

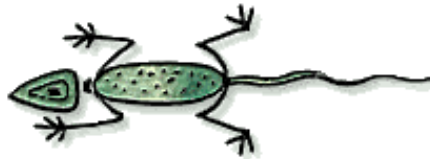


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## **DOMINICAN REPUBLIC:**

### **Approaches towards a SUSTAINABLE TOURISM DEVELOPMENT-**

#### **A Strategic Concept**



Freie wissenschaftliche Arbeit  
zur Erlangung des Grades Diplom- Betriebswirtin  
Fachbereich Wirtschaft 2: Tourismusbetriebswirtschaft

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## Abbreviations:

AHK	Deutsch- (Dominikanische) Außenhandelskammer
ASONAHORES	Asociación Nacional de Hoteles y Restaurantes (National Association of Hotels)
CAST	Caribbean Alliance for Sustainable Tourism
CBD	Convention on Biological Diversity
CEBSE	Center for the Conservation and Eco-Development of Samaná
CEDOPEX	Centro de Estadísticas de Comercio Exterior (Statistical Center for Foreign Commerce)
CENANTILLAS	Centro de Investigación Económica de las Antillas
CPT	Tourist Promotion Council
CEPAL	Economic Commission for Latin America and the Caribbean
Codetel	Compañía Dominicana de Teléfonos
CTO	Caribbean Tourism Organization
DED	German Development Service
D.R.	Dominican Republic
ECPAT	European Coalition on Child Prostitution and Tourism
e.g.	for example
EMPACA	Ecoturismo Mundial Y Proyectos Ambientales (World Ecotourism & Environmental Projects Co.)
EP	European Plan (Accommodation with no meals)
ESTs	Environmentally-Sound Technologies
FAO	United Nations International Development in Nutrition and Agriculture
Fig.	Figure
GATT	General Agreement on Tariffs and Trade

GDP	Gross Domestic Product
GTZ	German Technical Cooperation
ICCL	International Council of Cruise Lines
IIPT	International Institute or PEACE Through Tourism
Km	kilometers
m	meters
OMT	Organización Mundial del Turismo
OPI- RD	The Office for the Promotion of Foreign Investment in the D.R.
pp.	Pages
SECTUR	Secretaría de Estado de Turismo (Ministry of Tourism)
S.D.	Santo Domingo
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNCED	United Nations Conference on Environment and Development
UNCTAD	United Nations Conference on Trade and Development
USP	Unique selling proposition
USA	United States of America
USAID	The United States Agency for International Development
USP	Unique selling proposition
US\$	US Dollars
Vol.	Volume
VAT	Value Added Tax
WTTC	World Travel and Tourism Council
WTO	World Tourism Organization
WTO	World Trade Organization

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*"El costo de la vida sube otra vez  
el peso que baja  
ya ni se ve  
y las habichuelas no se pueden comer  
ni una libra de arroz ni una cuarta de café  
a nadie le importa qué piensa usted  
será porque aquí no hablamos  
inglés*

*ah ah es verdad  
do you understand?  
do you, do you?"*

*"The cost of living is going up again  
the peso which is dropping  
can't be found  
and you can't eat beans anymore  
or a pound of rice or a measure of coffee  
no one cares what you think  
could it be because we don't speak  
English?*

*Ah, that's the truth  
do you understand?  
do you, do you?"*

**Juan Luis Guerra**  
**"El costo de la vida"**

## **1 Introduction**

### **1.1 Problems and Objectives**

Often referred to as the 'smokeless industry', tourism has become one of the fastest growing, most dynamic sectors of economic growth in the world. Between 1980 and 2000 the share of international tourism in global economic activity rose globally by 4.6% a year on average and is expected to continue to grow at the same rate per annum in the next decade. With an estimated 698 million international arrivals in the year 2000, tourism has become the world's largest trade.

Tourism is now a key sector or is likely to become so in many developing countries, which show potential. However, over-reliance on tourism, especially mass tourism carries significant risks to tourism-dependent economies. Especially, if tourism development is seen as a unique alternative to a declining agricultural industry or other economic sectors in crisis. Critics point out that tourism in developing countries can create foreign dependency, but as well the creation of separate enclaves, the reinforcement of socio-economic and spatial inequalities, rising cultural alienation and vulnerability to factors outside the control of the destination.

By the early 1990s, national tourism authorities had generally come to realize that the economic benefits of tourism would not be achievable in the long run unless tourism was properly planned and managed. Thus, in 1996 the tourism industry was the first sector to have launched an industry-specific action plan based on Agenda 21, a comprehensive program of action approved by 182 governments at the 1992 United Nations Conference on Environment and Development (UNCED), the Rio Earth Summit. It provided a global blueprint for achieving a sustainable development of tourism, identified as one of the key sectors of the economy, which could offer a steady source of tourism income and eliminate poverty in the long term.

However, the established policy objective of tourism – to stimulate economic development – should be widened to include the condition that any such development must also embrace an explicit concern for the social and environmental assets upon which its future prosperity depends. Tourism's role in economic development is important, but it cannot be considered in a vacuum.

Since the launch of the document by the three organizations WTTC (World Travel & Tourism Council), WTO (World Tourism Organization) and the Earth Council, they have begun a series of regional seminars to increase awareness of the conclusions, and to adapt the program for local implementation. Furthermore, the WTTC has established the Green Globe program, which offers advice and promotional support for tourism enterprises willing to commit themselves to 'improvements in environmental practices'. Other international industry bodies have also taken action. For example, the IFTO (International Federation of Tour Operators) has funded projects in Majorca and Rhodes, to identify specific targets for sustainable tourism; and the International Hotels Environment Initiative has sought to make hotel management more environmentally friendly by compiling a manual of good practice and giving advice to its members, including major hotel chains. The United Nations (UN) and its agencies have addressed the importance of tourism and sustainable development on various occasions. More recently, the General Assembly declared the year 2002 as the International Year of Eco-tourism, which should encourage eco-tourism practices and promotion in developing countries within the framework for the development of sustainable tourism.

As a result, many developing countries have since espoused the principle of sustainability in shaping their tourism policies. However, few of them have been able to convert this into concrete action owing to the short-term economic interests to which, all too often, priority is given, to the detriment of protecting social and environmental assets.

In summary, tourism presents a great opportunity, but there are a number of challenges to be met if the potential for sustainable development and poverty elimination is to be realized. An active policy implementation process for sustainable tourism development forges partnerships and dialogues between different parties with different interests like private enterprises, governmental institutions, international organizations, but as well local communities.

The purpose of this paper is to create and formulate clear, firm and equitable guidelines in a tourism policy concept that is set in the context of sustainable development and aims further to raise the competitive position of a destination. Theory will be demonstrated in practical terms in the case of the Caribbean tourism destination, the Dominican Republic.

## **1.2 Scope and Limitations**

The proposed sustainable tourism concept should serve as a framework and orientation for national and international stakeholders or investors who should in future contribute with their actions to an ecologically balanced and socially acceptable tourism development in the Dominican Republic. Due to the limited volume of this study, it only comprises the first approaches and cannot be seen as a fully completed strategic concept. The results and recommendations in the study will, rather, 'provide a basis for enhancing the tourism planning process' in the country, where data and relevant information was available. The planning process must include further studies that will be undertaken as well at local and community levels.

Due to the specific characteristics of this Caribbean island, the outcomes presented do not necessarily apply to other tourism destinations.

Furthermore, impacts mentioned in the theoretical part are limited to negative and positive effects that are relevant to the specific case study.

Nonetheless, what underlies this work is a competitive strategy, which nowadays seems to be the most effective one: the concept of sustainable tourism development is recommended as a broad strategy for all destinations.

Detailed measures that could be taken by tour operators or agencies could not be considered here, as this would have gone beyond the scope of the study. However, some remarks will be made where they seem necessary for the understanding of the context.

Though the study had already reached an advanced stage, the impact of the New York attacks and the subsequent tragic plane crash, and their effects specifically on the Dominican Republic, have been considered as far as possible, where information could be assembled.

### **1.3 Structure of the Work**

The present paper is structured in two major parts, including (14) chapters. The first part provides the basic theoretical background.

After an introductory section, the second chapter presents some information on the historical and recent development of tourism, with a main focus on the mass tourism phenomenon, as well as some future tourism trends.

In the third chapter the precursors of sustainable tourism development will be outlined. Some relevant development theories that can be considered in the context of tourism in developing countries will be summarized.

The main positive and negative impacts of tourism development will be outlined in the fourth chapter.

The fifth chapter will quote the general trends that make a sustainable tourism development indispensable in our common future.

Finally, a theoretical insight of the strategic concept of sustainable tourism development will be provided in the sixth chapter. It also concludes the tourism planning elements for the successful implementation of a tourism concept and a general overview of fundamental competitive strategic decision-making options. Some limiting factors of sustainable tourism development end this chapter.

The first part will be closed with a reflection or comparison between '(sustainable) mass tourism' and '(sustainable) eco tourism' as forms of tourism development.

The second part will attempt a practical application of theory in the case of the Dominican Republic.

After an introduction, the next chapter, of the second part presents some general aspects of the Dominican Republic.

The second chapter in part 2, starts with some tourism trends in the Caribbean and the historical development of Dominican tourism, before analyzing the supply and demand side as well as its main competitors. This includes also the role tourism plays for national authorities and the identification of the general tourism market structure of the island. An evaluation of the economic contribution or negative economic, social or environmental impact of tourism in the Dominican Republic will as well be done in this chapter. This will comprise some quantitative economic data, but also provides some qualitative socio-cultural and environmental considerations.

A critical evaluation of the Dominican tourism industries' strengths and weaknesses, in consideration of future trends, will be part of the tenth chapter.

The results will be used in the eleventh chapter as terms of reference for the formulation of the grand strategy; as well as for essential future recommendations and necessary actions that will be given in the twelfth chapter.

The work will close with a critical assessment of limitations or challenges for sustainable tourism development in the Dominican Republic and ends with a final conclusion.

#### **1.4 Methodology and Information used**

To accomplish these ends recent studies from the supporting consulting company, *Horwath Sotero Peralta & Asociados*, were reviewed and research data collected. However, to guarantee an overall objective evaluation, supplementary papers and statistics were gathered from a broad range of national and international institutions (e.g. National Bank, Chambers of Commerce, *CPT*, *Kiskaya Alternativa*, *UNDP*, *USAID*). Other sources like local universities, private and public libraries as well as some newspapers and the Internet (e.g. websites of *CTO*, *CEPAL*, *OPI- RD* and *CAST*) provided further information. Moreover, an important source of information has been the library of the German NGO *Tourism Watch* in Bonn.

Besides secondary research, primary information was basically obtained through the series of informal interviews with key government officials (e.g. Tourism Ministry and Ministry for Women), private sector stakeholders (e.g. *ASONAHORES*, *GTZ*), agents of tour operators and hotels as well as representatives of NGO's (e.g. *CEBSE*, *DED*). All these interview partners were asked to identify issues, recommend strategies or assess options for the future tourism

development of the Dominican Republic. With this methodology it was intended to receive input from various key stakeholders together. These activities not only helped to clarify specific issues but had to a certain extent a brainstorming character. As a result of travel to almost all important tourism areas, and of work experience in the tourism sector, the author of this paper has been able to make a certain comparison with personal experience and judgments. Thus, some of the results are descriptive or qualitative in nature.

The process of gathering information was often delayed due to the fact that sometimes two or three meetings were necessary as the data required was either not available or not provided in a timely or efficient fashion. It also appeared that tourism-related businesses were not able or willing to supply the literature needed. This difficulty in collecting information was very time consuming.

It is well-recognized that tourism plays an important role in the economy of the Dominican Republic. However, there have been few comprehensive studies that measure the economic impact of tourism and its linkages to other sectors in the economy. The latest detailed secondary literature in this area tends to be incomplete or out of date. Thus, collecting and analyzing up-to-date information has often involved considerable challenges.

Furthermore, it was hard to find latest tourism research literature; even public libraries or the most popular private universities where 'Tourism' or the 'Hospitality Industry' are subjects of study, could not provide two important European and especially English tourism research journals, like the *Annals of Tourism Research* or *Tourism Management*. This might be a result of the general strong North American influence, or the lack of a profound research culture in the area of tourism in the Dominican Republic.



## Part 1: Theoretical Background

In the Middle Ages people were tourists because of their religion,  
whereas now they are tourists because tourism is their religion.

~ Robert Runcie ~

## 2 Development and Structure of International Tourism

The core of the whole study is the development of tourism in a developing country that is known as a mass tourism destination – the Dominican Republic. Thus, this paper starts with an introduction to tourism, with a main focus on the mass tourism phenomenon. Following this, the latest tourism figures of international tourism and future trends will be presented.

### 2.1 Tourism: A Definition

A variety of definitions exist for the term 'tourism', which is a relative newcomer to the English language. It was first used to define 'pleasure travel' only, and in particular, the early package 'Cook'<sup>1</sup> tours. Hunt and Layne (1991: 11) acknowledge that 'travel' was the most accepted term until 1987 and that since that time 'tourism' is the accepted expression, used to "singularly describe the activity of people taking trips away from home and the industry which has developed in response to this activity".

Many people believe that tourism is a service 'industry', like Leiper (1990: 400) who suggests that: 'The tourist industry consists of all those firms, organizations and facilities, which are intended to serve the specific needs and wants of tourists'. Others think, "there is no single *Standard Industrial Classification Code* called 'tourism (although the satellite tourism accounts should remedy this problem)" and, thus, "tourism should not even be referred to as an industry" (Mill and Morrison 1998: 2). Other experts, such as Gunn (1994: 4) believe in a much broader definition that tourism "encompasses all travel with the exception of commuting" and that it is "more than just a service industry".

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<sup>1</sup> The deeply religious English Baptist preacher, Sir Thomas Cook, is known as the founder of the organised package tours. In June 1841 he hired a train to take some 500 religious men, each paying a shilling, and arranged a twelve mile journey from Leicester to Loughborough and back in open carriages. Cook later also organised continental tours, e.g. to Germany and France.

According to the definition of the World Tourism Organization "Tourism 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". Further, the WTO divides tourism into 'domestic tourism', that "involves residents of the given country traveling only within the country" and 'international tourism' that "involves non- residents traveling in the given country" (WTO 1998a: 17).

The Swiss professors and founders of the Swiss Tourism Research Institute Aiest in Bern, Walter Hunziker and Kurt Krapf, published their general theory of tourism in 1942 and defined the subject as

The totality of relationships and phenomena linked with the travel or stay of foreigners in a locality provided they do not exercise a major, permanent or temporary remunerated activity' (Kaspar 1991: 18).

The following study employs this internationally accepted and frequently used definition of tourism as well as the WTO's formulation of 'domestic' and 'international tourism'. 'The totality of relationships and phenomena' covers the diversity of manifestations of tourism, embedded in the economic, political, social, cultural and ecological systems and conditions that influence its extent and structure. It is important to point out that this definition includes e.g. congress or business tourism, but explicitly excludes business or cross-border commuters (Aronsson 2000: 24).

Another term that requires some attention in this context is 'mass' tourism. Generally, it is clear that the expression 'mass' implies a large number of people. But the term can have many nuances. The current practice is to rank countries on the basis of the total number of visitors received annually. However, countries vary in their geographical and demographic size. Receipt of five million visitors annually by France and Belgium, for example, is not the same matter given their vast territorial difference. Furthermore, the seasonal fluctuation in tourism is an important aspect (Wahab and Pigram 1997: 51).

A detailed definition was found in Poon (1993: 32), who relates mass tourism to two main characteristics: a) participation of a large number of people in tourism; b) the holiday is standardized, rigidly packaged and inflexible; and c) offered to an undifferentiated clientele.

## 2.2 The Mass Tourism Phenomenon

### 2.2.1 The Historical Context

Travel for leisure in Western Europe began a century ago, but it was limited to privileged classes. These included members of the aristocracy, bourgeoisie, political elite and some well-off urban dwellers. 'Holidaying'<sup>2</sup> was thus a symbol of economic affluence and social prestige. Travel distances, however, remained short, generally within the country. The Alps were one of the first major destinations that involved some travel.

An early result of the development of railways in Europe increased travel to the Mediterranean coast by privileged European tourists, especially from the 1920s on. But tourism advanced significantly only when industrial workers in different European countries began to receive paid and extended holidays, with reduced working hours (Becker et al. 1996: 12-13).

Tourism in the U.S. developed for the same reasons as in Europe- the development of the railway opened up the country to travelers. A rapid development in transportation, especially involving the steam locomotive, made travel easier and faster. This opened up the possibility of traveling longer distances as well. The Industrial Revolution produced a class of wealthy people who had the time to travel. Touring became popular and by the late 1800's, the USA was also attracting Europeans who came to see the natural beauty, hunt buffalos or were fascinated by travel for religious reasons (Mill& Morrison 1998: 12).

It is estimated that until the Second World War, about 10% of the population went annually on vacation in industrialized countries, including the United States and Canada (Becker et al. 1996: 13).

### 2.2.2 The Mass Tourism Development in the 'North'

Mass tourism, as we know it today is a post Second World War phenomenon, which has been an integral part of European and North American lifestyles since the 1950s. An expanding economy in the western industrial nations, on the one hand, and sustained labor movements, on the other, allowed workers to obtain increased wages and benefits. By the 1960s, about 40% of the mainly urban European population took leisure holidays, which were seen as an

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<sup>2</sup> The term 'holiday' comes from holy day- days for religious observances. Ancient Rome featured public holidays for great feasting and later in Europe that became Christian. After the Industrial Revolution, the religious holidays gradually became secularized, and the week holiday emerged.

escape from metropolitan stress, insecurity, unhealthy environment (e.g. pollution) and so forth. Holidaying in general was taken as a synonym of relaxation and comfort, reflecting the growing consumer culture. Higher education levels and greater awareness of other areas of the world also led to a desire on the part of more people to travel.

With the massive creation in the 1960s of 'package tours', today's new form of traveling, the 'organized' group and 'inclusive' tourism type was initiated, and this marks the beginning of mass tourism (Inskeep 1991: 9).

Modern long-distance tourism and economic travel by large numbers of people has been favored through major improvements in transportation including the development of commercial jet aircraft services and train and highway networks in Europe, the USA, and elsewhere (Hein 1997: 20). In the past decade changes also included improved worldwide computer technology or reservation networks on the supply side (Becker et al 1996: 13).

For mass tourism to develop, there has to be on the demand side a strong participation of the large middle class, as well as the relatively better-off strata of the lower classes. This has been the case in regard to the evolution of mass tourism in Europe, and it is a process that seems to be repeating in many developing countries and regions (Ghimire 1997: 6).

Tourism has reached the point where, as Urry (1990: 4) states, "To be a tourist is one of the characteristics of the 'modern' experience. Not to 'go away' is like not possessing a car or a nice house. It is a marker of status in modern societies."

Thus, traveling patterns changed from being a luxury or prestigious for the upper classes to an 'essential need' in the modern world (Weinhold 1989:20). However, "the pleasure of traveling, enjoying nature or other cultures is by no means a basic human need, but bound to a certain social development level" (Spode 1988: 41).

### 2.2.3 The Development of 'North- South' Mass Tourism

Previously, well-defined groups traveled to the South – explorers, traders, colonizers, missionaries, scientists and administrators, especially in the wake of mercantile trade and colonization (Hein 1997: 21).

Since the 1950s developing countries have received increasing numbers of international tourists, largely from developed countries. At this time, governments began to see tourism as an important tool for economic development - one that was also believed to result in a net resource inflow from the North. The tourism industry was considered a more reliable source of foreign exchange than minerals, raw materials, cash crops and manufactured goods, which had increasingly unstable prices. Tourism was also seen as an exceptional opportunity to valorize national culture, wildlife and unique natural features. Important investments were made in infrastructure, tourism training, accommodation and other tourist facilities.

Mass tourism involving travel from the industrialized North to the developing countries of the South is a more recent phenomenon, beginning basically in the 1970s. Rising standards of living in the countries of the North, declining long-haul travel costs, increasing holiday entitlements, changing demographics and strong consumer demand for exotic international travel have resulted in significant tourism growth to developing countries.

