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TOURIST CRUISE SHIPS AND THE TRADE IN SERVICES: RECENT TRENDS IN COUNTRIES OF THE CARIBBEAN BASIN

This issue of the Bulletin reviews the main trends of trade in goods and services for the countries of the Association of Caribbean States (ACS) in 2004. The strong recovery of trade in goods and the robust expansion of trade in services are highlighted, emphasizing the increase in services as a proportion of total exports for the smaller Caribbean economies, which may even exceed 80%.

A detailed analysis of the performance of the tourism component, especially travel, showed that in 2004 there was a boom in cruise ship arrivals, a situation which poses a real challenge for some islands in terms of ensuring a permanent flow of tourists and making use of the main comparative advantages –sun, sea and beaches- and possible linkages with the rest of the economy such as the hotel industry, restaurants, business and entertainment centres, guided excursions, transport, yachting, and others. In some islands, the ratio of cruise passengers to inhabitants is particularly high, and can reach a significant factor of about 11 tourists for every inhabitant in the Bahamas, 8 in Aruba, 7 in Antigua and Barbuda and 5 in Dominica, and around 4 for a sample of eleven countries.

One of the main challenges for a number of Caribbean islands is how to capitalize on such linkages by developing sustainable tourism that minimizes the possible adverse impacts on the environment and the everyday life of the citizens.

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Exports of goods and services in the Caribbean Basin. In 2004, exports of both goods and services from the member countries of the Association of Caribbean States (ACS)^[1] (AEC) strengthened the recovering trend of 2003. Overall, the growth in total exports was 15.2% in 2004, with a higher rate for trade in goods in the case of the G3 countries, and the Caribbean Community (see table 1). The increase in goods was mainly due to exports of oil and its derivatives in all G3 countries, and in Trinidad and Tobago and Suriname among the Caribbean Community countries, as well as to the increase in activity in the export manufacturing sectors. Meanwhile, the countries of the Central

American Common Market posted growth that was a little more moderate than the rest of the countries of the subregion, owing to the lower increase in unit prices of its products, especially in the cases of Costa Rica and El Salvador. Although the expansion of trade in goods in the countries of the Caribbean Community as a whole had been just over 17%, some countries had suffered serious damage to their agricultural exports owing to five serious natural disasters that afflicted the Caribbean islands.[2] Despite the serious difficulties associated with those natural disasters in 2004, the Caribbean economies grew by an average of 3.5%.[3] At the sectoral level, this growth was driven by the increase in tourism (9%) which had recovered significantly from the negative impact of 11 September 2001, when exports of services dropped by 4% in the Caribbean as a whole.

Tourism and cruise ship arrivals lead the recovery. In 2004, the increase in exports of services in the countries of CARICOM was close to double the increase in 2003, and a little over 8% in the case of the small economies of the Organization of Eastern Caribbean States (OECS). Taking into account the fact that these islands were the most affected by hurricane Ivan, it is remarkable that they were able to maintain a high level of exports in services, which accounted for around 81% of the total value of exports for that subregion: 8 of every 10 dollars received for exports were for exports of services. In practical terms, the strong growth in services acted as a significant counter-cyclical element for this group of countries. Estimates of the composition of such exports for the data available until 2002 showed that travel accounted for 71%, transport for 10.7%, and other services for 18.4%.[4] Other studies have highlighted the enormous potential of services in this area of the Caribbean, where they represent 80% of GDP.

Table 1

Association of Caribbean States: Exports of goods and services, 2003-2004

(Annual growth rates and percentages)

Groupings	Exports of goods (A)		Exports of services (B)		Total exports (C)		% services exports in the total (D=B/C)	
	2003	2004 ^a	2003	2004 ^a	2003	2004 ^a	2003	2004 ^a
Association of Caribbean States^b	3.7	17.8	3.6	7.5	4.8	15.2	13.4	12.5
Group of Three (G3) ^c	2.8	19.0	-1.8	8.8	3.1	17.6	6.9	6.4
Central American Common Market ^d	10.4	4.7	4.0	7.8	10.8	3.5	23.3	24.3
Caribbean Community ^e	17.1	17.4	3.4	6.5	13.8	9.4	43.0	41.9
OECS ^f	1.2	3.9	13.5	8.2	18.1	0.7	75.1	80.7
Other (not grouped) ^g	2.2	12.9	12.7	5.7	9.1	7.2	42.1	41.5

Source: Economic Commission for Latin America and the Caribbean (ECLAC), Division of International Trade and Integration, on the basis of official figures from the countries and from secondary sources.

