few countries there is a policy to promote sustainable marine-based tourism and in most there is a marked absence of data describing the sector (number of tourist arrivals, the number of yachts and average length of tourist stay) reflecting a lack of understanding, knowledge and even interest on the part of some regional governments, tourism planners and regional organisations engaged in tourism development.

Marine-based tourism, like any other sector, has its costs and benefits, but the foundations to engage into balanced and two-sided discussions at the highest level with respect to both the potential presented by yachting to diversify economic productive structures in the region, and the need to facilitate and manage growth in the industry are weak. Furthermore, although marine based tourism has a strong sub-regional orientation there is little or no evidence of a consistent regional approach towards marine based tourism.

St. Vincent and the Grenadines is the only country in the Caribbean that provides disaggregated data on tourist arrivals separating cruise-ship from yachting visitors. However reliable data began to be available only from 1995 due to the fact that some of the incoming yachts do not clear customs. In addition, crew on bareboats and crewed chartered boats were not counted as visitors. For 1995-2002, the contribution of yachts to total visitors averaged 33% which above that recorded for stay-over visitors (30%). See Table 14.

Table 14
St. Vincent and the Grenadines
Decomposition of arrivals by category as percentage of the total
1995-2002

Years	Stay-over visitors	Excursionists	Yachts	Cruise-ship visitors
1995	27.61	14.29	18.99	39.11
1996	26.80	13.92	30.03	29.24
1997	32.64	13.92	37.70	15.74
1998	33.26	10.33	39.14	17.27
1999	30.61	7.83	40.17	21.40
2000	28.47	8.25	29.59	33.68
2001	27.52	5.77	33.87	32.84
2002	30.14	5.39	35.52	28.96
Average	29.63	9.96	33.12	27.28
Coefficient of variation	0.08	0.37	0.21	0.31

Source: ECLAC. LC/CAR/G.707. 8 November 2002

The demand for yachting is explained mainly by seasonal factors and in particular by yachting events. These include the annual boat show at the beginning of December and the Antigua Sail Week at the end of April in the case of Antigua and Barbuda and the St. Maarten Heineken Regatta in the first week of March in the case of St. Maarten. In the case of Trinidad and Tobago however, the main purpose for yachting visitors was repairs. According to ECLAC estimates 59% of all yachts visited Trinidad and Tobago solely or mostly for repairs. Also in the case of Trinidad and Tobago pull and push factors that have catapulted the yachting industry have been identified. The former : private sector initiatives in plant and equipment, efficient system for boats to import part duty and tax free, supportive policies by the customs and excise immigration departments, skilled labor force and competitive price levels for yachting services, low costs. The latter include the state of crime and delinquency, limited range of yachting supplies, and to some extent 'shoddy workmanship.'

2.3 The measurement of impact of cruise-ship and yachting tourism

The measurement of impact is in general absent from the cruise ship industry while it has begun to be estimated in the yachting sector. Visitor expenditure is the main vehicle through which yachting sector contributes to the economy. Visitor expenditure generates a multiplier process affecting income and employment (See figures...) and ultimately reflected in GDP and the balance of payments.

The impact is analytically disaggregated into direct, indirect and induced impacts. The first relates to the impact of visitor expenditure on employment, GDP, and government revenue. Indirect impact results from the activity of the sector supplying inputs such as energy, materials, and goods to companies and firms providing goods and services to visitors. The induced impact is the outcome of the expenditure process that ensues from the successive rounds of expenditure from the initial visitor expenditure (See Figures 3 and 4 and Table 15 below).

Table 15	
Estimates of yachting expenditure	
Antigua and Barbuda	
Component Activity	EC\$ million
Passenger expenditure	36.3
Marina and boat yard charges	11.2
Income to ancillary businesses and day workers	.....
Charter fees (bareboats only)	0.6
Provisioning	12.0
Rental of onshore accommodation, migrant workers	0.3
Accommodation rental, boat show and sail week	2.2
Government revenue	1.7
Total contribution to GDP	64 or 4% of total GDP
St. Vincent and the Grenadines	
	EC\$ million
Total contribution to GDP	18.05 or 2.5% of total GDP
Trinidad and Tobago	
	TT\$ (Thousands)
Total contribution	98589 or 0.2% of GDP
Note: ...denotes not available.	
Source: Antigua and Barbuda. The Yachting Sector. LC/CAR/G.704. 1 November 2002. St. Vincent and the Grenadines. The Yachting Sector. LC/CAR/G.707. 8 November 2002. Trinidad and Tobago. The Yachting Sector. LC/CAR/G.711. 9 December 2002.	

[INSERT FIGURES 3 and 4]

Table 15 above shows the estimated contribution of yachting to GDP in the cases of Antigua and Barbuda, St. Vincent and the Grenadines and Trinidad and Tobago (4%, 2.5% and 0.2% respectively).

3. An Analysis of the industrial structure of the Caribbean tourism industry

Traditional economics of industrial structure deals with the underlying market orientation of firms in a given industry. At the micro-economic level, industrial structure deals with the levels and changes in: the size of firms, levels of industry concentration, conditions of entry and exit, extent of horizontal and vertical integration, diversification, product differentiation, market segmentation and spatial competition, among other issues. Meanwhile the macro-economic focus of industrial structure studies relates to the evolution of the contribution of particular industries to GNP, the balance of payments, employment and foreign exchange receipts.

Three broad approaches have been used to study the structure of industry: neo-classical firm theory, structure, conduct and performance analysis (SCP) and game theory. Neoclassical theory analyses the competitive structure of markets based on costs, output, pricing decisions of firms and their impact on revenues and profitability. However, because of its static nature neoclassical theory has been found wanting in explaining market dynamics, uncertainty and empirical aspects of imperfect competition, particularly oligopolistic markets. Contestability in core segments of the industry, the result of dynamic competition by new firms, is not accommodated by neo-classical theory.

Structure, conduct and performance analysis was meant to correct some of the shortfalls of neo-classical theory. As a tool of analysis, SCP has the advantage of providing a more holistic frame of reference than neoclassical theory, in that it provides a broader market analysis, rather than simply an evaluation of industries. However, it suffers from the shortcoming of neo-classical theory, in that it fails to capture structural change and restructuring-critical features of an industry as dynamic as tourism.

Game theory with its built-in ability to capture dynamic outcomes under conditions of uncertainty has proved quite useful in capturing some of the changing features of the tourism industry. In particular, game theory has been used to provide alternative market scenarios in oligopolistic markets in conditions of uncertainty-situations that are quite relevant to aspects of modern tourism.

The traditional tools of industrial structure were designed for evaluating goods producing industries. Therefore, these conventional tools and approaches have not often been applied to services particularly tourism. Services being intangible, perishable and consumed in the process of being produced require modifications to the conventional tools to fit its reality. Even, more so, tourism characterised as it is by peculiar features of seasonality, intrusiveness, the composite nature of the product and intensive use of depletable environmental resources require even further modifications in traditional industrial structure analysis if they are to capture its true market structure.

Nevertheless, there is much to recommend the use of core approaches to industrial structure to provide theoretical and policy rigour to any analysis of the sector in the Caribbean. What is required is adaptation of the conventional tools to suit the Caribbean context, where necessary. In this respect, the classification of the components of the sector provides a useful frame of reference for evaluating industrial structure.

The World Trade Organisation (WTO) under the General Agreement on Trade in Services (GATS) uses a limited definition of tourism. Tourism services are divided into hotels and restaurants, travel agencies and tour operators, tourist guide services and other services. This definition only includes the most direct tourism activities and fails to provide a wider ambit for locating the sector.

Weaver (1998)¹³ provides four useful generic classifications of tourism in the Caribbean. These are unsustainable mass tourism (UMT), sustainable mass tourism (SMT), circumstantial alternative tourism (CAT) and deliberate alternative tourism (DAT). The UMT market comprises the large-scale segment, where the regulatory environment is inadequate to ensure that environmental carrying capacities are not exceeded. By contrast, SMT has enough self (industry) or government regulation to ensure industry carrying capacities are not breached.

Meanwhile, CAT is less intensive, small-scale tourism usually in areas that have only recently been opened to tourism development. Indeed, certain advantages inhere to this type of tourism such as local ownership and strong inter-sectoral linkages, the result of the underdeveloped nature of the segment. In contrast, deliberate alternative tourism (DAT) exists where the small-scale alternative to mass tourism is stems from discretionary planning and policies of government and the private sector. The main components of this segment are historic and cultural tourism and eco-tourism.

From first principles, it is critical to note that regional tourism market straddles a number of market structures depending on the segment of the industry that one refers to. Some segments of the market are relatively competitive depending on competition, entry /exit barriers and spatial and locational factors, while others are more monopolistic in nature reflecting scale, pre-emptive price cuts, product quality and managerial advantages among others. Still other segments, such as the airline industry, can be classified as oligopolistic with inter-firm collusion and interdependence in pricing and output decisions. In fact, in the airline industry, high sunk costs and increasing competition on routes have led to pre-emptive price cuts and package deals by some airlines that have been matched by rivals. This has led to market strategies akin to “price wars” that are more characteristic of monopolistic competition than oligopoly. These “price wars” have serious implications for the viability of some of these airlines and for the hub and spoke system of air transport in the region with concomitant risks for tourism as a whole.

In general, the sector is quite fragmented and is dominated numerically by small and medium sized hotels, travel agents, tour guides, transport networks and other players.

¹³ Weaver, David, B. “Mass Tourism and Alternative Tourism in the Caribbean”

However, in spite of their numbers these SMEs exert little influence in terms of the size of market transactions, ownership, control and the direction of pricing and product/process innovation. Generally, however, the tourism sector seems to be relatively imperfectly competitive with non-price factors and strategies (along with pricing) acting as major influences on supply decisions. Usually, price competition is more important for mass tourism, while non-price factors, including product quality and variety are more crucial for up-market tourism. Overall, product differentiation, the relative size of firms in the sector, concentration, economies of scale and scope, propensity to undertake innovation and productivity enhancing measures and access to and use of information are all factors affecting the competitiveness of firms in the industry.

Concentration in the regional tourism industry has long been relatively high and has intensified over time as the large international and regional hotel chains, cruise ships, tour operators, airlines have entrenched their domination of the market. Although clear data is not available on the size distribution of firms in the industry, it is anticipated that if Hirschman /Herfindahl indices of concentration were calculated for the sector these would indicate the increasing levels of concentration. The reality is that tourism is subject to significant economies of scale, with average costs declining more than proportionately with increases in output. This stems in part from the capital-intensive nature of the industry. For example, the cost of operating a fully functioning 150-room hotel is not proportionately, and indeed might not be too much greater than the cost for a 90-room hotel.

A critical factor that seems set to exert a growing influence on tourism is uncertainty. The impact of uncertainty, especially in light of the war on terrorism and fluctuations in GDP growth and demand in major markets is of vital concern regional tourism firms. Tourism structural change and firm behaviour under conditions of uncertainty are therefore engaging areas of study.

Uncertainty is similar to an inflation tax that raises transactions costs for service providers in the sector. This means that firms often fail to maximise opportunities for exploiting economies of scale, therefore, long run average costs start to increase more quickly than under more stable, certain conditions.

3.1 The airline industry

International tourism being in the mode of consumption abroad requires transport to get the tourist from his/her country of origin to the destination. The mode of travel obviously depends on factors such as cost, time to arrival, type of tourism –for example cruise or stay-overs and safety. However, in spite of these factors, there are two real modes of transport-air and sea.

As for other areas of economic activity, the Caribbean has long depended on foreign airlines to provide the bulk of carrier services to the region. Indeed, it has been suggested that less than 20 per cent of the tourism traffic to the region is undertaken by

regional carriers.¹⁴ Nevertheless in recognition of the strategic importance of air transport to the region governments have subsidised domestic carriers including BWIA, LIAT and Air Jamaica. Over time, a hub and spoke system has developed with long haul services being provided by major international airlines such as American Airlines, Calidonia and domestic carriers such as BWIA and Air Jamaica, and domestic feeder transport provided by LIAT, American Eagle and Caribbean Star. The hub and spoke system is necessity to meet transport demand in the chain of islands of the region, which often do not have airports or load capacity to accommodate international airlines. This is a straight case of supply accommodating demand.

The Caribbean has not been immune to the structural and institutional changes that have been affecting international air travel. On the technological front, the advent of wide-bodied aircraft has to an exponential growth in capacity. This means that large airlines find it to their advantage to undertake long-haul flights that economise on fuel and other operational costs. In spite of the economies of scale to be had in the use of large aircraft, the airline industry remain characterised by high sunk or fixed costs and fixed capacity in the short run at least. Therefore, to break even or to be profitable, airlines have to achieve high pay-loads and streamline operation or variable costs (e.g. by cutting in-service costs).

Changes in the economic paradigm have also overtaken the airline industry. Liberalisation and privatisation have intensified competition on regional routes, leading to elements of Schumpeterian creative destruction with some relatively less efficient carriers straining to survive or actually becoming bankrupt. As a counter measure, a number of airlines have moved to operating charter services with guaranteed pay-load to reduce uncertainty and to ensure break-even or profitability. However, the region must be careful not to attract too many cheap airlines as this adversely affect safety standards and the overall quality of service to customers. The trade-off between consumer welfare and efficiency remains.

Although the increased competition on routes have facilitated tourism by reducing fares and by forcing airlines to be more sensitive to the demands of customers, paradoxically, liberalisation and deregulation have led to increased concentration in the industry. This has stemmed from the intense competition which made it impossible for a number of smaller carriers to remain competitive, leading to their failure or acquisition by larger well-established carriers. Therefore, although consumers are benefiting in the short run, in the long-run, increased concentration and consolidation in the industry is likely to lead to intensified oligopoly power by the remaining carriers resulting in higher prices and reduced consumer choice.

¹⁴ See Jean Holder, "Meeting the Challenge of Change", Address delivered at the Second Caribbean Tourism Summit, Nassau, the Bahamas, 8-9 December, 2001

3.2 The accommodation sub-sector

Given the importance of the stay-over market, pricing and supply conditions in the accommodation sector are critical to the competitiveness and profitability of regional tourism. The decade of the 1990s witnessed a doubling of accommodation capacity, with room nights available growing at an annual average rate of over 13 per cent and increasing absolutely from 37.65 million to 86.76 million.

Similar to growth in goods industries, countries including Cuba and the Dominican Republic whose product is now developing from a lower base experienced the most rapid growth in accommodation to meet tourist demand. These two countries accounted for the bulk of the growth dynamism in the latter half of the 1990s.

