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**TOURISM LIFE CYCLE, TOURISM COMPETITIVENESS
AND UPGRADING STRATEGIES IN THE CARIBBEAN**

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Executive Summary

In the 1980s Butler adapted the life cycle product model to the tourism industry and created the “Tourism Area Life Cycle (TALC) model”. The model recognizes six stages in the tourism product life cycle: exploration, investment, development, consolidation, stagnation and followed, after stagnation, by decline or revitalization of the product. These six stages can in turn be regrouped into four main stages. The Butler model has been applied to more than 30 country cases with a wide degree of success. De Albuquerque and Mc Elroy (1992) applied the TALC model to 23 small Caribbean island States in the 1990s. Following De Albuquerque and Mc Elroy, the TALC is applied to the 32 member countries of the Caribbean Tourism Organization (CTO) (except for Cancun and Cozumel) to locate their positions along their tourism life-cycle in 2007. This is done using the following indicators: the evolution of the level, market share and growth rate of stay-over arrivals; the growth rate and market share of visitor expenditures per arrival and the tourism styles of the destinations, differentiating between ongoing mass tourism and niche marketing strategies and among upscale, mid-scale and low-scale destinations. Countries have pursued three broad classes of strategies over the last 15 years in order to move upward in their tourism life cycle and enhance their tourism competitiveness. There is first a strategy that continues to rely on mass-tourism to build on the comparative advantages of “sun, sand and sea”, scale economies, all-inclusive packages and large amounts of investment to move along in Stage 2 or Stage 3 (Cuba, Dominican Republic, Puerto Rico). There is a second strategy pursued mainly by very small islands that relies on developing specific niche markets to maintain tourism competitiveness through upgrading (Anguilla, Antigua and Barbuda, British Virgin Islands and Turks and Caicos), allowing them to move from Stage 2 to Stage 3 or Stage 3 to a rejuvenation stage.

There is a third strategy that uses a mix of mass-tourism, niche marketing and quality upgrading either to emerge onto the intermediate stage (Trinidad and Tobago); avoid decline (Aruba, The Bahamas) or rejuvenate (Barbados, Jamaica and the United States Virgin Islands). There have been many success stories in Caribbean tourism competitiveness and further research should aim at empirically testing the determinants of tourism competitiveness for the region as a whole.

Introduction

The aims of this paper are to: (a) provide an overview of the Tourism Area Life Cycle (TALC) framework and its implications for tourism competitiveness and tourism strategies based on existing literature; (b) present an overview of tourism competitiveness in the Caribbean and identify the success stories; and (c) locate Caribbean destinations on their tourism life cycles and explore how Caribbean countries have maintained their competitiveness throughout their tourism life cycle and in particular the role of upgrading in that context.

This paper is divided into four sections. In Section I, the notion of competitiveness in tourism is explored and its major determinants are discussed within the analytical framework of the TALC, which is a tool that has been used in the tourism literature extensively over the last 30 years or so. An overview of ex-ante and ex-post competitiveness (that is tourism performance) in the Caribbean is given in Section II, whereby the Caribbean region is defined to consist of the 34 member countries of the Caribbean Tourism Organization (CTO) with the exception of Cozumel and Cancun. The competitiveness of the Caribbean tourism sector is analyzed in terms of its performance in major market segments over the past 30 years or so. Success stories are identified. Section III describes the upgrading strategies that the Caribbean has implemented in order to maintain its competitiveness at an international level over the past 15 years. Section IV concludes.

Figure 1 DEFINITIONS

Tourism: “It comprises the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited. Tourism is different from travel. In order for tourism to happen, there must be a displacement: an individual has to travel, using any type of means of transportation but all travel is not tourism.”

Source: United Nations World Tourism Organization (UNWTO).

Visitor: Any person visiting a country other than that in which they normally reside, for not more than one year, and whose purpose of visit can be classified as either 1. Leisure and visiting friends and relatives (recreation, holiday, shopping, sports and cultural events, visit family/friends) 2. Business (mission, meeting, paid study & research) 3. Other (health treatment, religious pilgrimage, aircraft & ship crew). Visitors can be of two types: tourists (visitors staying at least 24 hours in the country visited) and same-day visitors, staying less than 24 hours in the country visited. Special categories are cruise passengers who are classified as a special type of same-day visitor (even if the ship overnights at the port) and yacht visitors who are included among the tourist (stay-over) or same day population based on their length of stay.

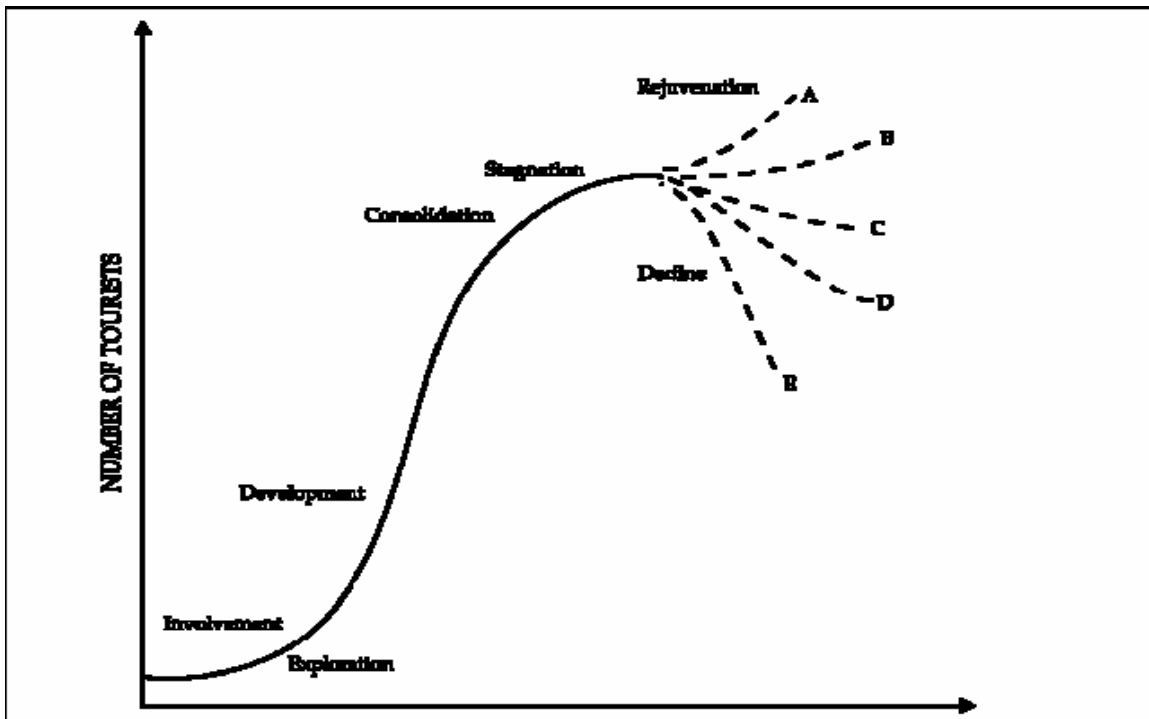
Source: Caribbean Tourism Organization (CTO).

I. TALC MODEL AND CONCURRENT TOURISM STRATEGIES

A. The TALC model and its implications

Research in tourism literature has made extensive use of the life cycle concept as a tool for explaining, monitoring and evaluating tourism activity and tourism performance since the 1960s, mirroring use of the life-cycle concept in other areas such as economic analysis and consumer marketing. In the 1980s Butler adapted the life cycle product model to the tourism industry to generate a TALC model (see figure 2). The model recognizes six stages in the tourism product life cycle: exploration, investment, development, consolidation, stagnation and followed, after stagnation, by decline or revitalization of the product. The model adapted by Butler is, according to Baum (2004), one of the most robust and widely used conceptual and managerial frameworks that has been employed in the tourism area. It has been subject to extensive scrutiny, applications and criticisms and has stood up well to such applications and criticisms over the years. The Butler model has in fact been applied to more than 30 country cases with a wide degree of success. In essence, it has been “tried, tested and true” in many countries including Caribbean Small Island Developing States (SIDS) (DeAlbuquerque and Mc Elroy, 1992).

Figure 2
TOURISM AREA LIFE CYCLE MODEL.



Source: Butler (1980).

The model has a number of features that gives it robustness despite its longevity, and these features and implications are detailed below.

1. Features and implications of the TALC

The model recognizes the dynamism of the tourism environment, namely that tourism destinations are subject to forces (induced and inherent) that lead them to evolve over time. One such force is shift in comparative and competitive advantage due to changes in competitiveness. The dynamism of the industry calls for pro-active strategizing and policing.

The model accommodates the role that exogenous and endogenous variables play in influencing the life cycle of the tourism product or tourism destination. For instance, the location of the S-shaped curve and its shape can be influenced by policy measures. The length of the curve can also be influenced by a set of exogenous or endogenous forces. There are determinants to the life-cycle linked to competitiveness that need to be harnessed through deliberate tourism strategies and policies.

Along the same lines, the model recognizes that there is a common process of development across tourism destinations, which is amenable to description, modeling, analysis, planning and strategic management.

Further, the model recognizes that there are constraints and limits to growth and thus recognizes the importance of promoting competitiveness over time.

(a) It implies the existence of triggers in the environment that bring about changes to a destination (e.g. a shock such as the September 9/11 attacks) along with the possibility of spatial shifts over time as development stagnates.

(b) There are management implications with evident links to the product life cycle-concept.

(c) The model highlights the need for long-term planning and strategic management.

(d) It has universal application and Butler (1998) argued that the model was essentially true for all destinations. It is to be highlighted that the unit of analysis, the tourist area, can be a hotel, attraction, market segment (e.g. stay-over or cruise tourism), country, or region.

Before applying the TALC to Caribbean tourism (next section), for the remainder of this section an analytical framework that links the tourism life cycle to tourism performance, tourism competitiveness, and tourism strategies (including policies) will be applied.

B. Indicators and determinants of TALC and implications for tourism strategies

Based on the TALC model, an attempt is made to characterize the behavior of tourism performance indicators throughout the main stages of the tourism life cycle, as well as the determinants of tourism performance and the concomitant tourism strategies and policies pursued throughout the various stages (Annex 1 and Annex 2). Based on the TALC literature, that covers results from the empirical testing of the TALC (De Albuquerque and Mc Elroy, 1992; Wilkinson, 1997) and the tourism literature on competitiveness (WTO, 2000; Dwyer et al, 2003; WTTC, 2006; Craigwell, 2007), the following is contended:

(a) The location of any given tourism destination along the tourism life cycle and the rate at which it progresses along the cycle is influenced by both exogenous and endogenous factors (henceforth determinants of the tourism life-cycle) and their changes over time. These determinants are strongly linked to the competitiveness (attractiveness, efficiency, productivity and development potential) of the tourism destination and changes in competitiveness over time. Exogenous determinants of the tourism life-cycle (and henceforth tourism competitiveness) may include geographical location as well as environmental assets, natural beauty, cultural diversity and heritage that give the destinations a comparative advantage, hence a competitive edge over other destinations. Endogenous determinants of the tourism life-cycle (or tourism competitiveness) will include man-made sources of comparative advantage (referred to as “competitive advantage” in the literature) such as, inter-alia, availability of tourism facilities that make destinations attractive, low cost structures that make them price-competitive, and strong rule of law and order that make destinations safe and give them a good international image. Annex 2 lists a few endogenous and exogenous determinants of tourism life-cycle (and tourism competitiveness).

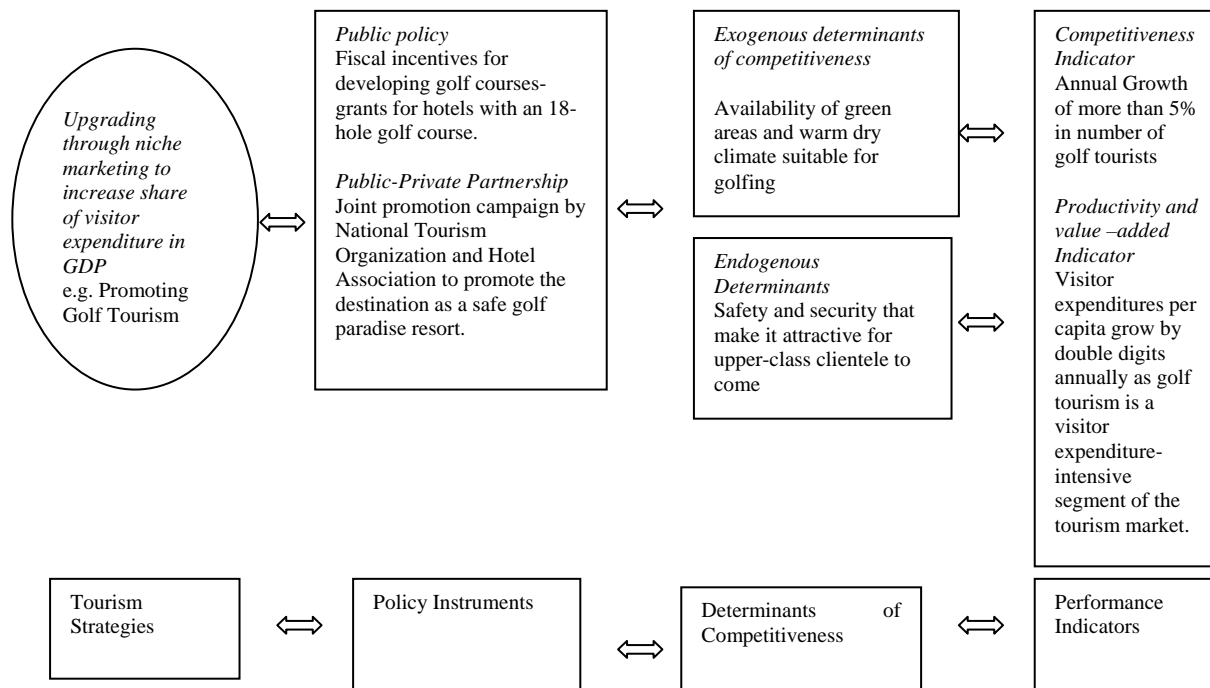
(b) Tourism strategies aim to promote the performance and development of tourism destinations (in other words, the progression of destinations along their tourism life cycle) by influencing the competitiveness of such destinations. This is done by influencing the exogenous and endogenous determinants of competitiveness through the use of specific policy instruments. An illustration is given in Figure 3 below. A tourism strategy aiming at increasing net revenues from tourism in GDP may rest on the development of niche markets such as promoting the destination as a safe golf resort. Policy instruments such as public policies and public-private partnerships are used to influence the determinants of competitiveness in golf tourism¹. Fiscal incentives for example may be given by the government to international golf resort developers to encourage them to invest domestically; and public-private partnerships may be established between the national tourism organization, the hotel association, travel agents and tour operators, the media and international golf organizations to develop golf tournaments and promote the destination as a safe and convenient golf resort. The competitiveness of the destination will depend on the availability of competitively priced packages; ability of the destination to cater to the needs and preferences of its clientele, namely golfers; and an ability to provide a high quality service that encourages the same golfers to come back on a regular basis as well as attract new

¹ Exogenous determinants of tourism competitiveness are given by nature or history (natural/historical sources of comparative advantage) and are usually not influenced by policy instruments. However in some cases, policy measures affect the upkeep of these determinants e.g. the quality and stock of environmental assets as well as the maintenance of heritage can be affected by policies.

golf clients. The success of the tourism strategy in meeting the set objectives, which were to raise the share of tourism revenues in GDP, will be gauged by the progression of performance indicators. These may include competitiveness indicators (mainly quantitative measures such as growth rate in tourist arrivals including golf tourists, increase in market share of destination in world and regional tourism golf markets and other penetration indices that will reflect the success of entry into the golf tourism market) and productivity and value-added indicators that reflect the contribution of tourism to the national economy and qualitative dimensions such as degree of customer loyalty. If successful, over time the strategy will result in a higher share of tourism expenditure in national GDP as well as a high number of repeat golf visitors.

Figure 3

**TOURISM STRATEGIES, TOURISM COMPETITIVENESS
AND TOURISM PERFORMANCE**



Source: Author (2007).

(c) The determinants of tourism life cycle are equivalent to the determinants of tourism competitiveness. In other words, it is recognized here that competitiveness is the major factor impacting on performance in the tourism industry and hence on the location of countries along their tourism life cycle. Changes in competitiveness over time will drive changes in tourism performance over time and thus determine the progression of countries along their tourism life cycle.

