

7. CARIBBEAN OVERVIEW



The Caribbean, or West Indies as it is often referred, is the 1,000,000 square miles of the Caribbean Sea and the countries in it. The island surface is roughly 90,000 square miles. This region is bounded by the Greater Antilles in the north, by the Lesser Antilles in the east, by the coasts of Venezuela, Columbia, and Panama to the south, and by the eastern coasts of Costa Rica, Nicaragua, Honduras, Guatemala, Belize and the Yucatan (Mexico) Peninsula in the west. By this definition, countries such as the Bahamas and the Turks and Caicos Islands are not in the Caribbean as they are in the Atlantic. They are, however considered part of the Caribbean for the reasons of similar culture and falling within the same leisure tourist market.

In the global context, tourism and travel is the largest and fastest growing commercial and industrial sector, with output of \$3.5 trillion, representing about 11% of the world GDP and total employment exceeding 200 million. Along with tele-communications and information technology, tourism and

travel have been identified as one of three main industries that will drive the service-led economies of the 21st century. The tourism industry is a vital element of the Caribbean economy as well, and continues to register steady growth. The Caribbean is one of the most tourism dependent regions of the world. In many of the countries in the region, the sector has surpassed the traditional agri-business and manufacturing sectors as the number one foreign exchange earner. This section of our analysis will focus on the Caribbean region in its entirety. In addition, visitor arrivals and hotel operating statistics will be examined for a greater understanding of tourism trends and what they signify to the general Caribbean economy.

IMPACT OF SEPTEMBER 11TH AND TRAVEL FEARS ON THE CARIBBEAN

The September 11th terrorist attacks against the United States had worldwide implications and a significant impact on the Caribbean hospitality industry. By mid year 2001 many Caribbean destinations were already experiencing a decline in arrivals due to a weakened United States economy and the devaluation of the EURO against the dollar. The impact of September 11th was dramatic as the principal sources of travel to the Caribbean (commercial air transportation and cruise lines) were deeply affected in the weeks and months after the attacks. Estimates from the Caribbean Travel Organization (CTO) indicate that destinations that are heavily reliant upon American visitors were most affected by the terrorist attacks. CTO arrival statistics comparing September 2001 to the same period of 2000 show a significant decline in travel arrivals to key destinations; Aruba -22%, Jamaica -21%, Puerto Rico -36%, Turks and Caicos -24%, and US Virgin Islands -36%.

Recovery is predicated upon the success of the war against terrorism, the state of the economies in the United States and Europe, air lift in light of airline cut backs and the return of confidence in air travel for Americans. Although the attacks occurred during the month of September which is off-season and traditionally the slowest month of the year for tourism in Caribbean islands; the cancellation of advance winter bookings was reported as high as 50% for some markets. Furthermore, the booking window has declined from one to two months in advance to less than three weeks as American travelers have developed a “wait and see” attitude.

In an effort to stimulate the leisure travel market CARICOM nations approved an \$18 million “Emergency Tourism Promotion Program” to promote the region’s presence in the United States, Europe, and United Kingdom and penetrate non-traditional markets of the Caribbean and Latin America. Further initiatives varied from island to island and included measures such as deferred landing fees and airport office rents for airlines,

and direct cash subsidies to prevent suspension or cancellation of scheduled flights.

The impact of these events on the Caribbean lodging industry is reflected in lower occupancies and lower average daily rates as operators struggled to fill hotel rooms, discount rates and increased incentives for those willing to travel. For the region as a whole, year ending 2001 RevPAR declined; and bookings for the first quarter of 2002 were 20% - 30% below the same period of last year. The ripple effect is evident as the economic recovery in the Caribbean will not be realized until the major markets in the U.S. and Europe show consistent signs of recovery and travel begins to return to pre-September 11th levels. This has yet to occur and a fear of terrorism acts prior to U.S. elections is expected to stall meaningful recovery until 2005.

Statistical information for this section of the report is provided by the Caribbean Tourism Organization (CTO), and is based upon information provided by the thirty-four member countries. The information gathered for this report is published each March for the year ending in the preceding 24 months. In the case of this report, the most recent statistical information is from the year ending 2000 and published in March 2002.

SUMMARY OF PERFORMANCE IN 2001

A preliminary report issued by the CTO reveals that thus far tourist arrivals in the Caribbean for 2001 declined by 4%. While the decline was primarily the result of the impact of September 11th, the three months prior to September had been soft. Following the events of September 11th, double digit declines in arrivals were reported for the region. Dominican Republic the leading performer in the region with 2.8 million visitors, indicated a decline of (6.6%). Cuba and Jamaica revealed similar declines in tourist arrivals. Bahamas was the most severely impacted with an aggregate decline of (33%) in the last four months of the year. Trinidad and Tobago posted a (3.9%) decline in 2001.