With respect to the structure of ownership, the large international hotel chains continue to dominate the accommodation sub-sector. Among these chains there is some evidence of oligopolistic market tendencies with collusion in setting of prices and output. Oligopoly in the hotel chains stem from technical and managerial economies of scale that result from operating a group of hotels. Scale economies result from bulk purchasing of supplies, standard operating and information platforms. In 2001, a Caribbean Hotel Association CHA study categorised the regional hotel industry by size as follows:

Hotels of more than 500 rooms	4%
Hotels with between 201 and 500 rooms	17%
Hotels with between	19%
Hotels with 75 rooms or less	60%

As the CHA study shows, the sub-sector as a whole is not homogenous as 60 per cent of hotels were small and medium size properties with 75 rooms or less. Further, many of these hotels were locally owned. Since they are unable to compete based on economies of scale and scope and costs; product differentiation and quality of service are critical competitive strategies for the smaller indigenous hotels and guesthouses. Interestingly, a synergistic relationship seems to have developed between the international large hotel chains and the smaller indigenous and more culturally nuanced accommodation. This is indicated by the fact that although a number of tourists reside in the large hotel chains based on their knowledge of them and their international reputation, they dine out at the smaller hotels and often stay a few nights in them. By so-doing tourists get a more complete and varied visitor experience that incorporates a greater part of the indigenous culture. These kinds of integration in the sector need to be promoted and fostered.

Notably, the dominance of the larger hotel chains in the sector seems to be reinforced by costs of inputs, which make it quite difficult for smaller operators to compete. Electricity, fuel, telecommunications and other service costs in the Caribbean are relatively high by international standards. High costs often stem from sub-optimal scale in operations due to small size and constrained demand. Smaller hotels and guest

houses, which have to spread these high variable costs over limited output, therefore find it difficult to be profitable.

During the last two decades, the types of tourist accommodation in the region have become more varied and include full-service hotels based on the European Plan (EP)- payment for room only and meals purchased separately and the Modified American Plan (MAP) with entails payment for room, breakfast and dinner. Accommodation also includes all-inclusive hotels, guest-houses, time share facilities, apartments and eco-lodges. The traditional hotels and guest-houses have confronted intense competition from other destinations and newer forms of accommodation such as the all-inclusive, time share operations and eco-tourism resorts. This trend is a reflection of changes in tourist preferences and demand for more indigenous and environmentally-friendly tourism products and experiences.

The all-inclusive resorts because of flexible approach in responding to evolving market demand have registered above average growth in market share in the last decade. The Sandals Resorts and Superclubs Resorts out of Jamaica have fashioned a somewhat unique and premier position in the market place. By offering a high quality package to niche segments of the market such as couples, “honeymooners” and family with children, these two resort chains have established competitive branch operations in St. Lucia, Antigua and Cuba among other regional destinations.

Structural change and competitiveness of the regional accommodation sector reflect the confluence of static and dynamic factors. The sector manifest static features of fixed capacity in the short run, which limits supply response to cater for unexpected booms in demand. The sensitivity of the sector to seasonal fluctuations in demand with peak and off-season and the influence of economic performance in major markets lead to dynamic uncertainty in the sector which affect the strategies of firms in spreading their risks. Hotels and other operators in the accommodation sector opt for a number of strategic responses to periodicity and uncertainty. These include market segmentation-with some hotels concentrating on the luxury market, for example the Four Seasons Chain and others targeting the budget clientele which are quite price sensitive. In a number of countries, particularly the longer established regional destinations, there has been some amount of saturation in the market, with the product becoming somewhat degraded. This stems to some extent from inadequate property maintenance and product and process innovation to keep ahead of tourist demand.

A number of large international hotel chains such as Choice and Accor have been striving to increase market share by merging with and acquiring smaller operators. This has led to increasing concentration ratios in a number of countries with detrimental effects for competition. Table 16 below shows hotel sales in the region for a few years. Notably, each of the five hotels sold in 2000 had more than 100 rooms, pointing to investor interest in owning full service, internationally branded and reputed hotels. As the Caribbean Hotel and Tourism Association (CHA)¹⁵ notes, the strong interest in

¹⁵ CHA, (2001), “Caribbean Hotel Association Position Paper : Investment” for Regional Summit on Tourism

international branded hotels reflects investor's quest for short-term profit rather than long term arduous nurturing of greenfield hotels to profitability.

Table 16: Number of Hotels sold in the Caribbean

Year	Number of Hotel		Total Sales Activity	Price Per Room	Island with Most Transactions
	Sales	Rooms			
2000	5	1,557	\$263,000,000	\$168,915	Puerto Rico
1999	3	1,897	\$183,200,000	\$96,574	Dominican Republic
1998	21	10,389	\$1,529,500,000	\$147,223	Puerto Rico, Antigua, BVI
1997	8	1,907	\$201,602,000	\$105,717	St. John and Puerto Rico
1996	9	1,278	\$164,400,000	\$128,638	Anguilla

Source: PricewaterhouseCoopers L.L.P

Various initiatives are being implemented to halt the decline in quality of accommodation and other services. Important among these are the Quality tourism for the Caribbean (QTC) initiative, the Green Globe and Blue Flag programmes. The QTC initiative establishes a quality assurance system for hotels in the areas of health, hygiene and conservation. The programme offers training and information and evaluations of health and hygiene practices. However, there is probably need for sanctions for hoteliers who consistently fail to meet required standards. The European Union (EU) Blue Flag beach certification scheme grade beaches according to the quality of their services and beach maintenance (e.g. sand spread and quality). The programme seeks to establish benchmarks for positive imitation and learning by hotels across the region. Barbados, for example, has eight hotels that are Green Globe certified and a number of hotels are seeking Blue Flag certification –an accredited system for their beaches. This would entail outfitting beaches with proper quality water, shower and other facilities and conveniences.

3.3 Recreational, attraction and entertainment facilities

Undoubtedly, a major part of the tourism market is focussed on leisure, recreation and entertainment. This underscores the critical role of product and experience development centred on the interface among tourists and the natural and cultural environment. With reference to natural attractions, the Caribbean is still predominantly a sun, sea and sand destination. Resource endowment comparative advantage based on warm climate and beaches are still the major motivation for travel to the region. As a result much of the entertainment and recreation activities centre around beaches, dive tourism (focussed on coral reef attractions) and sailing.

The quality of attractions across countries remains rather variable, with some of high quality and quite innovative, while others are of poor quality. Private investors and policy makers have been attempting, however, to diversify the range of attractions and to upgrade their quality to maintain the region as an upmarket destination. In most countries there is a drive towards site development, which is aimed at enhancing natural, historical

and cultural sites and integrating them in the indigenous communities. A crucial aspect of the development of attractions is the focus on rural development since the sustainable use of attractions in rural communities is a vital means of directly benefiting these communities.

Attractions and recreational facilities are an important component of product development. Product development entails adding value to and revitalising traditional products in the industry such as accommodation, sea based activities, museums and historical sites and the development of new products by undertaking research and development, innovation and entrepreneurship.

However, although the region is relatively well endowed with natural attractions, these alone will not suffice. To promote balance the private sector and policy makers need to focus on development new and upgrading existing manmade attractions. In keeping with the more varied profile of the tourist, Caribbean service providers need to invest greater resources in developing museums and archaeological facilities centred on local culture and history that can capture the interest of tourists who seek these experiences. The creation of cultural villages in some countries including Dominica and St. Kitts and Nevis to recapture the way of life of early indigenous inhabitants is a step in the right direction. A major complaint in some Caribbean destinations is that the tourist has very little to do. Remedial action requires that countries develop creative theme parks, zoos and wildlife parks, sporting and other attractions with an indigenous theme as far as possible.

3.4 Travel organisers, marketing and promotion agencies

Although their role is often not accorded due importance, travel intermediaries and marketing agencies play a great role in determining tourism performance. Travel organisers or intermediaries include tour operators, travel agents, information exchanges and tour guides. The tour operators, which operate are located in Europe and the United States have become increasingly important intermediaries for the regional sector. They operate as one-stop shops or wholesale agents offering package deals incorporating airline seats, hotel accommodation, ground transport and entertainment that are purchased in bulk by travel agents.

The tour operator market is basically oligopolistic, with a few large players such as Airtours, --- exercising significant control over the market. Anti-competitive practices such as collusive tendering and price discrimination are also evident. Therefore, increasing concentration of market power in the hands of a few large players means that market prices and costs are ineffective in directing the allocation of resources. Consequently, this leads to misallocation of scarce resources to projects of doubtful viability and reduced consumer welfare. In addition, the large tour operators in the region have demanded large discounts to guarantee their commitment to providing guests, especially for small hotels. This has small indigenous hotels at the mercy of these operators, particularly in the off-season with a resulting sharp drop in their profitability and ability to undertake refurbishment of their properties.

The growth of All-inclusive packages results in a relatively small proportion of income to firms in the region, as the bulk of the financial transaction is done in foreign countries. This again limits the linkages with the domestic economy thereby weakening domestic value added and employment.

Regional promotion and marketing agencies stimulate demand by bringing the product to the attention of the consumer. The quality and efficiency of the advertising and marketing campaigns are crucial since long haul travel is based on assurances about the level of service and information which reduce transactions costs for consumers.

The Caribbean tourism organization (CTO) aided by the Caribbean Hotel Association have promoted and marketed the region under the “Brand Caribbean” model. The focus of this model is the concept of a regional product that is distinctive and differentiated from other destinations. Brand Caribbean is akin to a regional public good that has to be promoted by regional governments. Nevertheless, co-operation with hoteliers and other service providers is critical for providing their perspectives and practice experience to inform the marketing strategy. The Caribbean strategy is to focus on the high value segmented of the market that offers high quality attractions and services. Obviously there will still be some mass market segments in the region, but policy makers want the region to be known much more for its high quality sustainable segment and alternative products such as eco-tourism, cultural and heritage tourism.

4. Industrial clusters and their impact on the sector

The rationale for examining clusters in tourism is to glean their contribution to innovation and competitiveness of the sector and by extension sector growth and dynamism. A micro-cluster is a group of related firms that are located in a particular area, while a meso-cluster refers to a group of sectors in an area. Although the literature on clusters pertains largely to meso-clusters, the study micro-clusters, especially for a sector as critical as tourism in the Caribbean are still quite valuable.

Economic theory advances three important advantages of an industrial cluster:

- i) clusters permit a pooled market for labour with specialised skills
- ii) clusters facilitate the provision of a wider range of inputs to an industry and at lower costs
- iii) clusters generate technological spillovers that are positive externalities for the industry and country

There are three critical issues of concern with respect to clusters in the Caribbean tourism sector. The first is what clusters exist in the sector and their extent of development over time. And the second issue is how have clusters contributed to tourism competitiveness and growth. The final issue is what are the best policy measures for the effective promotion of clusters.

With respect to the first issue of what clusters exist in the sector, it might be noted that some sub-sectors of the industry are better suited to the development of natural clusters. Natural clusters stem from inherent benefits from a group of firms locating in a particular area. These can be distinguished from “built clusters”, which are not inherent, but promoted by private and public initiative such as the integration of universities with private research and development institutions.

In the Caribbean natural clusters seems to have developed in the accommodation sector comprising larger multinational hotel chains and smaller indigenous hotels. Although theory and empirical evidence suggest that clusters are less important for large firms than for smaller ones, an important cluster has developed in the large firm sector in the Caribbean hotel industry. In most countries in the region, large hotels of similar scale and quality are located in relatively close proximity. This is the case whether it is Veradero in Cuba, the North coast of Jamaica, Rodney Bay in St. Lucia or the East Coast of Barbados. The determinants of cluster development in these large firms are catalysts for industrial location and include:

- ◆ Access to a pool of skilled or trainable labour
- ◆ A well developed and reliable infrastructure including transport networks, electricity , telecommunications etc and;
- ◆ Natural resource advantages such as beaches or cultural sites

Similar to goods producing industries, clusters in tourism are not galvanised by co-operation among firms as such, but stem from the positive externalities to have from location in an area and high demand for similar inputs that leads to quality supply of these inputs in the area. Even though the level of specialisation among large international hotel chains such as Four Seasons, Accord and Choice Hotels is low, these chains share common knowledge and technology that is often codified and standardised. Large hotels also have similar supply chains that are buyer-supplier relations that facilitate clustering. Clusters in this sense reflect the ‘maxim’ that like firms is attracted to each other.

Even within the large hotels cluster, there is further clustering based on All-inclusive hotels, upscale European plan and lower scale budget type accommodation facilities. These accommodation facilities have peculiar demand and preferences, technology, management structures and marketing systems that make it advantageous for them to locate together to benefit from spillovers.

A critical component of the accommodation sector with respect to clusters is the small hotel sub-sector. For one, this sub-sector is the dominant type of accommodation facility and secondly, clusters are more important to the survival and competitiveness of small firms. Unlike large firms, which have the financial capacity to purchase or develop technology, access highly skilled labour and that have well established supplier, distribution and management systems, small firms often have to depend on tacit knowledge and inter-firm interaction for support and survival. Particularly in the area of research and development and product/service innovation, clusters are often critical to

small firms, which because of the indivisibilities involved in these scale sensitive operations are beyond the scope of individual small firms. Generally, therefore, small hotels find it more beneficial than larger ones to share information and knowledge which is often tacit and not well codified in a standard form for dissemination.

Indeed, given their lack of plentiful financial and technology resources and their limited access to international supplier and distribution networks, small hotels and other firms in the Caribbean tourism sector have to maximise first-mover advantages presented by their intimate knowledge of the domestic economic and cultural environment. In most cases SMEs in tourism have to compete based on product differentiation and the capture of niche market segments. Here is where tacit knowledge and experience of the domestic environment is crucial and clusters offer an avenue for beneficial exchanges of information and processes and for practical learning by doing. This provides SMEs with the opportunity to offer a differentiated and indigenous product that is often preferred by many tourists.

In spite of the separation of the small and large hotels into different clusters, one must not think that there are no virtuous interactions between them. In fact, there is evidence for quite mutually beneficial linkages for both groups. This stems from the fact that the tourist often views his experience as an integrated whole. Tourists therefore demand the product of the larger hotels for their reputation and established standards and quality of service, but he/she also demands the products of smaller indigenous hotels and operators to add variety and a more local and authentic experience.

5. Sectoral linkages and leakages in tourism

The early rationale for the development of tourism was partly that it would promote linkages with agriculture and such manufacturing as existed in the region. Tourism would succeed, it was hoped, where industry has effectively failed. Undoubtedly, the case for fostering linkages between tourism and agriculture and manufacturing is as strong now as it was then. The sector remains more akin to an enclave, as does assembly type manufacturing with the region benefiting, primary from wage labour and taxes.