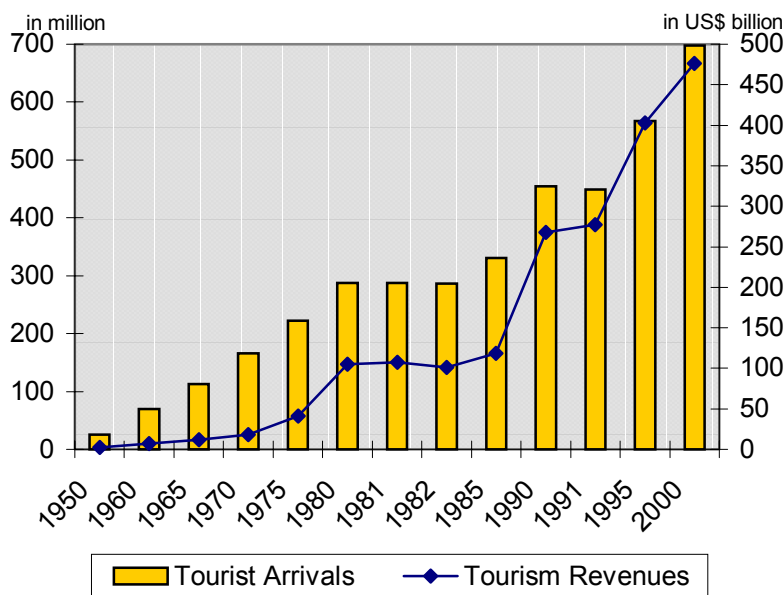
The private sector, and transnational corporations (TNCs) in particular, were attracted because of the high growth potential of the tourism sector in developing countries. Another important frame condition in the making of mass tourism to the South was the existence in developing countries of several generous incentives that encouraged multinational hotel chains to invest. This included repatriation of profits, cash grants, assistance with project financing, equity participation, loan guaranties, tax-free bonds, tax holidays, investment and other tax credits, double taxation relief and so on (Poon 1993: 33). Therefore, to some extent, the massive arrival of Northern tourists over the past 25 years has reflected the ability of Northern travel businesses and TNCs to promote travel in the South, especially through package tourism. A small number of them have probably been attracted by adventure, learning and encounters with new territories and people. But the majority of Northern tourists seem to have been attracted mainly by the pleasures of sun and beaches – and, in some cases, sex (Hong 1985: 70-81; Truong 1983: 53-54).

### 2.3 Development of International Tourism

The growth in world travel and tourism since the 1950s has been phenomenal. Indeed, between 1950 and 2000 annual world tourist arrivals increased nearly twenty-eightfold from about 25 million to 698 million, representing over one tenth of the global population. In the year 1960, about 69 million arrivals were counted, while in 1975 already 222 billion were registered, despite a temporarily decline due to the oil crisis in the years 1974/75. After another recession at the beginning of the 80s, ending with the year 1985, high increases in tourist arrivals led to a global rise of more than 5% a year on average until the year 2000. Pauses in the growth of tourism were only noted during the Gulf War in 1991, and during the financial and economic crisis in South East Asia of 1997/98, which led to high unemployment rates in many industrial countries (WTO 1999c: 1).

In addition, there are domestic tourists who are not included as figures for them are not available on a global basis. However, according to the WTO, domestic tourism is estimated to be about ten times that of international tourism based on tourism trips taken, which means that the total number worldwide would amount to approximately 6 billion tourist arrivals a year (WTO 1998b: 15).

**Fig. 1: Development of Tourist Arrivals and Revenues 1950-2000**



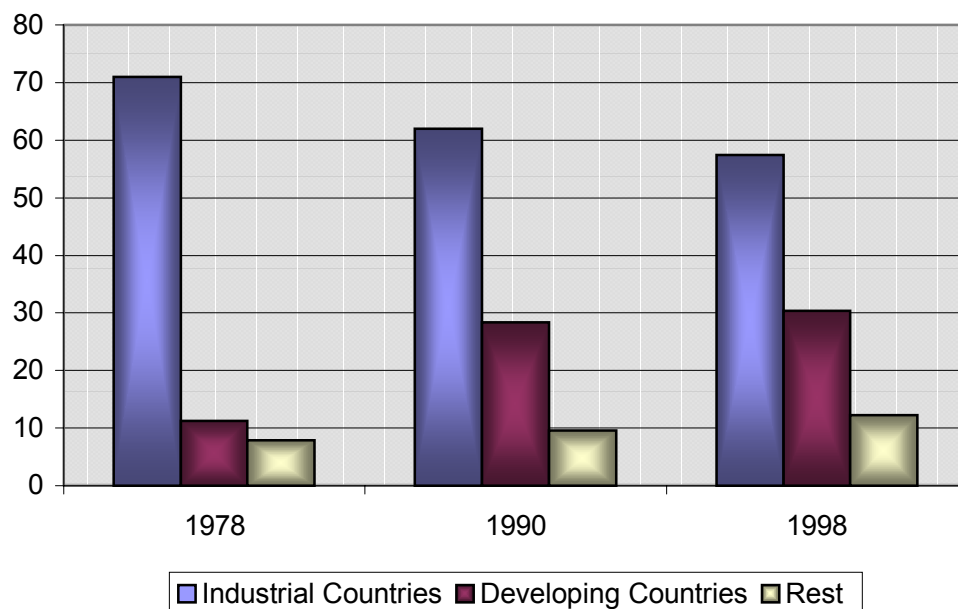
Sources: Tourismus in Entwicklungsländer 2000: 12 ; WTO 2000b: 11

Between 1950 and 2000 revenues from international tourism grew from US\$ 2.1 to US\$ 476 billion, which is a two hundred and twenty-six fold increase. A first remarkable rise was between 1975 and 1980, from US\$ 40.7 to US\$ 105.3 billion. However, due to the above-mentioned recession, the revenues at the beginning of the 80's stayed relatively steady, except for a 6.1% decline in 1982 (Stäbler and Vielhaber 2000: 12). From 1985 tourism revenues grew faster than the rest of international trade, between 1989 and 1998 about 8.1% a year on average (WTO 1999c: 8).

Revenues from international tourism in developing countries also increased strongly and between 1990 and 1997 alone showed a rise of 9.7%, from US\$ 70.6 up to US\$ 134.8 billion. However, due to the Asia crises it declined in 1998 to US\$ 130.6 billion (Stäbler and Vielhaber 2000: 20).

Official statistics indicate that in 1998, over 30% of international tourist arrivals occurred in the developing world (WTO 1999c: 18).

**Fig. 2: International Tourist Arrivals in Industrial- and Developing Countries  
In Market Shares**

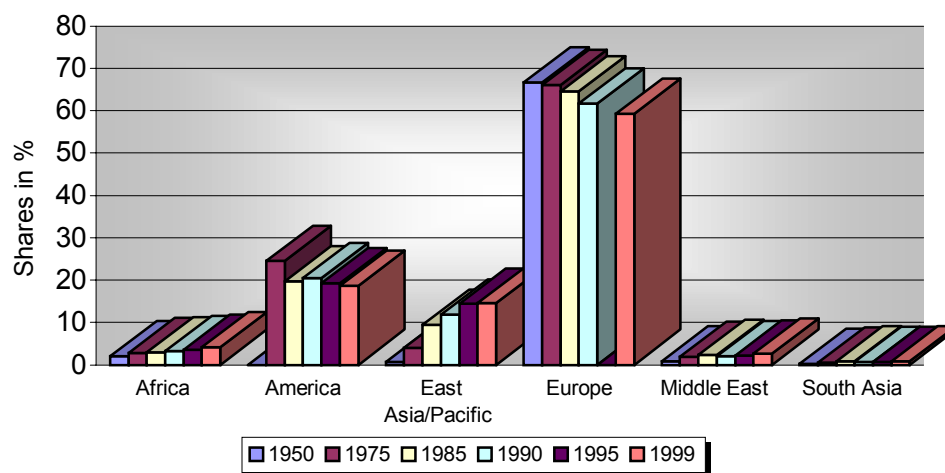


Sources: WTO 1999c: 18; Aderhold& Vielhaber 1981: 13

In particular, the East Asia/Pacific region has seen a remarkable growth in tourism (6.4% average annual increase between 1990 and 1999), despite a short decline in 1997 and 1998 due to the financial crisis. It is now the third region in importance after Europe and the Americas. Africa and the Middle East have experienced more restrained progress (see figure 3), probably due, in part, to political instability. Although the regional market share of South Asia is considerably small, the average growth per year in the 90's was with 6.7% relatively high.

Between 1990 and 1999, the growth of international tourism arrivals on the American continent, was with 3.2% smaller than the world average yearly growth figure of 4.2%, followed by Europe with an average annual growth of 3.7%.

**Fig. 3: Development of International Tourist Arrivals  
In Regional Market Shares (1950-1999)**



Sources: Deutsches Fremdenverkehrspräsidium 1994: 28; WTO 2000a: 4  
Statistisches Bundesamt 2001: 250

Of course, not all of the international tourists visiting the Southern countries come from the North. Indeed, a significant proportion of the international visitors originate from the developing world, and the majority of travel is intra-regional (464 million in 1995) according to the WTO (2000a: 5). But the information on domestic tourism in developing countries remains obscure. Certain developing countries have experienced a significant increase in the number of their nationals traveling inside, as well as outside, the country. This indicates that a



considerable section of the world population that had previously not been considered in this context may already be involved in leisure travel. Mass tourism involving Southern domestic and regional travel is becoming an important phenomenon in several areas of the developing countries (Inskeep 1991: 10).

## **2.4 Contemporary International Tourism Trends: Year 2000**

Tourism is undoubtedly a main economic activity. The WTO's updated results for 2000 show that 698 million people spent at least one night in a foreign country last year. This represented an increase in international tourism of 7.4 per cent in 2000 – its highest growth rate in nearly a decade and almost double the increase of 1999. Nearly 50 million more arrivals were recorded, the same number of new tourists that a major destination such as Spain or the United States receives in the entire year (WTO 2000a: 10).

International tourism receipts combined with passenger transport currently total more than US\$ 575 billion – making tourism the world's number one export earner, ahead of automotive products (US\$ 571) and chemicals (US\$ 574 billion) (WTO 2001).

The WTTC estimates that in 2000 the travel and tourism industry contributed 11.7% to the world's Gross Domestic Product (GDP), or US\$ 3,550 billion. Tourism has grown 1.5 times faster than the World GDP with no sign of slowing down in the future. Air transport increased its share against road in international holidays; together these two account for 85% of all international trips. Rail and sea transport remain below 8% each.

Travel and tourism also directly and indirectly accounted for almost 200 million jobs worldwide, or 8% of the world's total employment (WTTC 2001: 1).

These preliminary estimates confirm that 2000 was an excellent year for the tourism industry.

### **2.4.1 World and Regional Tourism Arrivals**

East Asia and the Pacific (EAP) was again the world's fastest growing region (14.7% over 1999) with big increases in China and its special administrative regions of Hong Kong and Macao, followed by the Middle East (12.9 %).

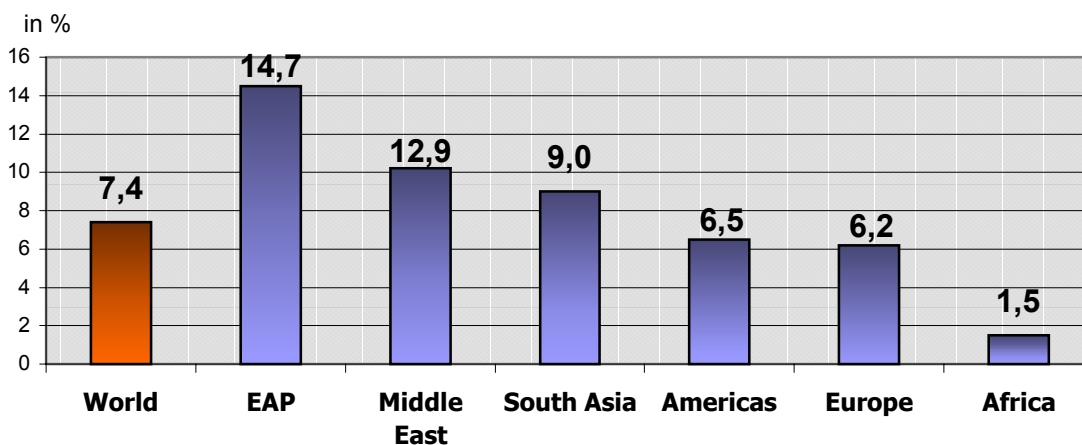
Southeast Asia - especially Thailand, Malaysia, Cambodia and Vietnam - is becoming, with 6.3 million international tourist arrivals one of the world's favorite tourism destinations with demand outstripping tourist facilities (9% over 1999), even if numbers are still quite small compared to other parts of the world (0.95% world market share) (WTO 2000a: 27).

Tourism to Europe grew in 2000 by 6.2% under the world average growth (7.4%), followed by the Americas with 6.5%. Nevertheless it is worth noting the growing popularity in 2000 of Turkey (+39.6%) and the Russian Federation (+23.2 %).

North America made an increase of 5.7% over 1999, doubling the trend of growth during the period 1995-2000.

Well above the world average stood sub-regions such as the Caribbean (7.5%), Southern Europe (8.4%) and Eastern Mediterranean Europe (26.1%).

**Fig.4: Regional Trends, % change 2000/99**



Source: WTO 2001c:13

#### 2.4.2 Tourism Spenders

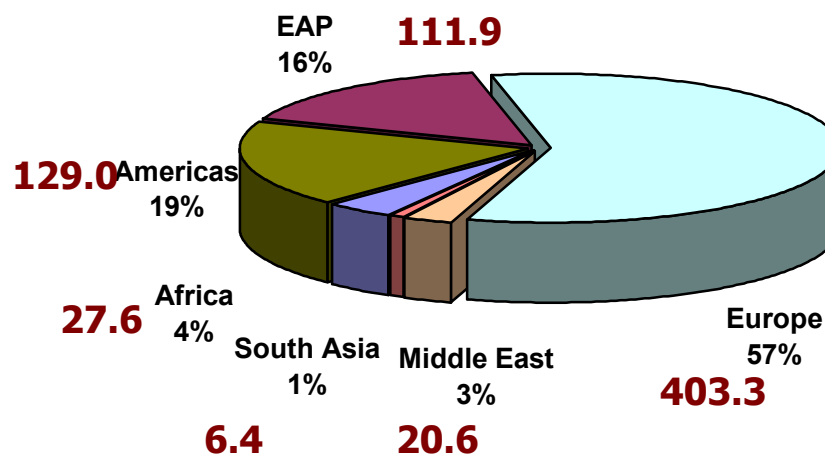
Spending on international tourism reached US\$ 476 billion, a growth rate of 4.5% over 1999. When interpreting this figure, the fact that it is expressed in current dollars and that the dollar has appreciated steadily increases in value in respect of a number of other currencies in the last few years, should be taken into account.

The world's top tourism spender in 1998 was, by far, the European Union, with over US\$ 160 billion. The most important spenders among them were Germany (2<sup>nd</sup> world ranking), US\$ 46.3 billion; the United Kingdom (3<sup>rd</sup>), US\$ 32.2; France and Italy (5<sup>th</sup>), each US\$ 16.6 billion, the Netherlands (6<sup>th</sup>) US\$ 10.3 and Austria (9<sup>th</sup>), US\$ 10.1 billion. The world's number one spender is the United States (1<sup>st</sup> in world ranking) with US\$ 56.1 billion, followed by Germany and Japan (3<sup>rd</sup>) with US\$ 28.8 billion.

#### 2.4.3 World Market Shares

Europe (57%) and the Americas (19%) are as well the main tourist receiving. But since other regions are growing at a faster pace, their respective shares in the world total show a declining tendency. In particular, the East Asia and Pacific region had outstanding results in the past decade and already gained 16% of the world market shares of international arrivals.

**Fig. 5: Market share of World Total International Arrivals 2000**



**\*Remark: Total Number of International Arrivals (million)**

**Source:** WTO 2001c: 11

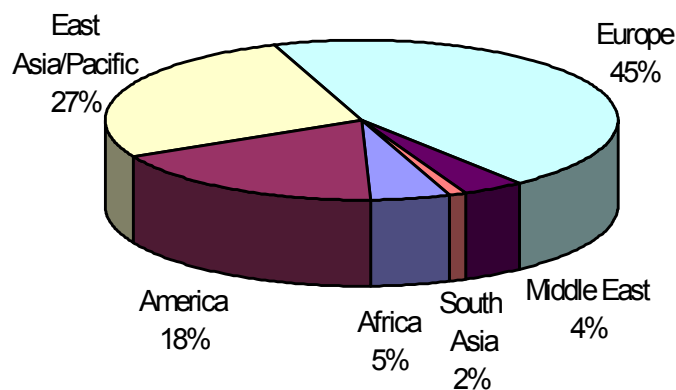
## 2.5 Future International Tourism Trends

Tourism is a booming business. Despite general economic stagnation in the affluent North (from 3.2 to 2.7%) and worsening of poverty in certain parts of the developing world, international tourism is expected to grow strongly by an average 4.3% a year in the future.

The WTO's study, *Tourism: 2020 Vision*<sup>3</sup>, predicts that 1.5 billion tourists will be visiting foreign countries annually by the year 2020, spending more than \$2 trillion – or more than \$5 billion every day. In other words, in the coming twenty years, there would be nearly three times as many international tourists, spending nearly 4.5 times as much as in the year 2000.

Further, the WTTC forecasts that by the year 2010 travel and tourism will directly and indirectly contribute 11.6% to the world's GDP (US\$ 6,771 billion) and will employ 254 million people (WTTC 2001).

**Fig. 6: WTO Tourism 2020 Vision: International Tourist Arrivals Market Share (%)**



Source: WTO 1998b: 9

The total tourist arrivals by region shows that by 2020 the top three receiving regions will be Europe (717 million tourists), East Asia and the Pacific (397 million) and Americas (282 million), followed by Africa, the Middle East and South Asia.

<sup>3</sup> An essential outcome of the *Tourism 2020 Vision* are quantitative forecasts covering a 25 years period, with 1995 as base year and forecasts for 2000, 2010 and 2020. These forecasts are based on one hand on the analysis of past performance and on the other hand on assessment by a group of experts (Delphi method) of growth expectations in the forecast period.

East Asia and the Pacific, South Asia, the Middle East and Africa are forecasted to record growth at rates of over 5% per year, compared to the world average of 4.1%. The more mature regions Europe and Americas are anticipated to show lower than average growth rates (WTO 1998b: 10f).

The vast majority of tourists will continue to come from the developed world, but it is not too far-fetched to imagine that economic expansion and per capita income growth in populous developing countries - such as the Russian Federation, China (see fig. 7) and India - will, over the long term, provide considerable impetus to the upward trend. AS WTO trends for 2020 predict, Japanese will be traveling twice as much as today. In 1999 about 4.06% of the travelers came from Japan, in 2020 the WTO estimates that about 8.8% of all tourists will be originating from this country.

**Fig. 7: Tourist Originating Countries in 2020**

2020	%
Germany	10.20
Japan	8.80
USA	7.70
China	6.20
GB	6.00
France	2.30
Netherlands	2.20
Canada	2.00
Russian Fed.	1.90
Italy	1.90

Source: WTO 2000a

Long-haul travel worldwide will grow faster, at 5.4% per year over the period 1995-2020, than intraregional travel, at 3.8 per cent. Consequently the ratio between intraregional and long haul travel will shift from around 82:18 in 1995 to close to 76:24 in 2020.

Therefore, tourism in the 21st century will not only be the planet's biggest industry, it will be the largest by far that the world has ever seen. Along with its phenomenal growth and size, the tourism industry will also have to take on more responsibility for its extensive impacts- all of which will be increasingly scrutinized by governments, consumer groups and the traveling public.

## **2.6 Epilogue: Global Tourism Industry in Crisis?**

In the aftermath of the terrorist attacks in the United States, it is still too early to determine the implications for international tourism. The situation is exceptional. Past experience, however, shows the inflexibility of tourist demand, its resilience to crises and a great capacity to overcome adverse situations of political and financial instability or natural disasters.

Three main factors are currently wreaking havoc on the tourism industry: lack of consumer confidence in the safety of air travel; uncertainty about the near future; and weakening of the global economy in recent months.

Thus, air transport companies have been affected, in general, and United States air transport companies, in particular. Although there have been few cancellations of ready-booked trips, figures for new booking, however, have fallen. Nevertheless, it is hard to assess whether reluctance to use of air transport will last long. This depends, on the one hand, on how the conflict develops, and, on the other hand, on the reactions of tourist services providers. Furthermore, a possible fall in demand, the extra costs associated with stricter operating and control procedures and the increases that may take place in some areas, such as in insurance policies or the oil prices, cannot yet be evaluated.

Results for 2001 will, undoubtedly, be affected by these events and in the medium term, growth will be delayed for a matter of months. One of the possible scenarios would be a redistribution of total demand with the focus on regional or domestic tourism, with no major changes in the motivations for the trips, together with possible changes in total spending and average length of stay. The air transport industry might be more severely affected than other forms of transport. The impact on long haul journeys might be greater than on domestic or short flights. However, a severe decline in world travel demand in the long- term is not anticipated (WTO 2001a).

The negative impact on a specific destination associated with a crisis situation depends to a large extent on how crises are handled- crisis management such as actions related to specific public relations, promotion, communications and marketing campaigns, might help to scale down the impacts (WTO 2001a).

The problem of development is the problem of learning;  
the process of development, of living is the process of learning from mistakes.  
There can be no end to the process.  
~ Mahatma Gandhi ~

### **3 Precursors of Sustainable Tourism Development**

Tourism growth has not proceeded without a series of tensions, in particular in developing countries. There is increasing awareness that without proper attention to the resource base upon which the industry is built; the development of tourism - shorn of controls - will lead to the degradation and long-term destruction of the environment, as well as negative socio-cultural effects. Today, the clarion call is for 'sustainable tourism development'.