Turks and Caicos, Anguilla, Curacao and Puerto Rico were the only countries in the region to report positive growth in tourist arrivals. Their strong winter months were enough to offset the declines experience after September 11th.

Other notable characteristic of the year show that all major destinations in the region reported increases in tourist arrivals for the winter season, with the exception of Bermuda, St. Vincent and the Grenadines and Martinique.

The following table is a breakdown of the international tourist arrivals. It is important to note, the figures are limited to stay over arrivals and do not include cruise or excursion travel.

Table 7-1 International Tourist Arrivals (000,000's)

World			Caribbean		
Year	Tourists	% Change	Year	Tourists	% Change
1990	457.2	-	1990	12.8	-
1991	464.0	1.5%	1991	13.1	2.3%
1992	503.4	8.5%	1992	13.9	6.1%
1993	519.0	3.1%	1993	14.9	7.2%
1994	550.5	6.1%	1994	15.7	5.4%
1995	565.4	2.7%	1995	16.2	3.2%
1996	599	5.9%	1996	16.7	3.1%
1997	618.2	3.2%	1997	17.8	6.6%
1998	636.6	2.5%	1998	18.5	3.7%
1999	650.0	2.1%	1999	19.1	3.2%
2000	698.8	7.5%	2000	20.3	6.3%
Average Growth		4.3%	Average Growth		4.7%
Growth (1990-2000)		52.8%	Growth (1990-2000)		58.6%

Source World Tourism Organization, Caribbean Tourism Organization

Based on the previous chart, we have made the following observations:

- ❑ Both Caribbean and World tourism growth levels have remained strong during the previous ten years, at 4.3% and 4.7% respectively. In addition, Caribbean tourism (58.6%) has outpaced world tourism (52.8%) in cumulative growth for the same ten years (1990-2000).
- ❑ The strongest growth rates over the past ten years occurred in 1992 (8.5%) for world tourism, and 1993 (7.2%) for Caribbean tourism.
- ❑ Trends in world tourism arrivals suggest that Caribbean tourism is strongly correlated to and affected by general economic conditions in the world, as well as by isolated incidents, such as severe weather, which may influence an individual's desire to travel to a particular region.

CARIBBEAN TOURISM ARRIVALS BY COUNTRY OF ORIGIN

The Caribbean region, as defined by this chapter, includes the following nations and territories: Anguilla; Antigua and Barbuda; Aruba; Bahamas; Barbados; Belize; Bermuda; Bonaire; British Virgin Islands; Cayman Islands; Cuba; Curacao; Dominica; Dominican Republic; Grenada; Guadeloupe; Guyana; Haiti; Jamaica; Montserrat; Puerto Rico; St. Kitts; St. Lucia; St. Martin; St. Vincent & The Grenadines; Suriname; Trinidad &

Tobago; Turks & Caicos; and the U.S. Virgin Islands. The following table shows a breakdown of arrivals from Caribbean countries and territories.

Table 7-2 Tourist Arrivals from Caribbean Countries (000)