(d) Tourism competitiveness is influenced by a wide set of factors or determinants. The literature on tourism recognizes tourism competitiveness as a relative, multi-dimensional, complex concept determined by a range of economic, political, ecological, cultural and political factors (Craigwell, 2007). Definitions of tourism competitiveness range from “ability of a country to create and maintain an environment that sustains more value creation for its enterprises and its people” (Ritchie and Crouch, 2003) to “ability of a destination to maintain its market position relative to its competitors and/or even to improve upon it in time” (D’Hartesse, 2000; Hassan, 2000; Craigwell, 2007) to “a general concept that encompasses price differentials coupled with exchange rate movements, productivity levels of various components of the tourist industry and qualitative factors affecting the attractiveness or otherwise of a destination” (Dwyer et al, 2000) to “capacity of a destination to compete successfully against its main rivals in the world, to generate above average levels of wealth, and to sustain this over time at the lowest social and environmental cost” (WTO, 2000). Dwyer and Kim (2003), in their excellent article, propose the concept of destination competitiveness as linked to “the ability of a destination² to deliver goods and services that perform better than other destinations on those aspects of the tourism experience considered to be important by tourists”. In identifying the determinants of tourism competitiveness in Annex 2, the components of the World Travel and Tourism Council (WTTC) tourism competitiveness index is taken as a guide (see figure 4) as well as the model for tourism destination competitiveness developed by Dwyer and Kim (2003). Determinants can be classified into either supply-side determinants (infrastructure, facilities, etc) or demand-side determinants (consumer tastes and preferences, etc) as well as into micro-level (at firm/hotel level) or macro-level (at destination level). We ignore these distinctions in Annex 2 and choose to list some of these determinants instead according to whether they are sources of comparative advantage (exogenous) or competitive advantage (endogenous).

(e) The determinants of tourism competitiveness, based on the model of Dwyer and Kim (2003) are grouped into four categories: resources, destination management, situational conditions and demand, while causal relationships among them are recognized³. The framework adopted in Annex 2, and figure 3 is a simplified version of Dwyer and Kim’s model in the sense that the determinants of tourism performance and competitiveness are identified along the same lines. However here in this paper there is a distinction between tourism *strategies*, tourism *policy instruments*, *determinants of tourism competitiveness* (ex-ante competitiveness) and tourism *performance* (ex-post competitiveness) within a *life cycle concept*. It is posited that tourism performance is driven by determinants of tourism competitiveness as identified by Dwyer and Kim and others in the literature, and that these determinants can be influenced by policy instruments, of which public policy and strategic alliances such as Public Private Partnerships (PPP) are a part⁴. These policy instruments are used to implement tourism strategies in order to achieve certain performance objectives as defined in these strategies. Feedback effects across these components may exist. For instance, tourism performance can over the long run alter tourism strategies and the determinants of competitiveness (e.g. a strategy based on maximizing growth in tourist arrivals can lead to overcrowding causing environment degradation on beaches and a loss of competitive advantage which over time necessitates a shift in the

² Following Murphy (2000), they define a tourism destination as “an amalgam of individual products and experience opportunities that combine to form a total experience of the area visited”.

³ The reader is referred to Dwyer and Kim (2003) for a full exposition.

⁴ See LC/CAR/L.151.

strategy towards sustainable development of the tourism sector in order to maintain competitiveness).

Figure 4
WTTC TOURISM COMPETITIVENESS COMPONENT INDICES

Main Indices	Component Indices
1. Price competitiveness.	Hotel prices, indirect taxes, purchasing power parities.
2. Human Tourism:	Volume and value of inbound and outbound tourism.
3. Infrastructure:	Roads, railways, water, sanitation.
4. Environment:	Population density, CO2 emissions, ratification of international treaties on the environment.
5. Technology:	Internet access, telephones, mobile phones, high-tech exports
6. Human Resources:	Life expectancy, literacy, enrolment in primary, secondary and tertiary level education, employment in travel and tourism, unemployment, population, gender indicators
7. Openness:	Visa requirements, trade openness, taxes on trade, tourism openness.
8. Social:	Human development index, TVs, personal computers, newspapers, crime.

Source: WTTC (2006), Craigwell (2007).

(f) Public policy impacts on tourism competitiveness through various channels. Public policy is a broad term that encompasses the actions taken by government to influence tourism competitiveness through the enactment of laws and regulations, executive or judicial orders, administrative practices, funding priorities and dispensation of incentives (tax relief, subsidies, grants). Tourism is essentially a private sector activity but it needs an appropriate physical, regulatory, fiscal and social framework to grow sustainably and this can only be provided by governments or public sector authorities (WTO, 2000). PPP play an important role in influencing the determinants of tourism competitiveness. Their significance has been increasingly recognized in the tourism literature, as demonstrated in the extract below. [Strategic alliances can enhance the productivity and competitiveness of the member organisations (Lewis, 1990; Porter et al., 2001). Go and Govers (1999) claim that “partnerships, including private and public sector collaboration between destinations, is a prerequisite to maintain destination competitiveness”. Buhalis states that “partnerships between public and private sector and close cooperation between all local suppliers is the key to the ability of destinations to offer quality products” (Buhalis, 2000: 111). The WTTC strongly advocate partnerships between the private and public sectors as the most effective means of achieving competitive travel and tourism development (WTTC, 2001).]. (Dwyer and Kim, 2003). PPP can take many forms⁵ and when public policy supports private sector activity, such public policy can be categorized as a form of PPP.

(g) In measuring competitiveness with the use of indicators, there is a need to distinguish between ex-ante measures of competitiveness and ex-post measures of competitiveness (that is measures of tourism performance⁶). In addition, these ex-post measures can be classified into competitiveness indicators, that focus on quantitative dimensions reflecting

⁵ See ECLAC CAR LC 151 (as an accompaniment to this paper) for a fuller exposition on Public-Private Partnerships and its role as a determinant of tourism competitiveness.

⁶ See Annex 2.

market penetration and volume of business and productivity and value-added indicators that reflect brand and customer loyalty and contribution to the whole economy. Indicators of ex-ante competitiveness will include the hotel price index and tourism competitiveness index of the WTTC, and measures of operational efficiency (e.g. wage levels in the tourism industry). Ex-post measures will include market shares, visitor expenditures, and contributions to employment, exports and GDP.

(h) At which stage of the TALC are particular destinations at? The identification of stages along the S-shaped curve is made possible by the fact that the type of tourism strategies used, the state and nature of the determinants of competitiveness, the choice of policy instruments and the performance indicators vary as a destination moves from one stage to the next (see Annex 1). In Stage 1, tourism strategies are non-existent - tourism is an “unplanned”, small-scale private sector activity and plays a minor part in the economy. The economic pillars of activity do not include tourism and government may be supporting tourism over time in an ad-hoc manner, in response to demands from the private sector. The private sector itself engages in a supply-side response to a demand phenomenon on a small scale. In Stage 2, tourism starts to become “visible” and both the government and private sector realize there is a market potential to be exploited to earn revenues. Tourism strategies are identified accompanied by the development of plans (national plan, physical development plan, tourism infrastructure plan, national promotion and marketing plan for tourism, cruise tourism policy) and earmarking of expenditures for tourism in national budgets and public-sector investment programmes. In some cases the development of tourism is part of an economic diversification programme away from traditional industries. There are both demand and supply-side public policy and institutional responses to cater to the development needs of the sector. Policies are put in place by the government to support the private sector and initially these will be mostly in the form of fiscal and regulatory incentives to increase capacity in the tourism sector, attract domestic and foreign investment and in the form of providing an enabling environment. Public-private sector organizations are formed such as National Tourism Organizations (NTOs) or tourist boards to coordinate certain aspects of development such as advertising and marketing and to supply an information system to aid in planning, monitoring and evaluation of strategies. Hotel and travel associations are formed and the private sector gets mobilized into alliances to share costs, reap economies of scale and lobby government for specific privileges. Generally the emphasis is on mass tourism to maximize the benefits. A few market segments can be identified and developed in order to reduce seasonality in demand (such as cruise tourism, conventions) or compensate for winter lows (special summer tourism niches such as diving, fishing, yachting). This is a phase of rapid growth and a transitional phase. In Stage 3, the impact of mass tourism starts to be felt and the destination becomes “mature”. Tourism is dominant and growth in number of visitors and visitor expenditures are stagnating. A few source markets predominate but new markets are hard to come by. Environmental concerns surface. There is a high visitor density associated with “crowding” and host-guest frictions may arise. Man-made attractions start to replace or compensate for a degraded environment. Variables have reached capacity levels, profitability is low and some hotels may close down. Advertising continues to be intensive for high volume visitors in the same segments but returns are low and stagnating (Wilkinson, 1997). The private and public sectors start to reflect on the challenges being faced and start joint consultations to find solutions. In Stage 4, strategic alliances such as PPP intensify to rejuvenate the sector and attention steers towards visioning and long-term planning, with sustainability, upgrading through niche marketing and market diversification high on the agenda. There is a shift in public policy

towards branding and creating more value-added from tourism. To maximize benefits from the industry, efforts go towards reducing the import leakages of the industry through increased local ownership, increased use of local supply-chains and strengthening linkages between tourism and other productive sectors.

Public policy and PPP as stated previously are treated as policy instruments that are used to implement tourism strategies and achieve the objectives of these tourism strategies by influencing tourism competitiveness. In the transition from Stage 2 to Stage 3 the strategy involves mass-tourism including cruise tourism, source market diversification and some niche marketing such as business tourism or the staging of major events while from Stage 4 towards rejuvenation, the strategy will be one of upgrading that involves building an enhanced quality product through improved accommodation, setting higher quality standards, branding and niche marketing, and also perhaps further source market diversification. It is expected that public policy will play a more important role in Stage 1 and Stage 2 in terms of getting the destination “going” through public incentives and infrastructure to support the private sector, while towards the end of the cycle, the more mature tourism industry may increasingly turn to PPP for the development of a more sophisticated product.

In the next sections, an overview of tourism performance and tourism competitiveness in the Caribbean is presented and the development of tourism in the Caribbean within the tourism life-cycle model is reviewed. The strategies that have been used by Caribbean countries in order to successfully move upward in their life-cycle (from Stage 1 to Stage 2 and from Stage 3 to Stage 4/rejuvenation) are analysed. In particular the shift away from mass-tourism towards upgrading strategies in the Caribbean region, allowing countries to move upward in their tourism life cycle in the last 15 years, in accordance with the TALC Model (see Annex 1) is demonstrated.

While recognizing that the TALC is subject to limitations and criticisms, it has been found to be applicable to many tourism destinations, including the Caribbean (Lagiewski, 2006). Wilkinson (1987) for instance found a high compliance by Antigua and Barbuda, Aruba, Saint Lucia, and the United States Virgin Islands with the TALC and De Albuquerque and McElroy (1992) demonstrated the same for 23 small Caribbean islands (see next Section).

Figure 5
AN ALTERED VERSION OF BUTLER’S MODEL

Three stages are identified in the tourism development process with the following characteristics:

- **Stage 1: Emergence.** A slow and irregular stream of long-staying explorers, seeking pristine and exotic natural surroundings and unusual cultural experiences tend to be satisfied with modest lodging and eating facilities. This low-density, environmentally benign phase is typified by small-scale local entrepreneurial participation and resident-visitor interaction. Often lacking major airport and harbor infrastructure, such quiet destinations frequently become retirement hideaways for North Americans and Europeans.
- **Stage 2: Transition.** Rapid change, increased foreign investment and control, and rising international visibility is reflected in expanded transport facilities, large-scale hotels, liberal hotel tax incentives, and aggressive visitor promotion. Marked winter seasonality often spawns summer specialty tourism sub-styles based on unique natural amenities (e.g. fishing, diving, wind surfing, sailing). The cruise ship trade may be significant.
- **Stage 3: Maturity.** The mass-market mature destination is characterized by the economic dominance of tourism, growth stagnation, short-stay visitors with a taste for the familiar, international chain hotels and restaurants, high densities and crowding that alter the visitor experience and disturb the host population, and the substitution of artificial attractions (e.g. casino gambling, duty-free shopping, golf courses) for degraded natural assets. Resident-visitor resource competition becomes commonplace, and local cultural identity and participation in tourism decline. There is some environmental impact mitigation, but most of the energy goes into intensive advertising for high-volume visitors: conventions, cruise ships, packaged charters and all-inclusives.

Source: DeAlbuquerque and McElroy (1992). Reproduced in Wilkinson (1997).

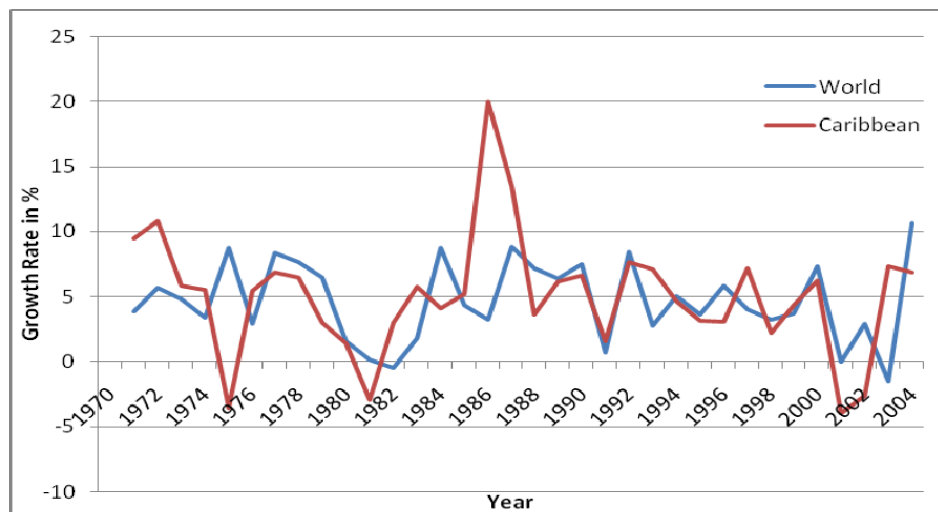
II. TOURISM COMPETITIVENESS AND TOURISM PERFORMANCE IN THE CARIBBEAN

In this section, the ex-post and ex-ante competitiveness of tourism in the Caribbean is analyzed empirically. Facts and characteristics of the tourism industry in terms of its performance, market segments, competitiveness and stages in the tourism area life cycle are exposed. The major success stories in terms of gains in competitiveness are also identified.

A. Stay-over tourists: growth rate and market share

The Caribbean accounts for about 2.9% of the world market for stay-over tourists. This share has remained stable, rising from 2.5% in 1970 with 4.2 million stay-over tourists to 21.8 million stay-over tourists in 2004. This performance is better than the Americas as a whole. The share of the Americas region in the global tourist market has fallen from a high of 25% in 1970 to 16% in 2004. As a region, the Americas have not been performing as well as Europe or Asia-Pacific. However within the Americas, the Caribbean share has been growing from 9.9% in 1970 to 17.3% in 2004. Stay-over tourism in the Caribbean has grown in pace with the World market (See Figure 6).

Figure 6⁷
GROWTH RATE IN STAY-OVER TOURIST ARRIVALS
WORLD AND CARIBBEAN 1971-2004



Source: WTO, Caribbean Tourism Organization (CTO).

⁷ As from 1980 for the World series and as from 1986 for the Caribbean series, the numbers include tourist arrivals in Cancun and Cozumel.

Table 1 shows that tourist arrivals in the Caribbean grew faster on average than the World for two decades until the Caribbean industry slowed down significantly from 2001 due to the September 11th attacks, given its dependence on the United States market. The Caribbean tourism industry has always out-performed the Americas region in terms of average growth rate.

Table 1
STAY-OVER TOURIST ARRIVALS AND TOURIST RECEIPTS
GROWTH RATE: WORLD, AMERICAS AND THE CARIBBEAN

Average Annual Growth Rate	International Tourist Arrivals			International Tourist Receipts		
	World	Americas	Caribbean	World	Americas	Caribbean
1970-1980	5.34	..	5.16
1981-1990	4.77	4.21	6.53	10.18	11.47	10.90
1991-2000	4.46	3.29	4.74	6.39	6.60	7.44
2001-2004	3.01	-0.26	1.93	6.20	2.33	2.19

Source: UN World Tourism Organization (WTO).