The following will map out the background, which has given rise to this call. As the discourse of tourism in developing country closely mirrors the development debates since the 1960's (Hein 1997: 23), the first theoretical elaboration of the main ideas of 'development' will now be highlighted. Although there is in reality a considerable overlap both in the content and timing, the most relevant theories for tourism in developing countries will be identified and presented, in order to indicate the precursors to 'sustainable development', and thus, 'sustainable tourism development' (Wahab and Pilgrim 1997: 35).

Although in its early formulations 'development' focused primarily on economic matters, the definitions have tended to be broadened over time. The term has gradually come to apply to a social as well as an economic process, which involves the progressive improvement of conditions and the fulfillment of potential (Binns 1995: 304). Though 'economic development' is often used as a synonym for 'development', in the following section the latter, broader term will be used, without, however, intending to minimize the importance of the former.

#### **3.1 Definition of Development and Theories**

Dominant development concerns have changed over the past four decades and the very definition of development is being challenged, not only in its economic interpretation but also in its non-material and non-quantifiable social, political, and human dimensions as well.

The simplest definition is that "development means change" that is "generally associated with positive social change, which means moving forward to something that is better than the present" (Aronsson 1994: 31). According to Friedmann (1980: 4): 'Development suggests an

evolutionary process, it has positive connotations...It is often associated with words such as *under* or *over* or *balanced*: too little, or just right...which suggests that development has a structure, and that the speaker has some idea about how this structure, ought to be developed.' D. Smith (1977: 203) notes that 'the most common measure of development is an economic indicator - GNP per capita'. He argues, however, that development means 'welfare improvement and a better state of affairs, with respect to who gets what where.' Nohlen and Nuscheler (1982: 54) presented a more detailed definition with their *magic pentagon of development* and its interdependent goals: 'work/employment, economic growth/structural changes, participation and independence'.

These examples show there is no single, unequivocal definition of 'development' due to the different uses of the term by different disciplines and changes over time. However, the central point of discussion has always been, how best to measure development and what the indicators in fact tell us (Aronsson 1994: 31). Generally the change has been away from a narrow economic usage to embrace other attributes through a number of schools that have emerged since the Second World War. The most important theories that can be considered in the context of tourism are: the school of growth and modernization, the neo-classical counter-revolution, the dependency school and the new alternative development (Wahab and Pilgrim 1997: 35) (Pearce D. 1988: 8). Each of these development theories will be summarized below.

### 3.1.1 Economic Growth Theory

Development has often been equated with growth. Especially in the early post Second World War period, development was interpreted narrowly in terms of economic growth with priority given to 'increased commodity output rather than to the human beings involved in the production' (Pearce 1998: 8). Growth in turn was defined as "a rapid and sustained rise in real output per head and attendant shifts in the technological, economic, and demographic characteristics of a society" (Mabogunje 1980: 36).



A common expression of this in the 'underdeveloped'<sup>4</sup> countries was concentration on export production and the emergence of a 'dual economy' that led to increasing inequality in the early stages of economic development. Lewis's *Dual Sector Model of Development* describes the parallel existence of two different socio-economic systems in developing countries, e.g. both a modern center that is technologically advanced, with high levels of investment operating in an urban environment, and a traditional agricultural hinterland that is assumed to be of subsistence nature characterized by low productivity, low incomes, low savings and considerable underemployment (Vorläufer 1984: 13). Lewis suggested that the modern industrial sector would attract workers from the rural areas, as industrial firms could offer wages that would guarantee a higher quality of life than that offered by rural areas. Profits earned within the industrial commune are reinvested in new capital stock and this further raises demand for labor (Wahab and Pigram 1997: 36).

However, critics argued that wages do not rise because the extra demand is met through migration. Therefore, profits remain high and can continue to be reinvested in new capital stock. Within this model there is no trade in goods with the hinterland, which exists only as a labor reserve (Wahab and Pigram 1997: 36). Further, the assumption of a constant demand for labor from the industrial sector is questionable, due to increasing technological improvement that may be laborsaving. In addition, if the industry declines, the demand for labor falls. Funds for investment and growth will not be available either if entrepreneurs and laborers spend their higher incomes rather than save. Moreover, urban migration might replace rural poverty through urban poverty. Thus it was argued that another criterion – social well being – should be added to the significant role of economic growth in development (Bearse and Vaughan 1981: 309).

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<sup>4</sup> The terms 'underdeveloped' as well as 'Third World' were common at that time. Nowadays, they are less used due to their imprecise definition and connotative overtones; more common is now the distinction between 'developing countries' or 'less developed countries' that are not yet fully industrialised and the poorest 'least developed countries (LDC)'. However, they all tend to have the following features: per capita GNP is smaller than in developed countries; there is a shortage of foreign exchange; agriculture is more important than manufacturing; there is limited specialisation and exchange; human resources are weak and unemployment rates high; there are low savings to finance investment; the population is expanding too rapidly for available resources; there is a low standard of living (bad health and education systems) and inequalities (Mathieson 1987:40). A *developed country* is fully industrialised and has a high standard of living.

### 3.1.2 Modernization Theory

Modernization theorists have tended to view societies as passing through series of development stages similar to those experienced by many western countries. Development still has been seen in the sense of economic growth; however, a social dimension was incorporated (Naanen 1985: 25). The most widely (though not universally) accepted concept was Rostow's *five stages theory of economic growth*, which claimed that economic growth in world history, occurred in five stages (Traditional Society, Transitional, Take-off, Maturity and the High Mass Consumption stage). According to Rostow, there exists a natural path to economic growth, which nations have to follow (Hoy and Merrill 1984: 342-421).

The modernists further encouraged state involvement. They believed in trickle-down effects, whereby benefits diffuse to disadvantaged people and regions giving rise to development.

However, many development economists argued that "the concept of modernization is firmly cast within the ethnocentric background of western achievement" and a synonym of *Westernization*. Like many of the other models of development it is essentially a growth model and does not address the issue of development in the wider context (Eckl and Prüm 2000). The modernization theory further 'involves limited discussion of the role of local involvement, as it suggests a unidirectional path which all must follow in order to develop', and thus, 'implies the maintenance of tradition, and modernization may not be compatible with goals in 'underdeveloped countries' (Wahab and Pigram 1997: 36).

### 3.1.3 Dependency Theory

Underdevelopment is seen as the result of unequal relationships between rich developed capitalist countries that have a technological and industrial advantage and poor developing countries. Dependency theorists like Senghaas see the lack of development as being attributable to external forces more than internal causes, with power at the 'center' exploiting a disadvantaged 'periphery' as described in *center- periphery models*. 'Under- development' or 'growth without development' in Third World nations was seen as a result of exploitation by developed countries, often in the form of colonialism (Vorläufer 1984: 11). Dependency theorists see a dualism between the rich and poor, the powerful and the powerless, both between and within individual countries, and they see development as being best promoted by favoring domestic markets, import substitutions, protectionism and social reforms (Vorläufer

1996: 6). *Self-reliance* was a crucial imperative and partnerships between underdeveloped countries were fostered (Matthies 1980: 188).

This tendency towards protectionism and isolationism contrasts with the modernization theory, which fosters increased external economic links. It is criticized as a fairly abstract and rather pessimistic viewpoint. Dependency theory is often seen more as a critique of the prevalent approach to development than a method of development (Wahab and Pigram 1997: 37).

#### 3.1.4 Neoclassical Counter-Revolution

By the end of the 60s, the old theories and ideals were considered to have failed and the expected trickle-down effects with economic growth had not been achieved. Developing countries claimed a new "redistribution of future growth opportunities" (Naanen 1985: 39). Following the oil crises and the international debt crisis of the 1970s and 80s, a group of ideas evolved which may be termed the neoclassical counter-revolution. Proponents stressed the role of privatization and the free competitive market. Development prospects in developing countries were to be enhanced by welcoming foreign investors with minimum state involvement. Developing countries were considered to attract investment due to their comparative advantages, like low initial investment costs due to low land prices and implementation cost, high annual increment, cheap availability of labor and so on. The World Bank was a major proponent of this perspective, advocating structural adjustments and reliance upon market forces and competitive exports.

The major criticism of this approach is that the financial strategies are unlikely to help the disadvantaged who are most in need. Also, the scale of some of the projects, which were supported, and the lack of detailed consideration of local conditions on the part of some of their advocates were a further cause of concern (Britton 1982, Nash 1989).

#### 3.1.5 Alternative Development

Advocates of alternative development place emphasis on the satisfaction of basic needs: food, housing, water, health and education. An alternative approach should analyze the context, and provide solutions from a holistic perspective (Aronsson 2000: 32).

Moreover, instead of economic growth, other terms, like 'qualitative growth' or 'sustained growth' appeared, which led to lively debate. Economists Peter Bearse and Roger Vaughan (1981: 309) write that: "Development is a *qualitative* change, which entails changes in the structure of the economy, including innovations in institutions, behavior, and technology...Growth is *quantitative* change in the scale of the economy - in terms of investment, output, consumption, and income." A grassroots perspective is proposed with an emphasis on the environment and local involvement, which, it is argued, will allow people to control their own destinies. These marked the first steps towards the sustainable development debate in the subsequent years.

However, discussions go on and critics point out that local involvement underestimates the magnitude of political changes that will be required to make this possible (Wahab and Pigram 1997:37).

As indicated in the above discussions over the last decades, the term development has encompassed different notions. Thus, development is a process leading to noticeable economic, physical or social change. However, it is important to emphasize that a clear distinction between development and growth – which 'reinforce each other, but are not necessarily the same thing' (Seiler 1989: 24f) – has been applied. Especially since economic growth as measured by gross national product per capita can occur simultaneously with increases in poverty, unemployment and inequality. In addition to economic issues, development also encompasses social, environmental and ethical questions (Binns 1995: 305). However, today many economists still see development as an issue of more economic growth.

### **3.2 Tourism and Development Perspectives**

The development literature in the past generally ignored tourism. Even the first Lomé I conference in 1975 (of less developed countries), tourism was not considered as a sector supporting economic development, although mass tourism started already in the 50s and 60s. It was only in 1985 on the occasion of Lomé III that tourism received the interest it deserved (Wahab and Pigram 1997: 59). Since then only a few writers on the subject set their studies in the broader context of development, despite tourism's growing economic and social significance over the last decades. Research has focused, primarily, upon the potential

economic benefits of tourism that have been a major attraction for many countries worldwide, and in particular for developing countries (Wahab and Pigram 1997: 41).

Direct links between tourism and theories of development were made in some early papers that had only limited circulation (Krapf 1961; Hirschman 1967; Bryden 1973; de Kadt 1979, Britton 1982). In his pioneering paper, Krapf draws heavily on Rostow's model and concludes that tourism has a 'special function in developing countries, a function which he defines in terms of a series of 'economic imperatives' (de Kadt 1988:15). It has further been frequently argued that a transformation from a traditional agricultural economy to an industrial economy is required for modernization and economic development to take place (English: 1986:17). Hirschman claimed that balanced growth of all sectors in under-developed economies is impossible due to lack of capital and other resources. He promoted the *strategy of unbalanced growth*, where capital is 'pushed' (big push) in one sector (e.g. tourism) with the ability to create strong linkages with other sectors (e.g. agriculture, industries). Krapf emphasized tourism's ability to offer, large sums of capital, which may be transferred to other sectors of the economy, with limited investment in plant and infrastructure. Thus, because of its growth potential, tourism was deemed by some to be a key element in southern efforts to escape poverty (Vorläufer 1984: 117). The notion that tourism as an industry plays a major role in economic development and the modern way of life in developing countries still persists today.

However, since the energy crisis of 1973 and 1974 the literature on tourism has focused overwhelmingly on the negative impacts of international tourism on the host country and on the destination-area residents. It has been questioned the economic development goals of tourism in developing countries can be achieved (Vorläufer 1996: 3). Although it is an 'invisible export', as the 'consumer' collects the product from the exporting country (destination), the demand for the tourism product is highly dependent on non-economic factors, such as epidemics, natural disasters and local disturbances. Fierce competition among the individual destinations and their increasing interchangeability from the perspective of the tourist can lead to demand for a certain destination country collapsing from one day to the next. Often, changes in the popularity of destinations are also created by media coverage in developed countries. Therefore, many critics, including Britton (1982: 355), concluded that 'the international tourist industry, because of the commercial power held by foreign enterprises, imposes on peripheral destinations a development mode which reinforces dependency on, and vulnerability to, developed countries'. Others have been much more explicit in setting their analysis of tourism in the context of modern theories of development.

According to Hills and Lundgren (1977: 256) "a major characteristic of international tourism is the center-periphery syndrome...bringing not only visible physical commodities, in the form of tourists, but simultaneously injecting a powerful, and more hierarchical dimension." Furthermore, tourism was blamed for destroying jobs by displacing a traditional source of income such as agriculture or fishing. Other social and cultural aspects of tourism and development are drawn together by de Kadt (1979: xii). After outlining that "growth alone may not suffice to overcome poverty within a reasonable time" he pointed out "that the distribution of the material benefits of development among the poorest requires special attention". "Changing attitudes", he observed, "together with important material effects on employment and income, are the results whether the process of tourism development is judged good or bad by the people affected". Nash (1989: 37-52) expressed reservations towards the benefit of tourism, saying "Economic life and activity are centered around the art of how to get the most out of the tourist dollar...into all spheres of this society, even into churches. Marxists would be dumbfounded by the way in which profit from tourism disproportionately accrues to a relatively small business elite which seems to have its share in all the slices of the 'tourist pie'". Bryden (1973: 218) even argued, that tourism gives "rise to some very serious doubts about the viability of its development *in its present form*" (Pierce 1988: 12).

In conclusion, the development debate over tourism can be summarized as follows:

"Tourism is not necessarily desirable or feasible for every place...it even raises the specter of the destruction of traditional lifestyles, neo-colonialist relationships and exploitation, over-dependence upon an unreliable, single industry and inflation" (McIntyre 1993: 7).

The characteristics of the tourism industry, with its development potentials and constraints as outlined above, serve as a partial foundation for understanding the nature of its impacts that will be presented below. The dimension of the impacts of tourism depends on the circumstances in which form it developed. Thus, "tourism cannot be considered outside the context of the different stages of development countries have reached" (de Kadt 1988: 12).

## **4 Impacts of Tourism Development**

The impacts of tourism are often overlooked by planners but are of considerable significance in the assessment of the costs and benefits of tourism (Mill and Morrison 1998: 202-203). The literature on the impact of tourism generally divides the subject into economic, socio-cultural and environmental impacts. The following section briefly reviews the most commonly cited impacts of tourism, which are mainly set in the context of mass tourism.

The impacts of tourism are extremely ambivalent. On the one hand, tourism plays an important and certainly also positive role in the socio-economic and political development of many countries. On the other hand, many hopes that were placed in tourism, especially as a motor of economic development, have been disappointed.

However, even in cases where tourism "works", in the sense that it improves local economies and the earning power of local individuals, it cannot solve all local social or economic problems. Sometimes it substitutes new problems for old ones.

### **4.1 Economic Impacts**

The tourism industry is generally recognized as having strong potential to generate a variety of positive economic benefits for a host nation. These include: improving balance of payments through foreign exchange earnings, contributions to government revenues, creating local employment and business opportunities, and fostering general economic growth and development.

#### **4.1.1 Foreign Exchange Earnings**

The potential contribution of tourism to the balance of payments is one of the major incentives for developing countries to get involved in tourism. To earn foreign exchange offers an alternative or supplement to foreign exchange revenues from raw materials, agricultural produce or industrial exports.

In evaluating tourism as a foreign exchange earner one should distinguish between gross and net foreign exchange earnings. To estimate the net amount of foreign exchange from tourism in the recipient country, it is necessary to calculate the foreign exchange component for imports needed to produce tourist goods and services, which must be deducted from gross

foreign exchange earnings. This calculation of net foreign exchange earnings requires a careful analysis of cost structures in the tourism sector. By no means should the balance between credits and debits for travel, in the balance of payments, be regarded as net foreign exchange earnings. The net foreign exchange earnings from tourism as a share of gross may range from 50% to almost 80% depending on the degree of available resources in the tourist-recipient country. The share of total exports of goods and services demonstrates to what extent a country is depending on tourism in international trade (DRV 1990: 43).

However, a considerable amount of these foreign exchange revenues leaks back out of the destination countries for tourism-related imports. These *leakages* vary greatly from country to country, but especially in less-developed countries much of the income from tourism expenditure leaves the country again to pay for these imports. Leakages depend upon the size, structure and state of development of the national economy and upon the predominant types of tourism. The more goods, services, physical capital and human capital a country must import for its tourism service, the higher the leakages are (Mill and Morrison 1998: 204). According to the United Nations Conference on Trade and Development (UNCTAD), the average import-related leakage in developing countries varies between 40% and 50% of gross tourism earnings for small economies and between 10% and 20% for the most advanced and diversified economies (WTO and UNCTAD 2001: 124-125).

A detailed evaluation according to origin puts leakages into three categories: *internal*, *external* and *invisible*:

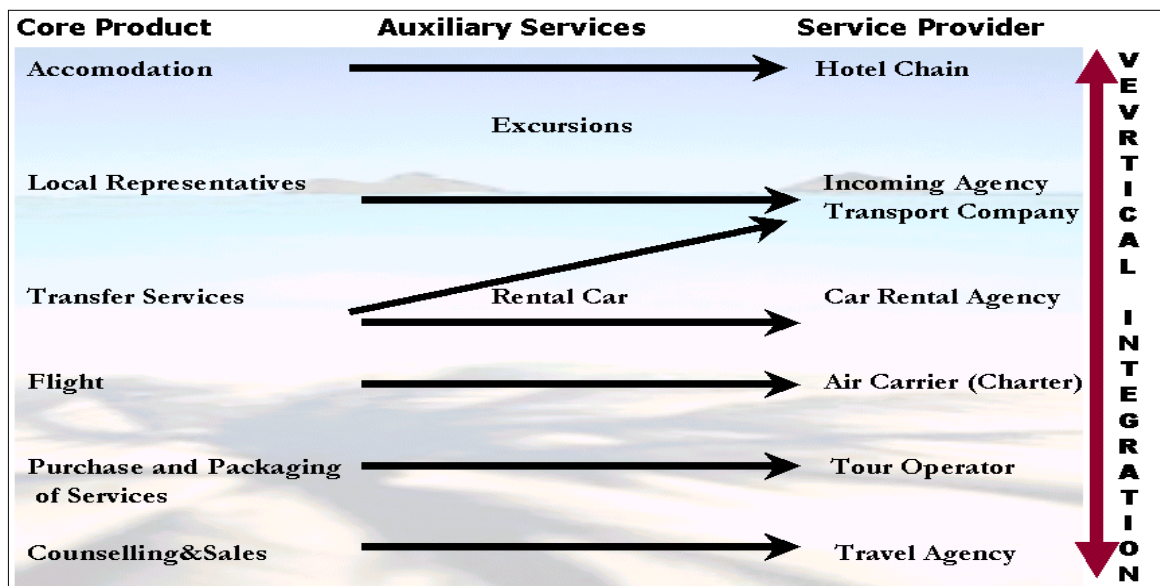
*Internal leakages* are accounted for by domestic costs through imports that commonly occur when tourists demand standards of equipment, food, and other products that the host country cannot supply (e.g. food, drinks). *External leakages* are opportunity costs: e.g. loss of potential income due to sales contracted by agents abroad or transfer pricing that can reduce foreign exchange earnings. If a multinational tourism company records its payment in the country of visitor origin rather than in the destination country, it thereby reduces profits and taxes in the destination country. *Invisible leakages* are foreign exchange costs or losses, which originate in the economic space of the tourism service provider but are not documented nor properly accounted for as a tourism sector cost. Further, they are costs of resource repairs, which are often not even noticed until the lack of maintenance or adequate protection renders the resource unfit for tourism purposes (WTO 2001: 127; UNCTAD 2001: 124-125).



External leakages are often the case with package or 'all inclusive' tours. In most all-inclusive package tours, about 80% of travelers' expenditures go to the airlines, hotels and other international companies (who often have their headquarters in the travelers' home countries), and not to local businesses or workers (Mundt 2001: 330-331).

Moreover, due to *strategic alliances* or *vertical integration* profits, interest and wages are being repatriated, which leads to further external leakages in the developing countries. *Vertical integration* is defined as 'the extension of a firm's activities into earlier (backward integration) or later (forward integration) stages of production of its goods or services, which makes it its own supplier, and/or its own distributor' (Mundt 2001: 330-331).

**Fig. 8: Value Chain: All- Inclusive Package Tour**



Source: Mundt 2001: 336; own elaboration

These value-adding partnerships are in particular a phenomenon of the 90s, due to a greater demand from customers for quality services and competitive pressures within the industry. However, this development concerns particularly the small, poor and scarcely industrialized countries, such as many Caribbean and Pacific island states, where leakages are generally well above 50 percent. In luxury tourism the share of foreign exchange that leaks out of the country is particularly high, as here a large amount of imported goods and a sophisticated infrastructure are demanded. The benefits and costs of package tours to service suppliers in

developing countries depend to a large extent on the nature and terms of the contracts between them and the tour operators from the tourism-originating countries.