	1994	1995	1996	1997	1998	1999	2000
OECS Countries	243.4	255.7	266.0	266.8	274.2	282.9	275.5
Anguilla	9.8	10.0	9.5	8.5	4.8	6.0	6.8
Antigua and Barbuda	39.3	40.1	43.1	42.9	41.5	38.0	38.9
British Virgin Islands	51.4	56.5	56.9	r 53.5	54.4	59.0	54.6
Dominica	31.5	33.7	34.9	35.8	36.6	42.6	39.5
Grenada	18.2	14.6	14.4	16.4	19.1	22.2	24.1
Montserrat	7.7	6.1	3.8	2.3	4.6	5.2	5.2
St. Kitts and Nevis	19.7	23.0	25.2	27.5	29.3	26.3	28.5
St. Lucia	47.9	50.6	59.7	58.6	63.5	61.1	54.8
St. Vincent and Grenadines	17.9	21.1	18.5	21.3	20.4	22.5	23.1
Other Commonwealth	244.1	281.4	284.2	310.1	326.2	342.7	354.5
Bahamas ²	35.9	30.2	34.3	39.8	35.7	24.8	33.1
Barbados ^r	59.1	67.1	66.0	74.6	82.6	97.6	100.7
Belize	3.2	2.4	1.9	2.0	2.3	2.5	2.3
Bermuda ^e	2.8	3.0	3.0	3.1	2.7	2.5	2.9
Cayman Islands	24.6	33.4	37.9	40.1	44.9	48.2	24.5
Guyana	21.9	39.4	31.0	21.6	17.5	19.1	22.3
Jamaica	28.5	32.9	34.4	38.2	40.6	41.5	48.3
Trinidad and Tobago	64.5	70.3	71.3	86.2	94.4	101.4	113.7
Turks and Caicos Islands	3.6	3.6	4.3	4.5	5.5	5.1	6.7
Dutch West Indies ⁵	140.9	109.5	111.0	126.2	127.7	135.2	127.7
Aruba	33.1	35.0	35.5	33.1	37.4	38.2	36.3
Bonaire	5.5	4.8	5.4	4.7	4.1	4.3	2.0
Curacao	46.7	45.7	44.1	r 47.7	44.3	46.8	41.3
Saba	n.a	0.5	0.7	0.9	0.7	0.6	0.3
St. Eustatius ^e	0.9	0.9	1.0	0.9	1.1	1.4	1.3
St. Maarten	54.2	22.6	24.2	38.8	40.3	43.9	46.5
French West Indies	83.7	106.6	198.8	166.4	198.9	153.7	150.5
Guadeloupe ^{3,r}	49.5	57.0	55.6	58.7	61.7	63.3	83.6
Martinique ^{3,r}	34.2	49.6	46.1	56.6	55.2	63.8	66.9
US Territories	n.a	n.a	198.8	166.4	198.9	153.7	183.6
Puerto Rico ^e	n.a	n.a	174.8	134.0	165.5	120.7	153.3
US Virgin Islands ¹	28.1	25.5	24.0	r 32.4	33.4	33.0	30.3
Other Countries	116.5	114.9	145.4	174.8	192.9	279.8	316.3
Cancun (Mexico)	3.8	1.5	4.5	2.9	3.0	2.4	5.2
Cuba	60.0	55.8	78.1	98.3	126.6	156.5	161.7
Dominican Republic ^{4,e}	35.2	38.0	41.2	51.9	41.8	100.3	129.9
Haiti	15.0	16.9	17.6	17.1	16.9	16.6	16.1
Suriname ^{e,r}	2.5	2.6	4.0	4.6	4.6	3.9	3.5
TOTAL CARIBBEAN ^r	1,097.9	1,187.3	1,106.9	1,159.5	1,237.0	1,321.4	1,408.1
¹ Hotel registration Only ^e CTO estimate ² Includes Rest of World ^r Revised ³ Arrivals from French Department & Territories Caribbean Tourism Organization							

TOURISM ARRIVAL TO THE CARIBBEAN BY COUNTRY OF ORIGIN

It is also necessary to examine tourism arrivals by country of origin to determine the main source markets. The following table illustrates total Caribbean tourism arrivals by country of origin, from 1994-2000.

Table 7-3 Tourism by Country of Origin (000)

Country of Origin	1994	1995	1996	1997	1998	1999	2000
United States	8,633.7	8,531.5	8,705.4	9,113.2	9,350.0	9,427.9	10,117.0
Canada	879.5	932.7	932.3	983.7	1,050.6	1,074.5	1,233.5
Europe	3,528.3	3,783.2	4,126.8	4,494.4	4,775.3	5,097.8	5,254.4
Caribbean	1,108.8	1,187.3	1,106.9	1,159.5	1,237.0	1,321.4	1,408.0
Total	16,144.3	16,429.7	16,867.4	17,747.8	18,410.9	18,920.6	20,012.9
United States	53.5%	51.9%	51.6%	51.3%	50.8%	49.8%	50.6%
Canada	5.4%	5.7%	5.5%	5.5%	5.7%	5.7%	6.2%
Europe	21.9%	23.0%	24.5%	25.3%	25.9%	26.9%	26.3%
Caribbean	6.9%	7.2%	6.6%	6.5%	6.7%	7.0%	7.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The definition of "Caribbean" varies by country
Source: Caribbean Tourism Organization

An analysis of the preceding data supports the following conclusions:

- ❑ Although the United States still accounts for the highest percentage of visitors, the Dominican Republic (DR) is atypical of this trend. A majority of the visitors to the DR are European and Canadian.
- ❑ The Caribbean has become a more popular destination for Europeans with arrivals increasing from 1994 (21.9%) to 2000 (26.3%). This may be attributed to the increased popularity of interval ownership and chartered, all-inclusive, excursions.
- ❑ As a percentage of total, Caribbean, as well as Canadian, arrivals have remained fairly stable over the period of analysis.

CARIBBEAN HOTEL CAPACITY

The hotel room capacity of the Caribbean region is strongly correlated to trends in tourism demand and hence, arrivals figures. The following table indicates the number of rooms in the Caribbean market between 1995 and 2000.

