

**INTER-AMERICAN DEVELOPMENT BANK**

**PREPARED BY EEC INTERNATIONAL**

**OCTOBER 2020**

**THEMATIC BRIEF: RE-IMAGINING TOURISM**

**THE PIVOT EVENT**

## TABLE OF CONTENTS

<b>BACKGROUND .....</b>	<b>1</b>
<b>PROBLEMS AND OPPORTUNITIES .....</b>	<b>2</b>
<b>CURRENT REGULATORY AND LEGAL ENVIRONMENT .....</b>	<b>3</b>
<b>AVENUES TO FACILITATE SUCCESS .....</b>	<b>4</b>

# THEMATIC BRIEF: RE-IMAGINING TOURISM<sup>1</sup>

## **BACKGROUND**

For decades, global tourism has experienced steady growth, reaching an estimated 1.2 billion international arrivals in 2016, and is expected to rise to 1.8 billion by 2030. Furthermore, arrivals in emerging-economy destinations are projected to grow at double the rate of advanced economies. Consequently, global travel expenditures have more than doubled between 2000 and 2016, rising to USD 1.2 trillion, and accounting now for 7% of total global goods and services exports (United Nations World Tourism Organization (UNWTO) estimates).

Except for Suriname, Guyana, and Trinidad and Tobago, who rely on commodity exports, Caribbean economies rely heavily on international tourism and business services. Depending on the country, travel and tourism represent anywhere between one and three quarters of the GDP of these tourism-dependent countries<sup>2,3</sup>.

In recent years, about 6 in 10 international long-stay tourists in the Caribbean originated from the US, versus about 10% from Canada, and the same proportion from the United Kingdom. The Caribbean tourism industry is currently facing increased competition from other regions, such as Central America, South America, and Asia<sup>4</sup>. Over the last 25 years, long-stay tourism in the Caribbean has grown by 2.5% compared to the global average of 4.5%. Consequently, the Caribbean's share of global long-stay arrivals fell from 1.1% to 0.7%. At the same time, cruise arrivals have more than tripled, increasing up to 14.5 million passengers prior to COVID-19. Unfortunately, cruise passengers spend much less time and money in each location than long-stay tourists, and in effect contribute much less to local economies. Cruise ships also produce significant carbon emissions, further emphasizing the need for more sustainable modes of transportation.

Prior to COVID-19, these growth trends were expected to continue, based notably on the expanding middle class in emerging economies, the growing population of elderly travellers with particular needs, and the coming of age of millennials and their preference for technology-oriented, sustainable-tourism experiences<sup>5</sup>. Of note, serious concerns were raised about maintaining the number of tourists visiting the region's natural sites, due to the associated environmental impact. However, the pandemic has halted massive inflows in their tracks, forcing all to rethink tourism-related activities in the Caribbean and elsewhere. On a worldwide level, the primary concerns for tourists from now on will be proper implementation of efficient and lightweight measures able to reasonably guarantee their safety; and, in the event of contamination, availability of adequate healthcare services.

---

<sup>1</sup> Comments on this brief should be addressed to Fares.Khoury@groupeeci.com

<sup>2</sup> Ibanez et al. Tourism and Innovation: Leapfrogging the Caribbean Private Sector, LSE, 2019.

<sup>3</sup> <https://www.caribbean-council.org/preparing-caribbean-tourism-for-the-world-of-tomorrow/>

<sup>4</sup> <https://www.caribank.org/publications-and-resources/resource-library/thematic-papers/tourism-industry-reform-strategies-enhanced-economic-impact>

<sup>5</sup> [https://www.oecd-ilibrary.org/industry-and-services/analysing-megatrends-to-better-shape-the-future-of-tourism\\_d465eb68-en](https://www.oecd-ilibrary.org/industry-and-services/analysing-megatrends-to-better-shape-the-future-of-tourism_d465eb68-en)

## **PROBLEMS AND OPPORTUNITIES**

At present, by far the biggest problem facing Caribbean tourism is the pandemic's economic consequences. Relying on the previous year for comparison, Standard & Poor's expects Caribbean tourism to decline by 60-70% from April to December 2020, with going as far as forcing a credit outlook downgrade for many countries in the region<sup>6</sup>.