#### 4.1.2 Income and Employment Effects

The impact of foreign tourism on the economy of the destination country is best demonstrated by calculating its contribution to Gross Domestic Product (GDP). It is the main yardstick of economic activity in a country and thus a widely used indicator for level of development. The Gross Domestic Product (GDP) is the sum of the final output of goods and services produced by the domestic economy and net factor income (net receipts from labor and capital) from abroad (DRV 1990: 48).

Government income generated is difficult to determine since tourism is a complex industry that directly and indirectly affects several other sectors of the economy. Additionally, many small businesses are involved, which leads to great problems in gathering precise data. Furthermore, not all tourist expenditure is formally registered in the macro-economic statistics. This comprises local revenues that are earned from tourism through informal employment such as street vendors, informal guides, taxi drivers etc., which cannot be easily quantified. Therefore, the GDP is calculated from the 'demand side' through direct, indirect and induced income contributions (Mill and Morrison 1998: 206):

*Direct* contributions are generated by taxes on incomes from tourism employment and tourism businesses, and by direct levy on tourists such as departure taxes, which also generate significant revenues for the government. *Indirect* contributions are those originated from taxes and duties levied on goods and services supplied to tourists. The *induced* portion is the income that employees of tourism companies or of its business-distribution chain spend for their households within the community. Both the indirect and induced income is measured by determining a *multiplier factor*. How intensely the induced effect spreads throughout the economy depends upon the extent to which the various economic sectors are linked to one another. In times of rapid increase in visitor activity, the indirect and induced effect can stimulate incomes and spending throughout the state in all industries with most people and businesses unaware that their prosperity is linked to visitor spending (Mill and Morrison 1998: 205-207).<sup>5</sup>

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<sup>5</sup> see appendix 1

However, a decline in visitor spending will not only reduce the direct effect on the industry; it will also reduce the indirect and induced effects, and the community will eventually see declines in sales and probably job losses in areas that are not directly related to visitor activity. Some experts, who claim that the effects of multipliers in tourism are far less significant than is often assumed, have criticized the multiplier method. The multiplier factor of 'enclave tourism' in particular - cruise ship voyages or all-inclusive vacation packages in foreign owned resorts - is supposed to be much smaller. In the latter case, often more goods are imported, and fewer people per dollar of revenue employed than in other hotels. As a result, the created income is much smaller, leading to a lower trickle-down effect on local economies (Tourism Concern 1997). It is considered that best use of the multiplier system is made by countries with relatively small economies (Mill 1990:155).

Despite this discussion, the rapid expansion of international tourism has led to significant employment creation. In general, tourism is considered to be more labor-intensive than other industries. However, jobs are often poorly paid and require unqualified labor. Tourism is also a highly seasonal business and employees might either be laid off during the low season or additional workers imported from other countries according to demand. Moreover, in the early stages of development, tourism is also considered capital-intensive as expenditure for providing infrastructure and building structures can drastically increase the cost of creating jobs, depending upon the type of facility constructed (Vorläufer 1984: 134).

In addition to its impact on income, tourism affects welfare through changes in the range, price, and quality of the goods and services available for consumption. Shifting resources to tourism from alternative activities may decrease the supply of those goods to local people and raise their prices. The outflow of labor from agriculture into high-paying construction and tourism jobs may have an influence on rising food prices, in particular during the tourism high season months. Food prices also may increase due to declining agricultural productivity as less-skilled migrants replace the original farmers that were drawn into jobs in the tourist sector. In both cases, the total welfare gains from more employment may offset the welfare loss from rises in food prices, with a negative effect on the poorer population groups (de Kadt 1979: 44).

#### 4.1.3 Regional Development

Tourism is also considered to counterbalance regional disparities, due to its preference for peripheral regions and spatial dispersion of attractions. Thus, tourism could be a motor for regional development, expand linkages with other local sectors and support small- and medium-sized companies outside urban areas. As growth occurs, long-term economic changes can be tracked and disparities diminished. Tourism can induce the local government to make infrastructure improvements such as better water and sewage systems, roads, electricity, telephone and public transport networks, all of which can improve the quality of life for residents as well as facilitate tourism. Furthermore, the regional economic integration offers employment opportunities outside the cities, thereby counteracting the movement towards urbanization or even encouraging remigration. Depending on the form of tourism developed (e.g. agricultural tourism), the new employment in tourism might even enable further agricultural activities (Vorläufer 1996: 173-175).

However, many critics claim that regional disparities through tourism are often actually reinforced. The problem is essentially the lack of fair resource allocations and conflicts with urban interests. Lack of investment in infrastructure, financial promotion or ineffective planning in rural areas show that local people still receive little direct benefit from tourism development. Moreover, as tourism continues to grow in a region, land prices rise with a stronger negative affect on the low-paid sectors of the population. This may in turn foster migration and population growth into tourism or urban areas in the hope of finding better-paid employment.

Whether or not tourism creates greater net benefits to peripheral regions further depends on the possibilities for diversification, the availability of local resources (e.g. human capital) and alternative forms of development in order to foster inter-sectoral linkages (Tisdell 2000: 601).

#### 4.2 Socio- cultural Impacts

In the past, many researchers into the phenomenon of tourism did not explicitly study the socio-cultural impact of tourism. The latter was often examined together with the economic impact of tourism, owing to their close interrelationships (Inskeep 1991: 365).

Socio-cultural effects arise when tourism brings about changes in value systems and behavior, like changes in community structure, family relationships, collective traditional life styles,

ceremonies and morality. As often happens when different cultures meet, the socio-cultural impact is ambiguous: some effects are seen as beneficial by some groups, and are perceived as negative - or as having negative aspects - by others. However, the degree to which conflicts or significant changes in local societies occur depends upon the similarity or difference in their standards of living, the number of visitors, the extent to which tourists adapt to local norms and the form and length of contact between hosts and guests (Mill and Morrison 1998: 213-214).

Political, economic, technological, social, cultural and natural aspects of their wider environment of course, also continuously influence the social and cultural characteristics of the host community. Tourism, however, can reinforce these. The problem of separating tourism's impacts from these influences still remains unsolved. Nevertheless, all types of new development, including tourism, bring change and certain types of impacts, which may not necessarily be undesirable but – on the contrary – can help maintain the vitality of societies (Inskeep 1991: 366). In order to reach a higher standard of living, some socio-cultural changes are often needed, which do not damage social or cultural identity.

#### 4.2.1 Demonstration Effect

The main impact of tourist-host relationships is the *demonstration effect*, when the hosts' behavior is modified in order to imitate tourists. Young people especially tend to copy tourists'. They are attracted by their clothing and eating habits and their spending patterns. The problem is that because of limited leisure time, lack of money or existing social taboos, the local population cannot afford to behave in the same way as the tourists, which may lead to feelings of frustration. Moreover, tourism may indirectly change consumption patterns by increasing spending possibilities. A higher income level in tourism means more increased consumption. Especially in less developed countries, there is likely to be a growing distinction between the 'haves' and 'have-nots', which may even increase internal social tensions (Inskeep 1991: 367).

#### 4.2.2 Cultural Clashes and Inequalities

The attitude of local residents towards the development of tourism may unfold through the stages of euphoria, where visitors are very welcome, through apathy, irritation and potentially antagonism, when anti-tourist attitudes begin growing among local people. Tourism often fails in promoting mutual understanding among different nations and stereotypes prevail. The

tourist-host relationship is often limited by spatial and temporal constraints. Tourists often fail to respect local customs and moral values, either out of ignorance or carelessness. When they do, they can bring about irritation and stereotyping.

The rapid and intensive development of tourism also results in different and usually less favorable consequences than organic and small-scale development. Cultural clashes may arise through economic inequality or job level frictions. The obvious relative wealth of the tourists often leads to exploitative behavior on the hosts' side. One might add to these concerns the danger that tourism may lead to the commercialization of human relations (Gazes 1992:104). Opponents of this assumption say that increased contact between people does not necessarily reinforce only destructive tendencies and the "commercialization" of culture (English: 1986:54).

Generally, western-style hotels in relatively remote areas are seen as catalysts of economic growth. In developing countries especially, many jobs occupied by local people in the tourist industry are at a lower level, such as housemaids, waiters, gardeners and other practical work, while higher-paying and more prestigious managerial jobs go to foreigners or "urbanized" nationals. Due to a lack of professional training, as well as the influence of hotel or restaurant chains at the destination, people with the know-how needed to perform higher-level jobs are often attracted from other countries. This may cause irritation and increase the gap between the cultures (Vorläufer 1984: 12). Neo-colonialism can give local people a feeling of frustration and inferiority, when the only imperative is to serve only the (Western) tourist. However, service is not the same as servility (Mill and Morisson 1998:215).

#### 4.2.3 Resource Use Conflicts

Resource use conflicts are phenomena such as competition between the tourist industry and local populations for the use of prime resources like water and energy because of scarce supply. Stress to local communities can also result from environmental degradation and increased infrastructure costs for the local community - for example, higher taxes to pay for improvements to the water supply or sanitation facilities.

Conflicts may also arise with traditional land-uses, especially in intensely exploited areas such as coastal zones, which are popular for their beaches and islands. Conflicts arise when the choice has to be made between development of the land for tourist facilities or infrastructure and local traditional land-use. The local population of such destinations is frequently the loser

in the contest for these resources as the economic value which tourism brings often counts for more. Moreover, in coastal areas construction of shoreline hotels and tourist facilities often cuts off access for the locals to traditional fishing grounds and even the recreational use of the areas (Tisdell 2000: 600).

#### 4.2.4 Transformation of Values

Often negative developments in moral behavior are attributed to tourism. Tourism can create more serious situations where ethical and even criminal issues are involved, although it is hard to determine exactly what its role is in these developments. All of them are present in almost every society, with or without tourism. However, tourism may have created locations and environments where prostitution, gambling and crime flourish.

##### 4.2.4.1 *Crime Generation*

Crime rates typically increase with the growth and urbanization of an area, and the growth of mass tourism is often accompanied by increased crime. The presence of a large number of tourists with a lot of money to spend, and often carrying valuables such as cameras and jewelry, increases the attraction for criminals and brings with it activities like robbery and drug dealing. Repression of these phenomena often exacerbates social tension. Security agents, often armed with machine guns, stand guard nearby in full sight, and face aggressive reactions from locals who are often their neighbors when they go home. Tourism can also drive the development of gambling, which may cause negative changes in social behavior.

##### 4.2.4.2 *Prostitution and Sex tourism<sup>6</sup>*

The commercial sexual exploitation of children and young women has paralleled the growth of tourism in many parts of the world. Though tourism is not the cause of sexual exploitation, it provides easy access to it. Tourism also brings consumerism to many parts of the world, which were previously denied access to luxury commodities and services. The lure of this easy money has caused many young people, including children, to trade their bodies in exchange for T-shirts, personal stereos, bikes and even air tickets out of the country. In other situations children are trafficked into the brothels on the margins of the tourist areas and sold into sex slavery, very rarely earning enough money to escape. Certain tourist destinations have

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<sup>6</sup> The United Nations has defined child sex tourism as "tourism organized with the primary purpose of facilitating the effecting of a commercial sexual relationship with a child". Mundt (1998: 126) adds, "Sex tourists are persons traveling into a destination for pleasure, business or conventional purposes, with the intention to have sex with natives and that they remunerates with money or any other kind of payment."

become centers for this illegal trade, frequented by pedophiles and supported by networks of pimps, taxi drivers, hotel staff, brothel owners, entertainment establishments, and tour operators who organize package sex tours. At the international level, there are agents who provide information about particular resorts where such practices are commonplace. Although sexual exploitation of children is a worldwide phenomenon, it is more prevalent in Asia than elsewhere (ECPAT 1996). One price to pay for these activities is the rapid spread of diseases, above all AIDS.

### **4.3 Environmental Impact**

While tourism's economic impact has been accepted for decades, it is only recently that its potentially adverse environmental effects have been widely recognized. This has come at a time when much greater attention worldwide has been given to the environment and its conservation. Paradoxically, it is the very success of tourism that has degraded the natural environment and worsened the conditions for human beings, flora and fauna. This occurs even in developed countries where environmental pressure groups are strong (Economist 1991: 10). However, the quality of the environment, both natural and man-made, is essential to tourism.

Many of these impacts are linked with the construction of the general infrastructure such as roads and airports, and of tourist facilities, including resorts, hotels, restaurants, shops, golf courses and marinas. The negative impacts of the development of tourism can gradually destroy the environmental resources on which it depends.

Negative impacts from tourism occur when the level of visitor use is greater than the environment's ability to cope with this use within the acceptable limits of change -known as "carrying capacity" (Mill and Morrison 1998: 215). Uncontrolled conventional tourism poses potential threats to many natural areas around the world. Damage to these areas or to forests, mangroves, coral reefs and the like are generally not reflected in the costs to users (de Kadt 1990:13).



#### 4.3.1 Depletion of Natural Resources

The development of tourism can put pressure on natural resources when it increases consumption in areas where resources are already scarce.

##### *4.3.1.1 Water Resources*

Water, and especially fresh water, is one of the most critical natural resources. The tourism industry generally over-uses water resources for hotels, swimming pools, golf courses and personal use of water by tourists. This can result in water shortages and degradation of water supplies, as well as generating a greater volume of wastewater. Golf course maintenance can also deplete fresh water resources. In recent years the number of golf courses has grown rapidly. However, they require an enormous amount of water every day and, as with other causes of excessive extraction of water, this can result in water scarcity. If the water comes from wells, over-pumping can cause saline intrusion into groundwater. Golf resorts are more and more often situated in or near protected areas or areas where resources are limited, exacerbating their negative impact on the environment.

##### *4.3.1.2 Local Resources*

Tourism can put great pressure on local resources like energy, food, and other raw materials that may already be in short supply. Greater extraction and transport of these resources exacerbates the physical effects associated with their exploitation. Because of the seasonal character of the industry, many destinations have ten times more inhabitants in the high season than in the low season. High demand is placed upon these resources to meet the high expectations tourists often have (proper heating, hot water, etc.).

##### *4.3.1.3 Land Degradation*

Important land resources include minerals, fossil fuels, fertile soil, forests, wetland and wildlife. Increased construction of tourist and recreational facilities has increased the pressure on these resources and on scenic landscapes. The provision of tourist facilities can have a direct impact on both renewable and non-renewable natural resources through the use of land for accommodation and other infrastructure provision, and the use of building materials. Forests often suffer as a result of tourism because deforestation is caused by fuel wood collection and land clearing (Cooper et al 1993: 152-155).

#### 4.3.2 Pollution

Tourism can cause the same forms of pollution as any other industry: air emissions, noise, solid waste and littering, releases of sewage, oil and chemicals, even architectural/visual pollution.

##### *4.3.2.1 Air Pollution and Noise*

Transport by air, road, and rail is continuously increasing in response to the rising number of tourists and their greater mobility. Tourist transportation can contribute to severe local air pollution. Some of these effects are quite specific to tourist activities. For example, especially in very hot countries, tour buses often leave their motors running for hours while the tourists go out for an excursion because they want to return to a comfortably air-conditioned bus. Noise pollution from airplanes, cars, and buses, as well as recreational vehicles such as jet skis, are an ever-growing problem of modern life. In addition to causing annoyance, stress, and even hearing loss to human beings, it also causes distress to wildlife, especially in sensitive areas. For instance, noise generated by snowmobiles can cause animals to alter their natural activity patterns (Cooper et al 1993: 152-155).

##### *4.3.2.2 Solid Waste and Littering*

In areas with high concentrations of tourist activities and appealing natural attractions, waste disposal is a serious problem and improper disposal can be a major despoiler of the natural environment - rivers, scenic areas, and roadsides. For example, cruise ships in the Caribbean are estimated to produce more than 70,000 tons of waste each year. Today some cruise lines are actively working to reduce waste-related damage to the environment (ICCL 2001). Solid waste and littering can degrade the physical appearance of the water and shoreline and cause the death of marine animals. In mountain areas, trekking tourists generate a great deal of waste.

##### *4.3.2.3 Sewage*

The construction of hotels, recreation and other facilities often leads to increased sewage pollution. Wastewater has polluted seas and lakes surrounding tourist attractions, damaging the flora and fauna. Sewage runoff causes serious damage to coral reefs because it stimulates the growth of algae, which cover the filter-feeding corals, hindering their ability to survive. Changes in salinity can have wide-ranging effects on coastal environments. And sewage pollution can threaten the health of humans and animals.

#### 4.3.2.4 *Aesthetic Pollution*

Often tourism fails to integrate its structures with the natural features and indigenous architectural character of the destination country. Large, dominating resorts of disparate design can look out of place in any natural environment and may clash with the indigenous structural design.

A lack of land-use planning and building regulations in many destinations has facilitated sprawling developments along coastlines, valleys and scenic routes. This includes tourist facilities themselves and supporting infrastructure such as roads, employee housing, parking, service areas, and waste disposal (Cooper et al 1993: 155).

#### 4.3.3 Physical Impact

Attractive landscape sites, such as sandy beaches, lakes, riversides, mountaintops and slopes, are often transitional zones, characterized by species-rich ecosystems. Typical physical damage includes the degradation of such ecosystems.<sup>7</sup> The ecosystems most threatened with degradation are ecologically fragile areas such as rain forests, wetlands, mangroves, coral reefs and sea grass beds. The threats to, and pressures on, these ecosystems are often severe because such places are very attractive to both tourists and developers.

The development of tourist facilities such as accommodation, water supplies, restaurants and recreation facilities can involve sand mining, beach and sand dune erosion, soil erosion and extensive paving. In addition, road and airport construction can lead to land degradation and loss of wildlife habitats and deterioration of scenery.

Development of marinas and breakwaters can cause changes in currents and coastlines. Coral reefs are especially fragile marine ecosystems and are suffering worldwide from reef-based tourist developments. Evidence suggests a variety of impacts to coral result from shoreline development, increased sediments in the water, trampling by tourists and divers, ship groundings, pollution from sewage, over fishing, and explosives that destroy coral habitat (Eblen and Eblen 1994: 185).

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<sup>7</sup> An ecosystem (short for ecological systems) is a geographical area including all the living organisms (people, plants, animals, and microorganisms), their physical surroundings (such as soil, water, and air), and the natural cycles that sustain them.

#### 4.3.4 Environmental Awareness Rising

Despite, all the negative effects mentioned, tourism also has the potential to increase public appreciation of the environment and to spread awareness of environmental problems by bringing people into closer contact with nature and the environment. This confrontation may heighten the value of nature and lead to environmentally conscious behavior and activities to preserve the environment. The tourism industry can play a key role in providing information and raising awareness among tourists and locals of the environmental consequences of their actions.

#### 4.4 Summary

Many hopes that were placed on tourism, especially as a motor of economic development, have not been fulfilled. As shown in the section above, despite positive effects the rapid development of tourism in the past decades had some disturbing consequences. It is evident that systematic criticism by the beginning of the 1970s appeared basically centered upon the traditional mass forms of tourism (Mowforth and Munt 1998: 63). The physical and ecological criticism in the tourist-originating countries had good reason to thrive and develop intensively, since there have been few cases of tourism development without greater or lesser environmental damage. Opponents of high-volume, large-scale, enclave forms of tourist development have suggested that there must be other, better ways of developing tourism. In general, the environmental and ecological component received its legitimacy precisely because of the strength of the arguments of those who claimed that through uncontrolled tourism development, irreparable damage to the environment would devastate tourism's own basis for development (Vorläufer 1996: 4). Krippendorf (1986: 132), a Swiss professor and one of the strongest opponents of high-volume tourism, criticized mass tourism as a "landscape eater" and judged tourists as 'funny, stupid, unsure, ugly, philistine, rich, exploitive, and environmentally insensitive'.

Gradually, new paradigms evolved, for example: nature tourism, ethical tourism, soft tourism, responsible tourism, green tourism, tourism with insight and understanding, and, most frequently, 'alternative tourism'. 'Alternative tourism' was mainly taken to be the opposite of 'mass tourism', and major advertising campaigns and companies made new offers of travel to places where there was no mass tourism. Apart from principal questions concerning the very meaning of the term 'alternative tourism', which critics called the "greening" of the rhetoric of

development aid" (Adams 1990: 165), its positive effects have been broadly doubted. Particularly from the standpoint of less developed countries, this form of tourism was criticized as more a user and industry-orientated than a host community orientated approach as it became the object of subtle commercialization of tourism industries in developed countries. However, 'alternative tourism' has without doubt contributed to the destruction of the democratic myth of mass travel (Vorläufer 1996: 8). Resistance by intellectuals and affected interest groups in tourist destinations further led to the connotation of alternative tourism with a basic care for the ecologically harmonious development of tourism.

By the mid-1980's, the negative attitude towards tourism development had changed gradually 'from criticism towards strategy' (Vorläufer 1996: 7). Numerous approaches have been developed for the analysis of a possible interrelationship between tourism and the natural environment. In a more pragmatic way the first more ecologically and socially acceptable forms of tourism have been promoted.