Within the Caribbean, the major 10 consistent performers in terms of market share (see table 2) have been the Dominican Republic, Puerto Rico, The Bahamas, Cuba, Jamaica, Aruba, United States Virgin Islands, Barbados, St Maarten, and Martinique, with the first five being “outliers” with an individual market share above 10% in the region for the last decade. The major performers in terms of consistent annual average growth (above 4% for two decades since 1982, table 2) have been yet again the Dominican Republic and Cuba along with Dominica, Guyana, Saint Lucia, and Turks and Caicos. In 1980, the Big Four (Dominican Republic, Cuba, Puerto Rico and the Bahamas) accounted for 47% of the market compared to 49% in 2004.

Table 2
STAY-OVER TOURISM - RANKING BY MARKET SHARE AND GROWTH RATE

		1982-1991		1992-2001		1982-1991		1992-2001
		Market Share		Market Share		Growth Rate		Growth Rate
1	Bahamas	20.935	Dominican Republic	20.275	Turks & Caicos	17.754	Cuba	13.292
2	Dominican Republic	12.999	Bahamas	13.500	Belize	14.529	Turks and Caicos	8.669
3	Jamaica	9.927	Cuba	10.720	Cuba	13.643	British Virgin Islands	7.455
4	Bermuda	6.795	Jamaica	10.601	Dominican Republic	12.584	Dominican Republic	7.262
5	US Virgin Islands	6.667	Aruba	5.580	Dominica	11.626	Trinidad & Tobago	5.699
6	Barbados	5.969	US Virgin Islands	4.195	St Maarten	11.383	Guyana	5.619
7	St Maarten	5.746	Barbados	4.146	Jamaica	10.024	Saint Lucia	5.091
8	Aruba	4.100	St Maarten	4.100	Aruba	9.505	Dominica	4.439
9	Cuba	3.803	Martinique	4.017	St Kitts & Nevis	9.243	St Vincent/ Grenadines	4.208
10	Martinique	3.411	Bermuda	3.095	Saint Lucia	8.912	Martinique	3.409
11	Trinidad & Tobago	3.057	Trinidad and Tobago	2.824	St Eustatius	8.764	Belize	3.209
12	Cayman Islands	2.679	Cayman Islands	2.819	Martinique	7.746	Aruba	3.039
13	Curacao	2.459	British Virgin Islands	2.154	Antigua & Barbuda	7.659	US Virgin Islands	2.806
14	Antigua & Barbuda	2.415	Saint Lucia	2.104	Cayman Islands	7.177	Barbados	2.715
15	Brit. Virgin Islands	2.126	Belize	2.100	Guyana	6.638	Jamaica	2.692
16	Belize	1.757	Antigua & Barbuda	2.073	British Virgin Islands	3.890	St Eustatius	2.559
17	Saint Lucia	1.600	Curacao	1.856	US Virgin Islands	3.673	Antigua & Barbuda	1.693
18	Guyana	0.830	Turks & Caicos	0.939	Islands	3.467	St Kitts and Nevis	1.361
19	St Kitts & Nevis	0.822	Guyana	0.830	Bahamas	2.981	Cayman Islands	1.129
20	St Vincent/ Grenadines	0.692	St Kitts and Nevis	0.741	Curacao	2.319	Bahamas	0.746
21	Turks & Caicos	0.454	St Vincent and the G	0.577	Montserrat	1.755	Trinidad & Tobago	0.714
22	Dominica	0.413	Dominica	0.559	Tobago	1.738	St Vincent/ Grenadines	-0.473
23	Montserrat	0.259	Montserrat	0.111	St Vincent/ Grenadines	1.504	Barbados	-1.773
24	St Eustatius	0.087	St Eustatius	0.086	Barbados	-0.811	Montserrat	-1.773
					Bermuda		Bermuda	-2.432

Excludes Anguilla, Bonaire, Grenada, Guadeloupe, Puerto Rico, Saba and Suriname due to disruption in series.
Source: CTO.

The major success stories in the market segment of stay-over tourists have been⁸:

- (a) The phenomenal rise of both the Dominican Republic and Cuba, the latter in the wake of the collapse of the Soviet Bloc;
- (b) The consistency of Jamaica in terms of maintaining market share in the range of 8% to 10% since 1990;
- (c) The stabilization of market share by Barbados and prevention of further market share erosion as from 1992;
- (d) The recovery of the United States Virgin Islands in terms of market share as from 1996, after a continuous steep decline dating from the 1970s and;
- (e) The consistent upward performance of Aruba, The British Virgin Islands, Dominica, Saint Lucia, and Turks and Caicos, backed by consistent growth and gains in market share.

B. Cruise passengers: growth rate and market share

The cruise industry is an important market segment in the Caribbean. The development of cruise tourism was part of the mass-tourism strategy pursued by the region in the 1980s. The number of cruise passengers has been growing from 3.3 million in 1979 to 19.7 million in 2004, and is now almost equivalent in size to the stay-over tourists segment. The region is the world leader in terms of cruise activity.

In 2004, the Caribbean accounted for 47% of the total number of annual bed days worldwide, followed by the Mediterranean with a distant 12%. This figure is down however from a healthy 57% 10 years ago. The cruise sector in the Caribbean has been growing at a slower pace than the rest of the world for the past 10 years (table 4).

⁸ Based on an empirical chart analysis carried out by author. The charts are available upon request from ECLAC.

Table 3
CRUISE TOURISM - RANKING BY MARKET SHARE AND GROWTH RATE

		1979-1991		1992-2004		1980-1991		1992-2004
		Market Share		Market Share		Growth Rate		Growth Rate
1	Bahamas US Virgin Islands	24.322	Bahamas US Virgin Islands	18.320	Bonaire	120.740	Belize	348.940
2		18.102		12.833	Dominica St Kitts & Nevis	84.722	Bermuda Dominican Republic	92.878
3	Puerto Rico	12.607	Puerto Rico Cayman Islands	9.840		35.021		41.201
4	Jamaica	5.842		8.091	Guadeloupe Trinidad & Tobago	32.276	Bonaire	21.795
5	Martinique	5.315	St Maarten	6.737		24.025	Montserrat	21.320
6	St Maarten Cayman Islands	5.242	Jamaica	6.440	Montserrat Cayman Islands	23.077	Dominica Brit. Virgin Islands	19.568
7		4.837	Bermuda	6.381	St Vincent/ Grenadines	21.506	St Kitts & Nevis	18.538
8	Haiti	4.291	Barbados	4.293		19.465		17.910
9	Barbados	3.987	Guadeloupe	3.201	Saint Lucia British Virgin Islands	16.721	Aruba	14.124
10	Dominican Republic	3.462	Martinique	3.106	Antigua & Barbuda	16.211	Saint Lucia Cayman Islands	11.009
11	Curacao	3.068	Aruba Antigua & Barbuda	2.982		14.751		10.893
12	Bermuda Antigua & Barbuda	2.984		2.669	Bahamas	13.230	St Maarten Trinidad & Tobago	10.056
13		2.727	Saint Lucia	2.484	Barbados	12.756		8.525
14	Grenada	2.433	Haiti	2.301	Grenada	12.021	Jamaica	7.144
15	Guadeloupe	1.670	Curacao	1.872	Jamaica	10.964	Haiti Antigua & Barbuda	7.142
16	Aruba	1.649	Grenada Dominican Republic	1.865	Aruba	10.391		6.942
17	Saint Lucia St Vincent/ Grenadines	1.366		1.562	Martinique US Virgin Islands	8.715	Barbados	5.735
18	British Virgin Islands	1.034	Dominica British Virgin Islands	1.532		6.543	Bahamas	4.538
19	St Kitts & Nevis	0.815		1.382	Puerto Rico	6.069	US Virgin Islands	4.308
20	Trinidad & Tobago	0.558	St Kitts & Nevis	1.140	St Maarten	0.553	St Vincent/ Grenadines	3.788
21		0.299	Belize St Vincent/ Grenadines	0.852	Curacao	0.377	Curacao	3.737
22	Dominica	0.217		0.558	Bermuda Dominican Republic	0.290	Grenada	2.940
23	Montserrat	0.162	Tobago	0.441		-13.356	Puerto Rico	2.915
24	Bonaire	0.117	Bonaire	0.217	Haiti	-16.239	Guadeloupe	1.341
25	Belize	n.a.	Montserrat	0.097	Belize	n.a.	Martinique	-5.421

Source: CTO.

Table 4
CRUISE TOURIST ARRIVALS
GROWTH RATE: WORLD, AMERICAS AND THE CARIBBEAN

Cruise Passenger Arrivals	Average Annual Growth Rate				Share Distribution			
	World	Mediterranean	Caribbean	Alaska	Other	Mediterranean	Caribbean	Alaska
1996-2000	10.780	3.595	8.058	12.554	29.503	4.408	63.762	2.327
2001-2006	9.162	15.084	6.917	16.167	35.867	4.898	56.546	2.690

Source: UNWTO. Note: WTO figures do not include Alaska. Figures for Alaska were taken from the Alaska Visitor Program.

The major players in terms of market share in Caribbean cruise tourism are The Bahamas, United States Virgin Islands, Puerto Rico, Cayman Islands, St Maarten, Jamaica, Bermuda and Barbados. Dependency on cruise-tourism varies. Based on data for arrivals, Bermuda is the most cruise-dependent country (more than 90% of total tourist arrivals), followed by the Cayman Islands, Dominica (more than 80%), and Belize, United States Virgin Islands, St Maarten and St Kitts and Nevis (more than 70%). The cruise ships offer multiple-destinations packages, usually offering either Eastern Caribbean, Western or Southern Caribbean destinations. The Eastern Caribbean (Antigua and Barbuda, British Virgin Islands, Dominica, Dominican Republic, Guadeloupe, Haiti, Puerto Rico, St Kitts and Nevis, St Maarten and United States Virgin Islands) accounts for 35-40% of cruise passenger arrivals in the Caribbean, down however from the 50-53% of the market it once commanded. There has been a marked shift towards the Western Caribbean (which includes Belize), especially after the 9/11 attacks and the rise in crude oil prices. The cruise segment has become increasingly competitive within the Caribbean since the 1990s. However about 86% of cruise capacity is controlled by three cruise companies only: Carnival Corporation, Royal Caribbean International (these two companies make up 79% of the total) and Norwegian Cruise Lines. The cruise industry plays an important role in lowering the seasonality factor in Caribbean tourism. The bulk of cruise tourism in the Caribbean happens in the winter months (January to April), thereby complementing the summer-based stay-over tourism (May to December) while its direct competitors (Mediterranean and Alaska) operate mainly in the summer months. The cruise industry is perceived by some to be in direct competition to land-based tourism, thereby lowering the income potential of the destination while others will argue that cruise tourists are a captive audience who may be persuaded to return to the region for longer stays as land-based tourists (Jayawardena, 2002). The average expenditure of cruise passengers is considerably less than that of stay-over visitors. It exceeds US\$100 only in Barbados, Puerto Rico (which is the regional hub), and Cayman Islands; and exceeds US\$250 only in United States Virgin Islands and Bermuda. It can be as low as less than US\$20 in St Vincent and the Grenadines and Martinique. In 2000, cruise expenditures accounted for only 12% of total tourist expenditures in the region despite accounting for 42% of all tourist arrivals. Some have disputed the true economic benefits of the cruise industry to the region, given the rate of import leakages in cruise expenditures and the largely international staff employed on these cruise ships.

In terms of success stories whereby sustained growth has led to substantial gains in market share in the region, Belize, Bermuda, Bonaire, British Virgin Islands, Cayman Islands, Dominica, Jamaica, St Kitts and Nevis, and Saint Lucia feature. Belize is a particularly remarkable success story, scoring average annual growth of more than 300% in the period 1992-2004.

C. Source markets: growth rate, market share and composition

The region has been traditionally dependent on the United States market for its incoming tourists and this is due, among others, to its comparative advantage of geographical proximity to the United States, resulting in cheaper flight costs and shorter flight times as compared to other further destinations, and due to a competitive advantage of easy availability of direct flights from the United States. Table 5 shows that growth in Caribbean tourism (using weighted figures) has generally been powered by growth from the United States market. The success of the region at diversifying away from the United States market can be gauged from table 7. From 1980 to 2004, the share of the United States as a generating market in the total fell from a high of 64% in the 1970s to about 55% in 1986 and 52% in 2004, and this despite steady growth every decade coming from the United States market. On the other hand, the 1990s, in the wake of the Gulf crisis and a recession in the United States, saw a sharp increase in the share of European tourists coming to the region, rising from 17% in 1990 to 26% in 1999. The share from the Canadian market seemed to have picked up in the last four years stimulated by healthy growth close to 10%. The intra-Caribbean market, dominated by visits to friends and relatives (VFR) has not grown sufficiently to generate gains in market composition and this segment remains to be stimulated further in the light of increased affluence in the region. Outside of Europe, North America and the Caribbean, however, growth has been modest and markets such as South America and Asia remain to be tapped.

Table 5
WEIGHTED GROWTH RATES BY SOURCE MARKET

Period	U.S.A	Canada	Europe	Caribbean	Other	Total
1981-1989	2.953	0.315	0.852	0.661	3.154	7.936
1990-2000	2.760	0.307	2.492	0.166	0.161	5.885
2001-2004	1.218	0.728	0.214	0.209	-0.301	2.068

Note: Market shares are used as weights.

Source: CTO.

Table 6
UNWEIGHTED GROWTH RATES BY SOURCE MARKET

Period	U.S.A	Canada	Europe	Caribbean	Other	Total
1981-1989	5.094	4.397	7.915	7.001	14.968	6.518
1990-2000	4.912	4.920	12.082	2.577	1.090	4.916
2001-2004	2.329	9.708	0.839	2.861	-2.923	1.932

Source: CTO.

Dependency on the United States market varies across countries. As expected, dependency is higher at 80% in United States territories and those islands closer to the United States such as The Bahamas, Cayman Islands, Puerto Rico, Turks and Caicos, and United States Virgin Islands. About half of the countries in the region have a more than 50% dependency rate on the United States. About a third of all United States tourists to the region (including Cancun and Cozumel in the total) end up in Puerto Rico. Dependency on the Canadian market is in general low, with only five countries (Cuba, Dominican Republic, Guyana, Haiti, and Turks and Caicos) having a dependency of more than 10% on the Canadian market. Canada remains a market to be further exploited by most countries in the region. However the Hispanic Caribbean (Cuba and Dominican Republic) are tough competitors to beat for the Canadian source market, controlling close to 60% of all Canadian arrivals to the Caribbean. Mexico is another major competitor for the region for Canadian tourists. French territories such as Guadeloupe and Martinique, Dutch territories of Bonaire, Curacao, Saba and St Eustatius, together with Antigua and Barbuda, Barbados, Cuba, and Suriname are highly dependent on Europe.

Language and colonial ties provide important competitive advantages for some destinations in European markets while low costs, competitive prices, cheap exchange rates and availability of all-inclusives have benefited the Hispanic Caribbean in its mass-tourism strategies to attract European tourists. While French tourists account for a third of all European arrivals to the region, 65% of them opt for French territories of Guadeloupe and Martinique as their destinations; 88% of all Spanish tourists, accounting for 8% of total European arrivals, choose Spanish-speaking Cuba and the Dominican Republic for their holidays; 73% of Italians, representing another 8% of the European market, exert similar preferences; and 66% of all Dutch tourists, another 8% of the European market, choose Dutch-speaking Suriname and Dutch territories for their Caribbean holidays. British tourists, accounting for 25% of all European arrivals, opt mostly for Barbados, the Dominican Republic, Jamaica, Cuba and Cancun, and are most diverse in their choices; while 77% of Germans, representing 9% of all European arrivals, on the other end opt to go to Cuba and the Dominican Republic.

Table 7
MARKET SHARES BY SOURCE MARKET 1980-2004

Year	United States	Canada	Europe	Caribbean	Other
1970	64.288	4.490	7.362	-	24.774
1980	58.514	7.319	11.930	8.116	14.120
1981	58.218	6.828	11.331	9.478	14.145
1982	59.203	6.374	10.814	9.493	14.116
1983	61.944	6.849	9.756	9.178	12.273
1984	61.976	7.814	9.421	10.763	10.025
1985	62.193	7.541	9.149	8.788	12.330
1986	55.088	6.654	8.697	8.427	21.134
1987	54.392	6.123	9.892	8.165	21.428
1988	54.121	6.370	11.926	8.584	18.999
1989	52.223	6.033	12.838	8.250	20.656
1990	57.668	6.600	17.239	6.899	11.594
1991	59.472	6.887	18.735	7.036	7.871
1992	59.606	6.590	19.022	6.169	8.612
1993	57.762	6.233	19.607	6.279	10.119
1994	56.675	5.834	21.639	6.439	9.413
1995	55.836	5.966	22.298	6.498	9.403
1996	52.128	5.801	23.603	6.517	11.951
1997	51.689	5.416	24.965	6.565	11.365
1998	50.921	5.578	25.616	6.428	11.456
1999	49.740	5.623	26.313	6.590	11.735
2000	51.573	5.966	25.517	6.334	10.609
2001	52.509	6.443	24.746	6.198	10.104
2002	53.328	6.701	23.647	6.854	9.471
2003	52.281	7.356	24.560	6.978	8.825
2004	52.495	7.978	24.264	6.556	8.708

Source: Caribbean Tourism Organization.