Aside from the risks incurred from pandemics or natural disasters, another principle limitation of Caribbean tourism is the modest array of visitor origins, with 80% of tourists coming from only three countries. A reimagined touristic sector will need to attract visitors from a much wider ensemble of locations, cultures and languages, as well as address their different needs and desires, and, ideally, send them home wondering when they can return for another trip. Another facet of this change would be to encourage Caribbean residents themselves to visit their neighbour islands.

The sudden shift from "over-tourism" to fears of "non-tourism" creates an unprecedented crisis for these economies. A recent report published by the International Labour Organization (ILO) estimated that due to COVID-19, nearly half a million workers in tourism and related industries faced job loss or precarity. While the small island-states of the Caribbean are resilient and accustomed to recovery after dramatic events such as natural disasters, recovery efforts are typically focused on resuming status quo ante activities as soon as possible. In the present case, the required conceptual and concrete remedies for this pandemic's repercussions will require more elaborate and sizeable solutions and strategies.

The long-term impact of pre-COVID-19 tourism did not come without its own set of challenges, notably longstanding environmental issues that could be mitigated and even reversed with proper management. Cruise ships, for instance, have been associated with coral reef damage, water pollution, and waste. Over-tourism has contributed to the degradation of several ecological sites due to human interactions with local ecosystems. To meet the demands of mass tourism over the years, airports, hotels, and ports were built, contributing to forest degradation and habitat loss. In this context, the expected future increase in the number of travellers will pose inevitable challenges to heavily visited sites, further endangering their long-term ecological viability. New pristine sites and adjacent ecosystems are equally at risk of degradation should tourism practices continue along their previous trajectory.

Food security is also a pressing issue in the Caribbean, as local food supply has been insufficient to accommodate the growth of tourism. Many countries import a significant proportion of their food, namely \$4.75 billion for CARICOM countries in 2018 (pre-imposition of duties, levies, and taxes). This represents more than 60% of total food consumption in these countries, with half importing more than 80% of this total. The coronavirus pandemic has only exacerbated this issue, as the number of supply chains, particularly those from the United States, were significantly reduced. This new crisis presents itself as an opportunity to rethink the links between agriculture and tourism. According to the 2020 Future Market Insights (FMI) report, the global agritourism market was valued at US\$ 662.1 Bn for the 2020-2029 period. Developing the agritourism sector in the Caribbean, specifically with initiatives centered on sustainable farming practices and culinary traditions, could be attracting future travellers in search of more authentic, local experiences. In addition, a stronger agricultural sector can only help in alleviating this dependency on food imports.

As COVID-19 is now a continuing reality and that no effective vaccine or therapy is yet available, re-thinking the way the sector operates is paramount: first, to overcome the immediate challenges brought on by the pandemic; second, to restore the international competitiveness and sustainability of tourism in the Caribbean; and three, both need to be done while preparing in advance, to the fullest extent possible, for a new pandemic or natural disaster. As the appeal of mass tourism

---

<sup>6</sup><https://www.weforum.org/agenda/2020/05/caribbean-tourism-has-been-decimated-by-covid-19-but-the-private-sector-can-cushion-the-blow/>

declines globally, the impact of COVID-19 has pushed the Caribbean tourism industry to a critical juncture, one where consequent decisions will define its future viability and success.

## ***CURRENT REGULATORY AND LEGAL ENVIRONMENT***

The regulatory and legal frameworks of tourism and other related industries serve a dual purpose. First, they must facilitate business and development opportunities for a sector that drives major parts of their economies. Second, they must establish and manage rules and monitoring systems in order to ensure the sustainability of these activities. Not doing so would lead to uncontrolled or excessive use of touristic assets, including resulting associated environmental pitfalls. COVID-19 has added two more objectives to this work plan, namely to confidently ensure the continued safety of visitors and local employees, and provide adequate care for eventual contaminated travellers.