Notes: ^a Preliminary estimates; ^b Includes all the member countries of the groupings mentioned in the following notes: ^c the Bolivarian Republic of Venezuela, Colombia and Mexico; ^d Costa Rica, El Salvador, Honduras, Guatemala and Nicaragua; ^e Caribbean Community: Bahamas, Barbados, Belize, Guyana, Haiti, Jamaica, Suriname, Trinidad and Tobago and the countries of the Organization of East Caribbean States (OECS); ^f Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines; and ^g the member countries of the ACS not included in the above groupings are: Cuba, Panama and the Dominican Republic.

Preliminary statistics from the Caribbean Tourism Organization, and from other national sources, showed that the highest level of tourist activity occurred in the cruise segment, which increased at almost twice the rate for the hotel segment for all the countries of the ACS. The largest increase was for the group of the smallest countries of OECS and Belize, where the number of visiting cruise passengers had increased by more than 50% (see table 2). This boom is the result of the tourist flow returning to normal after the negative impact of 11 September 2001.

A number of factors contributed to this impressive performance: (a) the increased tourist capacity in some destination countries; (b) greater tendency to make short trips from a home port, a practice which has replaced air transport for tourists from North America; (c) the increase in the supply of low-price cruises for from two to five days, without any reduction in the comfort and facilities available to the travellers (swimming pools, gymnasium, sports areas, running tracks, sauna, Jacuzzi, massage, interactive TV in the cabins, discotheque, meeting rooms, library, Internet, cinema, casinos, bars, restaurants, duty-free shops, children's facilities, and others), which make the ship comparable to a large floating hotel; and (d) the depreciation of the euro against other currencies, especially the dollar, which has reduced the prices of tourist journeys. There are also indications of an increase in tourism among senior citizens^[5], as well as a greater diversity of supply. In accordance with the microeconomic criterion of preference for variety, tourist operators are offering journeys for families with children or without children, businessmen, congresses, adventure travel, entertainment for adults and children (theme cruises) and others.

Table 2

Importance of trade in services and the evolution of hotel and cruise ship tourism in ACS in 2004.

(Percentages and growth rates)

Groupings / countries	Indicators relating to exports of services		Hotel tourism and cruise ships and their relationship		
	Services as a percentage of total exports of goods and services, 2004*	Travel as a percentage of total exports of services (2002)	Percentage variation in tourist arrivals at hotels 2004/2003*	Percentage variation in cruise passenger visits 2004/2003*	Ratio: No. of cruise passengers /No. of tourist arrivals at hotels
ACS^a	13.5	64.8	7.0	13.0	0.9
Group of Three (G3)	6.9	65.7	11.5	9.0	0.2
CACM	23.8	53.8	...	...	...
CARICOM	41.9	71.7	4.8	21.7	1.5
Bahamas	83.0	89.7	1.5	13.1	2.3
Barbados	80.6	70.7	3.9	27.2	1.3
Belize ^b	36.7	87.2	4.6	55.1	3.6
Guyana	24.1	50.8	20.9	...	...
Haiti	26.0	62.9	...	...	...
Jamaica	57.6	63.0	4.8	-2.9	0.8
Suriname ^c	9.6	17.4	...	...	...
Trinidad and Tobago	8.5	38.0	8.0	-12.2	0.1
OECS	80.7	70.9	9.0	53.0	2.0
Antigua and Barbuda ^b	92.6	67.6	10.3	40.2	2.0
Dominica ^b	72.1	59.4	5.7	140.7	4.8
Grenada ^b	65.2	64.6	9.2	78.9	1.8
Saint Kitts and Nevis	60.7	60.2	...	...	...
Saint Lucia	89.0	85.6	7.8	22.4	1.6
Saint Vincent and the Grenadines ^b	72.9	60.8	10.9	39.2	0.9
Other (not grouped)	41.5	66.2	7.5	...	...
Cuba ^b	62.1	75.0	9.4	...	...
Panama	31.2	23.4	...	...	...
Dominican Republic ^b	38.3	89.6	5.4	...	0.1
Associated States^d	52.8	55.4	6.6	1.1	0.3
Netherlands Antilles ^e	74.6	33.3	7.4	13.7	1.2
Aruba	36.7	86.0	14.5	5.9	0.8

Martinique	...	...	3.9	-41.5	0.3
Rest of the Caribbean	...	...	8.3	12.4	1.7

Source: ECLAC, Division of International Trade and Integration, based on official information from the countries and from secondary sources: *The Economist Intelligence Unit*; *Latin American Monitor*; the Association of Caribbean States; and the Caribbean Tourism Organization.