However, the development of inter-industry linkages presumes a level of local supply, both in quantity and quality as has not existed in the region. Ironically, the food import bill for the tourism sector remains alarmingly high. Even in countries with abundant fertile compared to their overall food demand, domestic agriculture remains anaemic. Consequently, the region faces the anomalous situation of foreign tourists seeking an indigenous Caribbean experience being fed largely foreign foods from their home countries. In fact, leakages from the sector, the counterpart of weak domestic inter-sectoral linkages, average about 70 per cent of total foreign exchange earnings, for CARICOM as a whole. Jamaica is an exception, although its situation is not fully satisfactory, tourism accounts for over 10 per cent of output of meats and eggs. With due respect, though, this pattern is not peculiar to tourism, but is also evident in agriculture and industry and is a reflection of the historical and continuing insertion of the region in

the global economy as primary producers or wage-based service providers. In the course of this dialectic, the region imports almost all technology, intermediate goods and the crowning heights of management and benefits from production primarily through wage labour, taxes and improved infrastructure in some cases.

Unstopping the bottlenecks in domestic supply to tourism requires a coherent strategy for galvanising the production of high quality produce in the demanded quantities and well-designed information system for synchronising supply and demand. The Jamaican e-basket plan that uses ICT to match farm supply with hotel and restaurant demand for fresh produce is a useful model for other countries. There is also a clear need for land reform to make land available at a reasonable price for small farmers and to match this with technical assistance and extension services to produce a reliable supply of high quality crops and meats. Assistance with extension services, need of course to be complemented with more dynamic institutions for providing seed capital for setting up farms or for improving farm productivity by the use of improved technology and bio-engineering. On the issue of bio-engineering, the universities need to be provided with incentives to undertake research and development projects to develop new high quality and yielding, pest resistant varieties of farm produce.

With the shortage of capital in the region, foreign direct investment continues to be a major catalyst to output and growth in tourism. Tourism is a capital-intensive industry that demands substantial investment in plant (hotels, guests houses, restaurants, attractions, transport and among other facilities).

Table 17 below shows FDI as a percentage of GDP for the resource-based (goods based) economies and compared with service-based economies of the Caribbean. Between 1990 and 2001, FDI to the resource based economies of CARICOM, including Trinidad and Tobago and Guyana, averaged 6.8 per cent of GDP, almost one per cent lower than for the service based economies such as Barbados and Antigua and Barbuda. A significant portion of FDI to the service based economies was channelled into tourism activities, especially greenfield investment in hotels and attractions.

Table 17: Foreign Direct Investment (as a percentage of GDP)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Anguilla	19.7	11.3	25.6	10.1	15.0	23.7	42.1	23.8	29.8	36.3	36.4	24.9
Antigua and Barbuda	15.5	13.3	4.6	3.3	5.0	6.4	3.6	4.0	4.4	5.6	5.0	7.8
Barbados	1.2	2.0	1.7	0.1	2.3	-0.3	1.2	1.4	0.7	2.2	6.0	3.6
Belize					3.3	3.1	1.8	1.3	7.5	7.2	2.5	5.0
Dominica	7.7	8.4	10.7	6.6	10.5	24.7	7.6	10.3	3.0	8.0	4.7	6.4
Grenada	5.8	6.3	9.0	8.1	7.3	7.2	6.6	10.6	13.9	11.0	8.8	8.6
Guyana	4.1	8.0	36.9	13.6	8.8	8.6	8.4	7.0	6.7	6.7	9.5	7.9
Jamaica		1.4	9.8	7.3	10.2	5.5	8.1	-0.1	2.0	-0.1	6.0	12.1
Montserrat	14.3	14.4	7.9	7.8	11.3	5.0	-0.7	6.3	6.8	23.4	9.9	10.2
St. Kitts and Nevis	6.0	4.9	2.5	6.9	6.9	8.9	14.3	7.2	11.1	19.0	29.2	24.1
St. Lucia	10.8	1.8	0.9	6.9	6.3	5.9	3.2	8.3	13.3	12.4	7.1	7.7
St. Vincent and the Grenadines	3.9	4.2	6.4	13.2	19.4	11.6	15.3	31.5	28.0	16.9	8.4	10.2
Trinidad and Tobago	2.2	2.5	3.1	8.8	10.5	5.5	6.2	17.2	11.6	5.5	8.1	6.2
Average all	8.3	6.5	9.9	7.7	9.0	8.9	9.1	9.9	10.7	11.9	10.9	10.4
Standard deviation	6.0	4.6	10.7	3.7	4.7	7.4	11.0	9.2	9.1	9.9	10.0	6.7
Average OECS	10.5	8.1	8.5	7.9	10.2	11.7	11.5	12.7	13.8	16.6	13.7	12.5
Average Larger	1.9	3.5	3.6	7.4	8.0	4.8	6.0	6.4	5.2	3.6	7.4	7.5
Average RBE with Guyana	2.1	3.	13.3	7.5	7.6	5.7	5.5	8.5	8.6	6.5	6.7	6.4
Average RBE without Guyana in 1992	2.1	5.4	1.0	7.5	7.6	5.7	5.5	8.5	8.6	6.5	6.7	6.4
Average SBE	8.4	6.0	5.4	4.4	5.8	6.2	8.0	6.4	8.3	12.4	11.7	9.8

Note: SBE = service based economies. RBE= resource based economies.
Source: ECLAC on the basis of official data.

6. Policies and strategies for the development of the tourism sector

6.1. The evolution of policy and strategy

Caribbean governments have recognised that natural resource comparative advantage alone does not guarantee consumer demand for tourism. Therefore, from the inception of the sector, governments have used policy incentives and strategies to promote the sector. In some instances, these policies have acted as an important catalyst to investment and growth in the sector. Indeed, it is doubtful whether a number of the large international hotel chains would have established operations in some of the smaller Caribbean islands without a significant incentive package. Domestic investment in the sector has also been influenced by the liberality of the incentive framework. Arguably, the high fixed costs and often-tight profit margins in the sector means that incentives are often important to the survival of small and medium sized properties and other operators in the sector, which cannot compete, based on economies of scale. This underscores the importance of governments ensuring that the incentive and total policy environment is coherent, integrated and enabling.

The logic of tourism policy in the region derives from the antecedent industrialisation by invitation strategy aimed at developing import-substituting manufacturing. As a consequence policy have long been heavily skewed in favour of investment incentives to the exclusion of a wider and more integrated policy framework geared to the holistic development of the sector. For instance, incentives for attracting investment in new hotels, attractions and transport promotion were often little supported by complementary incentives for product maintenance, innovation and human resource development. Fortunately, the challenges of competition have led a number of countries, particularly Barbados, Jamaica St. Lucia and St. Kitts and Nevis to develop more holistic and articulated tourism development strategies focussed on sector productivity, innovation, sustainability and competitiveness based on high quality service and value for money.

The traditional tourism development incentive package was relatively standardised across the region, with notably little adaptation to the bottlenecks and stage of development of the sector in individual countries. The standard investment package has included: 15 year exemption from corporate taxation, duty free concessions for the import of construction materials, furniture, fittings and other materials, capital allowances, depreciation allowances and guaranteed unrestricted repatriation of profits, dividends and capital by foreign investors. These incentives have been held to be competitive by world standards. Nevertheless, an overly liberal incentive framework without supporting infrastructure, human resources and a business friendly climate does not necessarily result in significant investment in a region. In fact, many destinations that focus on other core areas of investor facilitation, apart from direct tax and capital incentives, are more successful in attracting investment than the Caribbean. Indeed, if trends in inter-industry trade and investment, especially among OECD countries are

indicative, it is doubtful whether direct tax and capital incentives are overriding considerations in investment decisions.

Further, the focus on the start up costs of investment and corporate tax does not address the needs of many operators in the sector. Although the regime is well suited to countries that are trying to attract new investors for hotel and other activity development, it is not well suited to establish destinations where firms might be faced other problems. Working capital constraints, low occupancy rates, due to waning product maintenance and lack of development and innovation and marketing difficulties require policies that facilitate more affordable credit, research and development and marketing funds and strategies. In most instances, these policies have to be tailored to the specific needs of particular sub-sectors. It is critical that policy incentives should be less skewed in favour of new hotels, entertainment and other firms and more in favour of product quality maintenance and product development. This could be done by switching of some tax and other incentives from greenfield investment to established firms or where resources allow, the creation of new incentives for the rejuvenation of established tourist firms.

There is also evidence of a lack of uniformity and equity in the administering of the incentives. Generally, the regime is biased in favour of larger hotels and other operators, which can exercise more political influence because of their size, the number of persons they employ and tax returns. Smaller hotels and operators have long clamoured for a harmonised incentive regime, which will allow them from this standpoint to compete on the same footing as larger properties.

An important policy concern is the extent to which policy incentives are countered by the high cost of doing business. Hoteliers and tour operators and other investors in the tourism sector indicate that even though the incentives offered might seem fairly liberal, the relative cost of doing business compared with other destinations is high. This stems from the high cost of utilities especially electricity and telecommunications.

Moreover, the rate of corporation tax for the sector in most Caribbean countries is relatively high by international standards. Hoteliers have expressed the view that the tax burden is an important constraint on resources for reinvestment, renovation and product development. Table 18 below shows that the Dominican Republic, one of the cheaper Caribbean destinations, compared unfavourably with Honolulu and Rio de Janeiro in VAT/Sales tax, and its average weekly rate with taxes exceeded that of all the listed cities except Miami. The situation is probably worse for other more expensive Caribbean destinations such as Barbados.

Table 18 Comparison of Tax Rates in Selected Countries

Hotel Rooms							
City	Avg. Rate w/o taxes-6 days	VAT/Sales Tax	Additional Room Tax	Flat Fee #1 ..	Avg. Rate w/ taxes	Total Taxes in U.S. \$	% of Total Cost
Honolulu	\$588	11.41%	..	..	\$655.13	\$77.13	11.77%
Miami	\$690	12.50%	..	..	\$776.25	\$86.25	11.11%
Rio de Janeiro	\$576	8.65%	..	\$2.00/night	\$638.86	\$62.68	9.84%
Acapulco	\$480	15%	2.00%	..	\$561.60	\$81.60	14.53%
Santo Domingo	\$600	12%	..	..	\$672.00	\$72.00	10.71%

Source: World Travel & Tourism Tax Barometer

Using an example overseas, in the mid 1980s Ireland, a relatively small economy by developed international standards halved its VAT on visitor accommodation and restaurant meals. This led to a sharp increase in visitor arrivals and a 50 per cent growth in foreign exchange earnings.¹⁶ Moreover, high tax rates lead to under-declaration of profits by hoteliers and other operators in the sector, so in effect, the tax take is lower than what it should be. Seemingly, a legitimate case can be made for lower taxes to reduce the distortionary effect high corporate taxes on growth of the sector. A lower rate of corporation tax might not only improve retained earnings for plant renovation, refurbishment and new investment, but might also increase average tax collections as a result of more accurate reporting of profits and dividends.

A rather welcomed initiative is the move away from Hotel Aides Acts to Tourism Development Acts and strategies. This change is a welcome acknowledgement of the multi-faceted and cross-sectoral nature of tourism. Many countries in the region have formulated tourism development policy frameworks that attempt to integrate domestic attractiveness and comparative advantage with changing trends and preferences of visitors.

The legislation has been revamped in most countries to provide incentives for other activities such as water sports, transport and lotteries and gaming. In addition, the approval and licensing process for operators have been more clearly articulated and made more rigorous in some cases to ensure product standards and environmental sustainability.

Importantly, greater emphasis is now placed on macroeconomic stability as a precondition for sustainable tourism development. The key benchmarks of macro-stability: stable prices that reduce the tax on investment, sustainable balance of payments, fiscal balance and stable growth with a progressively more equitable distribution of income are critical to sustainable tourism.

¹⁶ The Tourism Industry in the U.K., Research Paper 00/66, 23 June, 2000, House of Commons Library.

The structural adjustment, liberalisation and economic reform programmes of the latter 1980s and 1990s have borne fruit in a number of Caribbean countries, which is manifested in lower and stable rates of inflation. Fiscal consolidation is reflected in lower fiscal deficits, reduced tax rates, particularly the common external tariffs (CET) where most countries have moved to an average rate of about 20 per cent. Moreover, exchange rates more stable and currencies more tradable and improved growth rates.

Macroeconomic soundness and stability is recognised as a backdrop to sustainable tourism development. The specific policies for the development of tourism are meant to be more laser-guided, that is targeting specific areas for reform and development. Nevertheless, there is a recognition that 'picking winners' in the sector is a random science at best; hence the need to ensure that policies are relatively broad and generic so that creative and enterprising firms can take advantage of them.

Most countries have revamped their underlying philosophy of tourism to focus on sustainable tourism. This is in keeping with Agenda 21 of the Sustainable Development of Small Island Developing States Plan of Action (SIDSPOA). However, sustainability is increasing seen for what it should be not a focus on environmental considerations overwhelmingly, but a harmonious mix of economics, science and technology, socio-cultural, political and environmental considerations. Integrating these diverse factors, policy focuses at the macro level on three broad areas: enhancing productivity and competitiveness in the sector with a view to maintaining the Caribbean as a largely up-market destination, societal participation and benefit and environmental sustainability.

From an economic standpoint, most regional destinations acknowledge that product quality and competitiveness has become a problem in recent years. Therefore, external competition is not the genesis of regional difficulties, but only compounds the stagnation in the regional product. Most countries have or are in the process of developing major plans for the rejuvenation of their tourism product.

Product improvement and development policies recognise the need to address relatively low labour productivity in tourism-a sector that is quite labour intensive. The bulk of workers in the sector are unskilled with little culture of professionalism and efficiency. In most countries this barometer of the lopsided education system, which although it has created a reasonable secondary school cohort, is quite lacking in persons with graduate and professional experience. Without higher levels of skills and experience, self and work management becomes major factors constraining worker efficiency in a sector that is largely driven by customer service. Therefore, although hourly wage in the region compare favourably with many other tourist destinations at a similar level of development, output per worker hour are lower in the Caribbean. This pits the region at a competitive disadvantage, especially in respect of price competitiveness.