D. Hotel occupancy rates, average length of stay

Room occupancy rates in the Caribbean on average have hovered around 60% to 65% for the past 10 years, which is good by international standards. The occupancy rate depends on the number of visitors, their length of stay, purpose of stay, type of establishment for stay as well as the supply capacity of the destination. The average length of stay, for its part, will depend on the “income category” of the tourists and their ability to spend, age group, reason for stay and source market. The Hispanic destinations of Cuba, Cancun, Dominican Republic and Puerto Rico since the 1990s have traditionally produced relatively high occupancy rates (above 60%), based on mass-market tourism strategies of affordable prices at large hotels, that allow these hotels to reap scale economies based on high volume visitors and/or long-staying European visitors. Barbados on the other hand has consistently scored a low occupancy rate of less than 50% based on a

strategy of upscale tourism for high-end European tourists in small to medium sized establishments. Aruba has consistently seen a high occupancy rate above 71%, tied to the prevalence of time-share resorts (these resorts tend to generate a larger number of repeat visitors and long-staying visitors as compared to traditional hotels). Aruba has the highest share (30%) of time share resorts in the Caribbean. Regarding the average length of stay, countries that are more dependent on the far away European visitors such as Barbados and Jamaica have traditionally enjoyed longer length of stay (above eight nights). On the other hand, Puerto Rico, catering to the budget traveler or short-stay shopper from nearby United States has traditionally had the shortest average length of stay (below four nights).

E. Visitor expenditure⁹: growth rate, market share

The competitiveness of the tourism sector should translate into substantial net foreign exchange earnings for the economy. One ideal measure of the productivity of the tourism sector i.e. the net benefits that tourism bring will be net real visitor expenditure per arrival. Import leakages can run high in the tourist sector especially for small-island countries that lack the resources and space for domestic production (e.g. in agriculture), have limited private sector development or are dependent on foreign investment in the sector. The average import leakage rate in Caribbean tourism has been reported to be about 70% (Patullo, 1996; in Meyer 2006), with estimates in the 1980s of about 45% for Saint Lucia; 41% in Aruba, 36% in United States Virgin Islands; 25% in Antigua and Barbuda and 40% in Jamaica in the 1990s (Meyer, 2006). Profits and income from large foreign-owned hotel and tour operating companies get repatriated. Other sources of leakage are import expenditures on materials and equipment used in the construction of hotels and tourism facilities; imports of consumable goods (food, drinks) and non-consumables goods and services (e.g. sports equipment, gambling machines) used in the tourism sector; interest paid on foreign loans contracted and costs incurred overseas in relation to tourism such as promotional expenditures and maintaining an office abroad. This being the case, it is important to net out from gross tourism earnings such foreign expenditures to arrive at a domestic value-added measure. Unfortunately the statistical system is not yet in place in the Caribbean to allow calculations of foreign leakage rates or domestic retention rates. In addition price deflators are not readily available for all countries to calculate “real” visitor expenditures. The “best” substitute measures that are used instead are visitor expenditures per tourist arrivals and share of visitor expenditure in GDP. Visitor expenditures per arrival may increase over time simply due to inflation rather than due to spending on an increased amount of tourism goods and services or rather due to increased spending on a higher quality product. However under the assumption of comparable inflation rates throughout the region, a comparison across countries over time can still be meaningful at revealing changes in their relative competitive positioning and relative competitive advantages. On the other hand changes in gross visitor expenditure as a share of GDP may indicate either changes in market share, shifts towards different market segments or economic diversification away from tourism.

⁹ Data is taken from the CTO. This is actually international tourist receipts that do not include cruise ship expenditures.

Table 8
VISITOR EXPENDITURE - RANKING BY MARKET SHARE AND GROWTH RATE

		1981-1990		1991-2001		1982-1990		1991-2001
		Market Share		Market Share		Growth Rate		Growth Rate
1	Bahamas	17.070	Puerto Rico	14.699	Belize	45.456	Turks and Caicos	24.180
2	Puerto Rico	15.204	Dominican Republic	12.947	Anguilla	41.174	Suriname	23.844
3	US Virgin Islands	8.572	Bahamas	10.783	Turks & Caicos	28.751	Cuba	21.578
4	Jamaica	8.244	Cuba	8.541	Dominica	28.275	Grenada	18.834
5	Dominican Republic	7.956	Jamaica	8.123	Saint Lucia	23.368	British Virgin Is.	13.971
6	Bermuda	6.824	US Virgin Islands	7.011	Barbuda	22.564	Guyana	13.431
7	Barbados	6.073	Barbados	4.635	Bonaire	20.746	Bonaire	13.300
8	Aruba	3.309	Aruba	4.267	Cayman Islands	19.083	Dominican Republic	11.424
9	St Maarten	2.928	Bermuda	3.625	Cuba	19.083	Trinidad and Tobago	9.832
10	Trinidad and Tobago	2.721	St Maarten	3.015	Dominican Republic	17.242	Cayman Islands	9.228
11	Guadeloupe	2.516	Cayman Islands	2.922	St Vincent/Grenadines	16.570	Guadeloupe	8.724
12	Antigua & Barbuda	2.499	Guadeloupe	2.871	Martinique	16.528	US Virgin Islands	7.295
13	Martinique	2.376	Martinique	2.686	St Kitts/Nevis	15.660	Aruba	7.146
14	Cuba	2.154	Antigua & Barbuda	2.142	Curacao	12.799	Puerto Rico	6.576
15	Curacao	2.013	St Lucia	1.880	St Maarten	12.335	Montserrat	6.411
16	Cayman Islands	1.843	British Virgin Is.	1.823	Jamaica	11.892	Dominica	6.274
17	British Virgin Is.	1.596	Curacao	1.631	British Virgin Is.	11.594	Anguilla	6.076
18	Saint Lucia	1.443	Trinidad and Tobago	1.040	Aruba	11.128	Haiti	5.069
19	Haiti	1.079	Turks and Caicos	0.913	Grenada	10.973	St Vincent/Grenadines	4.971
20	St Kitts and Nevis	0.573	Grenada	0.708	Guadeloupe	10.886	Jamaica	4.874
21	Belize	0.507	Belize	0.689	Guyana	9.102	St Maarten	4.502
22	St Vincent & the Gren	0.503	St Kitts and Nevis	0.531	Puerto Rico	8.962	Saint Lucia	4.468
23	Grenada	0.494	St Vincent/Grenadines	0.465	Bahamas	8.787	Belize	3.437
24	Guyana	0.348	Guyana	0.390	US Virgin Islands	8.332	Barbados	3.291
25	Suriname	0.337	Anguilla	0.371	Barbados	7.678	Bahamas	2.220
26	Turks & Caicos	0.291	Haiti	0.362	Bermuda	6.281	Curacao	1.841

		1981- 1990		1991- 2001		1982- 1990		1991- 2001
		Market Share		Market Share		Growth Rate		Growth Rate
27	Anguilla	0.219	Bonaire	0.303	Montserrat Trinidad and Tobago	4.166	St Kitts & Nevis	1.168
28	Dominica	0.179	Dominica	0.287		-1.701	Martinique Antigua & Barbuda	1.048
29	Bonaire	0.140	Suriname	0.248	Haiti	-1.715		-0.260
30	Montserrat	0.131	Montserrat	0.090	Suriname	-9.991	Bermuda	-2.706

Source: CTO

Table 9
RANKING BY VISITOR EXPENDITURE PER ARRIVAL (US \$)

	1981		1991		2001
US Virgin Islands	923.77073	US Virgin Islands	1654.0506	US Virgin Islands	2340.8574
Curacao	907.13625	Antigua and Barbuda	1533.9521	Turks and Caicos	2064.1646
Trinidad and Tobago	813.16916	Bermuda	1183.4934	Cayman Islands	1751.2721
Suriname	747.69797	Barbados	1166.1593	British Virgin Is.	1355.8863
Barbados	742.78697	Curacao	1129.3774	Barbados	1354.368
Aruba	706.65311	Saint Lucia	1090.566	Grenada	1317.6661
Guadeloupe	704.29962	Anguilla	1037.037	Anguilla	1285.4167
Jamaica	699.63456	St Vincent and the G	1027.1318	Bonaire	1277.7778
Grenada	690.01276	Cayman Islands	936.39427	St Vincent and the G	1258.8402
Bermuda	669.84488	Turks and Caicos	917.58242	Bermuda	1257.4613
Bahamas	620.10013	Cuba	913.67925	Curacao	1235.0929
St Maarten	605.04202	Bahamas	835.80939	Antigua /Barbuda	1225.6757
Caribbean	579.84649	Martinique	807.99746	St Maarten	1202.4342
British Virgin Islands	509.77865	St Kitts and Nevis	804.5292	Bahamas	1072.7663
Dominican Republic	494.68085	Aruba	790.54458	Aruba	1069.2797
Antigua and Barbuda	490.49049	Caribbean	773.51656	Cuba	1037.1372
Martinique	479.07854	Jamaica	758.83989	Caribbean	1024.5208
St Kitts and Nevis	453.72562	British Virgin Islands	744.21769	Dominican Republic	1007.3799
Cuba	433.05785	Guadeloupe	676.92308	Jamaica	965.92244
Saint Lucia	428.82773	Montserrat	619.79167	St Lucia	931.62735
Puerto Rico	428.38568	Dominican Republic	619.35347	Guyana	910.6204
Cayman Islands	422.96024	Dominica	606.91145	St Kitts and Nevis	876.77054
Haiti	398.60667	St Maarten	565.51095	Montserrat	867.34694
Turks and Caicos	388.72692	Puerto Rico	549.44508	Suriname	856.16438
Montserrat	347.17757	Grenada	490.58824	Puerto Rico	825.74611
St Vincent and the G	335.33041	Bonaire	484.84848	Dominica	698.79518
Anguilla	290.32258	Trinidad and Tobago	459.26263	Belize	614.79592
Dominica	188.67925	Belize	438.71866	Guadeloupe	562.83941
Bonaire	177.70654	Suriname	428	Martinique	531.92876
Belize	116.82243	Guyana	416.20879	Trinidad and Tobago	524.40616
Guyana	..	Haiti	385.58256	Haiti	381.35593

Note: A new series started for Anguilla in 1985, Antigua and Barbuda in 1981, Aruba in 1986, Belize in 1986, Cayman Islands in 1987, Guadeloupe in 1986, Martinique in 1987, and Suriname in 1981.

Source: CTO.

The most ‘productive’ destinations are those positioned at the high-end of the market. In the upscale segment, there are about 13 destinations with an average tourist spending of more than US\$1,200 (table 9). The top five are the United States Virgin Islands, Turks and Caicos, Cayman Islands, British Virgin Islands, and Barbados. Belize, Dominica, Guadeloupe, Haiti, Martinique, and Trinidad and Tobago are at the low-end. Barbados and the United States Virgin Islands have been maintaining their positions as an upscale destination for the past 20 years; Anguilla, St Vincent and the Grenadines and Turks and Caicos went upscale in the 1980s while the British Virgin Islands, Bonaire, Grenada and St Maarten upgraded in the 1990s. By calculating the ratio of share of total visitor expenditure to share of total arrivals, a productivity measure that reflects the extent to which a destination is capable of generating visitors’ earnings over and above what is “justified” by its market share is obtained. Destinations that are small in size and/or attract a relatively small number of tourists can achieve a relatively high share of total visitor earnings by positioning as an upscale destination offering a high “quality product” or targeting specific lucrative niches. Table 11 lists these ratios. Small islands such as Anguilla, British Virgin Islands, Bonaire, Cayman, Curacao, Grenada, St Vincent and the Grenadines, and Turks and Caicos have high ratios above 1.2, indicating that they have been able to boost their tourism earnings despite a relatively smaller mass of tourists. This was done through niche marketing (e.g. weddings and honeymoons and yachting in the Eastern Caribbean, world-class scuba diving, wind surfing and snorkeling in Bonaire, shopping in Curacao) and catering for high income tourists (boutique hotels and luxury villas in Anguilla, British Virgin Islands, and St Vincent and the Grenadines). Barbados and United States Virgin Islands stand out with consistently high ratios since 1981. In the case of Barbados where the mass of tourists is larger, it reflects its later upscale strategy. On the other end for the larger destinations catering to the sun, sea and sand farers (Cuba, Puerto Rico and Dominican Republic), the ratios are less than 1 indicating that visitor earnings are volume-driven. By pursuing mass-tourism based on competitive prices and low costs, they are able to command about 36% of the total visitor expenditures in the region (table 10).

Due to difficulties in obtaining GDP estimates on a yearly basis from national authorities, two different sets of data are used (one based on CTO national GDP estimates, table 10, and another based on GDP estimates from the World Bank) to gauge the historical evolution of share of visitor expenditure in GDP. The countries to mention are those destinations that have used niche-marketing/upgrading as a tourism strategy to significantly increase the share of tourism in their economy or emerge on the scene. This will be reflected by increases in both the share of visitor expenditures in GDP and visitor expenditure per arrivals. Belize, British Virgin Islands, Dominica, Grenada, Guyana, Turks and Caicos and United States Virgin Islands are examples of this. Belize and Guyana are two successful emerging destinations, Belize promoting Mayan culture, inland adventures and nature-based tourism and Guyana nature tourism. Dominica is widely regarded in the region as having succeeded as an eco-tourist destination.

Table 10
VISITOR EXPENDITURES AS A SHARE OF GDP –
SELECTED COUNTRIES AND YEARS

	1980	1984	1985	1986	1987	1988	2000	2004
Anguilla	-	61.20	101.90	96.10	106.80	-	82.62	63.73
Antigua and Barbuda	44.10	73.40	77.00	78.50	81.80	77.80	63.23	49.48
Aruba	-	-	-	-	-	-	37.41	38.08
Bahamas	45.00	49.60	53.30	52.60	51.10	52.80	-	-
Barbados	33.20	27.10	28.10	28.20	30.00	34.20	33.01	33.07
Belize	4.30	5.80	6.30	22.80	23.20	21.80	16.32	22.36
Bermuda	58.60	75.10	74.70	83.00	87.70	84.90	-	-
British Virgin Is.	87.60	109.90	121.00	138.60	143.30	-	-	-
Cayman Islands	-	25.10	27.90	27.30	28.60	31.90	-	-
Cuba	0.20	0.30	0.40	0.50	-	-	11.77	7.44
Curacao	17.00	6.40	6.40	-	-	-	-	-
Dominica	3.90	11.50	10.50	11.90	12.50	-	28.84	26.59
Dominican Republic	2.50	3.00	2.70	8.30	-	-	14.51	17.05
Grenada	23.50	25.30	33.60	38.30	37.70	-	69.37	44.09
Guyana	-	-	-	4.50	8.20	-	15.23	110.36
Haiti	4.30	6.50	6.60	-	-	-	-	-
Jamaica	9.00	21.50	20.00	21.00	20.40	15.70	21.25	16.94
Montserrat	20.10	21.70	23.50	20.00	20.70	15.70	43.06	28.10
Puerto Rico	4.10	3.60	3.60	3.40	3.70	3.90	3.78	3.84
St Kitts and Nevis	35.00	41.00	48.30	59.00	72.90	-	28.19	-
St Lucia	33.60	32.40	38.70	46.50	47.50	-	68.53	51.23
St Vincent/ Grenadines	27.70	22.30	24.80	28.10	30.30	35.10	36.00	28.32
Suriname	2.40	1.50	-	-	-	-	7.64	-
Trinidad and Tobago	2.40	2.60	2.70	1.70	1.90	1.80	-	-
Turks and Caicos	-	25.90	34.70	57.00	58.10	-	-	-
US Virgin Islands	-	39.00	43.90	49.90	50.20	50.00	59.15	52.10

Source: Caribbean Tourism Organization.