Notes: ^a Association of Caribbean States (ACS). This is made up of: the Group of Three (G3), consisting of the Bolivarian Republic of Venezuela, Colombia and Mexico, the Central America Common Market (CACM), which includes Costa Rica, El Salvador, Honduras, Guatemala and Nicaragua; the Caribbean Community: the Bahamas, Barbados, Belize, Guyana, Haiti, Jamaica, Suriname, Trinidad and Tobago and the countries of the Organization of East Caribbean States (OECS); Cuba, Panama and the Dominican Republic, as well as the Netherlands Antilles, Aruba, French Guiana, Guadeloupe and Martinique. The totals were estimated on the basis of the information available; ^b January-November; ^c January-July; ^d French Guiana and Guadeloupe are not included for lack of information; ^e Includes information on Curaçao, Bonaire, Sint Maarten, Saba and Sint Eustatius.

* Preliminary estimates with the information available as at February 2005

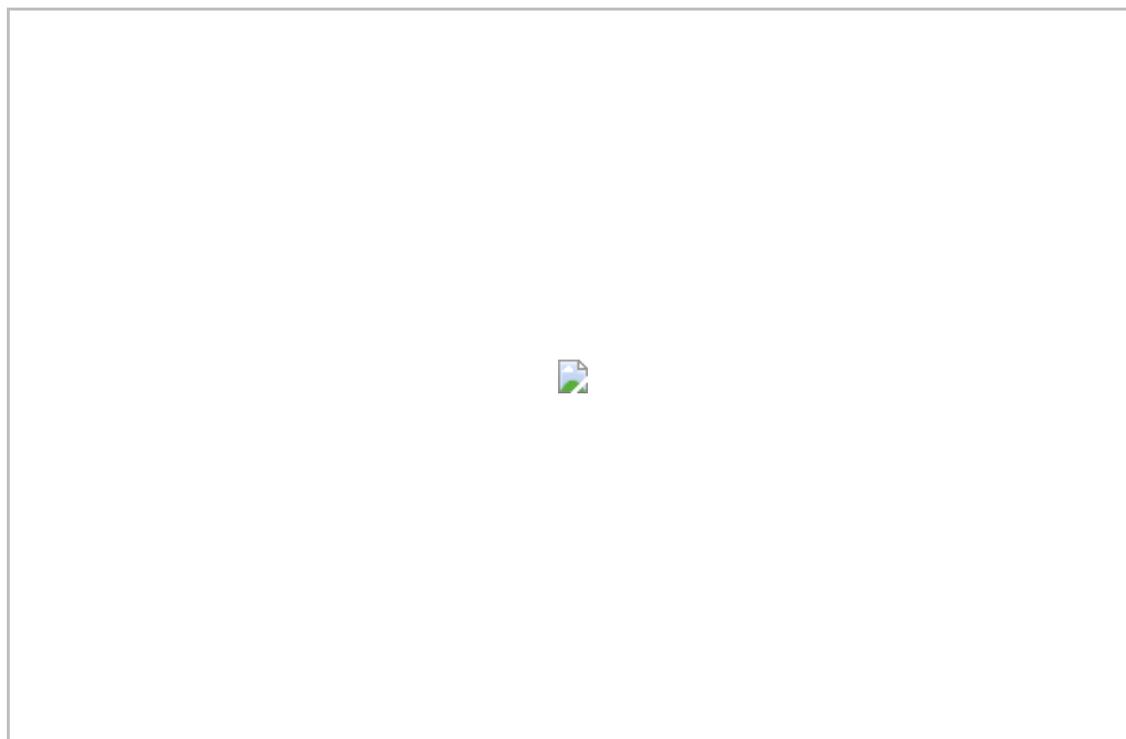
... Indicates that information is not available.

Positive impacts, but some difficulties yet to be resolved. According to the Caribbean Tourism Organization, the Caribbean received around 43 million visitors in 2004, which is about 10% more than in 2003. The increase in cruise ship passenger arrivals was even higher, at 13%, giving a total of around 21 million persons. In economic terms, the visitors generated an economic input of around US\$ 19 billion in 2002, and this figure was expected to reach US\$ 21 billion in 2004, confirming the fact that tourism is a significant generator of foreign currency for most of the Caribbean countries, with substantial multiplying effects on the economy owing to its significance for generating employment and attracting foreign currency. Nevertheless, there are still obstacles associated with the dizzy explosion of mass tourist flows. This situation makes it difficult to conserve the historical heritage, which is very sensitive to the way in which visitors treat the museums, animals and the ecosystem in general in their travels. The key element in this process is to achieve a balance between the necessary profits generated by this activity and respect for conservation of the environment and culture (sustainable tourism). One example of this challenge is the fact that the ratio of visiting cruise passengers to the total population, for a sample of eleven countries, is an average of 3.8 to 1, the most extreme case being that of the Bahamas, where a little over 300,000 inhabitants receive 3.4 million cruise ship passengers (see figure 1).