'Sustainable development', with frequent associated demands for public participation and community level planning in tourism, can be viewed as an example of the alternative development paradigm (Wahab and Pigram 1997: 36). The search for the answer to the question of sustainable tourism at the same time opens up a process of evolving a new theory of tourism development.

The complexity of development paradigm has increased over time, as narrow economic orientations have given way to more holistic perspectives incorporating a much wider range of concerns (Wahab and Pigram 1997: 47). The quest for sustainable tourism development makes it necessary to integrate tourism into wider development policies, where the tourism industry may be a partner and in which tourism is viewed as a 'means' rather than an 'end' (Wahab and Pigram 1997: 47-48). Tourism in the context of the national economy "is not the unique devil" (de Kadt 1979: 12) for which it is sometimes indicted, but at the same time it is unlikely to be the complete solution to all development needs.

## 5 Demand Driving Forces and the 'New Tourist'

Local authorities must understand major tourism trends internationally in order to plan for tourism development that meets the present and future expectations of tourists and assures the regional and international competitiveness of the destination. Today, new consumers are dictating the pace and direction of industry changes.

Emerging changes in the values of industrial societies with the pursuit of happiness and healthy lifestyles, and the growing consciousness of nature and natural things will affect the ways in which travel and leisure are bought and consumed. Increasingly, leisure will not be an escape from daily life but an extension of daily life, and its packaging will need to reflect these changes (Poon 1993: 113).

European travelers in particular want nature to be more prominent in their vacations, which means that destinations and services will increasingly have to improve the quality and quantity of the nature component of their travel and tourism product. Not just the quality of the sun, sand and sea (the 3s holiday) but the beauty and intact nature of the environment, the aesthetics of buildings, natural parks and protected areas, nature trails and so on (Vielhaber 2000: 49).

Furthermore, 'new tourists'<sup>8</sup> are physically as well as intellectually more active than previously (Opaschowski 1990: 54). They wish to pursue their special interest (e.g. wildlife, historic sites, cultural patterns, economic activities, professional interests) and hobbies (e.g. sports (diving, golf, etc.), adventure) and are becoming environmentally and socially sensitive. They seek well-designed, less polluted tourist destinations, bypassing badly planned destinations that have environmental and social problems. The mature leisure and business traveler has become sensitive to quality considerations at tourism destinations, and demands more environmentally conscious and nature-orientated holidays. A recent survey by the Studienkreis für Tourismus<sup>9</sup> shows that nearly 50% of the surveyed tourists traveling to developing countries would be prepared to pay US\$1 more if they were sure the money would actually be used for the protection of the environment (Vorläufer 2000: 7). However, it is questionable if the tourist would accept a further financial burden. In general, environmental awareness does not necessarily mean that tourists really behave more conscious.

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<sup>8</sup> According to Poon, the term 'new tourist' refers to consumers who are fundamentally different from those of 'mass tourism'.

<sup>9</sup> Circle of tourism research experts in Germany.

Moreover, the new consumers are flexible and more independent and demand more value for money. They have changed lifestyles that are brought about by flexible work hours and more free time. Shorter and more frequent breaks, more activity and healthy living are the hallmarks of a new lifestyle. The changing demographics of the new tourists are creating a demand for more targeted and customized holidays. Families, single-parent households, couples with *double income and no kids* (DINKS), *young urban upwardly mobile professionals* (YUPPIES) and *modern introverted luxury keepers* (MILKIES) are examples of lifestyle segments that are a signal for a much more differentiated approach to tourism marketing (Poon 1993: 114).<sup>10</sup>

Recent global trends show an increasing fragmentation of the tourist market and an increased demand for specialized types of tourism. Despite all the debates, a general conversion from 'conventional' tourism to a so-called 'new tourism' has to be recognized', which also involves a diversification of the tourism industry and a development in targeted niche markets. Competition in the new tourism is increasingly based on diversification and market segmentation. New niche markets are constantly being identified in an attempt to diversify the industry further, as exemplified by eco-tourism, cultural tourism, cruise and adventure tourism (Vielhaber et al 2000: 46).

Nevertheless, according to a German trend survey (Opaschowski 2001), package travel still shows considerable growth potential in long-haul travel until the year 2005. Organized travel is particularly popular among Germans, as figures for the year 2000 show: 39% traveled on booked package tours, 39% traveled individually and 22% never went on holidays longer than 5 days. Opaschowski even claims, 'in future, *individualization* and *flexibility* will be the buzzwords, but setting *individual* versus *package travel* in context will be old-fashioned.'

The stronger environmental awareness of consumers is progressing together with the continued growth of the tourism industry. This offers countries the opportunity to capitalize on their natural and cultural attractions and diversify the destination's industry (Inskeep 1991: 13). However, to meet present-day tourists' expectations, long-term competitive advantages will have to be considered, where quality criteria play a major role. These two trends, one qualitative and the other quantitative, make it imperative to develop and manage the sustainability of the tourism industry.

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<sup>10</sup> see Appendix 2.

Just as tourism is rarely the sole cause  
of the problems for which it is sometimes indicted,  
it is unlikely to be the complete solution to all the development needs.  
~ Wahab & Pigram ~

## 6 The Challenge: Sustainable Tourism Development

The preceding discussion has indicated that there has been considerable debate over the nature of development, how development should be measured and how it should be encouraged. There is no widespread agreement on appropriate processes to promote development, or on the extent to which people should be the objects of development stimulated by others or the subjects of development relying primarily on their own initiatives and resources. Thus, the sustainable development paradigm has arisen in large part because of dissatisfaction with existing perspectives (Wahab and Pigram 1997: 42).

The tourism literature and the practical application of tourism as a development tool have evolved with only a weak relationship to the development literature; although despite the lack of strong links there have been many parallels between them. However, the notion of sustainable tourism development has its roots in the concept of sustainable development and will be described beforehand in the following section.

### 6.1 Sustainability versus Sustainable Development: The Historical Context

'Sustainability' at its most obvious simply means the ability to go on. But in recent years sustainability is also the ability to bear a burden without collapsing; and at its most basic it encapsulates the growing concern for the environment and natural resources and the degradation that activities such as tourism have caused. "The meaning attached to sustainability in this case is, at its core, 'ecological': the need to preserve and protect the natural environment" ((Mowforth and Munt 1998:5).

The concept of 'sustainable development' may appear to be a buzzword of the 90s but its origins can be traced back to the early 1970s, when academics and Green activists began questioning the basis of conventional economic development, through the publication of documents such as *Limits to Growth* (Meadows et al. 1972). It was realized that if development was to be genuinely 'sustainable', economic growth was not the only measurement, which had to be taken into account. Concern about the impact of humanity on



the natural world was also expressed at the first UN summit in Stockholm in 1972, highlighting the importance of conservation in the battle to save the world's flora and fauna. It was an important milestone in bringing conservation and environmental issues into global prominence, giving impetus, for example to the creation of the United Nations Environment Program (UNEP). The World Conservation Strategy published in 1980 by UNEP, in partnership with the World Wide Fund for Nature (WWF) and the International Union for Conservation of Nature and Natural Resources (IUCN), argued that conservation could contribute to development objectives, and conversely that development need not be an obstacle to conservation.

However, it has taken longer to make express links between human lifestyles and environmental degradation (Aronsson 2000: 32). It was the World Commission on Environment and Development which eventually popularized the notion of 'sustainable development', which has gained real meaning since the publication of the report *Our Common Future*, also known as the 'Brundtland Report', in 1987. The central definition of sustainable development by the World Commission on Environment and Development has become widely recognized:

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Critics called the definition 'vague and idealistic'. The Brundtland Commission, however, insisted that sustainable development at local and global levels could only be realized through major changes in the way societies were organized and managed. Their definition takes three central points into account:

- The environment and the economy interact and are interrelated:  
economic activities have an impact on the environment by, for example using up resources, producing waste products, changing natural and built environments.
- The time-scale under consideration extends into the long-term future:  
activities may impact on natural and human environments long after their envisaged usefulness is over.

- Inter- and intra-generational equity<sup>11</sup> is entailed:

the benefits of development need to permeate societies, reaching the least advantaged, and they must be enjoyed by future generations, too.

Five years later, the 1992 UN conference on Environment and Development in Rio de Janeiro, generally known as the Earth Summit, endorsed Brundtland's view and enshrined it in a global action plan, Agenda 21. One hundred and eighty-two governments committed themselves to a program of action to achieve sustainable development (Mowforth and Munt 1998: 23-24).

The concept of sustainable development has become a generally accepted notion as there is the wish of governments and peoples to manage the world according to new, 'sustainable' principles which are no longer merely ecological lamentations, utopian challenges or scientific exaggeration and the recognition that "an absolute limit on scale exists". The introduction of the idea of sustainable development shifts the focus away from the traditional monetary terms but also evaluates externalities such as chemical pollution or noise levels (Sinclair and Stabler 1997: 167). The focus is increasingly on opportunities for employment, income and improved local well being while ensuring that all development decisions reflect the full value of the natural and cultural environment (Inskeep 1990: 461). Moreover it is seen as a way of abating poverty and gender inequalities.

Before going deeper into the terminology of 'sustainable tourism development', which is as mentioned based on the sustainable development concept, another form of tourism from the alternative development era will have to be presented. It can be seen as the preliminary paradigm of sustainable tourism development.

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<sup>11</sup> The complex problem of *intergenerational equity* is basically discussed with respect to global environment problems in a long-term perspective. Will there be an intact atmosphere and sufficient resources for future generations to fulfil their needs? The problem of *intragenerational equity* takes into account the complex discussion on development and North-South relations (Hein 1997 364).

## 6.2 Soft Tourism: Integral Part of Sustainable Tourism Development

The initial concept of tourism sustainability predates Brundtland, emerging largely from the Alpine regions of Germany, Switzerland, France, Austria, and Italy. In publications of Robert Jungk (1980) and Jost Krippendorf (in 1984), the term 'soft tourism' appears for the first time, which in its beginnings was merely an environmentally friendlier form of tourism in the Alpine regions. At the same time Krippendorf (1994: 307) criticized many other evolving terms of tourism, like 'green tourism' and 'responsible and alternative tourism'. 'In essence', he argues, 'they all involved a breaking away from the triangle (host, tourist, businesses), and others where the tourist industry at the apex always seemed to hold more control in development decisions than the interests of the host community or the tourist.'

Jungk's popular definition of 'soft tourism' versus 'hard (conventional) tourism'<sup>12</sup> was groundbreaking for the understanding and spreading of this new paradigm, which still has significance today. However, his original claim to radically change society, where tourism is limited or even abolished, did not find much acceptance even among critics of tourism (Spielberger 1994: 56). Krippendorf pointed out, 'no tourism is not an alternative ... tourism is of vital importance and we must therefore pursue a goal and defend travel ... and promote new forms of tourism without causing intolerable ecological and social damage' (Krippendorf 1987: 106).

Later in his book *The Holidaymakers*, Krippendorf, who can be considered as the pioneer of both, advocates the promotion of a 'soft and human tourism', which will bring the greatest possible benefit to all participants- travelers, the host population and the tourist business – without causing intolerable ecological and social damage' (Krippendorf 1987: 106). In his *theses* he points out for the first time that alternative approaches in tourism require, besides environmental considerations, social and economic dimensions as well.

Since then, many different notions of 'soft tourism' have evolved. However, the most descriptive meaning is provided by Hamele (1990: 23), who states that 'the original offer has to be sustained through an environmentally and socially acceptable form of tourism'. He further realizes that 'soft tourism needs to consider all social and economic spheres: soft tourism is not feasible without agriculture, chemistry, industry, architecture and transportation.' Hamele (1990: 8) suggests that a touristic mono-structure should be avoided,

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<sup>12</sup> see appendix 3.

participation of the community should be fostered, local revenues should be increased through a stronger involvement of local industries, and greater attention should be paid to tourist expectations. He further realizes that 'Sustainable Tourism Development' entails the same objectives that experts and tourism agents have always demanded from 'soft tourism'.

Critics, on the other hand, argue that soft tourism does not have the ability to solve the 'problem of scale'. As travelers become more demanding, growth in the soft markets may deliver more than 'traditional' tourism (Elsässer 1994: 2). Müller (1992), finally, has criticized the wrong interpretations of the term 'soft tourism' and generally pleads for its abolition. His argument is as follows:

'...many politicians still do not understand that "soft tourism" for Jungk and Krippendorf has been a tenor, and not a new form of tourism, or vogue. The path towards this tenor, however, is less soft but rather a rocky course. Thus, it is the time to take leave of the often miss-interpreted term "soft tourism"....towards a sustainable tourism policy, a form of tourism with qualified jobs and higher value added, together with an economical use of resources, energies and the environment as well as a respectful treatment of human beings and countrysides.'

Despite all the arguments and debates, soft tourism has been the cutting edge and can be regarded as a component of a comprehensive tourism strategy, like the concept of 'Sustainable Tourism Development'. Discussion forums and press coverage of soft tourism have increased the awareness of tourists and tourism agents in the destinations and have given rise to a more critical perception of tourism; some elements of soft tourism have even been implemented in business philosophies and marketing strategies of tourism companies (Spielberger 1994: 57).

### 6.3 Sustainable Tourism versus Sustainable Tourism Development

Widespread interest in sustainable development has captured the attention of tourism industry representatives and researchers and has resulted in the promulgation of 'sustainable tourism'. Butler (1993: 29), who is one of the most articulate critics of sustainable tourism, has defined sustainable tourism as follows:

"Tourism, which is in a form that can maintain its viability in an area for an indefinite period of time."

He contrasts this with a definition of 'sustainable tourism *development*':

"Tourism which is developed and maintained in an area (community, environment) in such a manner and at such a scale that it remains viable over an indefinite period and does not degrade or alter the environment (human and physical), in which it exists to such a degree that it prohibits the successful development and well-being of other activities and processes."

It is essentially the distinction between a single-sector and a multiple-sector approach to development. The first definition places the emphasis on the maintenance of tourism to the neglect of other potential uses of scarce resources. However, as tourism competes with other activities for the use of limited resources the appropriation may be in the narrow interests of the tourism industry, but may not be in the best interests of the broader community of which tourism is only a part. The second definition acknowledges that tourism is unlikely to be the sole user of resources and that a balance must be found between tourism and other existing and potential activities in the interests of sustainable development. In other words, trade-offs between sectors may be necessary in the interests of the greater good.

Therefore, the quest of 'sustainable tourism' may be sufficient to meet the narrow interests of the tourism industry. However, for tourism to be sustainable it needs to be integrated into all aspects of development. As a result some organizations prefer to speak of 'sustainable tourism *development*' rather than 'sustainable tourism'. It fails as a single-sector concept to acknowledge the intersectional competition for resources, which is crucial to the achievement of sustainable development.

In order to make a clear distinction, the author of this study also prefers the term 'sustainable tourism development'.

#### 6.4 Principles and Objectives

Although claims are made that tourism is one of the largest world industries, if not the largest, the most referenced document on sustainable development, *Our Common Future* (World Commission on Environment and Development 1987) did not even mention tourism. Elsässer calls it a major oversight and a lack of appreciation of the significance of tourism for a long time (1994: 2).

However, in recent years this seems to have changed. Since the first *Global Summit on Peace through Tourism* in November 2000 in Jordan, yet another dimension of tourism has been approved. More than 450 world leaders of the travel and tourism industry ratified an "Amman Declaration" that recognized travel and tourism as a global peace industry. "Peaceful relationships among all people should be promoted and nurtured through 'sustainable tourism development'". The document called for protection and restoration of historical monuments and landmarks, accessible to all people, as "valuable assets for contribution to positive developments, humanity and legacies for future generations" (IIPT 2000).

Sustainable tourism development is guided by the principles set out in the Rio Declaration on Environment and Development in 1996, and the recommendations contained in Agenda 21. There exists no single definition but a variety of different perceptions of 'sustainable tourism development'. Different perspectives, values or interests have resulted in about 50 different definitions, which can be correspondingly classified as ranging from very strong to very weak. As it is a relatively recent concept its definition will undoubtedly continue to evolve over the next decade. It is even assumed that different interpretations are appropriate under different circumstances. Sustainable tourism development should not be regarded as a rigid framework, but rather as an adaptive paradigm which legitimizes a variety of approaches according to specific circumstances (Turner et al 1994: 92).

However, a number of notions were advanced in the Brundland report on *Our Common Future*, which Inskeep (1991: 461) used for the following definition:

"Sustainable tourism development meets the needs of present tourists and host regions while protecting and enhancing opportunity for the future. It is envisaged as leading to management of all resources in such a way that economic, social and aesthetic needs can be fulfilled, while maintaining cultural integrity, essential ecological processes, biological diversity and life support systems."

This definition seems to be more and more accepted by the tourism industry all over the world.

Sustainable tourism development has a long-term perspective, relating to both present and future generations and thus emphasizes the preservation of inter- and intra-generational equity. In general, sustainable development must meet three fundamental and equal objectives, namely (CSD 1998: 8; Mill and Morrison 1998:216-217):

▸ Environmental/ecological sustainability

Ensures that tourism development is compatible with the maintenance of essential ecological processes, biological diversity, and biological resources. Tourism must guarantee the ecological balance of particularly sensitive regions. Also entailed is the promotion of environmentally sound modes or concepts of transport. It is an essential element of tourism development and helps to raise public awareness on some biodiversity issues.

▸ Ethically/socially just and culturally appropriate

Ensures that tourism development increases people's control over their lives, is compatible with the culture and values of people affected by it, and maintains and strengthens community identity through participation and partnerships. It also respects human rights (e.g. abolition of child prostitution, humane working conditions).

▸ Economically profitable and feasible.

Ensures that tourism development is economically efficient and that resources are managed so that they support future generations, and increasing income of local populations and the integration of tourism development in local/regional economic activities that also satisfy the tourist.

The main focus has often been on the environmental dimension, due to its essential importance. While Inskeep (1991: 460-463) explicitly talks about the need for sustainable tourism development, many authors just refer to the preservation of a healthy environment (McKercher 1993: 131). According to Hamel (1993: 8), 'despite the accentuation of the ecological dimension in the discussion, the objective of all (sustainable) development strategies in tourism', however, 'has to be an *equity* between the total system.' McIntyre (1993) describes this more precisely: "The objectives of sustainable tourism are to improve the quality of life of the host community, provide a high quality experience for the visitor, and

maintain the quality of the environment on which both the host community and visitor depend.”

Therefore, it has to be pointed out that the three dimensions of ‘sustainability’ are closely related and interact with each other. They need to be considered and addressed in an integrative manner when developing tourism. In fact, the integrative aspect of sustainability is of great importance, fostering the creation of a structure that facilitates cooperation among all parties involved – local, national and international (Inskeep 1991: 461).

#### 6.4.1 Emphasizing Community-based Tourism

As mentioned, one important aspect of sustainable tourism development is the focus on community involvement in the planning and development process. Local people must play a key role in determining the future of tourism in their communities by working within a broad framework, developing decisions that are long-term. The latter allows them to better anticipate and prevent problems and risk-reduce decisions (Mill and Morrison 1998: 217). Maximizing benefits to local residents typically results in tourism being better accepted by them and in their actively supporting conservation of local tourism resources. The benefits accruing to local communities are also beneficial to the country, through the income and foreign exchange earned, the employment generated and the support that local communities give to national tourism development and conservation policies. However, the integration of the local communities also implies that they are willing to learn in order to guarantee the ‘welfare’ of the tourist, which means that tourists are satisfied with the goods and services provided (Misra 1993: 13). A healthy dialogue between academics and practitioners will be dependent on mutual respect and understanding (King et al 2000:415).

#### 6.4.2 Carrying-capacity Approach

Another important area that requires greater attention in the discussion of sustainable tourism development is the role of ‘*carrying capacity*.’ Carrying capacity can be defined as “the maximum use of any place without causing negative effects on the resources, on the community, economy and culture, or reducing visitor satisfaction”. It sets limitations on tourism growth that may degrade scarce resources and at the same time offers a criterion of sustainable tourism development. The concern is the ability of the natural environment to meet needs both at present and in the future (limits exist to this ability (Mowforth and Munt 1998: 250-251)).



There are four elemental parts of carrying capacity. Most obviously there is a *physical carrying capacity* relating to the limits before which environmental damage occurs. Secondly there is the *perceptual carrying capacity* – referring to the quality of the tourist experience. When this capacity is breached, tourist will seek out alternative destinations. Thirdly, there is a *social carrying capacity*, referring to the tolerance levels of the host population for tourists and accompanying development. Finally, carrying capacity has an economic facet. This relates to the maximization of net social benefit before tourism displaces other (desirable) economic activities (Wahab and Pigram 1997: 282).

While some critics like Boo suggest (1990: 23) that 'fixed limits cannot be ascribed to carrying capacity in tourist development', others see it 'at least as a means of focusing local communities and tourist on environmental issues' (Wahab and Pigram 1997: 283). It is important, however, to note that the carrying capacity principle is not always an absolute principle. It may expand to accommodate more tourist traffic through planning and management techniques as well as technological factors. Yet it varies according to the tourist season and is affected by tourists' behavioral patterns, the dynamic character of the environment, the changing attitudes of the host community and moreover by tourism policy determinants (Hein 1997: 35).