Table 7.4 Caribbean Hotel Capacity

	1995	1996	1997	1998	1999	2000
OECS Countries	15,383	14,889	14,970	15,752	16,378	16,891
Anguilla	951	866	915	1045	1120	1067
Antigua and Barbuda	3317	3185	3185	3185	3185	3185
British Virgin Islands	1452	1558	1587	1594	1626	1637
Dominica	588	764	824	824	857	890
Grenada	1652	1669	1775	1802	1928	1822
Montserrat	710	0	0	221	243	264
St. Kitts and Nevis	1563	1610	1729	1762	1754	1754
St. Lucia	3974	3986	3701	3769	4125	4525
St. Vincent and Grenadines	1176	1251	1254	1550	1540	1747
Other Commonwealth	55649	59581	60007	60965	61060	64014
Bahamas	13421	13288	13288	14243	14153	13824
Barbados	5084	6315	5349	5752	5643	6456
Belize	3708	3690	3905	3921	3963	4106
Bermuda	4141	4152	4135	3857	3276	3339
Cayman Islands	3585	4477	4501	4216	4318	5364
Guyana	639	639	730	730	730	730
Jamaica	20896	21984	22954	22713	23067	23640
Trinidad and Tobago	3107	3536	3652	3971	4236	4532
Turks and Caicos Islands	1068	1500	1493	1562	1674	2023
Dutch West Indies	13915	14466	15039	15164	14291	15181
Aruba	6881	6822	6962	7212	7320	7500
Bonaire	1052	1128	1069	1086	989	1050
Curacao	1950	2343	2696	2528	2768	2941
Saba	186	186	186	91	87	80
St. Eustatius	139	77	77	73	62	62
St. Maarten	3707	3910	4049	4174	3065	3548
French West Indies	15127	15594	18513	15771	15601	16869
Guadeloupe	7917	8294	11113	8371	8260	8136
Martinique	7210	7300	7400	7400	7341	8733
US Territories	15405	14332	15250	16373	16484	16925
Puerto Rico	10251	10245	10849	11444	11635	11928
US Virgin Islands	5154	4087	4401	4929	4849	4997
Other Countries	86830	93556	98286	110692	118337	122412
Cancun (Mexico)	20278	21850	21683	23581	24610	25434
Cozumel	3367	3468	3562	3704	3956	3956
Cuba	27928	29663	31757	35708	37114	38072
Dominican Republic	32475	35729	38250	44665	49623	51916
Haiti**	1758	1758	1758	1758	1758	1758
Suriname**	1024	1088	1276	1276	1276	1276
TOTAL CARIBBEAN	202,309	212,418	222,065	234,717	242,151	252,292
* 1997 figure						
** 1998 figure						
Caribbean Tourism Organization						

An analysis of the preceding table supports the following conclusions:

- ❑ Despite almost tripling its capacity since 1980, increasing at an average rate of 5.7 percent per annum, growth in the supply of accommodation has slowed down slightly in recent years averaging around 4.6 percent per annum from 1995 to 2000.
- ❑ At the end of 2000, there were an estimated 252,292 hotel rooms in the Caribbean. This represented a 4.2% increase from the previous year and an increase of 25% since 1995.
- ❑ There were six countries or territories that had more than 10,000 hotel rooms in supply: Bahamas (13,824), Cuba (38,072), Dominican Republic (51,916), Jamaica (23,640), Cancun (25,434) and Puerto Rico (11,928). Four destinations had between 5,000-10,000 rooms: Aruba (7,500), Barbados (6,456), Cayman Islands (5,364), Guadeloupe (8,136), and Martinique (8,733). These 10 countries or territories represented approximately 75% of the rooms supply for the entire Caribbean.
- ❑ The countries that had the largest growth increase in hotel rooms, percentage wise, from 1995 to 2000 include Dominican Republic (52.8%), Cuba (32.89%) and Cancun (21.36%).

OCCUPANCY RATES BY COUNTRY

The following table shows a breakdown of hotel occupancies by country (information for some of the countries was not available):