Figure 1

Ratio of cruise ship passengers to the total population of each country, 2004

(Number of passengers per inhabitant)



Source: authors' calculations on the basis of information from the Caribbean Tourism Organization and the Association of Caribbean States.

In the cases of the Bahamas and Dominica , which have a high influx of tourists, and which in 2004 received almost 3.4 million and 360,000 passengers respectively. Although these figures exceed their previous record of cruise ship tourist arrivals, the local communities have not reported serious logistical problems. In the case of Belize , however, there have been problems of congestion and threats to the integrity of archaeological sites, and some degree of reluctance to respond on the part of the hotel community. The hotel sector posted growth at just under one tenth of the rate experienced by the cruise ship sector (see table 2), as such tourists do not make full use of its facilities. This behaviour is explained by the fact that the boom in cruise ship tourism in Belize occurred only recently and the country was not prepared to receive so many cruise ship visitors, as the number shot up from 14,000 in 1998 to over 800,000 in 2004.

Another interesting case is that of Aruba , an island of 193 km², with close to 72,000 inhabitants and a maritime coast of 68.5 km. The capital, Oranjestad, has a cruise passenger terminal which can receive up to three mega cruisers over 250 metres in length and two cruise ships of lesser dimensions simultaneously. In 2004, a total of 577,552 cruise passengers visited Aruba , without any significant logistical problems. The island continues to be a significant destination for hotel tourism, and the number of hotel guests exceeded that of cruise ship passengers by a little over 20% (see table 2 and figure 1).

What are the problems and their possible solutions?

The sector results in 2004, despite the serious natural disasters, confirm the need to take action to generate linkages between the cruise ship tourism sector and the rest of the economy –hotel tourism, restaurants, business and entertainment centres, guided excursions, transport, yacht tourism, diving schools and others- and to strengthen the local supply of goods with the highest possible level of domestic inputs for the tourist industry. There are, however, still some obstacles to deal with. Some of the main ones are mentioned below, together with some possible solutions:

The difficulty of capitalizing on the competition between hotel and resort owners and cruise ship operators. At present these are two groups with different attitudes, but there is the potential for complementary action to create synergies of benefit to both groups and to the country. One interesting experiment in this direction is the efforts made to strengthen the complementarity of cruise ship tourism and longer-term tourism. The cruise conversion programme is a voluntary initiative carried out by the advisory council of the Florida-Caribbean Cruise Association (FCCA)^[6] (see box), which seeks to encourage cruise ship passengers to become future hotel and resort guests in the Caribbean islands. Some of the islands –the United States Virgin Islands, Aruba and Dominica- applied the programme in 2004 with encouraging results. For example, the return rate in the case of Saint Thomas (Virgin Islands) was 23%, and the Aruba authorities estimated the return intention at 30% as a result of their “Welcome Back” programme, which included offering a small gift to visitors, together with suggesting all the possible excursions and other options on the island.

Dealing with negative externalities, especially the accumulation of refuse (solid and liquid garbage and waste) generated by sea and land activities that affect the environment. A multidimensional approach is needed in this area to strengthen the institutions, including: training for tourist guides, timely information for tourists concerning local legislation and the penalties and fines incurred by offenders, and constant monitoring of the dumping of waste at sea by cruise ships or their crews. The provisions of the International Convention for the Prevention of Pollution from Ships (MARPOL 73/78) of the International Maritime Organization allow such dumping to take place at a distance of over three miles from the coast. Although it is difficult to monitor such activity, over the past five years environmental sanctions of the order of US\$ 40 million have been applied to offending cruise ship lines.

Strengthening the provision of public and private services. Preference should be given, inter alia, to reducing congestion in the most visited ports, cities and sites, by applying measures to facilitate tourism. These could include the documentation of passengers prior to arrival of the cruise ships in order to avoid long waiting times, and the training of public service officials and tourist guides, and bus and taxi drivers.