## **6.5 Strategic Planning and Sustainable Tourism Development**

Despite certain economic and employment advantages, tourism development may not provide the expected results. Because of the wide-ranging effects of tourism on a destination, it is vital that tourism development be undertaken within the context of a plan. The cost of planning can be very high and the complexity of stakeholders involved in the process might be a barrier for some governments to carefully planning tourism. Although tourism planning does not guarantee success in tourism, a lack of adequate planning is as much to blame as tourism itself. In today's rapidly changing business environments it is an essential activity for every destination, to prevent disturbances in tourism (Mill and Morrison 1998: 264).

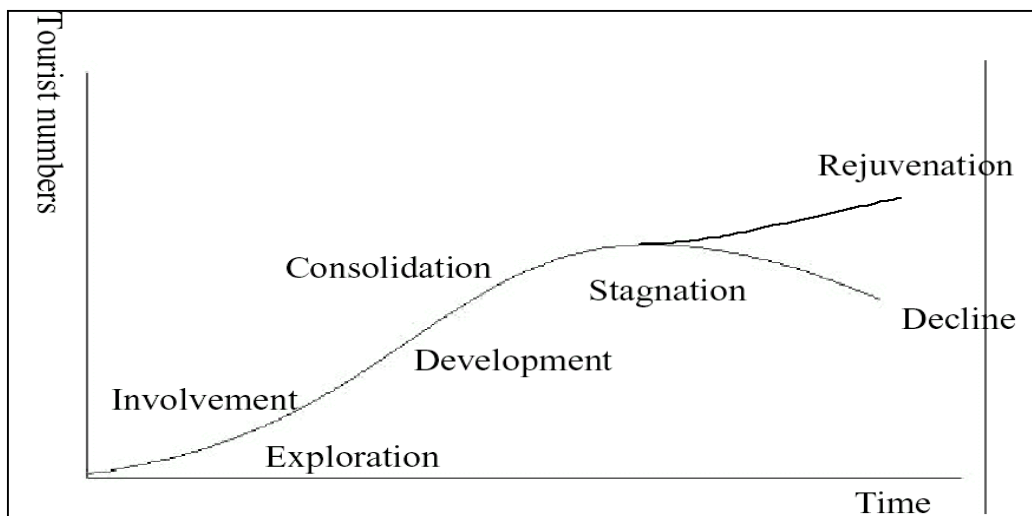
A planning approach, which has received considerable attention in recent years, is strategic planning. By focusing on immediate issues, it may deviate from achieving such long-term objectives as sustainable development (WTO 1999: 9).

Tourism affects private-sector business, local communities and involves numerous non-profit organizations. Sustainable tourism planning is most effective when it is highly participatory and has the input of the widest range of interest groups. "Top-down" planning exercises by government agencies, or their hired consulting firms, have failed miserably in many parts of the world. These plans were developed in a vacuum, without adequate community and private-sector input (Mill and Morrison 1998: 269). A 'bottom-up' approach achieves greater local involvement, but is time-consuming and may lead to conflicts. Thus, a combination of the 'top-down' and 'bottom-up' approaches often achieves the best results (WTO 1999: 6).

#### 6.5.1 Life-cycle Concept

A popular planning tool is Butler's destination *Life Cycle Concept*. The model suggests that the evolution of all destinations follows several predictable stages (Mill and Morrison 1998: 264). By integrating the long-term perspective provided by this model, it is possible to devise appropriate management and planning strategies for destinations at various stages of the life cycle. Yet the model is not meant to be predictive, for in reality 'few destinations do not follow such a pattern of development' (Butler 1997: 119).

**Fig. 9: Butler Tourism Destination Life Cycle Model**



Source: Mill and Morrison 1998: 36

Although it pays no attention to the ability to implement solutions, the *Life Cycle Model* has been considered by many as a useful tool for strategic planning. However, there is a continuing debate relating to the value of the life cycle as an analytical technique.

### 6.5.2 Strategic Planning Process

The starting point for a 'tourism 'planning process' in a specific country is with the development of a 'national tourism policy' (or strategy),<sup>13</sup> which is "a precursor for future tourism planning and development upon which a nationwide course of action for tourism is based" (Mill and Morrison 1998: 225; 269). As Sessa (1976) observed, 'tourism policy, as an integral part of a nation's overall economic policy, must be coordinated with the policies of all other sectors directly or indirectly related to tourism' (Wahab and Pigram 1997: 133). In other words, tourism development objectives should also reflect and reinforce any general development objectives already adapted for the country. This is important so that tourism is well integrated into overall development patterns (WTO 1999: 13).

National policy goals and development objectives<sup>14</sup> normally can be determined according to six categories: "economic, government operations, human resources development, market development, resource protection and conservation, and social and cultural" (Mill and Morrison 1998: 271). Esman (1991: 74) names some precise development objectives: "economic growth", "equity", "capacity building", "authenticity" (of identities) and "empowerment (participation)".

Inskeep (1991:461) points out that whatever the context is, "development goals should aim, through an integrated planning process, to equal weigh tourism and other economic development initiatives, which are ecological and social responsible at the international, national and local levels." The following development goals of sustainable tourism mentioned by Inskeep will also be relevant for this study:

1. Develop *greater awareness* and understanding of the significant contributions that tourism can make to the environment and economy;
2. Promote *equity* in development;
3. *Improve the quality of life* of the host community
4. Provide *high quality* of experience for the visitor, and
5. *Maintain the quality of the environment* on which the foregoing objectives depend.

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<sup>13</sup> It should be realized that the terms *tourism policy* and *tourism strategy* are used to refer to the same thing in this study. Further, it should be noted that tourism policies or strategies normally are valid for a greater number of years. The life span of a tourism plan is normally not more than three to five years (Mill and Morisson 1998: 269).

<sup>14</sup> Planners typically use *goals* to refer to the more general aims of development and *objectives* to the more specific ones (Inskeep 1991: 51).

However, at this point, they are stated in a tentative fashion because the results of the analyses and plan formulation may indicate that some goals or objectives are in conflict with one another or cannot realistically be achieved (Inskeep 1991: 51).

All tourism planning must have definite time spans and be evaluated and modified when these time periods expire. Change is inevitable and continuous, and tourism policy-making and planning have to be dynamic processes (Mill and Morrison 1998: 269).

Tourism planning takes place at a variety of levels in a destination and is "the process of preparing for tourism development". There are a number of approaches to strategic planning, ranging from the evolutionary approach of Mintzberg (1994) and Ritchie's (1994) 'destination visioning' to the more formalized 'rational model' or 'planning school' approach. It is the latter approach, which is relevant for this study and detailed below. The planning process may be viewed as a series of iterative stages. The sequencing of these stages varies according to the objectives of the plan. The following steps are in particular relevant for this study, but are based on the stages generally identified in tourism literature (Wahab and Pigram 1997:83):

**Fig.10: Steps in the Tourism Planning Process**

<b>1. Analyses and Synthesis</b>	Destination Analysis
	Impact Study
	SWOT- Analysis
<b>2. Policy and Plan Formulation</b>	Strategic selection (long-term)
	Type of Tourism
<b>3. Implementation and Monitoring</b>	Policies
	Guidelines and Action Plans

Sources: Wahab and Pigram 1997: 83-83; Mill and Morrison 1998: 270-280;  
Inskeep 1991: 51- 55; own elaboration

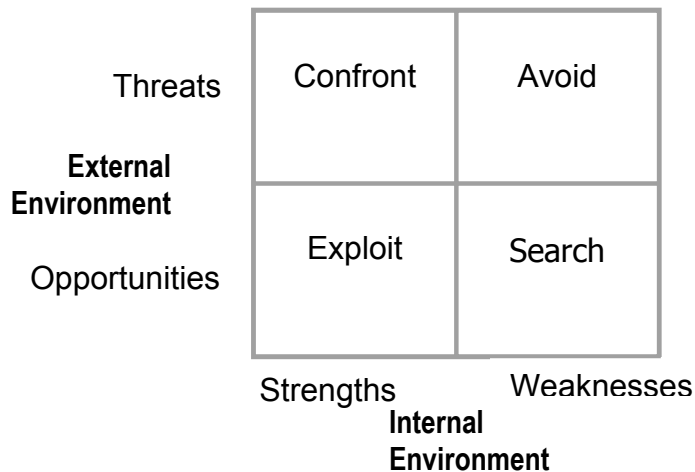
### 6.5.2.1 Analysis and Synthesis

This stage essentially provides a set of quantitative and qualitative data collected through research and surveys relating to the current situation of the destination. The *destination analysis* produces an inventory of the general environment relevant to tourism, the tourism product itself and a general market analysis. Then, an appraisal is made of the destination's competitive situation, often through the reconfiguration of the data into a *situational or SWOT analyses* (Wahab and Pigram 1997: 83): The latter is a useful planning tool, which considers not only the country's major internal capabilities (strengths and weaknesses), but also to the external environment trends (opportunities and threats) (Mill and Morrison 1998: 272).

- External Analyses- environmental analyses

These are uncontrollable external market factors that threaten or offer the opportunity to determine the long-term success of a strategy as for the development of tourism in a destination. A framework for analysis is presented at the macro level.

**Fig. 11: SWOT Analysis**



Sources: Bates and Eldredge 1984: 14

- Internal Analyses

Internal strengths and weaknesses (e.g. a destination's infrastructure, human capital) are reviewed together, as are threats and opportunities. Like this, the areas of tourism development can be identified and the basic direction for the succeeding competitive strategies and future advancement (Wahab and Pigram 1997: 83).

Options will be limited, e.g. to the *existing infrastructure* and *current development plans*, the *image of tourism* and *goodwill of governments in marketing* the specific destination (marketing resources), as well as *the competitive situation* (any monopoly positions or unique selling proposition (USP)) and *pressures of the external factors* (exchange rates, inflation and prices, government restrictions (or incentives) notably in international tourism. According to the significance of each point, e.g. a weak image might be judged less important than a weak infrastructure; the outcomes have to be evaluated.

Probably the strongest message from a SWOT analysis is that, whatever course of action is decided, decision making should contain each of the following elements: building on Strengths, minimizing Weaknesses, seizing Opportunities, and counteracting Threats.

In order to be most effectively used, a SWOT analysis needs to be flexible. Situations change with the passage of time and an updated analysis should be made frequently.

#### *6.5.2.2 Policy and Plan Formulation*

This step in the planning process involves formulating the strategy on tourism development. The strategic options available will be outlined in detail later in this chapter. In formulating the tourism policy and plan, it is important to understand the different forms of tourism development and types of tourism related to specific travel motivations that can be considered for the country or region (Wahab and Pigram 1997: 84).

#### *6.5.2.3 Plan implementation and Monitoring*

Having established the overall tourism strategy, various tourism policies are needed to achieve the policy's goals and objectives. The tourism development plan gives detailed recommendations on how to achieve the goals, implement the strategy, and attain the objectives (Mill and Morrison 1997: 277). It is this final stage where many of the problems of adopting strategic planning at tourist destinations are seen. Many tourism plans have been written but never implemented. The implementation process involves 'unbundling' the plan, assigning roles and responsibilities. Finally, there is a need for measurement, feedback and control systems to ensure continued implementation of the plan (Wahab and Pigram 1997: 84) by a coordinating agency. Monitoring is done for each tourism goal and for every objective that supports this goal (Mill and Morrison 1998: 278-279).

After the term of the plan has expired, it should be evaluated if the goals and objectives of the plan were achieved, measured by a variety of indicators. Despite the 'hard' measure GDP it might include visitor numbers, expenditures but also indicators of sustainability like local involvement, employment rates and so on. There have been different suggestions of sustainable indicators, however, these are still far from satisfactory.

In summary, careful tourism planning provides the basis for achieving integrated, controlled and sustainable tourism development that helps a destination to achieve regional as well as international competitiveness. There are many barriers to tourism planning in every destination area, but the rewards resulting from an effective tourism planning process far outweigh the efforts need to surmount these. Empirical evidence through the world clearly shows that the "model" destinations for successful tourism are those that have embraced the tourism-planning concept (Mill and Morisson 1997: 280).

## **6.6 Competitive Strategies**

Competition, centers on the destination, which has to adopt strategic actions in order to be able to compete successfully with other regions and to maintain and improve its competitiveness. Implementing an overall rational long-term strategy that offers a competitive advantage and includes the principles of sustainable tourism development is crucially important for tourism destinations to sail a new tourism course.

In future, the competitive advantage of destinations will not be based simply upon their intrinsic attractions, but as much upon the management of the destinations, and their ability to accommodate the 'new tourism' in terms of human resources, technology and the adoption of sustainable principles (Cooper et al 1998: 117).

Michael Porter, a Harvard Business School professor and the reigning 'guru' argues that competitive strategy is "about being different." He further defines competitive strategy as "a combination of the ends (goals) for which the firm (destination) is striving and the means (policies) by which it is seeking to get there." According to him, competitive strategy hinges on a company's (destinations) capabilities, strengths, and weaknesses in relation to market characteristics and the corresponding capabilities, strengths, and weaknesses of its competitors.

Porter names five competitive forces that determine the attractiveness of an industry and their underlying causes: the entry of new competitors, the threat of substitutes, the bargaining power of buyers (tourists) and suppliers (travel operator, hotel chains etc.), and the rivalry among the existing competitors (Porter 1980: 4).

Porter also indicates that, in response to these five factors, competitive strategy can take one of three generic forms:

- (1) Focus,
- (2) Differentiation and
- (3) Cost leadership (with two variants, cost focus and differentiation focus).

Fig. 12: Porter, M.E. (1992). Competitive advantage: Generic Strategies

		Competitive Advantage	
		Cost	Uniqueness
Competitive Scope	Broad Target	Cost Leadership	Differentiation
	Narrow Target	Focussed Low-Cost	Focussed Differentiation

Source: Porter 1980: 39; own elaboration

The cost and differentiation strategies seek competitive advantage in a broad range of tourism segments, while focus strategies aim at cost advantage (cost focus) or differentiation focus in a narrow segment. Usually, a firm (destination) must make a choice among them, or it will become 'stuck in the middle'. Becoming stuck in the middle is often a manifestation of a firm's unwillingness to make choices about how to compete. It tries for competitive advantage through every means and achieves none, because achieving different types of competitive advantage usually requires inconsistent actions (Porter 1980: 17). Critics, however, argue that not only a single strategy but also hybrid or double strategies can lead to success and a destinations competitive advantage. However, it is seen as a useful tool for this study.



### 6.6.1 Cost Leadership

Porter's first generic strategy is cost leadership (but not necessarily price leadership). Essentially, a low cost producer will find and take advantage of any cost savings available and sets out to become 'the' low-cost producer in its industry. He generally has a broad scope and serves many industry segments. The sources of cost advantage are varied and depend on the structure of the industry.

In tourism, this may imply a tourist organization carrying a minimum number of staff, contracting out some activities to specialists in the field and seeking out the lowest cost suppliers. Furthermore, the sources of cost advantage may include the pursuit of economies of scale, proprietary technology, preferential access and so on (Porter 1980: 12-13).

A cost leader however, cannot ignore the bases of differentiation and must achieve *parity* or *proximity* related to its competitors to be an above-average performer. Parity in the bases of differentiation focus allows a cost leader to translate its cost advantage directly into higher profits than competitors with an identical product, or a different combination of product attributes that is equally preferred by buyers. Proximity in differentiation means that the price discount does not offset a cost leader's cost advantage and that products are equally preferred by the buyers (tourists). If a cost leader's product is not received as comparable or acceptable by the buyers (tourists), he will be forced to discount prices well below competitors' to gain sales. This may nullify the benefits of its position (Stabler 1997:13) and may influence negatively the buyer's (tourist's) convenience with the product (destination).

But are there any cost savings associated with embracing sustainable tourism development? Advocates suggest that there are savings in terms of reductions in environmental costs (such as pollution) and social costs (such as diverting resources into tourism development, particularly in less developed countries), which should feature in cost-benefit analysis. Moreover, the supply with local goods and services, achievements of 'energy and cost saving' as well as 'waste reduction' might pursue sustainable tourism development.

A cost-leadership must logically be the cost leader, as he has to put prices below other competitors, which might follow him. When there is more than one aspiring cost leader, rivalry among them is usually fierce because every point of market share is viewed as crucial. The consequences for profitability (and long-run industry structure) can be disastrous. Hence, it seems that the pursuit of a cost leadership strategy by the use of sustainable tourism

development is unlikely on its own to gain a competitive advantage for an operator (Stabler 1997; 116).

#### 6.6.2 Differentiation

The differentiation strategy involves something which is 'unique' and which is 'valued' by buyers. This differentiation may be achieved, for example, by convenience within a booking system or a free airport transfer, both of which have been proved to be of value to customers. Other forms may be the differentiation of the holiday itself on the basis of accommodation or by the use of overseas couriers. Thus, differentiation can be based on the quality of the product itself, the delivery system (e.g. transportation), the marketing approach, and a broad range of other factors (Porter 1980: 14).

A differentiator must always seek ways of differentiation that lead to a price premium greater than the cost of differentiating. Furthermore, he aims at cost parity or proximity relative to its competitors, by reducing cost in all areas that do not affect differentiation. However, a firm (destination) must truly be unique in the long run at something or be perceived as unique if it is to expect a premium price. As mentioned beforehand, the disposition of tourists to pay for a premium price cannot generally be affirmed, although they are environmentally conscious. But it is more likely to achieve, if the attributes are widely valued by tourists.

In the context of sustainable tourism development, environmental features themselves can be built into a product as a form of an additional product benefit and therefore constitute a form of differentiation. So product differentiation can confer a competitive advantage, which is sought by businesses offering sustainable tourism as part of their product. It may well be by way both of sustainability and product quality (Stabler 1997: 112).

Individual companies can enhance some or all of revenues, growth and profit over the long term by using positive environmental policies to improve quality. More generally, business can financially grow by safeguarding the environment, because it will enhance the image, profile and reputation among guests and the industry. The potential of destinations to embrace sustainable tourism development in return for economic rewards is noted by Stancliffe (1993:15), who states, 'with flair and imagination, tourism can work hand in hand with conservation and local development interests to the benefit of both'.

### 6.6.3 Focus

The third of Porter's generic strategies is that of a focus strategy. This strategy is quite different from the others because it rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the tourism industry and concentrates on the provision of tailored leisure services for this special niche market. The aim to achieve a competitive advantage within its target segments does not mean, that the focuser possess a competitive advantage overall.

The focus strategy has two variants. In cost focus, a destination seeks a cost advantage in its target segment, while in differentiation focus it seeks differences in its target segments. If e.g. green tourists themselves represent a market segment, then the discussion of differentiation and cost leadership will by definition be in the context of a focus strategy rather than a mass market (Stabler 1997: 117). Cost focus exploits differences in cost behavior in some segments, while differentiation focus exploits the special needs of buyers in certain segments. Such differences imply that broadly targeted competitors poorly serve the segments. If a destination can achieve sustainable cost or sustainable differentiation focus in its segment and the segment is structurally attractive, then the focuser will be an above-average performer in its industry. The focuser can then achieve a competitive advantage by offering exclusive segments (Porter 1980:15).

In summary, the destination has to seek to achieve a position in the tourism industry, which is sustainable and credible in the longer run. One of the many tools for achieving sustainable tourism development is a long- lasting strategy itself, which should serve as a code of practice in tourism development at all levels: national, regional and local.

## 6.7 Limitations of Sustainable Tourism Development

The challenge of achieving competitiveness through quality and efficiency requires new efforts. In developing countries, however, there are specific constraints to overcome in order to achieve the principles of sustainable tourism development. Two significant problems will be presented below, which are, however, just a fragment. Other challenges like e.g. the tourist's lack of disposition to take their share of responsibility by accepting stricter rules and maybe higher prices could be added (Hein 1997: 181).

### 6.7.1 Lack of Government Intervention

The role of government and the implementation of its policies merits in the context of sustainable tourism development a much greater discussion. An effective national government strategy is essential if the maximum benefit from pro-poor tourism is to be realized. Often tourism is in the responsibility of a ministry in isolation from other parts of the government, with a major impact on the sector. Historically, too little effort has been expended on maximizing revenues and benefits to the local economy- the national effort in developing countries has been focused on headline arrival figures and growth rates rather than securing local economic development and livelihoods. The World Tourism Organization believes that the maximization of the benefits from tourism in the developing countries requires true political will and an interdepartmental approach across government, strong partnerships in destinations between local and national governments, communities and the private sector tourism industry in the originating and destination countries (WTO 2001: 73). There is much to be gained from a coordinated approach and a strong focus on regional or local economic development.

The overall goal of a sustainable tourism development is not easy to reach in developing countries. The difficulty resides in the cost involved and in the lack of patience and efficiency to pursue a balanced and selective tourism development. The need to balance trading accounts and earn more foreign exchange as well as short term development (frequently out of commercial interests) are too often favored rather than a long term, well- planned progress (Buhalis 1999: 184). A challenge is as well, to balance the development of supply (including infrastructure, transportation and human resources) and the promotion of demand (the number of visitors) while maintaining the principles of sustainable tourism development (Hein 1997: 41).