Table 7-5 Occupancy by Country

Destination	1995	1996	1997	1998	1999	2000
Anguilla	n/a	n/a	n/a	80.3	80.3	75.9
Aruba	70.8	71.5	73.7	79.2	77.0	75.9
Bahamas	66.5	66.4	68.0	68.7	68.6	62.5
Barbados	57.9	60.6	57.2	58.3	55.9	56.9
Belize	29.0	27.2	27.1	29.9	31.4	41.7
Bermuda	58.3	57.0	58.4	60.0	61.5	61.6
British Virgin Islands	54.6	r56.5	r52.4	60.2	58.8	66.1
Cancun(Mexico)	75.6	77.9	81.0	76.4	73.0	73.8
Cayman Islands*	65.8	58.4	57.7	62.6	n/a	62.4
Cuba	63.0	65.0	75.0	76.0	72.0	n/a
Curacao	73.2	74.2	67.3	59.7	71.0	60.8
Dominican Republic	77.0	r73	76.0	69.7	66.9	70.2
Grenada	65.2	59.3	62.1	62.3	64.8	71.0
Guadeloupe	67.3	68.9	69.8	65.3	66.3	57.0
Jamaica	60.8	58.2	55.7	58.7	57.0	58.0
Martinique	51.7	54.2	55.8	58.0	58.1	52.0
Puerto Rico**	67.9	69.8	68.5	68.8	72.1	65.9
St. Lucia	64.9	67.2	71.4	75.3	72.5	67.0
St. Marrten	n/a	n/a	n/a	57.9	59.3	67.1
Trinidad & Tobago	44.0	45.7	48.2	52.2	59.5	n/a
Turks & Caicos Island	n/a	n/a	n/a	72.0	70.0	65.0
US Virgin Island	r59	51.6	53.3	52.5	55.8	58.4
Caribbean*	66.6	64.4	66.6	64.9	64.0	63.5
*CTO Estimate	rRevised					
** Hotel Assoc. members Only; includes rooms occupied by residents Puerto Rico						

An analysis of the preceding chart supports the following conclusions regarding hotel occupancy rates in the Caribbean:

- From 1995-2000, occupancy rates in the Caribbean as a whole have fluctuated roughly between 63.5 and 66.9 percent.
- Since 1994, the Trinidad & Tobago occupancy percentage has experienced the greatest increase in occupancy at 35% while Cuba has suffered the largest decrease (13%).
- Cuba now poses an extreme potential threat to the rest of the Caribbean. If the embargo is lifted, it will be extremely difficult for countries to compete with Cuba on either a price or cost basis.
- Factors affecting occupancy rates in the Caribbean include the high degree of seasonality of demand (which may be partially be offset by the provision of activities and services geared to increase off-season demand), hurricane warnings, and the number and frequency of commercial airline flights.

ESTIMATES OF CARIBBEAN VISITOR EXPENDITURES

Estimates of total visitor expenditure in the Caribbean are presented in the table on the following page. These figures represent the combined expenditure by tourists, cruise passengers and other same day visitors.

Table 7-6 Caribbean Visitor Expenditures (\$U.S. millions)

	1995	1996	1997	1998	1999	2000
OECs Countries	992.5	1,038.3	1,073.0	1,111.2	1,189.2	1,198.3
Anguilla	48.5	48.0	57.2	58.1	56.5	55.4
Antigua and Barbuda	246.7	257.9	269.4	255.6	290.0	291.1
British Virgin Islands	211.0	227.6	220.4	255.4	299.9	315.1
Dominica	34.1	36.6	39.5	38.2	48.8	47.3
Grenada	58.3	59.5	59.4	61.1	66.8	70.2
Montserrat	19.9	9.7	5.5	8.0	8.1	9.0
St. Kitts and Nevis	65.1	66.8	67.3	69.5	67.6	58.2
St. Lucia	267.8	268.5	283.7	291.3	272.6	276.7
St. Vincent and Grenadines	41.1	63.7	70.6	74.0	78.9	75.3
Other Commonwealth	4,188.8	4,471.6	4,675.7	4,850.8	5,204.9	5,550.0
Bahamas	1,346.2	1,450.0	1,415.9	1,354.1	1,582.9	1,814.0
Barbados	611.8	632.9	657.2	703.0	666.2	711.3
Belize	77.1	88.6	88.0	108.3	111.5	121.1
Bermuda	487.9	472.3	477.5	486.8	479.1	431.0
Cayman Islands	394.0	456.3	540.6	589.4	579.1	559.2
Guyana	78.2	70.3	59.6	53.9	59.0	83.1
Jamaica	1,068.5	1,092.2	1,131.4	1,197.1	1,279.5	1,333.0
Trinidad and Tobago	72.5	109.7	192.6	201.2	209.6	212.8
Turks and Caicos Islands	72.5	99.3	112.9	157.0	238.0	284.5
Dutch West Indies	52.6	1,163.2	1,291.5	1,449.7	1,520.9	1,602.0
Aruba	520.6	613.5	668.3	732.3	788.6	837.3
Bonaire	37.0	42.3	44.1	43.4	62.7	55.8
Curacao	175.4	185.5	200.5	261.1	220.2	226.5
St. Maarten	348.8	321.9	378.6	412.9	449.4	482.4
French West Indies	795.2	764.5	768.5	805.1	804.2	824.2
Guadeloupe	380.4	353.9	371.5	390.1	400.2	454.2
Martinique	414.8	410.6	397.0	415.0	404.0	370.0
US Territories	2,664.4	2,679.3	2,940.4	3,173.5	3,093.4	3,544.7
Puerto Rico	1,842.1	1,898.3	2,046.3	2,232.9	2,138.5	2,387.9
US Virgin Islands	822.3	781.0	894.1	940.6	954.9	1,156.8
Other Countries	4,149.4	5,032.3	5,641.0	6,030.8	6,984.5	7,161.0
Cancun (Mexico)	1,370.6	1,704.6	1,768.1	1,808.7	2,358.9	1,996.0
Cozumel	146.4	281.2	327.4	398.3	320.0	349.8
Cuba	977.0	1,185.0	1,326.0	1,571.0	1,714.0	1,857.0
Dominican Republic	1,568.4	1,765.5	2,099.4	2,153.1	2,483.2	2,860.2
Haiti	56.0	58.0	57.0	56.0	55.0	54.0
Suriname	31.0	38.0	63.1	43.7	53.4	44.0
TOTAL CARIBBEAN	13,872.1	15,149.2	16,390.1	17,421.1	18,797.1	19,880.2