Table 11**RATIO OF SHARE OF VISITOR EXPENDITURES TO SHARE OF ARRIVALS**

	1981		1991		2001
US Virgin Islands	1.593	US Virgin Islands	2.138	US Virgin Islands	2.285
Curacao	1.564	Antigua & Barbuda	1.983	Turks and Caicos	2.015
Trinidad and Tobago	1.402	Bermuda	1.530	Cayman Islands	1.709
Suriname	1.289	Barbados	1.508	British Virgin Islands	1.323
Barbados	1.281	Curacao	1.460	Barbados	1.322
Aruba	1.219	Saint Lucia	1.410	Grenada	1.286
Guadeloupe	1.215	Anguilla	1.341	Anguilla	1.255
Jamaica	1.207	St Vincent/ Grenadines	1.328	Bonaire	1.247
Grenada	1.190	Cayman Islands	1.211	St Vincent and the Grenadines	1.229
Bermuda	1.155	Turks and Caicos	1.186	Bermuda	1.227
Bahamas	1.069	Cuba	1.181	Curacao	1.206
St Maarten	1.043	Bahamas	1.081	Antigua and Barbuda	1.196
British Virgin Islands	0.879	Martinique	1.045	St Maarten	1.174
Dominican Republic	0.853	St Kitts and Nevis	1.040	Bahamas	1.047
Antigua and Barbuda	0.846	Aruba	1.022	Aruba	1.044
Martinique	0.826	Jamaica	0.981	Cuba	1.012
St Kitts and Nevis	0.782	British Virgin Islands	0.962	Dominican Republic	0.983
Cuba	0.747	Guadeloupe	0.875	Jamaica	0.943
Saint Lucia	0.740	Montserrat	0.801	Saint Lucia	0.909
Puerto Rico	0.739	Dominican Republic	0.801	Guyana	0.889
Cayman Islands	0.729	Dominica	0.785	St Kitts and Nevis	0.856
Haiti	0.687	St Maarten	0.731	Montserrat	0.847
Turks and Caicos	0.670	Puerto Rico	0.710	Suriname	0.836
Montserrat	0.599	Grenada	0.634	Puerto Rico	0.806
St Vincent and the Grenadines	0.578	Bonaire	0.627	Dominica	0.682
Anguilla	0.501	Trinidad and Tobago	0.594	Belize	0.600
Dominica	0.325	Belize	0.567	Guadeloupe	0.549
Bonaire	0.306	Suriname	0.553	Martinique	0.519
Belize	0.201	Guyana	0.538	Trinidad and Tobago	0.512
Guyana	..	Haiti	0.498	Haiti	0.372

Source: CTO.

F. Room supply: growth rate and distribution

The number of rooms supplied in the region has been growing continuously since 1987 albeit with signs of a slowdown since 2001. Growth in room accommodation is an indicator of interest, especially in the absence of national data on tourism investment. Investment in room supply reflects expectations on the part of the industry of future market growth and increased profitability. Destinations that are in Stage 1 or 2 of their life-cycle are likely to experience rapid growth in hotel construction while mature destinations may face a consolidation of hotels or a freeze in building of new hotels. Over the past 15 years, construction of new hotels has slowed down in the Caribbean, mirroring the slowdown in tourist arrivals.

Table 12
SHARE IN ROOM ACCOMMODATION AND GROWTH RATE

	1987-1992		1993-2002		1987-1992		1993-2001
	Market Share		Market Share		Growth Rate		Growth Rate
Dominican Republic	15.298	Dominican Republic	20.733	Bonaire	25.330	Suriname	12.890
Jamaica	12.977	Cuba	16.246	Cuba	20.791	US Virgin Islands	9.865
Bahamas	11.054	Jamaica	11.190	Aruba	16.512	Dominican Republic	9.270
Cuba	10.202	Bahamas	7.104	Dominican Republic	15.506	Cuba	9.072
Puerto Rico	6.443	Puerto Rico	5.560	Martinique	14.831	Trinidad & Tobago	8.666
Barbados	5.318	Guadeloupe	4.249	Belize	12.434	Turks & Caicos Islands	7.616
Guadeloupe	4.531	Martinique	3.882	Guadeloupe	11.425	Saint Lucia	6.626
US Virgin Islands	4.247	Aruba	3.529	Anguilla	8.979	Cayman Islands	5.852
Bermuda	3.740	Barbados	2.997	Dominica	8.773	Dominica	5.535
Aruba	3.691	US Virgin Islands	2.377	Turks & Caicos Islands	7.819	Grenada	5.493
Martinique	3.661	Cayman Islands	2.199	Curacao	7.066	Martinique	5.094
St Maarten	2.816	Belize	1.975	Antigua& Barbuda	6.844	St Vincent & Grenadines	4.979
Cayman Islands	2.377	Bermuda	1.950	Grenada	6.621	Belize	4.942
Antigua& Barbuda	2.309	Saint Lucia	1.915	Cayman Islands	6.535	Puerto Rico	4.880
Saint Lucia	1.908	St Maarten	1.884	British Virgin Islands	6.003	Curacao	4.697
Belize	1.895	Trinidad & Tobago	1.867	Jamaica	5.706	British Virgin Islands	4.426

	1987-1992		1993-2002		1987-1992		1993-2001
	Market Share		Market Share		Growth Rate		Growth Rate
Trinidad & Tobago	1.725	Antigua& Barbuda	1.643	Saint Lucia	5.078	Guyana	3.668
Curacao	1.444	Curacao	1.301	St Kitts and Nevis	4.183	St Kitts and Nevis	3.315
Haiti	1.183	Haiti	0.863	Trinidad & Tobago	3.274	Saba	3.193
St Kitts and Nevis	1.029	Grenada	0.857	Puerto Rico	3.270	Jamaica	2.965
St Vincent & Grenadines	0.915	St Kitts and Nevis	0.854	St Eustatius	3.253	Barbados	2.206
British Virgin Islands	0.875	British Virgin Islands	0.762	Saba	2.805	Aruba	2.135
Grenada	0.859	Turks & Caicos Islands	0.753	St Vincent & Grenadines	2.032	Haiti	1.911
Turks & Caicos Islands	0.787	Grenadines	0.713	Bahamas	0.699	Anguilla	1.900
Bonaire	0.748	Suriname	0.534	St Maarten	0.544	Guadeloupe	1.794
Anguilla	0.612	Bonaire	0.510	Guyana	0.000	Montserrat	1.711
Montserrat	0.431	Anguilla	0.507	Haiti	0.000	Bahamas	1.319
Guyana	0.428	Dominica	0.407	Montserrat	0.000	St Maarten	1.147
Suriname	0.423	Guyana	0.344	Suriname	0.000	Bonaire	1.024
Dominica	0.413	Montserrat	0.228	Barbados	-1.918	Antigua& Barbuda	-0.442
St Eustatius	0.077	Saba	0.066	US Virgin Islands	-2.057	Bermuda	-2.537
Saba	0.075	St Eustatius	0.047	Bermuda	-3.128	St Eustatius	-3.177
				Caribbean	9.286	Caribbean	4.905

Source: CTO.

A change in the pattern of room supply growth is also a good indicator of a shift in tourism policy. Mass-tourist destinations such as Cuba, Dominican Republic, Jamaica, The Bahamas and Puerto Rico occupy the largest share of total room supply. These five destinations control 60% of total rooms in the region. It is expected that countries pursuing a mass-tourism strategy and that have yet to reach maturity such as Cuba, Dominican Republic and Puerto Rico will continue to experience high growth rates in construction while for mature destinations such as The Bahamas, the opposite is true. From 1993 to 2002, out of the 70,441 additional rooms built in the region, 72% came from the Hispanic Caribbean. Emerging destinations such as Belize, Guyana and Suriname on the other hand will face growth in hotel accommodation. Mature up-scale destinations, such as Barbados and Bermuda, will face a slow-down in hotel construction.

G. Share of employment, exports and GDP

The Caribbean is considered to be the most tourism penetrated region in the world. The success of tourism as a development tool is reflected in the achievement of high standards of living and human development by many small islands that also have a high dependency on tourism for job generation, capital investment and economic growth (e.g. Anguilla, Barbados, Cayman Islands, Turks and Caicos). Tourism multiplier effects can be large owing to the multiple forward and backward linkages of the industry with other industries. Tourism feeds into the sustenance of a range of auxiliary sectors such as aviation, transport, food and agriculture, travel, leisure and entertainment, sports, infrastructure, and retail trade, among others. Tourism exerts both direct and indirect impact on aggregate demand. Tourism Satellite Accounts (TSAs) take into account the linkages of the tourism sector with other industries in assessing the contribution of tourism to the larger economy¹⁰. TSAs, however, are not produced either by national authorities in the Caribbean or by the CTO. In all countries, save Barbados, national accounts figures subsume tourism either in the hotels and restaurants category or in the retail trade and wholesale trade section. Such figures significantly underestimate the true impact of tourism on the economy as this accounting approach ignores the multiplier effects of tourism, associated with its linkages to other sectors. When measured this way, tourism accounts for at most 15-25% of GDP for most countries of the region.

The WTTC, however, produces TSAs for Caribbean countries for travel and tourism. According to this source, travel and tourism demand in the Caribbean, based on 23 countries for which TSAs were computed in a 2004 report, amounted to US\$40.3 billion in 2004 (out of US\$5.5 trillion world-wide or 0.7% of the total), and is expected to rise to US\$81.9 billion by 2014. By this indicator, the largest travel and tourism economies in the region are yet again Puerto Rico (22.4% of total regional demand), Dominican Republic (12.9%), Cuba (12%), Bahamas (9%) and Jamaica (8.2%), accounting for 64.5% of the total market. The smallest travel and tourism economies are Dominica, Anguilla, St Kitts and Nevis, Grenada and St Vincent and the Grenadines for 1.7% of the total. In terms of visitor exports demand totaling US\$19 billion, the five largest markets are still Dominican Republic (16.8% of total), Puerto Rico (16%), Cuba (12.9%), and the Bahamas (9.9%), followed by Barbados (4.4%). Moreover, in 2004, it is estimated that the travel and tourism industry generated nearly 815,000 jobs and contributed US\$8.7 billion to Caribbean GDP. The travel and tourism economy, on the other hand, generated a total of 2.4 million jobs and yielded a total of US\$28.4 billion to the regional economy, these higher figures signaling the presence of linkages and multiplier effects from

¹⁰ Under TSA methodology, travel and tourism is conceived as a broad economic activity that consists of: Travel and Tourism Consumption (direct industrial activity) and Travel and Tourism Demand (residual/induced components). Travel and Tourism consumption consists of a. Personal Travel and Tourism, or consumption expenditures representing spending by Caribbean residents on traditional Travel and Tourism services and goods used for Travel and Tourism activities; b. Business Travel by government and industry c. Government expenditures by agencies and departments providing visitor services (e.g. cultural, recreational or immigration) to individual visitors and d. Visitor Exports that represents spending by international visitors on goods and services. Travel and Tourism demand on the other hand consists of: a. Government expenditures (collective) made by agencies and departments for Travel and Tourism on behalf of the community at large b. Capital Investment, by Travel and Tourism providers (private sector) and government agencies (the public sector) to provide facilities, equipment and infrastructure to visitors and d. Exports (non-visitors), that include consumer goods exported for sale to visitors or capital goods exported for use by industry services providers (aviation, cruise ship). WTTC, 2004 Report, Page 31.

tourism. The Caribbean, as stated previously, is also more travel and tourist dependent compared to the world. Worldwide the travel and tourism economy contributed only 8.2% to global employment and 10.4% to world GDP compared to 15.5% of employment and 14.8% of GDP in the Caribbean.

As measured by contribution to national GDP and national employment, the WTTC report confirms a significant dependency of many small and medium-sized island economies on the travel and tourism economy. Three small islands (British Virgin Islands, Antigua and Barbuda and Anguilla) have more than 75% of its GDP originating from the travel and tourism economy; for another three small islands (Aruba, Barbados, Bahamas), the dependency lies in the range of 50-75%; for another 10 islands, the dependency lies between 25-50% and only Curacao, Haiti, Martinique and Puerto Rico have a dependency of less than 10%. In terms of employment, five small islands have more than 68% of its employment located in the travel and tourism economy (Anguilla, Aruba, Bahamas, Antigua and Barbuda, and British Virgin Islands, the figures being 95% for the latter two); for another seven, the dependency ranges between 30% and 60%; and for another six, the range is between 15%-30%.

The contribution of the travel and tourism economy to total national capital investment should be indicative of future expected demand in the travel and tourism sector, planned capacity supply expansion as well as capital upgrading in the sector. The report estimates that travel and tourism contributes about 20% to total capital investment in the region, with significant numbers for highly travel and tourism dependent small islands like Aruba (77%), Antigua and Barbuda (70-75%), Bahamas (63-66%), Barbados (66%), United States Virgin Islands (61%), Anguilla (55%), Cayman Islands (50-70%), British Virgin Islands (52%), Bermuda (46%), and Saint Lucia (43%), and lesser substantial figures for lesser tourism-dependent St Vincent and the Grenadines (37%), Jamaica (30%), Dominican Republic and St Kitts and Nevis (25%), Grenada (21%), Guadeloupe (20-23%), Curacao (20%), Dominica, Martinique, Trinidad and Tobago (18%), and Puerto Rico (11%). Another indicator of interest is contribution of the travel and tourism economy to total national exports. For the region, as a whole, it was about 18% but as expected these figures vary widely across individual countries, with figures exceeding 70% for Antigua and Barbuda and Bahamas; above 50% but less than 70% for Barbados, British Virgin Islands, Cayman Islands, and Saint Lucia, and with Anguilla and Jamaica close to 50%. Travel and tourism contribute significantly to export earnings for almost all the countries of the region. Only Puerto Rico, Haiti and Trinidad and Tobago have less than 15% of their exports coming from the sector, reflecting for the first a diversified economic base, the second an undeveloped tourist market and for the third an oil dependent economy. The share of travel and tourism imports in national imports lies in the range of 10-25%, with an average of only 9% for the Caribbean.

H. Competitiveness indices

So far, ex-post competitiveness (performance) indicators of Caribbean tourism have been reviewed. These indicators shed light on the performance of Caribbean tourism and contain information on the tourism strategies pursued by Caribbean countries (mass-market vs. niche and upgrading). Ex-ante indicators of competitiveness that shed light on the sources of competitive and comparative advantages in Caribbean tourism are now examined. For reasons of space, only the WTTC Competitiveness Index (CI) (see figure 5) is considered, this index has been

subsumed into the World Economic Forum Travel and Tourism Competitiveness Index since 2005. It is to be borne in mind that ex-ante tourism competitiveness is a relative, complex concept with many dimensions as illustrated and discussed in Section 2 and some of these dimensions are not easy to quantify. Any measure of ex-ante competitiveness will therefore have its limitations. The WTTC CI is built around eight dimensions: price competitiveness; infrastructure development; environmental quality; technology advancement; level of openness; social development and human tourism indicators¹¹. It is an index that focuses on the macroeconomic determinants of competitiveness and it does not control for the endogenous relationship that exists between competitiveness and some of the dimensions covered above. Nevertheless it does shed some information on the competitive strengths and weaknesses of tourist destinations. Figures from 2004 rank Barbados, Grenada and St Vincent and the Grenadines among the top 10 destinations worldwide for infrastructure development (out of more than 200 destinations); Puerto Rico ranked ninth in the world for environmental quality; Aruba tops the world league for openness and Antigua and Barbuda came fifth in the same category. In general, Caribbean countries rank lower in terms of price competitiveness, human tourism and environmental quality and highest on technology and infrastructure.

The World Economic Forum has taken over the WTTC CI and produces now a Travel and Tourism Competitiveness Index for 124 countries rating these countries on three dimensions- travel and tourism regulatory framework, business environment and infrastructure, and human, cultural and natural resources¹². This new index covers only six Caribbean countries (Barbados, Dominican Republic, Guyana, Jamaica, Trinidad and Tobago, and Suriname). In 2007, Barbados ranked as the most competitive Caribbean destination, ranking 29th world-wide with a score of 4.86 out of 7, Jamaica ranked 38th, Dominican Republic 50th, Trinidad and Tobago 85th, Guyana 100th and Suriname 108th. Barbados ranked second in the world regarding government prioritization of travel and tourism strategies, fourth on government expenditures for the sector, fifth for effectiveness in marketing and branding, sixth for quality of hotel rooms in tourism and ninth for government prioritization of sustainable travel and tourism strategies. Table 13 shows values of the index and its sub-components for these six countries and the world average.