Another constraint on productivity growth, is the very nature of tourism itself. Tourism, like barbering, being an embodied service (productivity of the service depends on the skills and talent of the worker), it is difficult to unlock productivity growth by

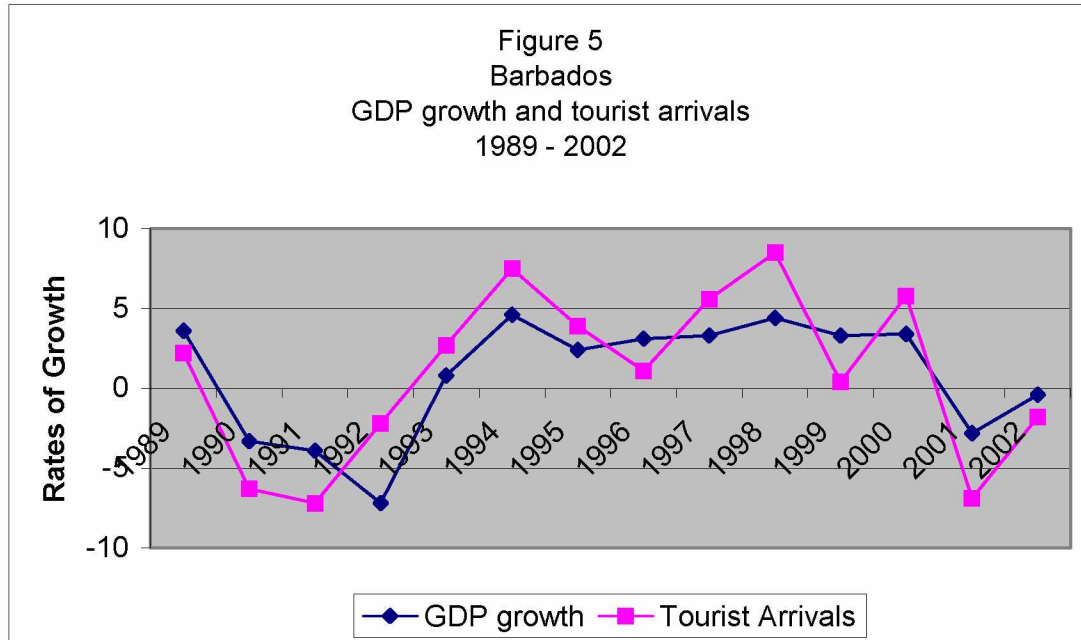
technical progress. This in part, accounts for the relatively slower productivity growth in tourism, compared with disembodied, knowledge-based services such as ICT services.

A critical component of product development in all the countries is a strategy for enhancing the variety and quality of tourist sites. Site development is an essential part of the policy to better meet the demands of more mature tourists with preferences for a variety of sites and activities and a desire to incorporate learning about the indigenous culture in their travel experience. Countries are therefore paying greater attention to community based tourism that focuses on sustainable livelihoods for residents of the community and an enriching experience for the tourist. This symbiotic relationship is promoted within the context of an environmentally sustainable framework. A number of countries including St. Lucia, Barbados and Jamaica have developed environmental management systems to continuously monitor and upgrade tourism sites to ensure that they conform to global environmental standards. Importantly, in this regard, countries are seeking to qualify for Green Globe certification of their sites and product to market themselves as certified “environmentally friendly” destinations.

6.2. An illustrative example of the Hotel Development Act: the case of Barbados

The Barbadian economy depends mainly on tourism. Even though tourism represents 14% of GDP in real terms it is linked to almost every other activity in the country from the construction sector to agriculture. It is also an important contributor to tax revenues and by far the most important foreign exchange earner in the economy (90% of the total).

Figure 5 below captures the significance of tourism for the Barbadian economy by plotting the rate of growth of GDP and that of the rate of change of visitor expenditure. The correlation coefficient is above 0.80.



The official position is to develop Barbados as a niche market: “Our objective is to develop Barbados as an upscale destination, without the introduction of mass attractions like casino gambling or the use of a variable exchange rate” (Ministry of Finance of Barbados 2002). The underlying reason for seeking market segmentation is that Barbados is a costly tourism destination and cannot compete with other destinations, such as the Dominican Republic or Mexico.

In practice this strategy boils down to: (i) a range of fiscal and tax incentives, (ii) the virtual elimination of small hotels or guesthouses, and (iii) a programme of government capital expenditure support for the tourism industry.

The fiscal and tax incentives were granted originally through the Hotel Aids Act (1967) which was replaced with the Tourism Development Act (2002). The underlying principle of the tourism act is that firms in the tourism sector must be supported throughout their lifecycle and not only at the starting stage.

The most important features of the Tourism Development Act are as follows:

- Hotels are defined as any building containing not less than 10 bedrooms each of which is valued at 87 000 US\$.
- Hotels are allowed a write-off of 150% of interest expenses to refurbish a hotel, construct a new hotel with no less than 250 rooms with conference facilities, the consolidation of hotels administered as a group.
- Hotel owners are given 15 years to write-off capital expenditures against income accruing to the business for hotel properties with a value of up 100 million US\$.

An additional year is provided up to a maximum of 20 years for every additional expenditure of 10 million US\$ over \$100 million US.

- Tax free payments of dividends to the owners of a tourism product.
- 150% tax write-off on expenditure on tourism research, enhancing tourism capacity, organization of trade fairs, development of linkages with other sectors, development of community tourism programmes, development of computer software to measure the performance of the tourism industry.
- Similar tax concessions are provided for restaurants, villas, attractions, sports and recreational facilities.

The tourism ministry has set a range of targets to measure the performance of the Tourism Development Act. The success of the plan will be gauged according to increases in the number of tourists (including stay-over and cruise-ship arrivals), visitor expenditure, expenditure per visitor, rate of hotel occupancy, number of hotel rooms, brand name hotels, cruise berths and direct employment. These targets are reproduced in Table 19 below for the planned 10-year time range.

Table 19: Barbados Tourism Development Act (Selected) Targets

2000 – 2010					
	2000	2001	2002	2005	2010
Stay over visitors	544 696	561 037	577 868	659 337	929 035
%		3.0	3.0		
Cruise ship arrivals	533 609	586 970	607 514	725 569	903 595
%		10.0	3.5		
Visitor expenditure (mill BB\$)	1 407	1 485	1 537	1 847	3 000
%		5.5	3.5		
Expenditure per visitor	1 305	1 293	1 296	1 333	1 637
Hotel room occupancy	60.7	61.1	62.0	75.0	85.0
Number of hotel rooms	5 810	6 100	6 250	7 010	9 500
Brand name hotels	1	1	1	3	6
Cruise births	594 199	653 619	676 496	807 956	1 006 196
Employment	13 500	14 020	14 350	16 474	22 325
Source: Green Paper on the Sustainable Development of Tourism in Barbados. A Policy Framework. Ministry of Tourism (2001)					

- As indicated above the government intervenes directly and as circumstances see fit to enhance the promotion of exports. These interventions include capital development projects (infrastructure, buildings, transportation, airport facilities) and the reduction of transport costs (i.e., the shipping incentives and its amendments in 2002 grant and extend

concessions to shipping companies). An important feature of the budget in most Caribbean countries including Barbados in the Public Sector Investment Programme.

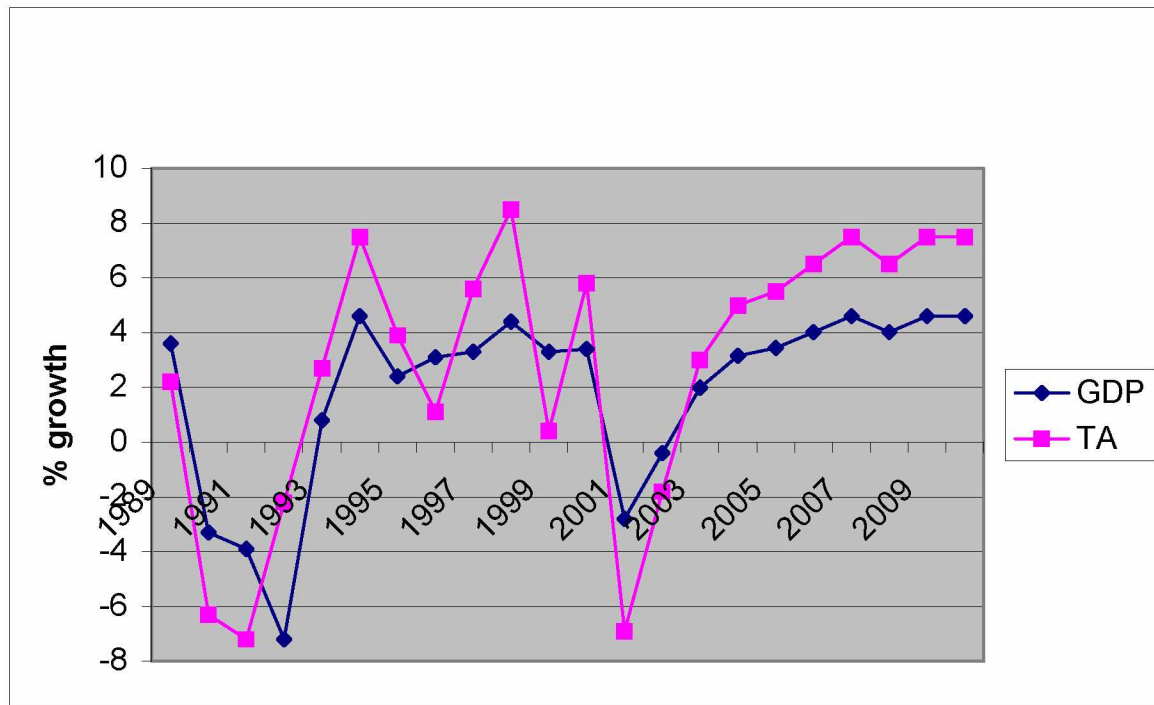
Preliminary estimations indicate that between the year 2001 and 2010 the cumulative increment in employment in the tourism sector will be 8 829 workers or an increase in the tourist labor force of 65% between both years. In addition preliminary computations show that the necessary increment in visitor expenditure is 1 041 570 US\$ to generate that employment. In other words, the Tourism Development Act expects that with the new laws and infrastructure in place 118 US\$ can generate one additional job in the tourism market.

Preliminary estimates also indicate that the regression coefficient between GDP and the rate of change in tourist arrivals using a simple linear regression approach is 0.58 (See Table 20 below). Using these results the average growth of GDP for the period 2003-2010 would have to be of the order of 3.8%. See also Figure 6 below.

Table 20: Linear regression results of the rate of growth of GDP on tourism arrivals in Barbados 1989-2002

$\text{GDP} = 0.25 + 0.58\text{TA}$ <p style="text-align: center;">0.42 5.01</p> $\text{R2 (Adj.)} = 0.65$ $\text{DW} = 1.82$ $\text{SC}(\chi^2(1)) = 0.4; \text{FF}(\chi^2(1)) = 0.06; \text{N}(\chi^2(2)) = 13.2; \text{H}(\chi^2(1)) = 2.25$
<p>Note: GDP denotes in fact to the rate of growth of GDP. TA denotes the rate of change in tourist arrivals. The numbers below the regression result are t statistics. R2(Adj) denotes the adjusted determination coefficient. DW denotes the Durbin-Watson test. SC denotes the Lagrange Multiplier Serial Correlation Test. FF denotes Ramsey's Reset Test. N denotes the Jarque-Bera normality Test. H denotes the heteroscedasticity test based on the regression of square residuals on fitted values. Source: On the basis of data provided by the Central Bank and the Ministry of Tourism of Barbados.</p>

Figure 6: Barbados, GDP growth and tourist arrivals Projections for 2002 -2010



7. The role of information technology in tourism development

Technology is the handmaiden of progress. Today information and communications technology (ICT) is a major driver of innovation and competitiveness in services including tourism. In the past, tourism was often seen as subjected to productivity growth constraints due to the difficulty of raising labour productivity in a highly labour intensive sector. However, this view has been revamped in light of evidence of the potential of ICT to not only facilitate improvements in labour productivity, but to create labour-saving techniques of service delivery. In the Caribbean, high incidence of persistent unemployment and poverty the focus should be on use of ICT to enhance the efficiency and productivity of labour as far as possible.

ICT is especially transformative in the upgrading of tourism services standards and quality. ICT holds great potential for improving the technical and functional quality of service offerings by tailoring services (accommodation, transport and entertainment packages) to suit the needs to individual tourists. Importantly, the technology can be used to provide comparable real time packages that offer the consumer better choice of options to choose from. In an increasingly discriminating market environment, this is proving more and more important.

With respect to the mode of supply of tourism services, ICT is critical to Mode 1, cross-border supply, including tour operators, internet reservation systems and through a global distribution system (GDS). These marketing systems assist considerably in

reducing costs, streamlining operations and providing real-time, efficient delivery of service.

A crucial concern for the regional tourism is the so-called digital divide between the large established international hotel chains, tour operators and transport and distribution systems and the smaller market players. The large hotels such as the Marriott, Four Seasons Resort and Sandals Resorts, tour operators such as TUI and Thomas Cook have embraced ICT as a tool for transforming their operations and promoting dynamic competitiveness. With large global balance sheets, the ability to undertake large scale research and development or source the best quality ICT systems, large firms (hotels, tour operators etc) have been opening up the gap between themselves and smaller market players.

The larger hotel chains undertake integrated on-line bookings, on-line advertising using well-established systems such as Yahoo and Travelocity and virtual reality tours of their properties. Moreover, they are able to use the technology to create customised service packages to their clientele at a higher price than general offerings. This provides them with a competitive edge in the market place, which reinforces their first move advantages in terms of length of time in the market, financial resources, access to technology and the ability to source skilled labour.

Establishments that could afford it have also been using ICT to streamline their supplier and distribution and marketing networks. The internet offers the opportunity for pooled and bulk purchases at competitive prices. The bundling of products offers good potential for obtaining economies of scale and scope that could redound to the benefit of regional firms.

8. Policy recommendations for fostering a dynamic and competitive tourism sector

Policy measures for the restructuring and transformation of tourism into a competitive and sustainable sector need to be framed on the basis of a holistic picture of the sector. Although it is expected that from specific measures would have to be pragmatic-a kind of pigeonholing of policies to suit realities on the ground, there must be a broad, generic conceptual frame of reference for the judging the progressiveness of policies. The most appropriate approach in this respect could be described as a strategy of open-localism. That is although policies would be embedded in the local economic, historical and cultural milieu; policies would also be flexible and open to international demand, technology, business and other practices. This approach is most pragmatic for fostering a dynamic and sustainable tourism sector with improved benefits for the regional economy and society.

To achieve the laudable goal of a sustainable, welfare-improving tourism sector a dual, generic and particularistic approach is required. This framework should address the inter-relations between tourism supply and demand, price and cost competitiveness, standards and product quality, productivity and efficiency and factor inputs such as

labour and technology, evolving trends in the structure of the sector and environmental sustainability. Crucially, policy interventions should be made both at the level of the industry as a whole, but more importantly from that of groups of related firms. This list of issues is not exhaustive, but it points to the need for a tourism model as a frame of reference for the direction and intensity of impact of variables on each other.