A majority of these estimates have been supplied by the relevant national agency in each country. These statistics are useful in assessing general trends within the region, as well as making comparisons among different islands. In addition, they reveal the positive effect of tourism on the region, in the form of foreign exchange income.

- ❑ Total expenditure in the Caribbean region was estimated at US\$ 19.8 billion in 2000, an increase of 5.8% over 1999 expenditures of \$17.8 billion.
- ❑ Total spending by visitors to the Dominican Republic and Puerto Rico exceeded US\$2 billion, and over US\$1 billion in the Bahamas, Cuba and Jamaica in 2000. These five countries or territories accounted for approximately 60% of overall visitor expenditure.

MOVEMENTS IN EXCHANGE RATES

Fluctuation in the value of the US dollar against other currencies, particularly European currencies, has played an important role in determining the pattern of tourist arrivals in the Caribbean. Most hotel rooms in the region are priced in US dollars and the currencies of most Caribbean countries are tied to the US dollar. As the US dollar falls in value against other major currencies, holidays in the Caribbean region become less expensive, relatively speaking, for tourists from those countries with stronger currencies. In addition to this, US travelers may be more inclined to travel to areas that use the US dollar as the main unit of currency.

TRENDS AND DEVELOPMENTS ON THE CARIBBEAN

The Caribbean remains the world's most tourism dependent region, with this sector accounting for approximately 25% of all exports of goods and services. In addition, tourism contributes approximately 31% to the Gross Domestic Product (GDP) of the area. More than half a million people are employed by tourism related activities throughout the Caribbean. It is projected that there will be 4.6% growth in stay over arrivals into the year 2010, which is expected to necessitate 222,000 additional hotel rooms, which represents a 25% increase over current levels. This projected increase would also necessitate new investment in ancillary tourism services. Development in the hotel sector in some areas of the Caribbean has not been as rapid as anticipated, despite the level of investment incentives in

place. Some analysts believe that investment regimes must be first directed at local investment, and then develop to the point where they can respond to the changing needs of foreign investors.

IMPROVEMENT OF AIRLINE SERVICES

Passenger and air traffic had been expanding significantly in the Caribbean region until mid-1998, when the Asian financial crisis spread to Latin America. In the meantime, capacity has increased significantly since the mid 1990's and fuel costs have risen since early 1999, threatening to cut carriers' profits.

Like the ocean carriers, cargo airlines have also undertaken the latest refrigerated technology, and this has increased air shipments of perishables such as flowers, fruits and vegetables.

A cooperative agreement has also been signed by several Caribbean airlines to link services and improve passenger and cargo handling systems at Miami International Airport. It is anticipated that the agreement will be extended to other airlines throughout the region. The plan was based on the successful functional co-operation scheme of Central American airlines.

Multi-destination promotion has been fostered by the opening of Air Jamaica's international/regional hub in Montego Bay, Air Caribbean's expansion of service in the Southern Caribbean, and the increased number of flights provided both by local airlines and American Eagle's expanding regional network. The Dominican Republic and Haiti have announced plans to introduce joint programs, assisted by the new airport, Barahona, located in the southwestern Dominican Republic and the new road from Puerto Plata to the Haitian City of Cap Haitien; the latter financed by the European Union.

TOURISM DEVELOPMENT PLANS

Across the Caribbean, governments are focusing on the development of long-term Tourism Development Plans, aided by multilateral lending agencies. Common areas of strategic planning include marketing, airlift and infrastructure development. Consistent with this has been a move to establish tourist offices in key markets, most notably, the U.S., Canada, and Europe.

TOURIST ATTRACTIONS

The Caribbean has a wide variety of attractions that create demand for accommodations. The following paragraphs give a brief overview of some of the more popular demand attracters within the region.