Political pressure and influence, in some cases, corruption at all levels of the public sector, make rational tourism management and development immensely difficult. Furthermore, many developing countries are characterized by hierarchical and authoritarian social forms at all levels and in all types of social interactions. Official organizations may be dominated by local elites, who in any call for 'participation' are likely to cream off the benefits for themselves. Despite these national problems, there are many other challenges and difficulties facing world tourism that have to be dealt with locally. However, economic considerations in developing countries should not override major social values.

Policy-making inevitable becomes more complex when qualitative factors have to prevail. The value judgments that underpin final policy choices have to be based on a large number of factors. Therefore, governments require specialized expertise within the respective tourism authorities and also through bilateral and multilateral cooperation's.

#### 6.7.2 Anti- competitive Practices

The competition issue and the treatment of anti-competitive behavior are at the core of the problems of efficiency and sustainability of tourism in developing countries. It is largely a result of the fierce competition among a few integrated dominant player (also including national players), with a high market share in their own market and in all segments of tourism industry supply, notably tour operators, travel agencies, hotels etc..

Secondly, the pattern of globalization, which is the driving force of many of the developments in the supply of the tourism and air transport, also mostly originates and is controlled in the two leading developed economies, namely the European Union and the United States. Consequently, what often appears to be a normal commercial relationship in a developing country may actually be the result of a network of anti-competitive practices arising from a globalized and highly integrated tourism trading environment, dominated by a few suppliers in the originating tourism markets. Other issues, such as the inadequacy or absence of a domestic competition legal framework in developing countries also affect the ability of developing countries to deal with or prevent anticompetitive practices in their tourism sectors (WTO 2001:171).

These suppliers have absolute advantages, because of their control of inbound and outbound operations in their countries and overseas. Inbound operators, land transport companies and even hotels in developing countries participate mainly in international tourism through the transactions of tour operators and travel agencies from developed countries. As a consequence, consumers are kept dependent on the offer of the products and services presented by these suppliers, at the expenses of imposing onerous commercial conditions on local providers in different tourism destinations. Furthermore, the image of the product is primarily influenced by the tour operators' promotional activities in the tourist originating countries. The huge supply capacity of these dominant players in all segments of tourism, allows them to impose prices and conditions on suppliers in tourism destinations. Moreover, tour operators would even move to another destination as soon as their financial interests

could be better served. This results in destinations being vulnerable and initiates a dependent culture (Gilbert 1997:430).

The weak bargaining power of suppliers in developing countries is an important issue that affects tourism sustainability (WTO 2001: 173). In the meantime, there are deeper fears that under the new economic globalization schemes, sustainable and 'eco-tourism' activities will even enable furthermore foreign suppliers to gain commercial access to ecologically sensitive areas and biological resources, accelerating the privatization of biodiversity, all to the detriment of local communities, resource rights and the natural environment.

Others debate that: 'Not the global game, but local circumstances and conditions represent the crucial element of success for sustainable development' (Pleumarom 1999: 5). Even more, they point out that multinational corporations and large foreign businesses are often, especially in poor developing destinations, the only ones who possess the capital to invest in the construction of tourism infrastructures and facilities.

Others (like Tourism Watch; UNCTAD (United Nations Conference on Trade and Development) say that in order to have fairness in competition, regulations (e.g. through GATS (General Agreement on Trade in Services) must be introduced multilaterally, allowing more fair play conditions in competition between industrialized and developing countries. They regard liberalization for trade in services as achieved under GATS as insufficient.

In summary, it is unquestionable that there is a necessity for constructive ongoing international debates on tourism. New treaties in the world trade order should be committed to make it possible for developing countries to comply with the goal of sustainable development. However, it would be misleading to assume that all of these complex problems could be solved only with the instruments of international trade policy (Seifert-Granzin and Jesupatham 1999: 24). These will not replace a coherent national policy of tourism or a social and environmental policy in developing countries.

## 6.8 'Sustainable' Mass Tourism versus Eco-Tourism

Under what circumstances would mass tourism contribute to sustainable development? This is a question that has raised both academic and philosophical debates, and preoccupied government officials and experts that are involved in designing tourism strategies and plans. There are conflicting views whether mass tourism has the ability to make advance into a sustainable development or not.

Significantly, many see eco-tourism as a viable alternative for sustaining tourism development. Eco-tourism is not only the fastest growing sector of the industry, but it has also been accepted as a hopeful new approach to preserve fragile land and threatened wild areas, and to provide people in the host countries with opportunities for community-based development (Godfrey, Murrey 1993). According to the Eco-tourism Society, "Eco-tourism is a responsible travel to natural areas which *conserves* the environment and *sustains the well-being of the local people*" A more comprehensive definition would regard eco-tourism 'as a purposeful travel to natural areas to understand the culture and natural history of the environment, taking care not to alter the integrity of the ecosystem, while producing economic opportunities that make the conservation of natural resources beneficial to the local people' (Weaver 2001: 105-106).

A comparison between 'mass tourism' and 'eco-tourism development' based on dependency theory reveals some important factors. Most of the characteristics of eco-tourism are in indirect contrast to those of the conventional mass tourism. Eco-tourism development is most likely to be at a smaller scale, locally owned, with low import leakage and a higher proportion of profits remaining in the local economy. While mass tourism has the potential to degrade the environment, eco-tourism promotes the conservation and preservation of the ecosystem, so as not to disrupt the flora and fauna, wildlife, and habitat. It also perpetuates efficient use of all resources for sustainable tourism development (Khan 1997: 988). Mass tourism creates initiatives in developing countries that are directed towards satisfying the needs of the tourists. 'Eco-development' promotes the use of indigenous knowledge, material and labor. Use of local expertise and labor is financially beneficial to the community and creates a stronger multiplier effect. By emphasizing local lifestyles, values and economic well being of the local community, eco-tourism promotes local identity, pride and self-accomplishment. In mass tourism there is always the threat of economic leakage through imports of goods and services that curtail the multiplier effect within the local community (Poon 1993: 6).

In conclusion, it is evident that mass tourism provides several economic benefits to the local communities, but also creates a dependency on foreign exports (tourism), and encourages dominance and control of the 'capitalist' developed countries. In addition, due to the strong tendency to destroy natural resources in the long-term, mass tourism in general cannot be seen as sustainable. Nevertheless, developing countries often depend on the 'capitalist' investment for tourism development, and large-scale tourism is generally being seen as more lucrative than small-scale tourism. Further, they depend on tourists who mostly belong to the industrialized countries and use their international airlines and travel agencies. Thus, many countries that promote mass tourism will not attempt to phase it out because of so many stakeholders involved and existing tourism infrastructures. Furthermore, although eco-tourism is on the rise not all tourists are seeking eco-experiences. There will always be a demand for mass tourism and its benefits may outweigh its adverse impacts (Khan 1997: 991).

Moreover, eco-tourism evidently is not always carefully or correctly planned and managed, or just altered as a new marketing strategy. In fact, some even wonder if the average eco-tourist is more demanding environmentally than the mass tourist, who may not need to visit endangered species in remote locations, and whose needs and wastes can be planned more readily in large numbers incorporating economies of scale (Wahab and Pigram 1997: 46).

On the whole, there is no form of tourism with a "zero impact"; both types of tourism development create a negative effect on the environment in the long-term (Khan 1997: 990). Further, the interchangeable use of the terms 'eco-tourism' and 'sustainable tourism', displays an inadequate understanding of both terms. As mentioned, not all forms of eco-tourism are sustainable and not all sustainable tourism needs to be in natural areas (Wahab and Pigram 1997: 46). Sustainable tourism development comprises more than eco-tourism, which can only be seen as one form of sustainable long-term planning in tourism. In this framework, the assessment of a particular tourist product as 'good' or 'bad' does not depend on "scale", but rather on the "effectiveness of the management practices" that are applied to the circumstances of each individual destination and that tourism development will accomplish sustainability (Weaver 2000: 218). Therefore, efforts to create sustainable tourism development should focus on both large-scale and small-scale projects.



Nevertheless, to diversify the market sustainable tourism development, should emphasize smaller scale segments or attractions set in villages or communities. Large-scale hotels will also have to develop forms of tourism management that guarantee sustainability and avoid the destruction of natural resources in a long-term view (Weaver 2001: 108-109).

Acknowledgment is made by organizations such as Tourism Concern, Green Globe and by some in the industry (Mowforth and Munt 1998: 102). UNEP and CBD (2001) explicitly include conventional mass tourism, eco-tourism, nature- and culture-based tourism, cruise tourism, leisure and sports tourism in their guidelines for sustainable use, worked out during the *Workshop on Biological Diversity and Tourism* in the Dominican Republic this year.

As a consequence, an approach is necessary where large and small-scale tourism is complementary, whereas government involvement in regulatory planning and institution building to include small-scale enterprises is crucial (Hein 1997: 37).

## Part 2: The Case of the Dominican Republic

It would be better to find out that we have been roughly right in due time  
than to be precisely right too late.  
~ NAVF ~

## 7 Introduction

This part will attempt a practical application of theory in the case of the Dominican Republic, a typical mass tourism destination. Apart from several positive effects, the fast and uncontrolled tourism development, particularly in the last decade, had significant negative impacts.

The final recommendations and guidelines set in the context of sustainable tourism development will be ensuing out of the following analysis and synthesis. The strategic planning process presented before, is the underlying course of action in this part of the study, as far as the scope of the work will allow it.

At first, the general setting, relevant to tourism, will be presented, including the economical and political environment as well as some demographical data, before the development and situation of tourism in the Dominican Republic will be analyzed.

## 8 General Aspects of the Dominican Republic

### 8.1 Location

In the global context the Dominican Republic is a small country, but compared to other Caribbean nations it is the second largest country in the Caribbean archipelago. Its 8,400,000 million people occupy a total area of 48,380 square kilometers (about the same size as the area of Lower Saxony in Germany) on the eastern two-thirds of the island Hispaniola, which it shares uneasily with Haiti. To the west of the Dominican Republic lies Cuba, and to the east the Mona Passage, separating the islands of Hispaniola and Puerto Rico. The Dominican coastline stretches 1,288km, and is bordered by the Caribbean Sea to the south and the Atlantic Ocean to the north (CIA World Factbook 2000).

**Fig. 13: The Dominican Republic in the wider Caribbean**

Source: EMPACA 2000

## 8.2 Natural Resources and the Environment

### 8.2.1 Topography and Hydrography

The topography of the Dominican Republic consists of a diverse range of highland and lowland areas, offshore islands, rivers and lakes. Like Haiti, a large proportion of the Dominican Republic (about 80%) is mountainous; but unlike Haiti, much of the country's four main mountain ranges continue to enjoy forest cover, relatively fertile soils, and a degree of agricultural production. A central range crosses the Dominican Republic, topped by the mountain Pico Duarte, that with its 3,175 meters is the highest mountain in the Caribbean. Although it lies only 85 km to the southwest of Pico Duarte, Lago Enriquillo is 46 m below sea level and the lowest point in the West Indies. Other than this, the Dominican Republic is not blessed with many natural lakes. The Coastal Plain of Santo Domingo is the largest and most economically important of the lowland areas in the country.

The Yaque del Norte is the longest and most vital river in the Dominican Republic. It carries excess water down from the Cibao Valley, the most fertile area in the country, and empties into the Monte Cristi Bay.

The two largest offshore islands are Saona and Beata: the former lies off the southeastern coast and the latter off the southern tip of the Pedernales Peninsula of the island. Two smaller islands, Catalina and Alto Velo, lie to the west of Saona and Beata respectively (DRpure 2001).

**Fig. 14: Country Map of the Dominican Republic**



Source: SECTUR 2001

### 8.2.2 Flora and Fauna

Reptiles and amphibians are not particularly abundant in the Dominican Republic. Nevertheless, four main types of turtle live off the coast. The American crocodile is so well established that it represents one of the largest wildlife crocodile populations in the world. The latter and the rhinoceros iguana, an endangered species, are most commonly found in the Enriquillo Basin. There is a considerable bird population in the Dominican Republic, including the Hispaniolan parrot, brown pelicans and flamingo. Flamingos are relatively common particularly on the offshore islands of the Dominican Republic and around the abundant lagoons on the mainland. In the mountains, there are numerous types of butterfly and hummingbird.

One of the principal breeding grounds in the world for humpback whales are the Silver and Navidad banks off the north coast of the Dominican Republic. They can sometimes be seen in the coastal areas of the national parks or in Samaná Bay, but hunting and the increase in boat traffic has caused a decline in their numbers.

There are hundreds of species in both the fringing reef and the bank reef. These include corals, sponges, worms, crabs, lobsters and fish.

The array of plant life is understandably impressive in a country that has both the highest and lowest points in the West Indies, as well as areas with almost permanent rain or practically total drought. The most common type are subtropical forests, which are found in lowland areas and on the floors and slopes of most valleys. It is characterized by royal palms, coconut palms, Hispaniolan mahogany, West Indian cedar, wild olive, American musk wood and others. Meanwhile, the Dominican coastline has its fair share of red, white and button mangroves - although not as many as some Caribbean countries due to the numerous cliffs on the country's coast. Into the highland regions, there are hundreds of different species of orchid. A strong contrast to these lush landscapes, are the desert regions in the southwest of the country with arid landscapes and predominant multi-shaped cacti (DRpure 2001).

### 8.2.3 Climate

The climate is tropical and subject to natural hazards including occasional storms and hurricanes. In general, the temperature stays above 15°C and below 32°C. The weather in the Dominican Republic can roughly be divided into two seasons: summer (May to October) and winter (November to April), whereas variations from season to season are relatively slight. High temperatures and humidity are tempered by prevailing gentle winds. This is the case on the coastal plain of Santo Domingo, the north coast, and the lowland areas of the Cibao Valley. Climatic variations are most pronounced in the central range, the "Cordillera Central", where the average temperature in the town of Constanza is 16°C, as well as in the desert regions of the southwest, where temperatures can rise above 40°C. August, is generally the hottest month. Average annual rainfalls range from 1,000 to 2,242 millimeters in some parts of the country and to 600 to 1,000 millimeters in others; rainfall as low as 275 millimeters can be recorded in dry areas (Lago Enriquillo). Rivers are increasingly being dam for irrigation or electricity generation (Economist 2000:3).

### 8.3 History

Hispaniola, as the Spanish named the island known variously as Quisqueya, Bohio and Ayiti by its original inhabitants, was the site of Columbus' first settlement in the New World. The aborigine population, the *Tainos* were practically wiped out and slaves were brought from Africa. Santo Domingo, the capital, was the center of the Spanish empire in the New World, and its colonial churches, forts and other structures have been restored and are major attractions for tourists. Much later after gaining independence from Spain, immigrants have come from Italy, Spain, the Middle East, Cuba, Puerto Rico and other Caribbean Islands.

In 1697, what is now the Republic of Haiti was ceded to France. The part that remained Spanish and was to become the Dominican Republic then changed hands in a number of occasions. It became French in 1801, then Spanish in 1808, was annexed by Haiti in 1822 after being independent for one year. The brutality of Haiti's occupation left a heritage of strained relations between the two countries. Ultimately, in 1844, the Dominican people succeeded in breaking with the Haitian part of the island and formulating their own constitution and government. This independence did not last long, and the country became a colony of Spain in 1861. Nevertheless, the independence was restored only four years later, in 1865 (Country Watch 2001).

This was not the end of the countries turbulent history. In 1916 the United States of America invaded the Dominican Republic, and remained in charge until 1924. In 1930 General Rafael Trujillo, head of the Dominican army that the United States had set up, led a military coup. His brutal dictatorship lasted for 31 years until his assassination in 1961. Thereafter, halting steps to democracy have been interrupted by military coups, right-wing terrorism and fraudulent elections.

The figure most consistently at the forefront of national politics was for many years Joaquin Balaguer, a former right-hand man of Trujillo who led a series of military and civilian governments for much of the period 1966-96. Today, the country celebrates a 'new' constitution established in 1966 and free democratic elections held every four years. It was not until 1996 that the country saw a return to real democracy with the election of Leonel Fernández. The current president Hipolito Mejia took office in August 2000 as leader of the Partido Revolucionario Dominicano (PRD), ending 16 years in opposition for the country's largest political party. President Hipolito Mejia made clear his intention to ensure that the

benefits of the recent years' growth would come to the benefit of the people through increased government attention to education, housing, agriculture and health (CIA World Factbook 2000).

## **8.4 Demographic Overview**

### **8.4.1 Language and Culture**

Spanish is the official language, although English is taught in all schools and is recognized as the language of international business. Since the advent of tourism, many hotel and tourist industry employees also speak French, German and Italian.

Dominicans are generally considered as cheerful, outgoing and hospitable people. Racial tension is scarce and all religions are tolerated. Most of the population is catholic, but there is also an important protestant community. Most of the Dominican population are mulattoes (75%) who are of mixed European and African origin followed by the Whites who account for 15% while Black Africans account for 10%. The White population includes pure Spanish, Lebanese and German Jews while other ethnic aliens include Chinese and Japanese (CIA World Factbook 2000).

Dominicans love music, dance, and socializing. The folk music of the country is in the Spanish tradition with heavy overtones of Indian and African rhythms. The most popular form of music that originated in the Dominican Republic, is called *merengue*. During the carnival festival time in February, the country virtually comes to a standstill while people dance, sing and socialize for a week. Dominicans in their free time play dominoes, socialize with neighbors and men go to cockfights, which is considered the national sport, along with baseball (DRpure 2001).

As in many Central American and Caribbean cultures, there is a strong sense of family among the Dominican people. It is not uncommon for the members of the extended family— including the grandparents, cousins and other relatives— to live in the same house. Many Dominican families also take on additional children who might not have a home or whose parents might live in another town or city. A lot of Dominican families have relatives who live in the United States and Europe. It is estimated that almost 1/8 of the population lives and works overseas

and who rely heavily upon this outside economic source to provide for their families. It is commonly seen as the only way out of poverty (Pellerano& Herrera 2001).

#### 8.4.2 Population

The Dominican Republic has about 8.5 million inhabitants. Santo Domingo, the capital and largest city, with 67% (50% in 1980) of the population in 2000, is the country's business, social and cultural center. Santiago de los Caballeros, the business center for the agriculturally prominent Cibao region, is the second largest city with a population of approximately 600,000 (Pan American Health Organization 2000). In 2000 there were about 167.6 inhabitants per square kilometer (Cuba accounts for 99.6 and Puerto Rico for 430.5) (Carnell 1998).

Between 1990 and 1995, the annual population growth fell from 2.1% down to 1.8% in 2000. The Dominican Republic is a very 'young' country; the 0-14 year old age group makes up 35% of the population and the 65 and older age group only 4%. Between 1960 and 1999, life expectancy at birth rose from about 52 to 71 years (EU 1999:3). The average woman bears three children, down from seven 30 years ago. The birth rate dropped markedly from about 50 to 27 per 1,000 population. Besides, infant mortality declined since the 1960 three times to 44.26 per 1000 live births (Carnell 1998).

An estimated 40% of urban households and nearly 80% of rural households are poor, whereas 25.8 % of the population lives under the poverty line (about 60 dollars a month) (USAID 2001). Most of the extremely poor communities are located in the southeastern and northeastern areas of the country, bordering Haiti (Elías Piña, Santiago Rodríguez, San Juan, Batoruco, Independencia, Azúa) and the central and eastern regions (Samaná, Monte Plata, Sánchez Ramírez and El Seybo). It is estimated that the Haitian immigrant population is the poorest group in the country and that poverty is three times higher in rural areas than in the cities. According to a research by the Autonomous University of Santo Domingo, in the poorest provinces subsistence farming is predominant; low levels of vaccination coverage, drinking water availability is poor, and hospital utilization as well as many deaths without medical attention or diagnosis of the cause of death (EU 1999: 3-4).



The unemployment rate ranges between 13% and 30% of the economically active population in the 90s. Estimated unemployment rates for 1995 and 1999 were 16.6% and 13.9%, respectively (9.2% for men and 23.9% for women). Inequality of income distribution is reflected in the fact that the wealthiest 20% of the population participates with 57.2% of the total amount of earnings, and the poorest 20% accounts for only 4.4% thereof (Pellerano & Herrera 2001). In addition, there is very little interaction between the rich and the poor in the Dominican Republic, because the two groups live in such vastly different worlds.

#### 8.4.3 Education and Health

School enrolment rates in the Dominican Republic are relatively high, with a survey in 1998 estimating that 92% of children aged between six and 15 attended school. These high rates are the end result of a 10-years educational development plan introduced by the Dominican government. However, according to the National Health Survey (ENDESA, 1996) 19.3% of the population is illiterate (among those over 6 years of age) compared to Cuba with 4.3% and the Bahamas with 1.8%. The illiteracy rate is 21.6% for men and 18.9% for women. Predominantly in the rural regions, however, the illiteracy rate is supposed to be much higher than the average. Average years of schooling are 5.2 years for men and 5.6 for women (Pan American Health Organization 1998). Fewer than 50% go on to secondary school and yet, only 58% complete the fifth Grade (Cuba 94% and Bahamas 78%) (UNDP 1998).