8.1 Industry restructuring and change

As indicated before, structure and supply conditions vary in different segments of the tourism sector. This makes a uniform restructuring approach impractical. Policy change and reform for transforming the structure of the industry need to focus on the strategic vision of firms in the sector, economic concentration and its impact on competition, ownership and control in the sector and productivity growth in the sector as chief factors among others.

Public policy needs to encourage foreign firms to reinvest more of their profits and dividends in the local economy, where they are earned. Currently, multinational enterprises in tourism aggregate their investment strategy, with the net effect that one location tends to subsidise another. It is not unforeseeable, therefore, that older Caribbean destinations might be subsidising new locations, for example, in Asia.

A partial focus on revitalising established firms does not mean that greenfield investors, especially in the construction of high class hotels, provision of environmental services and attractive entertainment outlets should be neglected. But given that maintenance is the bane of the regional tourism industry, it seems a misplaced policy to focus inordinately on new business, only to allow that business to be “run down” in a few years, with consequent fallout in product quality and consumer demand for the product.

Competition remains a critical policy concern. Regional policy makers cannot turn a blind eye to increasing oligopolistic practices in the industry- the result of inexorable drive towards industry concentration. Substantial concentration in the tour operator market with a few players dominating the market has led to discounting of already low prices in the region. This trend has accelerated since the attacks of September 11, 2001. The irony of this situation is that lower prices constrain profit margins and limit the scope for product rejuvenation that is so badly needed in the region. The incentive regime need to focus on the development and strengthening the competitiveness of local tour operators, entertainment and other players in the sector as a competitive to oligopolistic foreign players. To develop a local tour operating sector, liberalisation under Mode 1-cross-border supply and the promotion of e-commerce could provide direct access for regional service providers in OECD markets.

Patterns of ownership and control in tourism are critical factors that impinge on investment, technological upgrading and linkages with other sectors in the economy. The policy calculus of the future must entail a strategy for accelerating meaningful indigenous participation in the sector. CARICOM has reserved some segments of the industry including tour guides, local transportation, restaurants and travel agents for local

providers. However, reservation of sectors must be complemented by an appropriate package of incentives and technical assistance to promote entrepreneurship in these activities.

8.2 Product development

A number of Caribbean destinations are in the maturation phase of the product life cycle. This is characterised by waning product quality and mystique, declining competitiveness and demand. Clearly product development need to focus on product rejuvenation and revitalisation as much as the creation of new products as the fruits of innovation.

Product development should entail the use of an integrated strategy to resuscitate and upgrade the quality of the product offering, incorporate the use of new and cutting edge technology and to strengthen labour productivity and efficiency in the sector. With respect to the issue of quality, carrying capacity limitations suggest that Caribbean destinations should focus on the high-end/high value added segment of the market as far as possible. This offers the opportunity for providing a high quality product that can be differentiated from mass-product offerings. The reality is that tourists are not concerned with price of services by itself, but with value for money. This means that in many instances, they would prefer to purchase a higher quality, more expensive product that provides greater satisfaction. Small destinations such as those in the OECS countries are hard pressed to cope with mass tourism given their limited land space and facilities, but have good potential in indigenous heritage, eco-tourism and sports tourism among other areas.

The tremendous scope technology holds for transforming services, implies that regional policy makers should develop a holistic technology framework for tourism.

Undoubtedly, the Caribbean needs a clear focus on what segments of the market that it is suited to supply. Supply policy and strategy would of course be based on dynamic comparative advantage and changing consumer preferences and profiles. Nevertheless, the components of the “regional” and local brands in individual countries should be situated within a holistic theme based on regional culture, history and natural resources. Indeed, hotels, theme parks and other facilities can be replicated readily in other destinations, but it is through product differentiation and distinction based on high quality service and attractions in a unique Caribbean cultural and historical setting that the region can distinguish itself.

Across different market structures, a few critical policy issues demand attention. These issues relate to optimum levels of diversification in the sector, product differentiation and niche marketing and finally, sector specific standards and quality of service.

The Caribbean will continue to be known for sun, sea and sand tourism (Triple S tourism), reflecting the predominant demand for warm weather leisure destinations.

Nevertheless, trends for some time have been pointing to a more discriminating tourist whose preference and tastes is centred not only on ease and leisure, but action, education and immersion into the local culture.

As Franklin and Crang¹⁷ note global trends indicate that tourists are seeking to be doing something in the places that they visit rather than being only passive spectators. Therefore, both changing consumer preferences and the need for restructuring to spread the base and improve the benefits from the sector demand a well-balanced diversification programme.

Sub-optimal performance in large scale, mass tourism has led most regional destinations to pursue alternative forms of tourism. Alternative tourism offerings are varied and include business and conference tourism, heritage tourism, sports and cultural tourism and eco-tourism, among other types. Most of these alternative offerings are based on anticipating market trends and providing a customised, niche product. The reality is that destinations around the world are also vying for the alternative this segment of the market. It is therefore imperative that Caribbean countries differentiate the products and services offered in these tourist activities by superior price and quality. Regional suppliers should focus on embedding of their product in the indigenous heritage and culture-a factor that could strengthen linkages with agriculture; craft and other activities redound to the benefit of communities.

Presently, policies for promoting tourism have been only furtive and reflect a basic naivete in most countries. It is proposed that countries undertake a bold integrated framework for the competitive development of alternative tourism. Product strategy should promote health tourism as an area for prospective growth. Health care institutions providing comprehensive care, especially for the aged. This should incorporate the use of hot water sulphur springs where they are available, alternative tropical medicines and treatments and high quality care and hospitality. Importantly, this type of tourism presents an avenue for developing linkages with the pharmaceutical industry, agriculture and the communities in which springs, waterfalls and other natural restorative features are located.

The main components of this programme should include implementing minimum benchmark standards of service.

Branding, though well-established in the mass-market, is not well-used in alternative tourism. Different alternative brands should be developed to cater for multiple customer demand and promoted through strategic advertising, the meeting of standards and quality expectations and be properly distinguished from other brands. For example, within the eco-tourism high quality nature trails could “labelled” differently from lower quality ones, snorkelling sites are graded as are scuba diving and kayaking. Branding, though it entails added costs, provides the tourist with a sense of confidence that

¹⁷ See Franklin, Adrian and Crang, Mike, “The Trouble with Tourism and Travel Theory”, *Tourism Studies*, vol. 1 (1), 2001

standards would be upheld and quality and safety adhered to. However, it is an important means of maintaining the demand for the product.

8.3 Entrepreneurship and ownership

No industry can survive for long without the injection of new business ideas, products and processes. In fact, stagnation in a number of regional destinations is as much a reflection of inadequate investment in established plant as a lack of new entrepreneurs in the sector. Regional governments need to work with the private sector to make the economic environment more favourable to new business and ideas. A system of business incubators and mentoring could be established to train prospective businesspersons in project preparation, the technical aspects of business start-up and establishment, management and record keeping and marketing.

However, the technical aspects of business facilitation are not enough and would have to be complemented by suitable finance. The trouble here is that regional commercial banks and other financial institutions have a strong preference for lending short-term, which is often inadequate for businesses with a long gestation period. It is recommended that governments take the lead in establishing vibrant venture capital institutions such as investment and merchant banks. In this regard, governments should seek the support of willing private sector financiers. Venture capital institutions should be outfitted to provide term finance for sound, bankable business projects, with adequate prudential criteria and benchmarks of performance on the part of businesses.

Although traditional industrial structure does not pay much attention to ownership structures, this is a critical issue for the sustainable development of regional tourism. The policy impetus must be aimed at steady growth in local ownership and partnership in the sector. Indeed, economic history has shown that domestic ownership and entrepreneurship are the primary drivers of investment, innovation and growth in industry. Generally, there is a proprietary commitment exhibited by domestic firms that is not usually shown by foreign-owned firms. This is no argument for unwarranted domestic protectionism, but is an observation from most developed countries, where the impetus to growth and development has been provided primarily by domestic firms.

8.4 Promotion of small and medium size enterprises (SMEs)

The majority of firms in the regional tourism sector are SMEs. SMEs are widespread in the hotels sector, tour operators, entertainment and ground transport and other activities. SMEs contribute to competition in an industry that has experienced growing levels of concentration, particularly consumer-unfriendly vertical integration, the result of mergers and acquisitions. Healthy competition is essential to a dynamic and vibrant sector that would be forced to improve the standard and quality of its service in order to survive. Probably more importantly though, is the potential that small firms hold for improving innovation and creating new products since these factors are usually more important to their competitiveness than price. In information technology for instance, small firms operating in dynamic clusters in Silicon Valley and other places create much

of the new products. The policy strategy should focus on removing bottlenecks that impede ability of SMEs to compete.

In the first place, the incentive framework for SMEs in the hotels, entertainment, transport and other sectors should be made as favourable, or even more favourable than that for large firms in the sector. Tax incentives, duty free concessions on imports and marketing assistance should be more favourable for small firms in the sector. Technical assistance under the EU Partnership agreement and at the multilateral level should be fully utilised to provide a fillip to growth and competitiveness in local SMEs. Governments should endeavour to source technical assistance to upgrade the standards of operations, improve internal management practices, to improve product quality and to capture high-value added market niches for SMEs.

An important aspect of quality and standards is the grading of small firms. A frequent complaint of tourists is that service providers of similar rank and costs provide widely differing standards of service and value for money. Tourism being a heterogenous, intangible product, it is difficult to harmonise product quality and standards. However, in the interest of maintaining the integrity of their product, standards agencies need to ensure strict compliance by SMEs with minimum quality and standards that are in keeping with their grade or rank in the overall product offering. Therefore, although a bread and breakfast establishment would not be expected to meet the standards of a reasonably upscale medium scale establishment, it must meet the industry-wide bread and breakfast minimum standard.

8.5. Human resource development

Since tourism is a relatively high employer of labour particularly high premium should be placed on human resource development. Strategies for boosting productivity growth in tourism and other sector, often place great emphasis on technology and modern production systems to the detriment of investment in the training and motivation of workers. Both employers and policy makers must acknowledge that workers respond to incentives. This recognition should be the basis of an integrated programme of training and retraining workers to meets the skills demand of the industry. Training requirements should be based on realistic forecasts of growth in the sector. Importantly, the skills complement should reflect the policy of strengthening local ownership in the sector. This demands that a concerted focus be placed on training nationals for top managerial, financial and technical positions in the industry.

One area of difficulty is the relatively rapid turnover of staff in the industry. This has led to some reluctance on the part of hoteliers, entertainment outlets and other operators to invest the required resources in staff training. Training in this respect is viewed as a quasi-public good over which the employer does not have full proprietary rights. This might demand a part financing of some aspects of training by the public sector, to offset the transactions cost to private firms in the industry from staff turnover. Indeed, part financing for training might be critical to the provision of adequate training

and skills for SMEs, which lack the financial capacity to undertake the training necessary for improving competitiveness.

Enhancing the quantity of training will not suffice, the quality dimension must also be addressed. The market is a hard taskmaster and training and human resource development that does not correspond with the service preference of consumers will prove futile. In this regard, policy makers, especially marketing boards and promotion agencies in the region need to improve their information gathering on market skills demand and changing in consumer tastes and preferences so that workers could be trained to meet consumer needs. Information technology offers great opportunities for undertaking surveys and other instruments for ascertaining consumer needs and also there is scope for streamlining promotional agencies to collect different kinds of information to assist in training and manpower planning for the sector.

8.6 Aspects of the economic environment

Four aspects of the economic environment need to be attended to promote tourism development. These are the public sector deficit, wage and productivity and exchange rate appreciation and the quality of institutions. With the decline in receipts from traditional commodities, some governments have been hard put to meet revenue targets. This combined with high mandatory and pro-cyclical spending on wages and salaries and goods and services, precipitate fiscal crises in a number of countries. Governments are challenged to streamline and rationalise budgetary operations to eliminate wasteful spending to avoid deficits that often lead to the crowding out of private investors in local credit markets. Moreover, greater priority should be given to capital spending on refurbishing of infrastructure and public sites and facilities to maintain a high quality tourism product.

Generally, tourism pays higher wages than agriculture and low value added enclave manufacturing. However, the real concern is not the relative wages among sectors, but wages relative to worker productivity. Although it is expected that workers will be paid fair wages, growth in wages that exceed worker productivity is inimical the competitiveness of regional tourism. Therefore trade union wage push for higher wages, even in other sectors that could have a knock on effect on tourism need to be managed by a well designed tripartite framework to ensure fairness and competitiveness. In a similar vein, increases in domestic resource costs that could lead to real exchange rate appreciation and reduced price competitiveness also need to be properly managed.

Conclusion

Caribbean tourism has established for a long enough period to glean certain broad patterns of change in the industry. Although the industry reflects dynamic change as an adjustment to market demand and evolving product supply, for example All-inclusives and eco-tourism, broad structural features of the industry in terms of openness, weak linkages and high leakages, ownership and control and domestic accumulation have changes little. In fact the structural characteristics of Caribbean tourism, although governed by its own peculiarities is quite similar to those of its agriculture or industry. Arguably, the structure and dynamics of the sector should set the agenda both in the short and longer term for reform and restructuring in the sector. Pragmatically, although some short to medium term changes with respect to product development, industrial policy, marketing and promotion could be implemented, structural change would have to be approached as a long-term process with gains and losses over time.

The regional tourism sector continues to be comprised mainly of small and medium sized firms, whether it relates to hotels, attractions and entertainment, travel agents or ground transportation. In spite of this numerical dominance of small firms, however, increasing concentration in the industry world wide has led to market control and dominance by fewer large firms, operating in oligopolistic markets marked by collusion in the setting of prices and output. The growing trend of mergers and acquisitions in the industry is reinforcing oligopoly and constraining competition. Regional competition policy under the CARICOM Single Market and Economy (CSME) needs to establish a framework to counter anti-competitive practices that exceed prescribed benchmarks in the industry.

Within the last few decades, the region has become ever more dependent on tourism and is indeed the most dependent region in the world. Ironically, however, even as the region becomes more dependent, deteriorating quality and productivity marks the evolution of the product life cycle in most countries. This suggests that without programmes of rejuvenation, structural change and product/service innovation-butressed by research and development; the region-wide competitiveness is set to decline relative to newer destinations resulting in specialisation in the medium to mass market. In this regard, efforts to strengthen standards, quality management and product grading in the industry must be strengthened and upgraded to anticipate market trends. Furthermore, the incentive framework should give greater priority to product rejuvenation and innovation. At present incentives seem to be too skewed in favour of greenfield investments by conventional service providers such as large hotels and providers of attractions. Small, resourceful operators must be provided with comparative incentives to enable them to compete.