¹¹ See Gooroochurn and Sugiyarto for a full exposé of the WTTC CI in “Measuring Competitiveness in the Travel and Tourism industry”. The price competitiveness index is based on a Hotel Price Index, calculated as the average of minimum room rates per night in current US\$ across different classes of hotels, and a Purchasing Power Parity Index adjusted for exchange rates; infrastructure development is based on access to water and sanitation and a road index; environmental quality is based on population density, carbon dioxide emissions and ratifications of environmental treaties; technology advancement is based on an internet, telephone and mobile phone index; human resource is based on UNDP general education index; level of openness is based on a visa index, trade openness index, tourism openness index and taxes on international trade index; social development is based on UNDP Human Development Index and a PC, TV and Newspaper Index; and human tourism indicators are based on a Tourism Impact Index calculated as the sum of receipts and expenditure from international tourists as share of GDP and a Tourism Penetration Index, calculated as the sum of tourists arrivals and departures divided by population of destination country.

¹² The sub-components are: For regulatory framework: policy rules and regulations, environmental regulation, safety and security, health and hygiene and prioritization of travel and tourism strategies. For business environment and infrastructure, air transport infrastructure, ground transport infrastructure, tourism infrastructure, ICT infrastructure, and price competitiveness in the Travel and Tourism industry. For human, cultural and natural resources, they are education and training, availability of qualified labor, workforce wellness, national tourism perception and natural and cultural resources.

Table 13
EX-ANTE COMPETITIVENESS INDICATORS FOR THE CARIBBEAN

	Overall Competitiveness Index	Regulatory Framework	Environment and Infrastructure	Human, cultural and natural resources
Barbados	4.86 (Rank 29 th)	5.08 (Rank 31 st)	4.14 (Rank 36 th)	5.38 (Rank 17 th)
Jamaica	4.41 (Rank 48 th)	4.54 (Rank 49 th)	3.53 (Rank 59 th)	5.17 (Rank 36 th)
Dominican Republic	4.35 (Rank 50 th)	4.52 (Rank 50 th)	3.28 (Rank 71 st)	5.24 (Rank 29 th)
Trinidad and Tobago	3.79 (Rank 85 th)	3.83 (Rank 88 th)	3.35 (Rank 65 th)	4.20 (Rank 104 th)
Guyana	3.56 (Rank 100 th)	3.67 (Rank 96 th)	2.93 (Rank 88 th)	4.09 (Rank 109 th)
Suriname	3.47 (Rank 108 th)	3.44 (Rank 110 th)	2.94 (Rank 87 th)	4.02 (Rank 112 nd)
Average (World)	4.23	4.34	3.58	4.77

Source: World Economic Forum (2007).

The major point to be taken from this overview of tourism performance and tourism competitiveness in the Caribbean is that the region has been successful over the past 50 years at maintaining and enhancing its competitiveness relative to other destinations, however, there is room for improvement. How such competitiveness was maintained and even enhanced for some countries is now examined.

III. TOURISM LIFE CYCLE IN THE CARIBBEAN: FROM MASS TOURISM TO UPGRADING

A. From mass tourism to upgrading

An overview of tourism development in the Caribbean reveals that by and large the region has subscribed rather well to Butler's TALC model as described in Section I. Competitiveness in the tourism sector was built initially through mass-tourism strategies in the 1950s and 1960s, then through niche marketing and quality upgrading¹³ in the last 20 years and currently the trend is towards sustainable tourism strategies. As early as the late nineteenth and early twentieth centuries, tourists were brought to the region especially to Bermuda, Cuba and Jamaica by a small group of wealthy Americans. The region engaged in mass-tourism in the 1950s and 1960s. According to Duval (2004), mass tourism is usually characterized by the following features: undifferentiated product, origin-packaged holidays, spatially-concentrated planning of facilities, resorts and activities and reliance on developed markets such as the United States, Canada and the United Kingdom. Three major events are identified by Duval for facilitating the development of mass tourism during this period. First, there was the advent of jet aircraft. Second, the coming to independence of many States in the region that focused on tourism in order to break away from the colonial dependency arrangements in economic sectors such as agriculture. Third, the migration of a large number of Caribbean nationals overseas that led to the creation of cultural diasporas abroad. Such diasporas helped in raising awareness about the Caribbean and its culture in the Western world, and these diasporas also led to the creation of a visit friends and relatives (VFR) market. The 1960s has been described as 'boom years', with growth rates of 10% and above in certain destinations. Foreign ownership of large-scale hotels was predominant and tourism was particularly successful in stronger economies. During that time, the Bahamas, Puerto Rico and United States Virgin Islands in the north and Aruba and Barbados in the south developed as international resort destinations. The 1970s saw an increased involvement by governments in supporting the tourism sector as the sector gained increased social acceptance. In the late 1970s and early 1980s, rapid growth took hold of the rest of the region, stretching from the Greater Antilles (Cayman Islands, rebirth in Cuba, and Dominican Republic) all the way to the Leeward Islands (British Virgin Islands, United States Virgin Islands to Guadeloupe) and the Windward Islands (Dominica to St Vincent and the Grenadines) and also including Trinidad and Tobago and Curacao (Duval, 2004). Turks and Caicos joined the fray of mass tourism (in terms of number of visitors) by the late 1990s.

The TALC model was empirically tested by De Albuquerque and Mc Elroy on 23 small Caribbean island States in 1992. On the basis of several tourism performance indicators, these 23 destinations were classified into three distinct stages of the life-cycle as described in figure 5. Table 14 summarizes the broad characterization of the region (limited to these 23 small island States) in the 1990s in terms of the location of these destinations on the tourism life-cycle. It also characterizes their tourism styles in terms of source market dependency, ownerships and size of hotels, tourism and room densities, stay-over arrivals market share and growth rate, length of stay, room occupancy rates and market segments, among others.

¹³ A conceptual definition of upgrading is given in ECLAC LC/CAR/L151.

Table 14

TOURISM LIFE-CYCLE AND TOURISM STYLES – SMALL ISLAND CARIBBEAN STATES, 1992

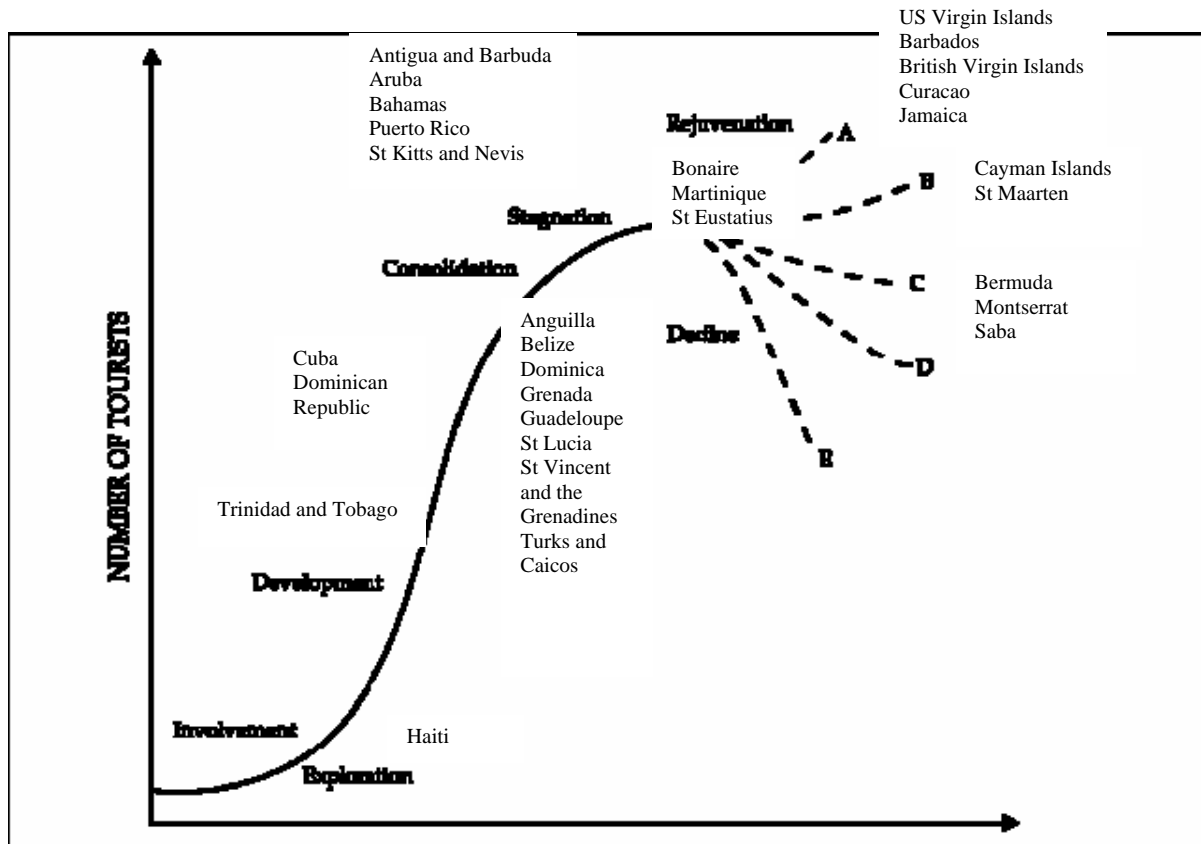
Stage I (emerging)		Stage II (intermediate)		Stage III (mature)	
<i>Low Density</i>	<i>Retirement</i>	<i>Rapid</i>	<i>Sub-</i>	<i>High</i>	<i>Shopping</i>
<i>Long-Staying</i>	<i>Nature</i>	<i>Growth</i>	<i>styles</i>	<i>Density</i>	<i>Gambling</i>
<i>West Indian</i>	<i>Tourism</i>	<i>Europeans</i>	<i>Fishing</i>	<i>Mass Market</i>	<i>Conventions</i>
<i>Winter</i>	<i>Small</i>	<i>High</i>	<i>Sailing</i>	<i>Short-</i>	<i>Large Hotels</i>
<i>Residence</i>	<i>Hotels</i>	<i>Seasonality</i>	<i>Diving</i>	<i>staying</i>	
	<i>Local</i>			<i>N.</i>	
	<i>Control</i>			<i>Americans</i>	
				<i>Slow Growth</i>	
Bermuda					
Bahamas					
US Virgin Islands					
Barbados					
Aruba					
Curacao					
St Maarten					
<p align="right">Antigua Martinique Guadeloupe Caymans British Virgin Islands Turks and Caicos Bonaire Saint Lucia Anguilla St Kitts and Nevis Grenada</p>					
<p align="center">St Vincent and the Grenadines St Eustatius Saba Montserrat Dominica</p>					
General Characteristics based on Tourism Competitiveness Indicators: (Exceptions may apply)					
Low tourism market share (stay-over and cruise) High visitor growth over a decade	Medium tourism market share (stay-over and cruise) Higher visitor growth over a decade	High tourism market share (stay-over and cruise) Slowed visitor growth over a decade			

<p>Small hotels Higher annual growth in hotel room construction Smallest visitor density (daily visitors per sq kilometre or per 1000 population) Smallest room density (rooms per sq kilometre) Lowest average visitor spending</p> <p>Longest stays of 9 days or more per stay-over visitor Low room occupancy rates, visitors stay in small properties at lower costs Least U.S. orientated, more Caribbean orientated (VFR market) Smallest average per capita promotional spending Highest average seasonality due to more closings in winter</p>	<p>Higher annual growth in hotel room construction Medium visitor density (daily visitors per sq kilometre or per 1000 population) Medium room density (rooms per sq kilometre) Medium average visitor spending Medium stays per stay-over visitor Medium room occupancy rates</p> <p>Relatively more European and Caribbean -orientated Medium average per capita promotional spending Lowest average seasonality due to year-round openings and attractions</p>	<p>Large hotels Slower annual growth in hotel room construction High visitor density (daily visitors per sq kilometre or per 1000 population) High room density (rooms per sq kilometre) Highest average visitor spending</p> <p>Shorter stays of about 7 days per stay-over visitor High room occupancy rates, most visitors stay in large hotels at higher costs High dependency on U.S. market</p> <p>Highest average per capita promotional spending Lowest average seasonality due to year-round openings and attractions</p>
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Source: Adapted from De Albuquerque and McElroy (1992).

Using the extended form of the Butler life-cycle model, based primarily on levels of stay-over tourists, the current position of the 32 member countries of the CTO (except for Cancun and Cozumel) is located along their tourism life-cycle. In doing so, the analysis relies primarily on the evolution of the level, market share and growth rate of stay-over arrivals in the destinations. Secondly, the analysis relies on the evolution of growth rate and market share of visitor expenditures per arrival (per capita) for grouping the destinations. Thirdly, the tourism styles of the destination are characterized and differentiated between ongoing mass tourism and niche marketing strategies and among upscale, mid-scale and low-scale destinations, among others. Figure 7 below and Annex 3 summarize the findings. Annex 4 lists in detail the market segments/niches that have been developed so far by these countries as well as elements of their branding and marketing strategy. These results are compared to the findings of De Albuquerque and Mc Elroy for 1992, thereby allowing an assessment of the movement of Caribbean countries along their tourism life-cycle (and thus their tourism development) over the past 15 years.

Figure 7
TOURISM LIFE-CYCLE AND TOURISM STYLES IN THE CARIBBEAN (2007)



Source: Author.

After such a comparison, the following observations can be made on Caribbean tourism competitiveness over the last 15 years in the stay-over segment:

(a) Aruba, Barbados, The Bahamas, Bermuda, Curacao, St Maarten and United States Virgin Islands were mature destinations in 1992 after the pursuit of mass-tourism. Since then, Barbados, Curacao and United States Virgin Islands have succeeded at rejuvenating their destinations while Aruba and The Bahamas have managed to escape a trajectory of decline. Bermuda and St Maarten, on the other hand, went on a declining path in terms of stay-over tourist arrivals, though in the case of Bermuda, it was part of a sustainable strategy to protect its environment. All these destinations have been upgrading their products through product development. Bermuda has been diversifying its product significantly in order to maintain high visitor expenditures per arrival. Sports tourism is an important segment in Bermuda, with no less than four major world sporting events held in Bermuda in 2007 in rugby, golf, squash, and yacht racing.

(b) Very small islands like Montserrat, Saba, and St Eustatius go through their life-cycle quickly. Within 12 years, these three islands have gone through Stage 1 to Stage 3 and 4.

None of these destinations have pursued mass-tourism. However the small sizes of their economies, economically and physically, impose constraints on their tourism development.

(c) Dominica and St Vincent and the Grenadines have gone through Stage 1 as emerging markets to growing markets in Stage 2 within the last decade.

(d) Other small islands such as Antigua and Barbuda, Bonaire, British Virgin Islands and Cayman Islands have also gone through the life cycle rapidly, leaving Stage 2 in the early 1990s to attain maturity (Antigua and Barbuda and Bonaire), or decline in Stage 4 (Cayman Islands, hit by hurricanes) or decline followed by rejuvenation in Stage 4 (British Virgin Islands).

(e) The socio-economic, political and geographical diversity of the region is reflected in the diversity of tourism strategies and styles pursued by the various States to harness competitiveness in the tourism market. Among three broad classes of strategies can be distinguished over the last 15 years: a first strategy that is continuously relying mainly on mass-tourism to build on the comparative advantages of “sun, sand and sea”, presence of scale economies, all-inclusive packages and large amounts of investment so as to build or maintain market share and revenues and move along in Stage 2 or Stage 3 (Cuba, Dominican Republic, Puerto Rico); a second one pursued mainly by very small islands relying on developing specific niche markets to maintain competitiveness through upgrading (Anguilla, Antigua and Barbuda, British Virgin Islands and Turks and Caicos). This has allowed them to move from Stage 2 to Stage 3 or Stage 3 to a rejuvenation stage; and a third one using a mix of mass-tourism, niche marketing and quality upgrading either to emerge onto the intermediate stage (Trinidad and Tobago) or avoid decline (Aruba, The Bahamas) or rejuvenate (Barbados, Jamaica and United States Virgin Islands).