On the business side of the equation, competition between Caribbean island states is inevitable and healthy. However, collaboration on initiatives that increase the overall flow of tourists to the region can provide benefits to all. Such collaboration can constitute an appropriate strategy to leverage the limited resources of regional entities. For example, the Caribbean Tourism Organisation (CTO) supports and co-ordinates marketing initiatives for the region. Another example is in the field of training where the Hospitality and Maritime Training Institute in St. Vincent & the Grenadines serves as the hub for employee training in the Eastern Caribbean. Similar approaches could enhance the rapid deployment of information technology initiatives, along with harmonization measures that could reduce the free flow of goods and individuals amongst Caribbean states<sup>7</sup>.

Sustainable tourism policies, which also address the deleterious effects of climate change, have become commonplace in Caribbean national strategies. Adhering to these policies and rebuilding the design of tourist experience in the region will equip the industry with the tools required to meet future demands, as tourists become more conscious of their environmental footprint. In doing so, the sector itself can play a key role in driving the transition to a low-carbon and resource-efficient economy.

For COVID management, which include best practices worldwide in terms of physical distancing, mask wearing, hand cleaning, spatial delimitations, etc., ideally, testing and tracing must be implemented consistently and systematically in all hotels, restaurants, airports, attractions, and so on. Also, the concept of “traveller bubbles”, similar to those established by major North American sports leagues, could be established (and regulated) as a way, first, to screen out unhealthy tourists through testing and, second, to ensure that the entire trip for those who are healthy takes place in a fully secure environment.

As in all successful regulation reform, a close collaboration between private and public sectors is most relevant in order to give the opportunity to the private sector to properly represent its economic realities, and to help public officials validate the projected impact of reform scenarios. The regulatory framework should also support SMEs and enable both innovation and competitiveness.

---

<sup>7</sup> Op. cit. note 2.

## ***AVENUES TO FACILITATE SUCCESS***

To survive its current and coming challenges, the Caribbean's tourism industry will have to undergo an objective examination of both its unique strengths and its potential risks, as well as a clear strategic vision of its coming priorities<sup>8,9</sup>.

Several organisations and governments have proposed strategic orientations to develop tourism in a sustainable fashion. Here is the substance of several of these ideas, in no particular order:

- Both CTO and the Caribbean Development Bank (CDB) reform proposals have encouraged greater collaboration among countries. Indeed, the similarities and interdependencies of these countries are such that reforms should be integrated both nationally and regionally into state policies<sup>10</sup>. One area of collaboration could be to standardize customs and immigration policies. This would incentivize tourism across multiple locations, and improve transportation between Caribbean states. In other words, intra-regional travel should be made hassle-free, as is the case in Schengen-visa countries. Instead of staying in a single island for a defined period, tourists would have the choice to visit several islands for a few days each, thus enhancing their experience and contributing further to these islands' combined economies.
- Changing travel demographics and preferences must be understood and addressed in order to accommodate an increased reliance on electronic payments and digital currency. An emphasis on financial literacy education will be needed to support citizens in the transition to a more digitized economy. Also, the rising demand for sustainable, eco-friendly tourism centered on authentic, local experiences should not be left unmet.
- Links should be developed between different tourism industries and the agricultural, manufacturing, and services sectors. For instance, funding agritourism initiatives and clusters in the region would provide additional tourist attractions and reduce the dependency on food imports.
- Government and private industry funds may be created to finance capital projects for local individuals planning to participate in the tourism industry.
- Tourism revenues may be used as a tool for furthering economic diversification, notably to finance medical and educational facilities.

---

<sup>8</sup> <https://www.caribbean-council.org/preparing-caribbean-tourism-for-the-world-of-tomorrow/>

<sup>9</sup> <https://doi.org/10.1080/09669582.2020.1791141>

<sup>10</sup> <https://www.caribbean-council.org/tourisms-recovery-holds-key-to-future-caribbean-growth/>

In closing, see below some actionable items from investors and governments:

- Set up robust COVID sanitary measures to rebuild trust amongst tourists;
- develop new integrated concepts of tourism products, such as tourism geared towards sports for instance (competitive events, training camps, exhibition events, or the like) where participants are screened for COVID 19 prior to their arrival and remain together during their stay, and 'leave their bubble' only after a period during which no COVID-19 symptoms are apparent. Other similar tourist communities may be developed;
- tourism-centered initiatives in infrastructure implementation (waste removal, telecom development, electronic payment systems, digital development) may be more affordable and generate a positive economic impact.