Critically, the tourism sector must fit into wider concept of the kind of development that the region intends to pursue. In this respect, ownership and control in the industry needs to be addressed. The regional policy makers need to design a clear strategy for increasing indigenous ownership in the sector. This could be done through

the encouragement and facilitation of employee acquisition of shares and stock options in hotels, transport and attractions firms and also through policies aimed at enhancing domestic entrepreneurship. Entrepreneurship is a difficult issue as it is governed by its own “animal spirits”, technical assistance in the development of business plans, promotion of stronger links between the Universities and private sector institutions and facilitation of equity and venture capital institutions to provide term finance could help to catalyse entrepreneurship. In addition, attention must be paid to the efficiency of public utilities and services. High transactions cost occasioned by long delays for clearing goods at customs, slow and bureaucratic approval systems and inadequate electricity, water, telecommunications and other services all serve to erode the competitiveness of firms in the tourism sector.

Beginning with the regional brand and filtering down to local country brands, regional success demands a cohesive, integrated marketing strategy. This should be aimed at selling the region mainly for high quality services in the areas of comparative advantage (sun, sea and sand, cultural and interpretative historical museums and sites and entertainment services). The Caribbean private sector needs to pool resources to enter niches in the tour operating business, where they will be well-positioned based on their knowledge of the region to provide context-sensitive distribution and marketing packages.

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Annex 1

Tables 20 -34

Table 20
Caribbean countries weighted sectoral share of output, 1990 and 2000
(percentages)

	<i>Agriculture</i>		Mining		Manufacturing		Tourism		Financial services		Other services	
	1990	2000	1990	2000	1990	2000	1990	2000	1990	2000	1990	2000
Antigua and Barbuda	4.2	4.9	2.0	2.2	3.4	2.8	14.4	14.4	7.2	11.2	18.9	25.1
Barbados	7.3	6.1	0.8	0.9	10.0	9.3	13.9	15.0	0.0	0.0	7.8	8.3
Belize	18.4	21.0	0.7	0.8	17.2	17.2	19.2	19.8	5.1	5.2	25.2	24.8
Dominica	25.0	18.2	0.8	0.8	7.1	7.2	2.1	2.4	11.3	13.2	16.2	20.9
Grenada	13.4	10.1	0.4	0.6	6.6	9.9	5.8	11.8	7.8	12.9	20.1	30.5
Guyana	23.6	35.4	9.5	10.9	11.1	11.7			6.0	5.7	8.7	8.5
Jamaica	6.2	7.1	8.7	9.1	21.1	15.8	9.4	16.9	9.2	14.9	.....	.....
Saint Kitts and Nevis	6.5	3.8	0.4	0.5	12.9	14.3	7.6	9.0	8.0	19.3	15.0	17.6
Saint Lucia	14.6	7.7	0.4	0.5	8.2	5.9	9.6	13.3	7.3	10.6	16.8	20.0
Saint Vincent and the Grenadines	21.1	12.0	0.3	0.3	8.5	5.8	2.2	2.5	7.6	9.6	20.5	25.2
Suriname	9.3	11.1	9.1	17.8	13.0	10.6	12.1	10.6	17.8	9.3	5.4	8.9
Trinidad and Tobago	1.9	1.8	57.7	56.5	4.5	6.0	5.7	7.3	5.0	4.7	5.9	6.2
Weighted average a/	17.2	18.6	39.4	36.8	12.7	11.6	39.1 ^a	47.2 ^{a/}	.....	.....	.....	.....
Weighted average for agriculture (excluding Guyana)	13.5	9.5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

Source: Selected Statistical Indicators of Caribbean Countries (LC/car/G.666). Vol.XIV 2001. ECLAC

Note: "Other services" includes communications and transport.

a/ The weighted average was estimated for agriculture, manufacturing and the service sector as a whole.

Table 21**Contribution of services to GDP (constant terms) by OECS Member states
2002**

	Anguilla	Antigua and Barbuda	Dominica	Grenada	Montserrat	St. Kitts	St. Lucia	St. Vincent	ECCU
Total Services	81.4	73.9	59.2	69.3	61.4	56.4	75.6	66.7	69.7
Electricity and Water	4.5	4.7	6.2	7.1	3.6	2.4	5.8	8.3	5.6
Wholesale and Retail	7.9	10.7	16.8	13.1	6.8	14.5	12.5	22.2	13.7
Hotels and Restaurants	35.9	13.9	3.1	9.5	2.1	4.6	14.4	2.6	10.8
Transport	5.6	12.4	11.0	15.5	10.2	9.6	12.5	16.6	12.7
Communications	16.3	13.2	13.7	13.2	12.2	12.6	13.4	10.3	13.0
Banks and Insurance	22.0	13.1	17.6	13.8	15.4	14.9	11.5	11.1	13.5
Real Estate and Housing	4.3	8.9	4.9	5.0	12.7	3.2	9.3	3.2	6.6
Other Services	2.4	7.9	1.9	3.6	11.4	4.6	5.6	2.2	5.0

Source: ECLAC on the basis of official information provided by the ECCB.

Table 22**Share of exports in services as a percentage of total exports of goods and services for OECS economies
1985 – 2001
(In percentages)**

	1985	1990	1995	2001
Antigua and Barbuda	88.3	94.0	92.1	90.4
Dominica	25.4	35.7	55.1	66.0
Grenada	60.5	68.5	79.3	70.7
St. Kitts and Nevis	53.3	64.3	80.4	64.9
St. Vincent and the Grenadines	24.2	35.9	63.5	74.9
St. Lucia	53.7	53.7	70.7	87.5
OECS	59.0	65.2	76.1	80.5
CARICOM	29.6	45.6	48.0	48.3
Latin America	15.1	17.5	16.1	14.4

Source: ECLAC (2003)

Table 23 The Bahamas Tourism sector indicators													
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Air arrivals	1516387	1303318	1227682	1327870	1332280	1317078	1368038	1368107	1304851	1438887	1481545	1428124	1402894
Sea Arrivals	2112123	2318900	2462931	2344380	2114096	1922077	2047820	2085660	2042814	2209241	2722286	2754547	2999026
Total	3628510	3622218	3690613	3672250	3446376	3239155	3415858	3453767	3347665	3648128	4203831	4182671	4401920
Stopover	1561665	1427035	1398895	1488680	1516035	1598135	1633105	1617595	1527707	1577066	1596159	....	.....
Cruise ship	1853897	2019964	2140510	2038798	1805607	1543495	1685668	1751140	1729894	1981466	2512626	.....	.....
Occupied room nights					1835477	1906275	1965289	1963568	1848092	2088389	2199358	2117729	2131658
Visitor expenditure (millions of Bahama dollars)	1324.4	1186.1	1237.6	1296.5	1327.3	1345.9	1397.9	1415.9	1354.1	1582.9	1877.49	1814	.....
Source: ECLAC on the basis of official information provided by the Central Bank of The Bahamas													

	1990	1991	1992	1993	1994
Total visitors	432,092.0	405,222.0	385,472.0	395,979.0	425,632.0
United Kingdom	94,890.0	99,166.0	88,759.0	100,071.0	123,455.0
United States	143,295.0	119,069.0	110,685.0	112,733.0	109,092.0
Canada	57,841.0	46,287.0	49,999.0	49,190.0	52,286.0
Caricom countries	62,298.0	57,988.0	52,831.0	52,462.0	51,487.0
Other	73,768.0	82,712.0	83,198.0	81,523.0	89,312.0
Intended length of stay					
1-3 days	60,883.0	54,495.0	54,719.0	49,862.0	50,602.0
4-7 days	156,078.0	133,601.0	130,741.0	133,784.0	138,364.0
Over 7 days	215,131.0	206,126.0	200,012.0	212,333.0	236,666.0
Cruise ship passengers	362,611.0	372,140.0	399,702.0	428,611.0	459,502.0
Average length of stay (nights)	6.8	7.0	6.9	7.0	7.1
Hotel room occupancy rate (%)	57.5	50.5	49.3	52.9	57.4

Source: ECLAC: On the basis of the
Central Bank of Barbados

a/ Preliminary estimations.

TABLE 24
Barbados

TOURISM STATISTICS

1995	1996	1997	1998	1999	2000	2001	2002
442,107.0	447,083.0	472,290.0	512,397.0	514,614.0	544,696.0	507,078.0	497899
126,621.0	139,588.0	155,986.0	186,690.0	202,772.0	226,787.0	217,466.0	192606
111,983.0	111,731.0	108,095.0	106,300.0	104,953.0	112,153.0	106,629.0	123429
53,373.0	54,928.0	58,824.0	59,946.0	57,333.0	59,957.0	52,381.0	46754
58,635.0	56,752.0	63,581.0	70,358.0	86,127.0	87,424.0	80,085.0	89505
91,495.0	84,084.0	85,804.0	89,103.0	63,429.0	58,375.0	50,517.0	45605
59,189.0	55,302.0	64,214.0	80,079.0	79,410.0	83,975.0	80,967.0	.....
143,667.0	156,274.0	162,216.0	172,227.0	178,764.0	173,177.0	160,585.0	.....
239,251.0	235,507.0	245,860.0	260,091.0	256,440.0	287,544.0	265,526.0	.....
484,670.0	509,975.0	517,888.0	506,610.0	432,854.0	533,278.0	527,597.0	523253
6.9	6.9	6.6	6.6	7.6	7.3	7.2	.....
56.7	57.8	56.3	58.6	55.7	57.0	51.1	.....

Table 25
Tourist statistics
Jamaica

	1997	1998	1999
Total stop-over visitors	1192194	1225287	1248398
United Kingdom		116252	124930
United States		829330	870019
Canada		109802	100338
Other European		96437	83759
Caribbean		36818	38023
Latin America		19187	15635
Japan		10781	8411
Other			7283
Cruise ship passengers	711699	673690	764341
Average length of stay (nights)	10.8	10.9	10.3
Foreign exchange earnings (US\$ million)	1131.4	1197.1	1279.5

2000	2001	2002
1322690	1276516	1266366
135338	127320	125859
942561	916681	925629
107492	111158	97413
63641	53312	53230
43971	40845	41138
14703	14185	11864
7779	7859	4664
7205	4526	6569
907611	840337	865419
10.1	10.2	10.2
1332.6	1232.2	1182.6

	1990	1991	1992	1993
Total visitors	90,506.0	90,544.0	93,180.0	111,350.0
Stay-over visitors	31,181.0	31,002.0	32,076.0	37,658.0
United States	20,046.0	20,379.0	20,544.0	25,210.0
Canada	896.0	915.0	915.0	962.0
United Kingdom	2,002.0	2,077.0	2,105.0	2,405.0
Italy				
Germany				
Other Europe				
Caribbean	7,675.0	6,985.0	7,718.0	8,183.0
Other Countries	562.0	646.0	794.0	898.0
Excursionists	59,325.0	59,542.0	61,104.0	73,692.0
Total visitor expenditure (EC\$ m)	93.4	105.6	103.1	127.2

Source: ECLAC on the basis of information provided by the ECCB.
b/ Preliminary figures.

TABLE 26
TOURISM STATISTICS
Anguilla

1994	1995	1996	1997	1998	1999	2000	2001	2002b/
125,780.0	107,086.0	86,239.0	113,865.0	113,796.0	106,729.0	112,469.0	104,974.0	113098
43,705.0	38,531.0	37,498.0	43,181.0	43,874.0	46,782.0	43,489.0	47,944.0	43760
28,800.0	24,149.0	22,963.0	26,659.0	26,297.0	25,960.0	24,799.0	30,099.0	28653
1,188.0	1,107.0	1,258.0	1,492.0	1,444.0	1,487.0	1,512.0	1,258.0	1292
2,742.0	2,405.0	2,552.0	2,880.0	2,738.0	2,703.0	2,786.0	2,789.0	2507
						3,737.0	2,746.0	753
						522.0	546.0	471
						2,377.0	2,031.0	
9,848.0	10,016.0	9,257.0	8,491.0	4,793.0	6,002.0	6,816.0	7,369.0	7510
1,127.0	854.0	1,198.0	3,659.0	8,602.0	10,630.0	1,240.0	3,137.0	2574
82,075.0	68555	48741	70,684.0	69,922.0	59,947.0	68,680.0	57,030.0	69338
145.5	130.9	129.6	154.4	156.9	152.4	154.0	168.7	154.71

	1990	1991	1992	1993	1994
Total visitors	457,512.0	478,957.0	485,135.0	506,724.0	520,753.0
Stay-over visitors	184,248.0	182,187.0	193,589.0	221,230.0	234,745.0
United States	77,019.0	69,577.0	70,583.0	81,355.0	78,972.0
Canada	15,175.0	12,100.0	15,483.0	15,873.0	16,698.0
United Kingdom	27,193.0	28,224.0	36,407.0	50,333.0	64,147.0
Italy					
Germany					
France					
Switzerland					
Other Europe					
Caribbean	35,131.0	36,994.0	37,321.0	37,897.0	35,780.0
Other Countries	29,730.0	35,292.0	33,795.0	35,772.0	39,148.0
Cruisehipp a/	260,466.0	281,253.0	275,233.0	266,539.0	266,045.0
Total visitor expenditure (EC\$ m)	627.0	617.9	657.3	747.7	792.7

Source: ECLAC on the basis of information provided by the ECCB.

a/ Includes excursionists

b/ Preliminary figures.