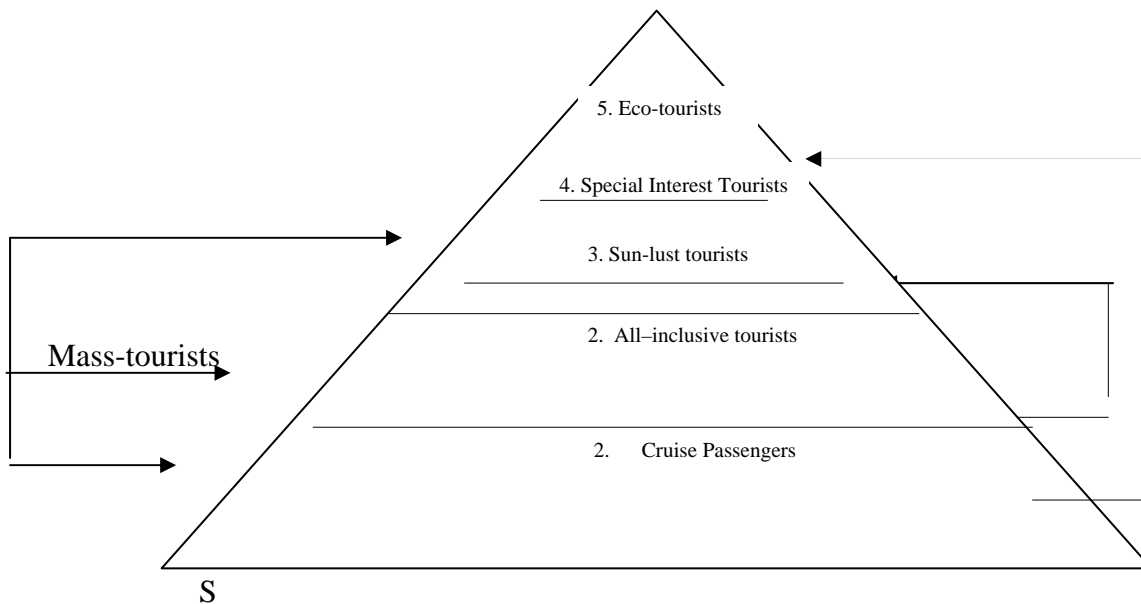
(f) In moving from Stage 1 to Stage 2 (e.g. Dominica and St Vincent and the Grenadines), Stage 2 to Stage 3 (e.g. Antigua and Barbuda, Bonaire), Stage 3 towards rejuvenation (e.g. Barbados, Curacao, United States Virgin Islands) or avoiding decline (The Bahamas), all of these destinations over the last 15 years have used a strategy of upgrading based on developing and diversifying their tourism product in specific niches and/or enhancing the quality of the tourism product. These niches have been, among others, yachting, weddings and honeymoons, sports-based tourism such as golf, diving, scuba-diving and snorkeling; meetings and incentives; spa and wellness tourism, eco-tourism and music and cultural festivals at world level. Quality upgrading has been in the form of providing boutique hotels and luxury villas, among others.

(g) Over the last 15 years, the Caribbean region has diverted from the typical characterization made by De Albuquerque and McElroy in the 1990s in the sense that over the last 15 years, an increased number of destinations have been shifting to upgrading strategies based on niche marketing for product diversification and product enhancement even prior to reaching the stage of maturity. This shift is part of a strategy by the destinations to increase their tourism competitiveness so as to lengthen their life cycle (and by doing so delay either maturity or decline) or else to accelerate the movement along the life cycle. Upgrading is therefore a tourism strategy that has been increasingly resorted to in the Caribbean to maintain and enhance competitiveness in a global dynamic tourism industry.

The need for upgrading in the tourism industry can be compared to the need for upgrading (branding, product differentiation, product diversification, marketing and innovation)

in the manufacturing sector. Products in a particular industry go through a product life-cycle with profits declining as barriers to entry fall, and as competitive advantages get eroded through increased competition, thereby making upgrading necessary to generate a new cycle of profits. The same analysis can be applied to the tourism sector. As competitive advantages and rents created through mass-tourism strategies get eroded as more countries enter the competition, there is a need for branding to increase customer loyalty; better marketing to attract new customers in untapped markets; and innovation and differentiation by identifying and developing new market segments or niches. There is also a need for more effective policy instruments such as increased use of PPP.

Figure 8
AWAY FROM MASS TOURISM TOWARDS DIVERSE
AND DIFFERENTIATED PRODUCTS



Source: Jayawardena (2002)

Jayawardena's Pyramid of Tourism Segmentation (POTS) model (figure 8) segments the tourism industry into five major segments: cruise passengers (the least spending of all tourists and the largest segment); "all-inclusive" tourists¹⁴; sun-lust tourists attracted to other beach resorts and inns; special interest tourists likely to be older, richer and more seasoned travelers and eco-tourists, the smallest market segment where tourists are likely to be highly educated and with a strong interest in preserving the environment and sampling local culture. Mass-market tourism consists of the first three segments while the last two make up for niche-marketing. Upgrading strategies will be of two types: one consisting in either attracting more tourists from the last two segments and/or getting the mass-tourists to graduate across the pyramid (converting mass-tourists into special interest tourists) and a second consisting of upgrading hotels and facilities for the mass-tourists to move the destination to the upscale (high spending) portion of

¹⁴ "All-inclusives" is a form of enclave tourism as guests in "all-inclusives" may spend very little time outside the resort spending on the local economy, taking local tours, meeting local people and experiencing local culture.

the world tourism industry. Understanding the age, income and interest profile of the tourists is critical as part of any upgrading strategy. Effective upgrading strategies require a careful identification of specialized market segments based on an in-depth knowledge of the profile of the tourist. This should be accompanied by targeted promotion and marketing in overseas markets to attract special interest tourists, and by enhancing the quality of the tourism product. These measures can be achieved through strong public-private collaboration and targeted public policy incentives to support the private sector.

So, why do countries upgrade? And what is upgrading? Upgrading is basically a tourism strategy that involves developing new tourism products and/or enhancing the quality of existing products in order to achieve certain intermediate goals. The latter usually include increased net benefits from tourism (reflected as an improvement on ex-post competitiveness indicators) that in turn will contribute towards the ultimate goal of increasing the standard of living of the citizens of the destinations.

For the Caribbean region as a whole, an analysis of the data¹⁵ reveals that the stay-over segment is still growing in terms of arrivals, albeit at a slowed rate. Room supply is still growing in the region but again at a slowed down rate. These two facts indicate that in terms of Butler's model, the region could be edging towards Stage 3 in the stay-over market segment. On the other hand, data analysis¹⁶ reveals fast growth in the cruise segment in terms of passenger arrivals. The cruise sector is a segment where the region seems to be still in Stage 2. In addition total visitor expenditures and visitor expenditures per arrival have been increasing constantly until 2001. Given that the travel and tourism industry is considered to be the fastest growing industry in the world, with a past average annual growth rate of 6% over the past 50 years, and with international tourist arrivals expected to grow to 1.6 billion by 2020, it will be plausible to argue that tourism in the Caribbean has the potential to keep growing in decades ahead. The Caribbean currently occupies only 2.4% of global international tourist arrivals and 3% of global international tourist receipts. This further development will require the sector to address its current challenges in order to harness more competitive advantages in the future. This will necessitate a choice of strategies and policy instruments to facilitate further upgrading and market diversification.

III. CONCLUDING REMARKS

The empirical overview of the performance and competitiveness of tourism in the Caribbean in the previous sections has revealed that, by and large, tourism has been a success story for the past four decades in the Caribbean, in terms of market penetration and contribution to the economy and that there is room for more growth. Moreover, upgrading in terms of niche marketing and quality development has been an important strategy used for enhancing competitiveness in the Caribbean tourism industry over the past 15 years, after an initial drive by mass-tourism. It should be borne in mind that figures on net real earnings in both the stay-over and cruise segments are not available and that full cost-benefit analyses of the industry remain to be undertaken. Nevertheless, on the basis of

¹⁵ Based on graphical analysis not reported here.

¹⁶ Same as footnote above.

maintaining market shares and economic contribution, there has been a range of success stories in Caribbean tourism competitiveness over the past 20 years that remain to be told, researched and accounted for.

A few of these success stories mentioned previously and based on an analysis of Annexes 3-4, are summarized here:

(a) The phenomenal rise and ongoing growth of Cuba and the Dominican Republic over the last two decades to become dominant players in the tourism market.

(b) The competitiveness of Barbados on the world scene as an up-market tourist destination, experiencing success both in land-based tourism and cruise tourism; maintaining its market share in both the stay-over and cruise segments and in total visitor expenditures to be consistently among the top seven Caribbean destinations for two decades. Its success at maintaining itself as a top five up-scale market for the past 20 years is noted as well as its success at rejuvenating itself after having reached maturity as a stay-over destination in the early 1990s.

(c) The ongoing international competitiveness of Jamaica and its ability to maintain itself as one of the top five Caribbean destinations for the past two decades, in terms of market share in stay-over arrivals, cruise arrivals, and total visitor expenditures and, like Barbados, its success at avoiding a trajectory of decline after having reached maturity in the early 1990s.

(d) The successful emergence of Belize, both in the stay-over and cruise market segments, on the Caribbean scene since the late 1980s and its marked success at positioning itself as a cruise and nature destination.

(e) The successful competitive positioning of small islands in specific niches such as Antigua and Barbuda, British Virgin Islands and St Maarten in the yachting sector; diving in Bonaire and the Dutch Caribbean and Dominica in eco-tourism.

(f) The relative success of both Aruba and Bahamas at upgrading in order to maintain their position as mature destinations and avoid decline, though this success is limited by the fact that they have not been able to rejuvenate as Barbados, Curacao, United States Virgin Islands or Jamaica.

(g) The overall success of the Caribbean as a region to move along its life-cycle from Stage 1 to Stage 2 and increase its market share at an international level, especially within the Americas region.

From Annexes 3-4, the successes of a few other countries at positioning themselves in eco-tourism and special interest tourism at a world level are noted: namely Trinidad and Tobago in business tourism and eco-tourism; and Saint Lucia in the wedding and honeymoon segments while the success of the region as a whole at hosting major events especially festivals and carnivals as part of developing heritage and culture tourism is also noted.

So far in this paper, it has been established that in the Caribbean in general, countries have succeeded in enhancing their tourism competitiveness to move upward their tourism life cycle by resorting to mass-tourism strategies until the 1990s and upgrading thereafter. As demonstrated in LC/CAR/L.151, public policy and PPP can be effective policy instruments for implementing tourism strategies aimed at enhancing tourism competitiveness throughout the

various stages of the tourism life-cycle. While there are many success stories in Caribbean tourism competitiveness, these stories remain to be documented and analyzed both at a regional and on a country-by-country basis. Future research should aim at empirically testing the key determinants of tourism competitiveness in the Caribbean¹⁷.

¹⁷ See LC/CAR/L.190.

Annex 1**STAGES OF THE TOURISM AREA LIFE CYCLE AND CONCURRENT
TOURISM STRATEGIES (BASED ON TALC LITERATURE)**

Stage (1)	Strategies and Policy Instruments Used (2)	Identifying Factors along Life-Cycle Stage (3)
Stage 1 Discovery	Absence of vision, strategizing and deliberate public planning in tourism development; Tourism is essentially a small-scale private sector activity and there is a lack of facilities for tourists; public policy support is ad-hoc rather than earmarked; demand for natural-based attractions is high; public and private agents engage in a supply-side response to a demand phenomenon.	Low-impact emerging areas (a hideaway for rich tourists or the “explorer”) Regional and international market shares in tourism are low but growing; Stable growth in visitors and visitors’ revenues.
Stage 2 Launch	<p>Engaging towards mass-tourism through</p> <p>A. Deliberate Public policy</p> <ol style="list-style-type: none"> 1. Earmarked fiscal and regulatory incentives for tourism development 2. Provision and maintenance of infrastructure 3. Wages and income policies in place 4. Aviation policy adapted for tourism development (chartered flights and package tours allowed) 5. Labor laws are in place 6. Investment incentives are given 7. Development planning and budgeting (Masterplanning/Public Investment Program/Physical Planning) takes into account tourism 8. Cruise-ship and convention services policy is in place or is developed. <p>B. Institutional Development</p> <ol style="list-style-type: none"> 1. Public-private sector bodies: Tourism Authority/ National Tourism Organizations are set up 2. Private sector: Hotel Associations are formed and lobby government. 3. Public: Tourism Development Corporations/ Investment Boards are set up <p>C. Other</p> <ol style="list-style-type: none"> 1. Marketing and advertising promoting mass tourism and quantitative development; participation at international travel shows 2. Cruise-ship and convention services policy and incentives are in place 3. Policies are implemented to reduce seasonality in 	<p>Tourism is rapidly growing</p> <p>Competitiveness indicators growing</p> <p>Growing room capacity and larger hotels, more elaborate and more up-to date facilities emerge</p> <p>Indicators #6-7, #11-15 are improving (Col 3, Annex 2)</p> <p>Foreign investment in tourism is high</p> <p>Budget-travelers surface</p>

	<p>demand</p> <p>4. Promotion of man-made over natural attractions</p> <p>5. Incentives are offered for travelers by Travel industry (chartered flights/all-inclusives/package tours on offer)</p>	
<p>Stage 3 Stagnation/ Stage 4 Decline</p>	<p>Reflective phase for both public and private actors (investors, developers, managers, local society and political leaders) as a diagnosis is made on challenges faced by tourism industry and action plans/recommendations are made. Joint public-private consultations take place. Start of upgrading (image reassessment, some niche marketing) and efforts are made for market diversification and use of quality control. There is a shift towards long-term planning and increased public-private coordination.</p>	<p>High-density mass market and mature destinations</p> <p>Performance indicators stagnating, especially growth rates. Capacity levels for most variables reached.</p> <p>Closure of hotels; profits are falling in industry</p> <p>Host-guest frictions emerge.</p> <p>Environmental degradation and social problems arise</p>
<p>Stage 4 Rejuvenation</p>	<p>Transition towards sustainable tourism, national branding and quality tourism, upgrading (niche marketing, market and product diversification, human resource development) while the development of linkages is encouraged through public policy, public-private sector cooperation, and strategic national and international alliances. Long-term planning and strategic management are in use.</p>	<p>Resumption of growth in tourism sector</p> <p>Performance indicators improving.</p> <p>Indicators #6-10 improving markedly.</p>

Source: DeAlbuquerque and Mc Elroy (1992); ECLAC (author).

Annex 2**DETERMINANTS AND INDICATORS OF TOURISM COMPETITIVENESS**

Determinants Ex-ante Competitiveness (Exogenous) (1)	Determinants Ex-ante Competitiveness (Endogenous) (2)	Performance Indicators (Indicators of Ex-post Competitiveness) (3)
1.Environmental assets (sun/sea/beaches) 2.Natural capital 3.Culture 4.History and heritage 5.Geographical location 6.Languages 7.Size of country 8. World economic conditions 9. Demographic changes in source markets 10. Relative incomes and real income growth in source markets 11. Exogenous shocks (oil crisis, terrorism, global diseases) 12.Entry barriers to tourism and its niches (natural) 13. International political conditions e.g. embargoes and travel restrictions to certain countries such as Cuba.	1.Labor costs, labor laws and employee-employer relations 2. State of infrastructure 3. Aviation policy 4. Transport costs (external and internal) 5. Prices and domestic input costs, including exchange rates, energy costs, telecommunications rates etc 6. Quality of customer service and of public services 7. Availability of safety, cleanliness, environmental and health standards 8. Human resources including managerial competencies, and level of education 9. Rule of law, security, quality of governance and national political conditions 10. Macro-economic policies and stability 11. Degree of outward openness including exchange rate restrictions and capital controls 12. Regulatory effectiveness and ease of regulations 13.Entry barriers to tourism and its niches (man-made) 14.Technology (Internet access, mobile phones, use of ICT) 15. Investment, innovation and access to finance 16. Local suppliers and local investment	Competitiveness 1.Distribution of market shares among competitors 2. Hotel and bed occupancy rates 3. Market growth rate/Volume growth rate (number and growth of tourist arrivals etc) 4. Number of new hotels and its growth rate 5. Tourism penetration index Productivity and Value-Added 6. Real visitor expenditures per capita or share of GDP 7. Ratio of visitor expenditure to world visitor expenditure 8. Average length of stay 9. Customer loyalty (ratio of repeat to first-time visitors) 10. Number of product lines 11. Degree of source market concentration 12. Value of tourism multiplier 13. Total share of tourism in GDP 14. Tourism employment as a share of total employment 15. Share of tourism expenditure in national exports 16. Share of luxury hotels in total hotels 17. Net foreign investment in tourism sector as a share of GDP.

Determinants Ex-ante Competitiveness (Exogenous) (1)	Determinants Ex-ante Competitiveness (Endogenous) (2)	Performance Indicators (Indicators of Ex-post Competitiveness) (3)
	17. Human and social development 18. Pollution levels and air quality 19. Prevalence of diseases and epidemics 20. Knowledge and skills 21. Information systems 22. Consumer perceptions (image/repute of destination), tastes and preferences of tourists 23. Entrepreneurship and risk taking in tourism sector 24. Management and presence of management institutions. 25. Entertainment, special events, shopping and other facilities 26. Industrial organizational structure in tourism 27. Presence of strategic alliances and networks, including public-private 28. Corporate social responsibility/ethics	Ex-ante Competitiveness Indicators (Input-side) 1. Tourism price competitiveness Index (World Travel and Tourism Council, WTTC) 2. Hotel price Index (WTTC) 3. Others including Human Development Index (United Nations Development Program UNDP)

Source: Dwyer and Kim (2003); Craigwell (2007); ECLAC (author).