DIVING

Diving is a strong growth area within the Caribbean tourism industry. Projections indicate that by the year 2005, US\$1.2 billion will be generated by dive tours. According to *Rodale's Scuba Diving* magazine, the Bahamas is one of the most popular dive destinations in the world. The Caribbean currently attracts 60% of all international scuba diving tours. In year 2000, 103,849 divers came to the Bahamas with 83% specifically visiting for this purpose. According to the Cline Group, marketing consultant to The Bahamas Diving Association and Bahamas Ministry of Tourism, dive vacationers generate an estimated economic impact of \$266 million, 15% of all tourism generated for the year. This industry is positioned for growth with less than 40 dive companies situated in the Bahamas. Another area targeted for potential growth is intra-Caribbean tourism, which currently accounts for about 10% of the region's tourism.

ECO-TOURISM

Another trend that has been taking place in the Caribbean is the development of national policies relating to the promotion of eco-tourism. Although the industry presents vast investment opportunities for the development of lodging, trails, visitor centers, general infrastructure, governments are taking care to focus on sustainability and preservation of the environment, since eco-tourism accounts for 9% of worldwide tourism receipts.

GAMING

Over 40% of the countries in the Caribbean Basin area now offer legalized gambling as a tourist attraction, with legislation pending in Mexico. Sports tourism continues to be a major focus of product development efforts, as has been the promotion of indigenous culture.

HIGH GROWTH LODGING ALTERNATIVES

In addition to the demand for hotel accommodations in the Caribbean region, there has been an increase in popularity towards both the interval

ownership and cruise ship industries. The following paragraphs describe the nature of these two industries as well as their prospects for growth within the region.

INTERVAL OWNERSHIP INDUSTRY

The interval ownership industry, commonly referred to as “timesharing”, is the fastest growing sectors of the global tourism industry. The industry is not new to the area, as it has gained wide acceptance as an intricate part of the Caribbean tourism effort. Currently there are 122 timeshare projects located on different islands. A majority of those projects are located on either Aruba or St. Maarten. The years between 1994 and 1998 saw tremendous growth in timeshare industry. According to a 1998 research study from the American Resort Development Association (ARDA), the industry’s trade organization, the number of timeshare increased by 56.9%, and the number of projects grew 24.4%.

CRUISE TOURISM INDUSTRY

Cruise arrivals to the Caribbean region fell 2.2 percent to 12.1 million in 1999, following the record 12.4 million, which was achieved in 1998. This downturn has a resulted in declines in some of the region’s largest cruise destination, especially St. Maarten (30.2%), Puerto Rico (7.6%) and the United States Virgin Islands (13.2%). In spite of the sluggish regional performance, several destinations registered notable increases in cruise passenger arrivals, including Belize (140.6%) and British Virgin Islands (71.9%). The upswing in cruise passenger numbers in Trinidad and Tobago (46.9%) was due in part to the redirection of cruise liners to the Trinidad port, following damage due to the port facilities in some Eastern Caribbean countries after the passing of Hurricane Lenny.

Despite the overall reduced level of cruise activity, the winter season is still an attractive period for a cruise vacation in the Caribbean. Between January and April the region just managed a .7 percent increase in cruise passengers arrivals compared to a 4.3% decline in the summer period (May to December). September was particularly difficult period when the region experienced a shortfall in excess of 20%. The decline in arrivals in the summer months is normally due to significant re-positioning of capacity during this period to destinations outside the region. The major competing cruise destinations (such as Alaska and the Mediterranean) operate primarily during the summer months.

The Eastern Caribbean remained the largest cruising sub-region in the Caribbean, accounting for just fewer than 40% of all cruise visits to the

Caribbean in 1999. This sub-region, however, registered a significant decline of 13% in passenger arrivals. The Southern Caribbean, which represented nearly 17% or just under 2 million visits, recorded 6.3% fewer visits while the Western Caribbean with over 3 million visits along with the Bahamas and Bermuda reported welcomed increases for the region. The Caribbean, which accounts for approximately 50% of the world's cruise ship berths, generates about \$3 billion annually from the industry. Nevertheless, the Caribbean has been able to maintain its dominance as the premiere cruise destination on a global level; although current trends point to reducing levels of capacity being allocated to the region. The allocation level fell from 53.6% in 1995 to below 50% in 1999. According to the Cruise Line International association (CLIA), the share of bed-days allocated to the Caribbean region (including Bermuda) fell from 47.7% in 1998 to 45.8% in 1999. Total capacity worldwide was expected to increase by 4.7%, while the Caribbean's capacity was estimated to have grown at an incremental 0.5%. A few other regions had notable expansions to the allocations, in particular the Western part of Mexico, Alaska, Trans Canal region and the Mediterranean.