TABLE 27
TOURISM STATISTICS
Antigua and Barbuda

1995	1996	1997	1998	1999	2000	2001	2002b/
470,975.0	522,438.0	540,773.0	613,990.0	588,866.0	634,307.0	601,988.0	510326
191,401.0	202,433.0	211,444.0	226,121.0	231,714.0	206,871.0	193,176.0	198,085.0
62,703.0	60,852.0	64,689.0	65,995.0	64,953.0	59,012.0	60,176.0	60,679.0
12,153.0	15,837.0	18,580.0	14,783.0	11,758.0	14,007.0	12,839.0	101,284.0
47,106.0	50,417.0	57,737.0	57,500.0	71,313.0	74,957.0	78,115.0	81,807.0
					3,284.0	3,027.0	3,380.0
					4,938.0	2,763.0	1,775.0
					1,912.0	1,168.0	1,061.0
					1,159.0	878.0	763.0
					3,799.0	2,494.0	2,427.0
36,522.0	39,199.0	38,872.0	37,270.0	34,841.0	34,419.0	34,260.0	37,372.0
32,917.0	36,128.0	31,566.0	28,410.0	24,997.0	3,188.0	2,697.0	2,465.0
259,312.0	301,963.0	308,632.0	387,869.0	357,152.0	427,436.0	408,812.0	312,241.0
666.1	696.5	749.3	760.3	782.9	683.2	643.8	649.97

	1990	1991	1992	1993	1994
Total visitors	59,143.0	120,180.0	144,557.0	146,546.0	190,872.0
Stay-over visitors	45,087.0	46,312.0	46,959.0	51,937.0	56,522.0
United States	6,066.0	6,898.0	7,382.0	8,242.0	9,369.0
Canada	1,524.0	1,934.0	1,705.0	1,876.0	2,030.0
United Kingdom	4,888.0	4,520.0	4,593.0	4,685.0	4,420.0
Caribbean	27,177.0	26,955.0	26,537.0	29,396.0	31,509.0
Other Countries	5,432.0	6,005.0	6,742.0	7,738.0	9,194.0
Excursionists	7,279.0	8,898.0	7,763.0	6,773.0	8,809.0
Cruise ship	6,777.0	64,970.0	89,835.0	87,836.0	125,541.0
Total visitor expenditure (EC\$m)	54.7	63.3	69.8	79.3	88.8

Source: ECLAC on the basis of information provided by the ECCB.

b/ Preliminary figures.

TABLE 28
TOURISM STATISTICS
Dominica

1995	1996	1997	1998	1999	2000	2001	2002b/
203,759.0	262,132.0	299,337.0	311,572.0	279,350.0	310,543.0	275,999.0	204,999.0
60,471.0	63,259.0	65,446.0	65,501.0	73,506.0	68,857.0	66,393.0	67,108.0
10,923.0	13,580.0	14,410.0	14,121.0	15,613.0	14,585.0	14,493.0	14,739.0
1,828.0	1,790.0	1,880.0	1,904.0	2,158.0	1,926.0	1,870.0	1,987.0
4,914.0	4,621.0	5,408.0	5,577.0	6,633.0	5,911.0	5,967.0	5,839.0
33,725.0	34,934.0	35,786.0	36,617.0	42,641.0	39,477.0	37,851.0	37,553.0
9,081.0	8,334.0	7,962.0	7,282.0	6,461.0	6,948.0	6,212.0	6,990.0
8,367.0	5,389.0	3,310.0	1,468.0	3,904.0	1,890.0	1,979.0	1,032.0
134,921.0	193,484.0	230,581.0	244,603.0	201,940.0	239,796.0	207,627.0	136,859.0
92.1	98.8	106.8	103.2	109.8	114.2	104.0	97.82

	1990	1991	1992	1993	1994
Total visitors	265,167.0	287,994.0	290,639.0	300,602.0	317,315.0
Stay-over visitors	76,447.0	85,002.0	87,554.0	93,919.0	108,957.0
United States	20,096.0	23,606.0	24,408.0	30,364.0	30,476.0
Canada	4,333.0	4,629.0	4,162.0	4,214.0	4,987.0
Europe	| ..... |	| ..... |	| ..... |	| ..... |	| ..... |
United Kingdom	| 9,138.0 |	| 10,663.0 |	| 10,306.0 |	| 11,217.0 |	| 17,740.0 |
Germany	| ..... |	| ..... |	| ..... |	| ..... |	| ..... |
Caribbean	15,324.0	15,082.0	15,842.0	13,692.0	14,729.0
Other Countries <i>a/</i>	27,556.0	31,022.0	32,836.0	34,432.0	41,025.0
Excursionists	5,561.0	6,848.0	7,191.0	6,622.0	7,880.0
Cruisehip	183,159.0	196,144.0	195,894.0	200,061.0	200,478.0
Total visitor expenditure (EC\$ m)	95.4	111.2	114.2	130.4	158.5

Source: ECLAC on the basis of information provided by the ECCB.

b/ Preliminary figures.

TABLE 29
TOURISM STATISTICS
Granada

1995	1996	1997	1998	1999	2000	2001	2002b/
369,346.0	386,013.0	368,417.0	391,680.0	378,952.0	316,528.0	277,512.0	269,192.0
108,007.0	108,231.0	110,748.0	115,794.0	125,289.0	128,864.0	123,351.0	125,977.0
30,033.0	30,380.0	29,320.0	29,381.0	34,694.0	32,543.0	32,219.0	36,928.0
3,920.0	5,748.0	4,977.0	5,260.0	6,136.0	4,829.0	5,442.0	4,863.0
.....	.....	.....	.....	.....	43,862.0	40,182.0	39,700.0
18,480.0	16,780.0	21,350.0	23,311.0	26,234.0	32,236.0	28,488.0	29,541.0
.....	.....	.....	.....	.....	4,586.0	3,665.0	3,246.0
14,615.0	14,357.0	16,407.0	16,636.0	22,204.0	24,112.0	27,540.0	31,384.0
40,959.0	40,966.0	38,694.0	39,176.0	36,021.0	23,518.0	17,968.0	13,102.0
11,450.0	10,800.0	11,057.0	10,011.0	8,202.0	7,359.0	6,825.0	4,365.0
249,889.0	266,982.0	246,612.0	265,875.0	245,461.0	180,305.0	147,336.0	138,850.0
155.7	161.0	160.2	170.0	181.4	189.5	225.3	226.62

Table 30
Belize

1998

Stayover arrivals

Air

101939

Land

51334

Sea

11855

Total Stayovers

165128

Cruise ship arrivals

14183

Source: ECLAC: On the basis of the Central Bank of
Belize

a/ Preliminary estimations.

1999	2000	2001	2002
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111578	128049	129231	127521
--------	--------	--------	--------

38319	37342	38041	43015
-------	-------	-------	-------

9847	9475	10144	8416
------	------	-------	------

159744	174866	177416	178952
--------	--------	--------	--------

29011	49411	40898	271737
-------	-------	-------	--------

	1990	1991	1992	1993
Total visitors	18,716.0	18,109.0	24,305.0	32,579.0
Stay-over visitors	12,849.0	16,697.0	17,277.0	20,994.0
United States	1,181.0	104.0	5,290.0	6,524.0
Canada	4,370.0	2,480.0	1,319.0	1,603.0
United Kingdom	1,908.0	1,534.0	2,484.0	2,823.0
Caribbean	4,150.0	10,478.0	7,441.0	9,303.0
Other Countries	1,240.0	2,101.0	743.0	741.0
Excursionists	885.0	246.0	1,373.0	1,624.0
Cruisehip	4,982.0	1,166.0	5,655.0	9,961.0
Total visitor expenditure (EC\$ m)	30.2	32.2	37.0	20.9

Source: ECLAC on the basis of information provided by the ECCB.

a/ Includes excursionists

b/ Preliminary figures.

TABLE 31
Montserrat
TOURISM STATISTICS

1994	1995	1996	1997	1998	1999	2000	2001	2002b/
36,267.0	29,594.0	12,276.0	.....	9,427.0	12,972.0	14,356.0	15,618.0	13,947.0
21,285.0	17,675.0	7,854.0	.....	7,707.0	9,785.0	10,337.0	9,800.0	8,816.0
7,936.0	6,836.0	2,566.0	.....	891.0	1,250.0	1,561.0	1,652.0	1,797.0
1,463.0	1,284.0	716.0	.....	216.0	307.0	346.0	368.0	321.0
3,053.0	2,462.0	1,692.0	.....	1,440.0	2,178.0	2,592.0	2,419.0	2,371.0
7,738.0	6,099.0	2,452.0	.....	4,655.0	5,233.0	5,324.0	5,123.0	4,060.0
1,095.0	994.0	428.0	.....	505.0	817.0	514.0	238.0	267.0
1,674.0	1,694.0	1,344.0	.....	1,720.0	3,187.0	4,019.0	5,818.0	5,131.0
13,308.0	10,225.0	3,078.0	.....	.....		
17.4	19.0	22.7	11.9	13.0	....	24.0	22.9	21.4

	1990	1991	1992	1993	1994
Total visitors	109630	136709	164975	169375	209313
Stay-over visitors	72524	82706	89559	83649	94185
United States	29353	36909	42547	41309	44672
Canada	11859	10377	9337	8463	11827
United Kingdom	5536	5488	6572	7378	8269
Caribbean	9796	10749	10391	11984	21576
Other Countries	15980	19183	20712	145515	7841
Excursionists	3165	1167	1465	2611	2225
Cruisehip	33941	52836	73951	83115	112903
Total visitor expenditure (EC\$ m)	117.27	138.1	182.4	136.3	201.96

Source: ECLAC on the basis of information provided by the ECCB.

b/ Preliminary figures.

TABLE 32
St. Kitts and Nevis
TOURISM STATISTICS

1995	1996	1997	1998	1999	2000	2001	2002b/
201638	179277	201202	258892	231920	247247	333361	243198
78006	84176	88297	93190	84002	73149	70565	67531
36654	36640	38380	39907	34716	23474	25558	27525
9109	9356	8629	7596	5880	5395	5237	4352
6787	9092	9938	12847	12494	12841	8726	5464
23311	25236	27455	27897	25141	28513	28471	28146
2145	3852	3895	4943	5771	2926	2554	2044
2720	2037	3336	2881	3006	3211	3662	3853
120912	93064	109569	162821	144912	164611	252172	166619
170.2	180.41	194.14	206.05	182.05	154.49	163.08	154.42

	1990	1991	1992	1993	1994
Total visitors	250,662.0	311,815.0	347,554.0	355,685.0	404,648.0
Stay-over visitors	146,578.0	157,728.0	176,173.0	194,136.0	218,567.0
United States	44,066.0	41,964.0	44,448.0	56,364.0	77,928.0
Canada	14,778.0	13,693.0	14,075.0	12,096.0	12,310.0
Europe	.....	.....	.....	.....	.....
United Kingdom	26,750.0	33,733.0	44,758.0	48,626.0	46,763.0
France	.....	.....	.....	.....	.....
Germany	.....	.....	.....	.....	.....
Italy	.....	.....	.....	.....	.....
Rest of Europe	.....	.....	.....	.....	.....
Caribbean	40,802.0	41,473.0	42,041.0	45,677.0	47,857.0
OECS	.....	.....	.....	.....	.....
French West Indies	.....	.....	.....	.....	.....
Other Caribbean	.....	.....	.....	.....	.....
Latin America	.....	.....	.....	.....	.....
Other Countries	20,182.0	26,865.0	30,851.0	31,373.0	33,709.0
Excursionists	2,136.0	1,306.0	6,449.0	7,176.0	14,543.0
Cruisehip a/	101,948.0	152,781.0	164,932.0	154,373.0	171,538.0
Total visitor expenditure (EC\$m)	415.4	466.6	565.2	526.7	610.4

Source: ECLAC on the basis of information provided by the ECCB.

b/ Preliminary figures.

TABLE 33
St. Lucia
TOURISM STATISTICS

1995	1996	1997	1998	1999	2000	2001	2002b/
418,167.0	422,125.0	563,447.0	630,217.0	621,851.0	726,254.0	747,181.0	648,355.0
232,242.0	235,659.0	248,401.0	252,237.0	260,583.0	269,850.0	250,132.0	253,463.0
845,665.0	75,622.0	73,446.0	81,161.0	83,575.0	97,532.0	91,248.0	94,044.0
11,073.0	11,734.0	16,043.0	15,439.0	13,159.0	14,968.0	12,213.0	12,927.0
.....	.....	.....	.....	.....	98,869.0	91,248.0	
50,965.0	50,393.0	59,592.0	63,160.0	71,108.0	73,433.0	67,046.0	63,277.0
.....	.....	.....	.....	.....	10,992.0	5,091.0	3,405.0
.....	.....	.....	.....	.....	7,292.0	4,818.0	3,929.0
.....	.....	.....	.....	.....	818.0	756.0	
.....	.....	.....	.....	.....	6,334.0	4,981.0	
50,565.0	59,748.0	58,581.0	63,524.0	61,148.0	54,595.0	61,047.0	66,409.0
.....	.....	.....	.....	.....	9,880.0	11,122.0	
.....	.....	.....	.....	.....	14,495.0	21,849.0	
.....	.....	.....	.....	.....	30,220.0	27,224.0	
.....	.....	.....	.....	.....	1,055.0	1,243.0	
34,974.0	38,162.0	40,739.0	28,953.0	31,593.0	2,328.0	1,984.0	
10,019.0	5,573.0	4,833.0	5,912.0	10,035.0	12,853.0	7,137.0	7,712.0
175,906.0	180,893.0	310,213.0	372,068.0	351,233.0	443,551.0	489,912.0	387,180.0
712.6	725.9	667.6	675.7	748.8	802.9	697.7	691.67

	1990	1991	1992	1993	1994
Total visitors	158,111.0	173,292.0	155,068.0	163,120.0	165,081.0
Stay-over visitors	54,534.0	51,629.0	53,149.0	56,566.0	54,982.0
United States	13,401.0	12,508.0	12,865.0	15,263.0	15,089.0
Canada	5,020.0	4,104.0	4,169.0	4,405.0	4,453.0
United Kingdom	7,310.0	6,252.0	7,196.0	8,411.0	8,560.0
Caribbean	20,865.0	20,058.0	18,952.0	18,633.0	17,884.0
Other Countries	7,938.0	8,707.0	9,967.0	9,854.0	8,996.0
Excursionists	20,887.0	29,413.0	33,115.0	30,352.0	3,149.0
Cruisehip a/	82,690.0	92,250.0	68,804.0	76,202.0	78,950.0
Total visitor expenditure (EC\$m)	79.3	76.2	78.3	82.8	80.7

Source: ECLAC on the basis of information provided by the ECCB.

a/ Includes yacht passengers.

b/ Preliminary figures.