Lastly, the action taken by the competent authorities –ministries of tourism and transport, tourist offices, port authorities and other public organizations- should be carried out in close coordination and consultation with civil society within the countries. Similarly, on the understanding that all Caribbean economies benefit from the tourism drive, the countries should coordinate among themselves in order to find agreed and timely solutions to resolve the problems mentioned. This would complement the initiative of the countries to consider the tourism offer of the Caribbean as a single product. The next meeting of the Caribbean Tourism Organization, with the collaboration of the Association of Caribbean States (ACS) and the Government of Trinidad and Tobago, is to be held in Tobago from 26 to 29 April 2005. This will provide a good opportunity for the countries to coordinate their positions on the initiatives taken in the Caribbean to contribute to sustainable development of the local tourist industry.

For a more in-depth analysis on the subject of tourism in the Caribbean area, the following documents are recommended: ECLAC (2003): (a) *A review of Caribbean tourism in the 1990s and at the beginning of the new century*. Port-of-Spain (LC/CAR/G.734), February; (b) *Caribbean tourism, trends, policies and impact 1985-2002*, Port-of-Spain (LC/CAR/G.765), December.

[1] All of the member countries of the Association of Caribbean States are here considered as part of the Caribbean Basin . Although some of them, such as El Salvador , Bahamas , Guyana , Suriname and French Guiana, are not geographically located on the Caribbean Sea, they are considered to be within the geopolitical area of the Caribbean Basin .

[2] (a) The passage of Hurricanes Ivan, Jeanne and Frances, which affected the Bahamas, Jamaica, Saint Lucia and Saint Vincent and the Grenadines; (b) an earthquake grade 6 on the Richter scale in Dominica, and (c) strong tropical storms in Haiti and the Dominican Republic.

[3] There are some exceptions in the case of the countries most affected by natural disasters; in the Bahamas and Jamaica, the total damage is between 7% and 8% of the Gross Domestic Product (GDP), respectively, while in the case of Grenada, the losses estimated as a proportion of GDP exceeded 200%, and the natural disaster proved to be the worst of the past 20 years. See ECLAC, (2005) *Preliminary Overview of the Caribbean Economies 2004-2005*.

[4] The group of countries of the Caribbean subregion show a similar structure (8.4% transport, 73.6% travel; and 18% other services). See chapter 1, section D of the document: ECLAC, (2004) *Latin America and the Caribbean in the World Economy 2002-2003*. Santiago , Chile .

[5] British adults aged over 65 years have visited an average of 13 countries, which is more than twice the figure for British tourists aged between 18 and 25 years, who have visited an average of about six countries. Gordon, Miller, Luther (2005) *Tomorrow Tourism Fresh New Ideas*, February.

[6] The members of this Association include port authorities, tourist agencies and operators and continental suppliers.

RECENT TRENDS IN THE CRUISE SHIP INDUSTRY

Some of the most significant structural changes in the maritime industry have been in shipbuilding. In recent times, the dimensions of ships for container cargo transport have increased substantially, mostly in order to achieve economies of scale. Ships intended for tourist cruises have also followed this trend. In April 2003, according to data from the World Tourist Organization (WTO), the portfolio of orders for new ships amounted to US\$ 9.5 billion, equivalent to 24 new ships, and 54,628 additional beds, reaching a total of 299,700 beds in 2005. In 1980, there was a total of 16,277 beds and in 1990 the figure was 24,444, for a total of 45 and 93 ships, respectively.

A trend has appeared in the issuing market of Canada and the United States for promoting short maritime cruises of from 2 to 5 days. For example, an Internet reservation can be made for a 5-day journey, with the itinerary Miami-Gran Cayman-Ocho Rios/Jamaica-Miami, from US\$ 479 (February 2005). This fits well with the needs of travellers, who increasingly prefer to take shorter holidays. At present, maritime cruises leave from more than 30 North American ports. According to information from the FCCA, the daily average expenditure per passenger during their stay, for 11 Caribbean destinations, is of the order of US\$ 103.83, while in the home port (Everglades, Miami and Puerto Rico) the average expenditure was US\$ 42.51 and the combined average expenditure was US\$ 87.10 per person.

According to studies carried out by the World Tourist Organization (WTO), the Caribbean is expected to continue to be the most frequently chosen destination over the next few years, with a

market share of over 50% of the passengers. The size of cruise ships will continue to increase, exceeding 100,000 tonnes and with a capacity of from 3,400 to 4,000 persons. The Caribbean is already the destination of 48.5% of total world cruises.

Source: Authors, on the basis of information from the World Tourism Organization, the Caribbean Tourism Organization and Luther Gordon Millar, (2005) *Tomorrow's Tourism – Fresh New Ideas*, February 2005.