In 2001, with the introduction of larger vessels and more berths within the region, an approximate increase of 10% was reported. This phenomenal increase was due to the double digit growth experienced in the first eight months of the year in which cruise passenger business grew by more than 15%

POPULATION

The following table shows a breakdown of population by country:

Table 7-7 Population of Caribbean

Country	Population					
	1995	1996	1997	1998	1999	2000
Antigua & Barbuda	63,255	63,509	63,757	64,006	64,195	71,800
Bahamas	268,453	272,212	275,996	279,833	282,753	305,000
Barbados	258,326	258,559	258,792	259,025	259,200	267,500
Cuba	11,041,451	11,046,089	11,048,409	11,050,729	11,053,050	11,198,000
Dominican Republic	7,620,038	7,744,245	7,870,477	7,998,766	8,096,353	8,520,000
Grenada	94,026	94,751	95,481	96,217	96,773	101,700
Haiti	6,482,390	6,580,275	6,679,638	6,780,501	6,857,147	7,492,000
Jamaica	2,580,114	2,598,175	2,616,363	2,634,678	2,648,498	2,597,000
Puerto Rico & U.S. Virgin Islands	3,893,633	3,920,659	3,947,874	3,975,281	3,995,959	3,926,600
St. Lucia	147,415	149,037	150,677	152,335	153,590	156,000
St. Kitts & Nevis	40,767	41,269	41,777	42,291	42,681	40,400
St. Vincent & Grenadines	117,802	118,392	119,103	119,818	120,327	112,000
Trinidad & Tobago	1,262,000	1,145,533	1,130,985	1,116,595	1,082,941	1,293,800
Total Population of Selected Caribbean Countries	33,869,670	34,032,705	34,299,329	34,570,075	35,029,517	36,083,800

CONCLUSIONS

The statistics and analysis presented reveal positive trends for Caribbean tourism. We have come to the following conclusions based on our analysis of the Caribbean.

- ❑ Both Caribbean and World tourism growth levels have remained strong since 1990-, at 4.7% and 4.3% growth for the Caribbean within the same time period. In addition, total cumulative growth for world tourism has been 52.8% compared to that of the Caribbean at 58.6%.
- ❑ The Caribbean tourism industry performed creditably in 2000, with tourist (stay over) arrivals increasing by 6.3% as compared to a 3.2% increase in 1999.
- ❑ Despite almost tripling its capacity since 1980, increasing at an average rate of 5.7 percent per annum, growth in accommodation supply has slowed down slightly in recent years averaging around 4.6 percent per annum from 1995 to 2000.
- ❑ Cruise arrivals to the Caribbean region fell 2.2 percent to 12.1 million in 1999, following the record 12.4 million, which was achieved in 1998. This downturn as a result of declines in some of the region's largest cruise destination, especially St. Maarten (30.2%), Puerto Rico (7.6%) and the United States Virgin Islands (13.2%).
- ❑ Room supply has increased proportionately with increases in visitation. The result of these increases has been to absorb new demand growth, thus ensuring that occupancy levels remain relatively constant throughout the years. New hotel developments will likely occur as well, which would assist in upgrading the existing hotel supply within the region and thereby make the Caribbean more competitive with other warm-weather destinations in the United States.
- ❑ Anguilla and Bermuda's room supply has actually declined which accounts for the negligible growth rates since 1994.
- ❑ The contribution of North American (U.S. and Canadian) travelers to Caribbean tourism is declining, while Europeans and other travelers have increased their contribution.
- ❑ Countries that experience the most dramatic increases in visitation include those that offer modern accommodations, airport capacity to handle jet aircraft, historical or ecological significance, and low wage rates. Countries that experienced the largest growth rates include Cuba (160.83%), Cayman Island (95.93%), Suriname (88.0%), Martinique (86.55%), St. Eustatius (55.56%).
- ❑ The increasing market share of European visitors and the reduced reliance upon the United States traveler should enable Caribbean

destinations to achieve more stability in operations while broadening the base of their marketing efforts. In addition, the increasing number of European arrivals also benefits the region in that these tourists generally tend to stay longer and spend more money than their American counterparts.

- ❑ While the above factors indicate a positive future for Caribbean tourism over the next few years, there is a significant possible competition to the region; that is, Central and South America. The signing of NAFTA and the emergence of more stable and democratic governments has recently caused a renewed interest in the region, particularly from the United States. The emergence of tourism in Central and South America will compete directly with the Caribbean, particularly for price-sensitive United States travelers.
- ❑ As in other sectors, the Caribbean in particular is facing increased competition from “new” as well as traditional destinations, both within and outside the region. Mexico and Cuba are especially strong competitors for price conscious tourist.
- ❑ Trinidad and Tobago posted a decline in visitation in 2001 at (3.9%), but since that year has recovered modestly. It has posted significant 46% increase in hotel inventory since 1995. Because of these increases in inventory in the absence of meaningful increases in demand occupancy levels have declined.