TABLE 34
St. Vincent and the Grenadines
TOURISM STATISTICS

1995	1996	1997	1998	1999	2000	2001	2002b/
218,056. 0	215,953. 0	199,576. 0	199,654. 0	224,500. 0	256,039. 0	256,827. 0	250971
							75,634. 0
60,230.0	57,882.0	65,143.0	67,248.0	69,689.0	72,894.0	70,686.0	21,304. 0
15,775.0	16,083.0	19,224.0	18,709.0	19,342.0	20,254.0	19,362.0	4,898.0 13,155. 0
4,707.0	4,157.0	4,768.0	4,501.0	4,509.0	4,685.0	3,929.0	8,521.0 8,632.0 10,240.0 11,581.0 12,503.0 12,885.0 10,842.0 25,726. 0
21,052.0	18,484.0	20,412.0	22,914.0	22,899.0	24,211.0	26,430.0	10,551. 0
10,175.0	10,526.0	10,499.0	9,453.0	10,436.0	10,859.0	10,123.0	0
							13,516. 0
31,156.0 126,670. 0	30,069.0 128,012. 0	27,789.0 106,644. 0	20,885.0 111,521. 0	17,447.0 137,364. 0	21,135.0 162,010. 0	14,807.0 171,334. 0	161821
110.9	171.9	190.5	193.7	208.5	203.4	213.7	219.84

Annex 2

Table 35											
Revealed Comparative advantage index for commercial services											
1980-2000											
Ranked according to the average 1980-2000											
		1980	1985	1990	1995	2000	Average	Average	Average	Average	Average
							1980-1985	1985-1990	1990-1995	1995-2000	1980-2000
1	Aruba	....	....	5.01	5.10	4.97		5.17	4.94	4.92	4.99
2	Cape Verde	4.87	4.90	4.55	4.60	4.80	5.43	4.64	4.47	4.53	4.78
3	Belize	5.11	5.17	4.66	4.55	4.51	5.07	4.96	4.42	4.45	4.72
4	Barbados	5.20	4.74	4.77	4.60	4.70	4.83	4.96	4.55	4.48	4.70
5	Montserrat	....	....	4.92	4.75	4.27	....	4.91	4.66	4.23	4.55
6	Seychelles	5.49	4.95	4.04	4.21	....	5.15	4.76	4.03	3.56	4.41
7	Maldives	5.91	4.56	3.61	4.37	4.37	5.26	3.98	3.94	4.28	4.39
8	Panama	4.66	4.71	3.98	3.59	3.61	4.68	4.32	3.59	3.53	4.02
9	Grenada	3.77	3.67	3.78	4.35	3.97	3.41	3.59	4.05	4.16	3.78
10	Vanuatu	....	3.37	4.08	3.88	....	3.45	3.72	3.85	3.86	3.73
11	Kiribati	3.90	3.49	3.97	....	....	3.29	3.61	3.99	....	3.59
12	Djibouti	....	....	....	3.55	....	....	....	3.62	3.53	3.58
13	Samoa	2.18	2.41	4.32	4.55	4.34	2.16	3.50	4.36	4.18	3.52
14	Saint Kitts and Nevis	1.70	3.36	3.60	4.30	4.03	2.57	3.49	3.88	4.11	3.48
15	Saint Lucia	2.82	3.46	2.95	3.62	4.65	3.20	3.10	3.25	4.17	3.44
16	Cyprus	2.68	3.51	3.55	3.66	4.03	3.01	3.61	3.52	3.66	3.43
17	Egypt	2.95	2.76	3.56	3.76	3.60	2.92	3.38	3.56	3.67	3.39
18	Bermuda		3.07	3.17	3.60	3.99	2.52	3.00	3.46	3.68	3.30
19	Tonga	3.83	4.18	2.73	2.75	....	3.69	3.56	2.57	2.98	3.22
20	Jordan	4.29	3.73	3.13	2.60	2.46	3.95	3.36	2.79	2.53	3.16
21	Dominican Republic	1.64	2.76	3.26	3.64	4.08	2.08	3.04	3.54	3.77	3.09
22	Gambia	2.50	2.25	3.45	3.75		2.29	2.98	3.20	4.11	3.04
23	Bahamas			3.42	4.15	3.83	....	1.15	3.79	3.94	2.97

24	Antigua and Barbuda			3.61	2.71	3.28	....		3.61	2.68	3.15	2.94
25	Nepal	4.06	2.29	2.45	3.36	1.80		3.18	2.66	2.52	2.75	2.79
26	Jamaica	1.91	3.13	2.50	2.79	3.23		2.47	2.88	2.61	2.94	2.71
27	Mozambique	2.02	2.90	2.46	3.14	2.52		2.32	2.67	2.75	2.81	2.61
28	Saint Vincent and the Grenadines	3.72	1.45	1.81	3.33	3.87		2.30	1.84	2.45	3.56	2.58
29	Greece	2.91	2.27	2.44	2.48	3.42		2.63	2.37	2.43	2.69	2.55
30	Cuba				2.47	....	....	....		2.23	2.71	2.47
31	Fiji	1.88	2.69	2.36	2.44	....		2.34	2.27	2.41	2.42	2.34
32	Malta	3.25	2.47	2.13	1.86	1.69		2.75	2.51	1.96	1.93	2.31
33	Dominica	2.56	1.65	2.05	3.06	3.30		1.71	1.70	2.41	3.10	2.23
34	Ethiopia	1.30	2.38	2.55	2.25	2.37		1.58	2.19	2.58	2.16	2.09
35	Netherlands Antilles	0.98	2.46	2.12	2.86	2.28		1.23	2.29	2.43	2.56	2.08
36	Benin	3.08	0.93	2.58	1.46	....		2.67	2.34	1.52	1.20	2.01
37	Austria	2.25	2.23	1.95	1.89	1.74		2.28	2.07	1.94	1.75	2.01
38	Paraguay	2.30	2.05	1.62	2.03	2.11		2.11	1.96	1.81	1.99	1.98
39	Haiti	1.85	2.43	1.16	2.51	....		2.22	1.90	1.34	2.73	1.98
40	Spain	2.43	2.15	1.82	1.62	1.70		2.28	2.14	1.69	1.61	1.94
41	Turkey	1.16	1.65	2.07	2.13	2.24		1.46	1.82	2.01	2.12	1.84
42	United Republic of Tanzania	1.66	1.88	1.33	2.41	2.57		1.59	1.53	1.84	2.39	1.83
43	Tunisia	2.10	2.11	1.69	1.62	1.64		2.02	2.02	1.60	1.62	1.82
44	Kenya	1.98	1.88	2.34	1.66	1.54		1.81	2.06	1.90	1.45	1.78
45	Israel	2.24	2.10	1.54	1.54	1.73		2.15	1.77	1.49	1.53	1.74
46	Mauritius	1.59	1.31	1.56	1.78	2.17		1.68	1.43	1.60	1.91	1.67
47	Uruguay	2.03	1.84	1.17	2.04	1.95		1.65	1.40	1.71	1.85	1.65
48	Comoros	1.05	0.70	1.37	3.78	....		0.79	1.43	2.46	3.78	1.63
49	Sierra Leone	0.97	0.76	1.34	3.34	....		0.92	0.81	1.76	3.83	1.62
50	Madagascar	0.82	0.95	1.57	1.98	2.91		0.83	1.28	1.72	2.59	1.62
51	Lesotho	1.87	2.44	1.94	0.84	0.75		2.35	1.98	1.25	0.96	1.62
52	Senegal	1.95	1.68	1.74	1.43	....		1.74	1.71	1.53	1.35	1.59
53	Somalia	1.56	0.56	....	....	....		1.58	0.56	....	....	1.58
54	Morocco	1.53	1.86	1.67	1.21	1.55		1.66	1.80	1.47	1.35	1.57
55	Norway	2.15	1.68	1.46	1.29	1.23		1.90	1.66	1.36	1.28	1.56

56	Portugal	1.97	1.57	1.29	1.38	1.41	1.70	1.41	1.33	1.33	1.45
57	Philippines	1.19	1.80	1.44	1.85	0.48	1.45	1.55	1.58	1.32	1.44
58	El Salvador	0.76	1.41	1.86	1.36	1.75	0.98	1.71	1.60	1.50	1.43
59	Denmark	1.49	1.50	1.45	1.24	1.66	1.56	1.43	1.33	1.35	1.42
60	France	1.82	1.60	1.41	1.20	1.14	1.69	1.46	1.34	1.13	1.41
61	Iceland	1.24	1.73	1.18	1.31	1.77	1.53	1.35	1.23	1.48	1.39
62	United Kingdom	1.62	1.41	1.23	1.28	1.55	1.48	1.37	1.24	1.39	1.38
63	Switzerland	1.29	1.53	1.22	1.29	1.38	1.42	1.40	1.26	1.31	1.35
64	Cameroon	1.37	2.43	0.85	0.68	0.93	1.82	1.77	0.88	0.87	1.34
65	United States	0.99	1.41	1.38	1.35	1.37	1.21	1.40	1.34	1.34	1.32
66	Togo	1.04	1.71	1.63	0.77		1.62	1.61	1.19	0.77	1.31
67	India	1.70	1.65	1.12	0.96	1.57	1.60	1.34	1.03	1.20	1.30
68	Syrian Arab Republic	0.73	1.39	0.82	1.67	1.22	1.03	1.33	1.36	1.47	1.30
69	Costa Rica	1.05	1.31	1.57	1.16		1.23	1.37	1.44	1.06	1.28
70	Rwanda	0.94	1.03	1.20	0.93	2.26	0.97	1.23	1.14	1.54	1.25
71	Myanmar	0.63	1.08	1.22	1.55	1.28	0.90	1.21	1.14	1.67	1.22
72	New Zealand	1.02	1.25	1.12	1.30	1.30	1.18	1.25	1.13	1.25	1.20
73	Sudan	2.15	2.87	1.44	0.68	0.07	2.24	1.64	0.84	0.32	1.20
74	Guinea-Bissau	....	2.09	0.95	0.23	....	1.61	1.35	1.17	0.43	1.20
75	Burkina Faso	1.08	0.84	1.00	....	....	1.06	0.97	1.51	....	1.19
76	Thailand	1.18	1.32	1.17	1.10	0.89	1.25	1.22	1.10	1.05	1.15
77	Italy	1.32	1.27	1.21	1.10	1.02	1.22	1.15	1.16	1.07	1.14
78	Colombia	1.69	1.18	1.02	0.75	0.69	1.54	1.11	0.97	0.76	1.11
79	Singapore	1.35	1.05	1.06	1.06	0.87	1.46	1.01	1.02	0.93	1.11
80	Australia	0.97	0.94	1.08	1.22	1.17	1.00	1.05	1.10	1.17	1.08
81	China, Hong Kong SAR	1.54	1.28	0.99	0.88	0.91	1.41	1.12	0.89	0.89	1.08
82	Solomon Islands	0.95	0.64	1.17	0.92		0.83	1.04	1.10	1.29	1.08
83	Viet Nam	....	....	0.38	1.50	0.84	....	0.38	1.03	1.12	1.03
84	Peru	0.99	1.09	0.99	0.84	0.92	1.09	1.13	0.90	0.96	1.03
85	Sweden	1.32	1.03	1.04	0.86	1.00	1.19	0.99	1.00	0.91	1.03
86	Chile	1.40	0.92	0.96	0.90	0.93	1.17	0.94	0.97	0.98	1.02
87	Netherlands	1.12	0.92	0.97	1.00	1.06	1.00	1.00	1.03	1.03	1.02
88	Guyana	0.30	1.38	1.36	1.18	....	0.65	1.26	1.22	1.09	1.01

89	Sri Lanka	1.18	0.94	0.99	0.93	0.77	1.18	1.03	0.97	0.83	1.01
90	Sao Tome and Principe	0.38	0.90	2.34	....	....	0.61	1.35	2.34	....	0.99
91	Mali	1.09	1.70	0.90	0.71	....	1.15	1.30	0.78	0.60	0.97
92	Belgium	1.03	0.94	1.00	0.85	0.99	1.00	0.97	0.99	0.89	0.97
93	Lao People's Dem. Rep.		1.06	0.67	0.96		1.03	0.87	0.88	1.07	0.95
94	Pakistan	1.21	1.33	0.97	0.81	0.66	1.26	1.01	0.84	0.71	0.94
95	Suriname	1.66	1.10	0.34	0.93	0.94	1.45	0.79	0.57	0.82	0.92
96	Argentina	1.03	1.00	0.85	0.78	0.76	1.00	1.04	0.86	0.76	0.92
97	Bahrain	0.57	1.46	0.48	0.76	0.68	0.87	1.30	0.69	0.74	0.90
98	Guatemala	0.68	0.29	1.16	1.20	1.14	0.41	0.71	1.40	1.07	0.90
99	Nicaragua	0.57	0.72	0.51	1.10	1.58	0.55	0.59	0.92	1.36	0.87
100	Finland	1.08	0.93	0.80	0.83	0.64	1.04	0.84	0.80	0.73	0.85
101	Honduras	0.55	0.64	0.69	0.82	1.27	0.64	0.69	0.88	1.03	0.82
102	Bangladesh	1.26	1.08	0.82	0.69	0.30	1.16	0.96	0.78	0.38	0.82
103	Zimbabwe	0.64	1.23	0.70	0.97	....	0.72	0.73	0.82	1.15	0.81
104	Ecuador	0.84	0.71	0.86	0.73	0.74	0.76	0.90	0.80	0.66	0.79
105	Trinidad and Tobago	0.59	0.65	0.77	0.63	....	0.64	0.80	0.82	0.84	0.78
106	Namibia	....	....	0.49	0.93	....	....	0.49	0.65	1.01	0.78
107	Bolivia	0.53	0.78	0.69	0.73	0.77	0.63	0.85	0.79	0.81	0.77
108	Mexico	1.33	0.89	0.82	0.57	0.40	0.97	0.89	0.73	0.47	0.76
109	Uganda	0.08	0.35	....	0.98	....	0.19	0.26	0.97	1.17	0.76
110	Korea, Republic of	0.82	0.66	0.67	0.80	0.79	0.78	0.69	0.68	0.79	0.74
111	Japan	0.86	0.68	0.69	0.67	0.67	0.77	0.67	0.65	0.69	0.70
112	Ireland	0.92	0.67	0.66	0.52	0.95	0.76	0.64	0.59	0.74	0.69
113	Côte d'Ivoire	0.90	0.65	0.66	0.54	0.46	0.81	0.69	0.68	0.51	0.68
114	Germany	0.80	0.69	0.61	0.67	0.69	0.77	0.63	0.63	0.68	0.68
115	South Africa	0.60	0.59	0.67	0.73	0.73	0.67	0.60	0.63	0.76	0.66
116	Malaysia	0.51	0.67	0.62	0.71	0.65	0.64	0.63	0.62	0.73	0.65
117	Canada	0.65	0.59	0.69	0.62	0.64	0.61	0.66	0.65	0.65	0.64
118	Swaziland	0.54	0.74	0.85	0.72	0.42	0.67	0.70	0.68	0.53	0.63
119	Central African Republic	0.44	0.72	0.68		0.33	0.70	0.78	0.65	0.37	0.63
120	Kuwait	0.36	0.51	0.71	0.44	0.42	0.41	0.59	0.84	0.49	0.59
121	China	....	0.61	0.46	0.59	0.58	0.62	0.54	0.52	0.60	0.57