Annex 3

TOURISM LIFE-CYCLE AND TOURISM STYLES IN THE CARIBBEAN (2007)

Exploration	Haiti	Erratic growth in stay-over visitors with small, non-growing market share. Visitor expenditures per capita stable	Competitiveness is low and is hampered by a range of macro-economic factors such as political instability, insecurity and lack of infrastructure. Haiti however has the fourth largest business travel segment in the Region (18% of its visitors come for business), behind Turks and Caicos (TCI) (36%), Bermuda (20%) and Trinidad and Tobago (19%).
Development	Guyana Suriname Trinidad and Tobago	Growth in stay-over arrivals and visitor expenditures per capita high but erratic in the 1990s. Contribution to overall economy has grown rapidly but is still less than 15%. Large potential growth ahead. Rapid growth in arrivals and visitor expenditures in the 1990s. Trinidad in its tourism potential is by and large still unexploited.	2 large countries that are rich in natural resources but where tourism competitiveness is growing based on a niche marketing strategy geared towards nature-based and adventure-based tourism. Suriname is European dependent while Guyana is more North-American orientated. Guyana is also among the more Caribbean dependent destination in the Region. 85% of tourists stay in private residences in Guyana and 89% in Suriname stay outside of hotels. Oil and gas dependent country where tourism occupies a minor share of the economy. Tourism grew mostly in the 1990s based on “sun, sand and sea” mass leisure-tourism in Tobago that has made Tobago one of the most tourism-intensive economies in the world. The “weddings and honeymoons” niche and business tourism were also exploited. It also serves as a regional yachting center. 30% of its tourists come from within the Caribbean, a quarter of the arrivals relate to VFR and 60% of the tourists stay in private homes as opposed to hotels. Efforts are currently to upgrade the destination and develop niche markets including wedding and honeymoons, eco-tourism, and business and conferences further. Trinidad and Tobago is a low-scale market.
Continued Development	<i>Group 1</i> Anguilla Belize Dominica Grenada Guadeloupe Saint Lucia St Vincent and the G Turks and Caicos	Growth in stay-over arrivals and visitor expenditure per capita rapid in the 1980s (double-digits for most). Still high but lower in the 1990s. Except for St Vincent and the Grenadines where tourism grew mostly in the 1990s. Tourism occupies about 18-70% of the economy. Except for	Anguilla, Grenada, Turks and Caicos and St Vincent and the Grenadines are in the upscale segment with visitor expenditure per capita exceeding US\$1200 and above US\$2000 in Turks and Caicos, based on a niche marketing strategy. Niches range from wedding and honeymoons, diving in marine parks, spa and wellness tourism (esp Anguilla), meetings and corporate retreats (esp TCI), summer music festivals and yacht regattas and boating. They tend to be US dependent (Anguilla/TCI) or market diverse (Grenada/St

	<p><i>Group 2</i> Cuba Dominican Republic</p>	<p>Guadeloupe, no major gains in market share between 1980s and 1990s, indicating signs of edging towards consolidation.</p> <p>Vigorous growth for both Cuba and Dominican Republic in stay-over arrivals and visitor expenditures for past 2 decades, along with major market share gains, with no real signs of slowdown ahead. While tourism is not dominant in their economies, these 2 countries control a quarter of the stay-over market in the Caribbean.</p>	<p>Vincent and the G, both of which are also fairly Caribbean dependent), with length of stay averaging 7-10 nights. More than 80% of tourists stay in private homes or on boats in St Vincent and the G compared to 53% in Grenada. 30% stay on yachts/boats in TCI. St Lucia is a mid-scale destination advertised for its nature and as one of the best wedding and honeymoon destination world-wide and is equally European and U.S orientated. It is also a yachting destination. Belize and Dominica have used nature-based tourism to develop their tourism sector but along with Guadeloupe, that practices mass-tourism based on sand, sun and sea, are in the low-scale segment. Dominica is the most Caribbean dependent destination and more than 60% of tourists stay in private homes. Both Dominica and Guadeloupe are stop-over destinations for sailors.</p> <p>Mass-tourism, relying on “sand, sun, sea and hispanic culture” yielding visitor expenditure per capita above US \$1000. Tourism development has been powered by large flows of foreign investment mainly from Spanish hotel chains. Dominican Republic is both North-American and European-orientated and Cuba, in the face of U.S. travel restrictions caters mostly to Spanish and other European tourists. Average length of stay range from 9 to 10 nights and accommodation is located in large hotels. Both destinations are developing other market segments.</p>
<p>Consolidation Stagnation</p>	<p><i>Group 1</i> Antigua and Barbuda Aruba Bahamas Puerto Rico St Kitts and Nevis</p> <p><i>Group 2</i> Bonaire</p>	<p>Marked slowdown in growth in visitor arrivals and visitor expenditures per capita from the 1980s to the 1990s along with falls or stabilization in market share (except for Aruba, Bonaire and Martinique). Levels in stay-over arrivals seem to have plateaued since the mid 1990s but are not on a trajectory of decline yet. For Bonaire, Martinique and St Eustatius, arrivals went through a noticeable slump in the 1990s and recovered, avoiding a trajectory of decline. With the exception</p>	<p>Aruba and Bahamas are mid-scale destinations, are heavily U.S. dependent but have experienced rises in visitor expenditure per capita since the late 1990s, revealing upgrading strategies. Bahamas, with the fourth largest market share in the Region behind Puerto Rico, Dominican Republic and Cuba, receives short-stay tourists (6 nights on average), staying in mostly large hotels and coming on package tours for “sun, sand and sea”. Aruba is another mass-tourist destination with large-scale hotels but 30% of its tourists stay outside of hotels, especially in timeshare resorts and yachts/boats. St Kitts and Nevis is in the process of upgrading as a luxury resort and has deliberately avoided mass-tourism. It offers a fairly diversified product ranging from beaches, diving among shipwrecks, golf, nature, duty-free shopping and some elements of heritage tourism. Antigua and Barbuda and</p>

Rejuvenation	Barbados British Virgin Islands Curacao Jamaica US Virgin Islands	This group of countries went through a decline in visitor arrivals at some point but are now on a new upward trajectory accompanied by rapid growth in visitor expenditures per capita and stable market shares.	Barbados, BVI, Curacao, and USVI are positioned in the top end of the market, with Jamaica in the mid-end. All 5 countries have pursued successful niche marketing strategies that have diversified their product. Tourism is dominant in the British Virgin Islands and occupies more than 30% of GDP in Barbados and the US Virgin Islands. Barbados competitive strength lies in its image and high quality product, offering sports, music, culture; BVI is a major yachting destination that also offers fishing and caters for weddings and honeymoons; USVI is a top scale destination with a diversified product ranging from the wedding and honeymoon segment, MICE segment, sports tourism (golf, fishing, diving and snorkeling), duty-free shopping, and festivals; Jamaica offers a diversified product combining sand, sun and sea tourism with nature-based adventure tourism, heritage-based tourism, golf, wedding and honeymoons and MICE tourism. Curacao offers a broad-based tourism experience as well ranging from sand, sun and sea, to carnival and culture, shopping, heritage and history, and diving activities.
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Source: ECLAC (author).

Annex 4

**UPGRADING IN THE CARIBBEAN - MORE THAN SAND, SUN AND SEA.
AWAY FROM MASS TOURISM TOWARDS BRANDING, DIVERSE AND
DIFFERENTIATED PRODUCTS**

Country	Market Niches	Branding and Major Events
Anguilla	Honeymoons, Wedding and Romance; Diving in marine parks , including an underwater park for certified scuba-diving, diving in wreck sites and heritage diving; Spa and wellness; Meeting and Incentives	<i>“Feeling is Believing”</i> Anguilla Yacht Regatta; Anguilla Summer Festival; Tranquility Jazz Festival
Antigua and Barbuda	Honeymoons and Wedding; Diving and snorkeling including on wrecks; Sailing; Heritage . The Sandals Grande Antigua Resort won the World Travel Awards as the world’s most romantic resort for 4 years in a row in 2006.	<i>“The beach is just the beginning”</i> Antigua Carnival; Classic Yacht Regatta; Antigua Sailing Week; Antigua Yacht Show
Aruba	Weddings and Honeymoons; Meetings and Incentives; Music and Culture; Duty-free Shopping; Water-based sports including wind surfing and deep sea fishing; Sailing and boating; Sports including golf.	Bonbini Festival Aruba Music Festival Hi-Winds Amateur World Challenge
Bahamas	Birding; Boating and Sailing; Diving; Water-sports; Shopping; Weddings; Eco-tourism; Fishing; Golfing; Private flying; Heritage; Culture and community -based tourism; Religious Worship	<i>“Experience the Bahamas”</i> Sailing regattas. Festivals including Heritage Events and Junkanoo Summer Festival. People to people encounter program
Barbados	Culinary tourism; Wedding and Honeymoons; Conventions and Meetings; Sports including golf; Culture and Heritage	<i>“It doesn’t get better than Barbados”</i> The Bajan Table; PGA Golf Senior Events; Barbados International Fishing Tournament; Barbados World Record Festival; Oistins Fish Festival; Cultural Festivals including Barbados Jazz Festival ;Crop-Over; Holetown etc
Belize	Weddings and Honeymoons; Educational travel; Archaeology (Mayan Ruins) and Caving; Water-based sports and Fishing; Sailing; Birding; Golfing	<i>“Mother Nature’s Best Kept Secret”</i>
Bermuda	Golf; Spa and Wellness; Under-water Sports including diving, scuba, snorkeling and helmet diving; Water –sports including fishing, boating; Shopping; Eco-tourism; Worship; Culture	<i>“Feel the love”</i> Goodwill Golf Tournament etc World Squash Open 2007; Bermuda Triathlon; Bermuda International

Country	Market Niches	Branding and Major Events
		Race Weekend; PGA Grand Slam of Golf 2007; King Edward VII Gold Cup (sailing); 2007 World Rugby Classic; Faith-based events; Bermuda Music Festival; Bermuda Festival of the Performing Arts.
Bonaire	Scuba diving, snorkeling, windsurfing; Weddings; Shopping; Land-based sports	Bonaire International Sailing Regatta; Bonaire Dive Festival
British Virgin Islands	Weddings and Honeymoons; Sailing and Boating; Diving; Fishing and Water-based sports;	<i>"Nature's Little Secrets"</i> Regattas; New Year's Party on the Jost Van Dyke (one of the top 3 places to be in the world for New Year's Eve)
Cayman Islands	Sailing; Fishing; Water-based sports ;Diving and snorkeling; Golf; Birding; Caving; Spa and Wellness; Culture and Heritage; Weddings and Honeymoons; Shopping	..
Cuba	Eco-tourism; Sailing; Diving and Snorkeling; Hunting and Fishing; Spa and Wellness; Events and Incentives; Culture and Heritage	..
Curacao	Culture and heritage; Golfing; Sailing; Diving and snorkeling; Adventure and sports including fishing, bird watching ; Duty-free shopping; Spa	Curacao Festival; Food festivals; Maritime festivals; Cultural Heritage Festival
Dominica	Weddings and Honeymoons; Hiking and adventure; Diving and water-sports; Culture and heritage; Spa and Wellness; Filming.	<i>"Discover Dominica: The Nature Island"</i> World Creole Music Festival; Carnival; Divefest
Dominican Republic	Culture; Golfing; Eco-tourism	<i>"Experience our Caribbean"</i>
Grenada	Wedding; Diving; Boating; Sailing including yachting; Fishing; Water-sports; Soft adventure including bird-watching and hiking.	<i>"The Spice of the Caribbean"</i> Regattas such as the Annual Grenada Sailing Festival, Annual Carriacou Regatta Festival; Annual Carriacou Sailing Series Festivals ; Grenada Carnival
Guadeloupe	Sailing; Golf; Water-sports; Surf and body-board; Diving and fishing; Flying; Language training	Races and regattas; Carnival
Guyana	Birding; Nature adventures; Meetings and Conferences; Weddings; Culture, heritage and music;	Amerindian Heritage Month Mashramani (Carnival) Tourism Awareness Month
Haiti	Meetings and Conferences	..
Jamaica	Weddings and honeymoons; Meetings and Incentives; Heritage; Nature-based adventure including caving and hiking; Sports including golf, sailing and fishing. Won the World Travel	<i>"Jamaica One Love"</i> Food Festivals; Heritage festivals; Music festivals including Jamaica Jazz and Blues festival etc;

Country	Market Niches	Branding and Major Events
	Award as the world's leading cruise destination in 2006 and Caribbean leading cruise destination in 2005 and 2006.	Agricultural, horticultural and trade shows. Sports tournaments including Jamaica Open (Golf)
Martinique	Sailing and Yachting; Meetings and Incentives; Sports including Golf and scuba diving; Shopping and local crafts	<i>"Flower of the Caribbean"</i> Martinique Carnival; Sailing and yachting events
Montserrat	Yachting; Weddings and Honeymoons; Diving, snorkeling and fishing; Volcano adventures; Nature Adventures	<i>"A Caribbean Treasure-Spectacular by Nature"</i>
Puerto Rico	Culture; Weddings and Honeymoons; Meetings and Conventions; Golf; Fishing; Scuba, Diving and Snorkeling; Nature and adventure including caving and ecotourism; Spa and Health; Shopping	<i>"Explore Beyond the Shore"</i> Lelolai Festival
Saba	Ecotourism; Diving and snorkeling ; Hiking, trekking, rock climbing; Bird-watching	..
St Eustatius	Scuba diving, Diving in marine parks and shipwrecks and snorkeling; eco-trails	..
St Kitts and Nevis	Heritage; Golf; Diving and snorkeling; Water-based sports; Bird-watching; Shopping; Weddings and Honeymoons	<i>"An Experience like No Other"</i> St Kitts Carnival; St Kitts Music Festival; National Arts Festival
St Lucia	Sailing; Scuba-diving and snorkeling; Water-based sports including deep sea fishing, and windsurfing; Golf; Nature-based adventures; Weddings and Honeymoons. Won the World Travel Awards as world's best destination for weddings and honeymoons 4 times in last 5 years.	<i>"Simply Beautiful"</i> Carnival; Calypso; ARC yachting event; St Lucia Squash Open; Fishermen's feast; Festivals. including St Lucia Jazz Festival.
St Maarten	Boating and Yachting; Duty-free shopping; Weddings; Diving and snorkeling; Deep sea fishing; Windsurfing;	<i>"A little European...a lot of Caribbean"</i> Carnivals; St Maarten Heineken Regatta
St Vincent and the Grenadines	Sailing; Weddings; Eco-adventures; Diving, snorkeling and scuba-diving; Culture and heritage	<i>"Jewels of the Caribbean"</i> OECS Yacht rally; St Vincent Yacht club regatta; Bequia Music Festival; Gospel Festival; Blues and Rhythms festival; Rum Festival ;Carnival
Suriname	Nature; Heritage and Culture; Diving; Fishing; Turtle watching; River-based adventures; Adventures in the Interior	<i>"The Beating Heart of the Amazon"</i>
Trinidad and Tobago	Eco-tourism; Birdwatching; Hiking; Scuba-diving; Sport fishing; Weddings and Honeymoons; Yachting; Meetings and Incentives ; Cultural heritage. Tobago has won the World Travel Award as leading eco-tourist destination in the world from 2003 to 2006.	<i>"The True Caribbean"</i> Carnival; Angostura Tobago Sail Week; Tobago Heritage Festival

Country	Market Niches	Branding and Major Events
Turks and Caicos	Weddings; Spas/salons; Gambling/casinos; Sailing and boating; Scuba-diving and snorkeling; Fishing; Golf; Shopping; Meeting and Incentives. Won the World Travel Award as the world's leading island destination in 2006.	<i>"Beautiful by Nature"</i> Tourism Awareness Week; Film festival;
US Virgin Islands	Weddings and Honeymoons; Filming; Scuba-diving on shipwrecks and snorkeling; Wind-surfing; Fishing; Golf; Duty-free Shopping; Meetings and Incentives; Culture and Heritage	<i>"America's Caribbean"</i> St Thomas Carnival; Three Kings Day Festival;

Source: ECLAC (author).

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