There are five public universities most of them located in Santo Domingo and Santiago. Two of them offer Administration of Tourism or Tourism & Hospitality as subjects for higher studies (BA equivalent). However, the annually demand of those universities has been low, which is causing a lack of professionals in this area. Further 9 schools and institutions offer courses mainly in Hospitality and Restaurant Services.

As well healthcare provision is poor, with only 77 doctors per 100,000 inhabitants in 1995 and wide disparities in standards of care. In 1999 an estimated 30% of the population had no ready access to potable water, while 36% had no access to sanitation (Economist 2000: 10).

Risks in terms of health increased after Hurricane George entered the Dominican Republic on September 22, 1998. All socio-economic areas suffered: approximately \$474 million in agricultural infrastructure and production losses; \$380 million in destroyed and damaged homes; \$46 million in electricity losses; \$34 million lost in educational infrastructure resulting

into total economic losses at \$3.3 billion. Rural health care centers were damaged and destroyed; hospitals suffered major damages; water systems were made inoperable; communicable and water-borne diseases increased; and thousands of homeless people sought shelter. The number of monthly malaria cases reported in 1999 were triple the levels seen in 1998. After three years without a case of measles, an estimated 200 confirmed cases have been reported at the end of 1999 (Pan American Health Organization 1998).

The Dominican Republic belongs to the countries in Latin America with the lowest public spending for health services per capita. Recognizing that basic health services, especially those provided by the public sector, are not adequately reaching the poor, the Dominican government under Léonel Fernandez has initiated a process of sector reform and decentralization. Public spending has been increased up to 9% of the national budget, compared to 8.1% annually average of the last 10 years (EU 1999). While capacity at the provincial and municipal levels is being strengthened through sector loans and technical assistance, the translation of these investments into better care and improved health status has yet to be felt.

A further problem in the Dominican Republic is the continuous struggle with changing the behavior of a young, sexually active population to reduce HIV transmission and unintended pregnancy. A reported 54% of adolescent boys are sexually active, averaging 3.3 partners over the last year. Nearly 30% of adolescent girls and young women are reported to have abandoned their studies as a result of pregnancy or marriage (USAID 2001).

The UNDP's Human Development Report, however, reveals substantial improvements in some basic indicators during the 1990s. The proportion of the population with access to safe drinking water went from 35% to 70% (1998); access to health services went from 22% to 38% (1998); access to sanitation, 22% to 64% (1998). The country's ranking on the UNDP's Human Development Index, a composite of economic, social and human-rights indicators, has gone up steadily. The Dominican Republic ranks 88<sup>th</sup> among 174 countries (The U.S. is 4, while Haiti is 159) on the Human Development Index (with a rating of 0.720 in 1999) and sits squarely in the ranks of middle-income countries (Pan American Health Organization 2000).

## **8.5 Economic and Social Environment**

### **8.5.1 Economic Development of the Past**

The Dominican Republic is a developing country, with per capita GDP one eighth that of the United States (and half of neighboring Puerto Rico's) yet four times that of Haiti. While Haitians are crossing the border to seek a better life in the Dominican Republic, Dominicans are setting out across the Mona Canal for Puerto Rico and entry to the United States.

Three-quarters of Dominicans lived in poverty at least through the late 1970s and conditions in rural areas were not unlike those of neighboring Haiti, with the vast majority unschooled and underemployed. Per capita GDP in 1960 was an identical US\$ 386 in both countries (UNDP 1987). It was a "deeply divided and unequal society," according to Wiarda (1982: 51). Until the 1960s, the Dominican Republic's economy was fundamentally agricultural, with sugarcane the dominant crop. In the late 1970s as tourism was taking off, a third of Dominican exports earnings came from sugar and another 30% from coffee, cocoa and tobacco. The country was largely self-sufficient in basic foodstuffs and also exported beef raised in the central plain. Mining for nickel, gold and amber was developed fairly late, but in the late 1970s accounted for 25% of export earnings (American Library of Congress Country Studies 1989).

The early mid-1970s were known as the "miracle years". With sugar prices high, the Balaguer government borrowed heavily to finance extravagant public spending on infrastructure and monuments. The country's level of indebtedness rose from \$158 million in 1966 to \$1.1 billion in 1978 (Ferguson 1992:35). But there was no miracle for most Dominicans; the situation of the poor actually worsened in this period. When the international price of sugar and other primary commodities fell, and oil prices increases, a huge economic crisis ensued. Nature contributed to the debacle with Hurricane David in 1979, which killed at least 1,000 people and caused vast material damage (Wiarda (1982: 52).

Multilateral lending institutions prescribed structural adjustment programs, and these included devaluation of the peso, which had been tied to the U.S. dollar. A crackdown from the military and police met riots and protests in the mid-1980s. Successive devaluations of the peso lowered wage rates, creating a key condition in the mid 1980s for attracting capital to its new Industrial Free Zones, and tourists to the best bargains in the Caribbean (Ferguson 1992: 49).

Following economic turmoil in the late 1980s and 1990, during which the GDP fell by up to 5% and consumer price inflation reached an unprecedented 100%, the Dominican Republic entered a period of moderate growth and declining inflation.

#### 8.5.2 Basic Economic Indicators

The Dominican Republic's economy grew 4% in 1994, 2.4% in 1995, 7.3% in 1998 and 8.3% in 1999, while the inflation rate was 6.5%. With 10% in excess, the tourism sector's growth has been an important contribution. During 1998 and 1999, the country achieved significant macroeconomic stability, one of the highest rates in the world (EU 1999:1) with a per capita income of US\$ 2,000 in 1999 (Pan American Health Organization 2000). During the year 2000, Gross Domestic Product grew by 7.8% at the close of the year, although this reflected a slowdown with respect to the 11.5% rate of growth during the first quarter of the year. Nevertheless, again the Dominican economy closed the year with the region's highest growth rate (The Economist Intelligence Unit Forecast 2000).

Stable prices, rising wages in the private sector and public sector salary restored the real minimum wage and the wage in dollars to levels that were in 2000 16% higher than in 1980. This macroeconomic growth and lower unemployment rates improved the purchasing power of the working population. The main factors contributing to economic growth were: higher availability of local and imported production inputs, expansion of internal and external demand, better overseas prices for some exports, and expansion of installed capacity in those industries that were capitalized or leased out (General Air services 2001).

On the other hand, economic growth of the 1990s does not appear to have dramatically reduced poverty. One reason is high inequality: the Gini coefficient of income distribution remained at 0.42 in 1996 (0 indicates perfect equality, 1 perfect inequality). Another reason is that spending on human development has not favored the poor. Public expenditures in the Dominican Republic are, despite the mentioned increase by the Fernandez government, still relatively low - about 16% of GDP in 1998. Social expenditures are also low - about 6-7% of GDP, or half the Latin American average of about 14%. With public expenditures so low, the government has difficulties building effective institutions to provide public services, enforce laws and administer justice. Instead, the governments concentration on increasing the salaries of civil servants in order to build capacity, led to further skepticism among the poorer population. Between 1996 and 1998 such salaries augmented in real terms by more than 40% (UNDP 2000).

Reduced public spending for education and health, finally affected family budgets, resulting in a rise in the percentage of population linked to the informal economy and non-wage-earning activities. This led to a considerable increase in relative poverty and the number of people who are in need (Pan American Health Association 1997).

**Table 1: Key Economic and Social Indicators**  
(Billions of US\$ unless otherwise indicated)

<b>Income, Production and Employment:</b>	<b>1979</b>	<b>1985</b>	<b>1990</b>	<b>1995</b>	<b>1998</b>	<b>1999</b>	<b>2000 1/</b>
Nominal GDP (Gross Domestic Product) 2/ + 6/	5.5	N/A	6.7	12.1	16.2	17.7	N/A
Real GDP Growth (%) 3/	N/A	-2.6	-5.5	4.8	7.3	8.3	7.8
Per Capita GDP (US\$)	N/A	1,109	1,304	1,500	1,827	2,965	N/A
Labor Force (000s)	N/A	N/A	2,833	2,401	2,889	2,979	2,332
Unemployment rate (%)	N/A	N/A	17.3	16.5	14.4	13.8	13.9
<b>Money and Prices (annual percentage growth)</b>							
Consumer Price Inflation 5/ + 6/	9.2	28.3	59.4	7.2	4.8	6.5	7.9
Exchange Rate (DR Peso/US\$ annual average)							
Official	N/A	1.0	N/A	12.87	14.7	15.83	16.53
Parallel	N/A	2.60	N/A	N/A	15.16	15.95	16.63
<b>Balance of Payments and Trade</b>							7/
Total Exports of goods and services (US \$ millions) 4/+6/	1,135	N/A	2,241	N/A	7,482	8,125	5,843
Total Imports of goods and services (US\$ millions) 4/+6/	1,484	N/A	2,982	N/A	8,917	9,592	9,621
Resource Balance 4/ +6/	-349	N/A	-741	N/A	-1,435	-1,467	3,778
External Debts 7/+ 3/	N/A	N/A	4,4	N/A	3,5	3,7	4,7
<b>Population 6/</b>							
Million Persons	N/A	6.5	7.2	7.7	8.1	8.3	8.4
Growth Rate (%)	N/A	2.2	2.0	2.3	1,7	1,7	1.8

Sources: National Bank 2001

1/ Figures 2000 from: Pellerano & Herrera : Doing Business in the Dominican Republic, May 2001, Dominican Republic

2/ GDP at factor cost.

3/ IMF 1999: 149-150.

4/ World Bank Data: Dominican at a glance, 2000.

5/ Source: University of Texas, DR- Selected Economic Data

6/ Figures 1979 Source: World Bank: Dominican at a glance, 2000.

7 /Figures 2000 Source: CIA World Factbook.

As is the case with other Caribbean economies that depend upon tourism for a large proportion of export earnings, the Dominican Republic runs a merchandise trade deficit. Less than one-quarter of earnings from exports of goods and services are accounted for by domestic merchandise exports. Since 1995 the increasing pace of domestic import growth (besides petroleum, foodstuffs, cotton and fabrics, chemicals and pharmaceuticals) has pushed the total trade deficit steadily up, to reach US\$ 3.7 billion in 2000. Further the country's dependence on oil imports has a strong impact on the balance of payments. Rising

oil prices lifted the oil bill by 50% in the first half of 2000, up from 13% by the end of the year (Banco Central 2000).

The US remains the country's largest trading partner, although its relative importance has declined in recent years. In 1991 the US absorbed 64% of Dominican exports (excluding free-zone sales), by 1999 its share had fallen to 43,9%, whereas the imports have grown from 41% to 63%. The EU by contrast has accounted for a steady 20% of exports since 1990, while its share of imports has risen marginally (Economist 2000: 21).

### 8.5.3 Economic Sectors and Employment

Economically the Dominican Republic is based on agriculture- dominated by sugar, coffee, cocoa and tobacco; in 1950 agriculture had employed 73% of Dominican labor. In the early 1980s, when sugar prices plummeted to a 40-year low and sugar production fell drastically, the country diversified into manufacturing, mining and tourism (American Library of Congress Country Studies 1989). By the end of the 1980s agriculture accounted for as little as 35%, industry and services had incorporated approximately 20% and 45%, respectively, of displaced agricultural labor. The role of women, particularly in the urban economy, was growing by the late 1980s, and men continued to dominate agricultural jobs. By the end of the 1990s, the Dominican Republic is primarily dependent on agriculture (11.3% of total GDP), trade (32.25%) and services (56.5%), in particular, tourism (Economist 1990:6).

Although the services sector has recently overtaken *agriculture* as the leading employer of Dominicans (due principally to growth in tourism and Free Trade Zones), agriculture remains the most important sector in terms of domestic consumption and is in second place (behind mining) in terms of export earnings (US\$ 5.8 billion in 2000). Within agriculture, crop farming accounts for around 55% (with the largest supply of tobacco to the US), livestock for 40% and forestry and fishing for just 5%. However, the economic contribution of the agricultural sector has fallen over time, and was down to 11.3% of GDP in 2000 (see table 2), compared with over 14% in 1991. Traditional agriculture has been declining since the early 1980s under the weight of several adverse factors, including high interest rates, price controls, under investment, foreign competition, and tariffs on imported inputs; the Fernández government finally took steps to abolish import duty on agricultural inputs (Economist 2000: 14).

*Mining* has remained the largest non-free-zone export earner since the 1980's, despite successive price slumps in the early 1990s and a period of decline because of inadequate investment, culminating in a collapse in 1998 due to international low prices. Rising international prices lifted earnings from nickel in 1999 and 2000.

*Manufacturing* is the largest sector in the Dominican economy, accounting for 17% in 2000 and an average of 17.3% of GDP between 1995 and 2000 (see table 2). It is split into two main sub-sectors: domestic manufacturing (13.4% of GDP) and free zone export manufacturing (sugar-refining accounts for just 0.5% of GDP). *Manufacturing* in free zones has been developed under incentives of 15-20 years' tax exemption and duty-free imports of inputs (ending probably in 2007). While it accounts for only a very small share of GDP (3.2% in 1999), it employs a high proportion of the industrial workforce (191,000 out of 518,000 in 1999). Free zone export earnings represent 81% of all earnings (Economist 2000: 15-17).

The *construction industry* has experienced a boom in recent years, with successive years of double-digit growth taking its contribution to GDP from 9.6% in 1995 to 13.4% in 1999. The sector was buoyed under the Balaguer administration by extensive programs of public works, including investments in energy, airport construction, roads and housing. But since 1997, government investment has been cut back, and the industry has instead benefited from rapid expansion of private investment in commercial and residential property. The sector has given a renewed boost by reconstruction work in the wake of Hurricane Georges in 1998.

**Table 2: Structure of the Economy** (billions of US\$ unless otherwise indicated)

(% of GDP)	1979	1989	1990	1995	1999	2000
Industry (Manufacturing)	16.9	17.7	N/A	17.1	16.8	17.0
Construction	6.7	6.9	7.5	9.6	13.4	13.1
Agriculture	18.7	13.8	14%	11.5	11.3	11.3
Forestry, fishing	0.6	0.6	0.6	0.5	0.5	0.5
Services	51.3	54.3	N/A	54.9	54.3	56.5
Transport	7.1	N/A	6.2	6.8	6.9	7.2
Hotels, bars and restaurants	N/A	3.9	4.2	6.4	6.4	6.8
Communications	1.1	1.9	2.2	3.5	5.0	5.4
Government	8.6	N/A	9.4	8.4	7.4	7.2

Sources: National Bank Dominican Republic 2000/2001, UNDP 1998,  
CIA World Factbook 2000, Economist Intelligence Unit 2000

Some consolidation has taken place in the *financial sector*, as a result of 1992 law encouraging the creation of 'multibanks', offering a complete range of services via the merger of commercial and development banks with mortgage or saving banks. The foreign investment law that came into effect in 1997 opens up the banking sector to further foreign participation, although insurance agencies remain under majority Dominican owners (Economist and Central Bank 2000). 15 commercial banks operate in the Dominican Republic, of which one (Banco de Reservas) is state-owned, and two are foreign-owned: Citibank (US) and Bank of Nova Scotia (Canada).

By the end of the 1990s *tourism* has taken over as the number-one foreign exchange earner, with a fourfold increase in hotels within 15 years. Tourism accounts for more than \$ 1 billion in annual earning. Free Trade Zones earnings and tourism are the fastest growing export sectors and a major source of employment. Its rapid growth in recent years has imparted a strong boost to other sectors, notably the construction industry, but also transport and commerce (Economist 2000: 20).

*Remittances* or family transfers from Dominicans living abroad have also become an important source of foreign currency and have rapidly grown from US\$ 1.5 billion in 1999 to US\$ 1.7 billion in 2000. Increases in family transfers are mainly due to the strong growth of the United States economy in the last years, where most of Dominican emigrants work.

The trade industry (27.8), agriculture (17.57) as well as services and government (58.7%) are among the most important economic sectors as far as the occupation of labor force is concerned. Insertion of Dominican women in the labor force has led to an expansion in the economically active population in the Dominican Republic since the 1980s, which is a consequence of the extreme poverty of a large part of the population and the lack of purchasing power of its inhabitants forcing women to work to support their families.

According to the figures of the Central Bank on the Dominican labor market, the national rate of activity that measures the labor supply (the participation of the population in the economic activity) increased from 52,6 % in 1998 to 53,4% in 1999. About 58.7% are employed in services and government, 24.3% in the industrial sector (e.g. tourism, sugar processing, ferronickel and gold mining, textiles, cement, tobacco) and 17% in agriculture. However, the total labor force declined between 1995 and 2000 as seen above (table 1). Nearly 50% of the economy is in the informal sector (CIA World Factbook 2000).



**Table 3: Percentage of Employees Working in Economic Sectors (in 2000)**

ECONOMIC SECTORS	RATE OF OCCUPATION (%)
<b>TOTAL</b>	<b>100</b>
Commerce	27.8
Agriculture and Cattle Raising	17.57
Consumer and Investment Goods Industry	17.48
Transports and Communications	7.31
Construction	7.11
Hotels, Bars and Restaurants	4.79
Administration	3.56
Financial Services	1.28
Electricity & Supply	0.45
Mining	0.25
Other activities	18.36

Source: National Bank of the Dominican Republic

The unemployment rates are high with 14.4% in 1998, 13,8% in 1999 and slightly more in 2000 with 13,9%. The highest percentages were recorded in the National District (Capital area of Santo Domingo), reflecting the impact of migration from the countryside to Santo Domingo. In the capital, 16.6% were unemployed. Rural areas reported a jobless rate of 10.9%. The monthly minimum wage is \$3 460 Dominican pesos (about US\$ 200) (USAID 2001).

Even though, the participation of women in the economically active population has been increased continuously, women in the Dominican Republic have scant opportunities to get adequate jobs with good salaries. This has led most of them to work in the free-trade zones. In effect, a large part of the growth oriented to the country's exports has been achieved with the inclusion in the labor force of unskilled women, who account for more than 70% of the workers in the free-trade zones. Women general receive very low wages, in relation to the amount of work daily performed (Inter- American Commission on Human Rights 1999).

#### 8.5.4 Economic Performance 2001 and Outlook

The plans of the new President Hipolito Mejia for new initiatives in education, housing, agriculture and health, have been hampered by the impact on government finances of high world oil prices and election year spending in the waning months of the Fernandez administration. These have caused a drain on foreign exchange reserves and left a large fiscal deficit. In December 2000, the new Mejia administration passed broad new tax legislation

which it was hoped to provide enough revenue to offset rising oil prices and to service foreign debt (CIA World Factbook 2000).

The Dominican economy concluded the first semester of 2001 by overcoming the initial difficulties by this fiscal adjustment that were encountered at the outset of the month of January. This, however, produced a significant decline in economic activity during the first trimester of the year.

In the first half of 2001, the economy was not performing well with just a 1.9% growth. The official foreign exchange rate has been 17.02% (compared to 16.42% in 2000) (Cenatillas 2001). The value of remittances from Dominicans living in the United States- a major source of income for thousands of families- has dropped because of the slowdown in the U.S. economy. The tourism industry also recorded a drop in visitors from Germany and Latin American countries, which already had a strong impact on the Dominican economy before the New York attacks. Afterwards, the collapse of the tourism industry and closures of hotels suddenly increased unemployment rates, yet not predictable.

Another sector that has suffered badly from the economic downturn is the coffee industry, which is undergoing its worst crisis for 40 years. The farmers blame a combination of low prices, high taxes, inadequate investments in the rural sector by successive governments, the effect of Hurricane George and leaf rust disease. Figures by the Dominican exports' center, Cedopex, indicate that the value of coffee exports fell by 22.1% last year, and the JAD estimates, that 20,000 small coffee growers have gone under since 1997 (CEDOPEX 2000).

On the other side, the Central Bank's third quarter report 2001 shows imported consumer goods are down 12%. In the first nine months of the year, the Dominican Republic imported US\$297.4 million less than the same period in 2000. Consumer goods imports were down 3.5%, and raw material imports declined 9%. Total imports, including free zones, were US\$6.6 million, or 6% less than last year.

The country experienced a surplus in the first quarter of 2001, reaching US\$ 127.4 million from a deficit of US\$ 12.7 million in the same quarter of 2000. The Dominican Republic's government has earmarked US\$ 100 million for investments in the mining sector over the next four years. In addition, the government is looking for new activities to contribute to a stimulation of the tourism industry.

For 2002 it is expected that the peso will lose more value to the US dollar as the government struggles to pay off the foreign debt it has taken on with international lending organizations. Some economists even warn that further borrowing and increasing number of loans from foreign banks and local banks, could become a serious risk for the country, which is estimated to be almost 70% higher than in 2002. The 2002 National Budget might not provide funds for all the necessary payments including several interest payment commitments on foreign loans which are not covered either (Country Watch 2001).

On the other side, an expected decline of oil prices and lower interest rates may help to release the pressure on the Dominican economy.

## **8.6 Government and Politics**

The Dominican Republic is a republic with a democratic government headed by an executive branch directed by the President, a bicameral legislative branch, and a judicial branch.

The President, who heads the public administration, is commander of the armed forces and exercises executive powers. Legislative powers are exercised by a bicameral congress, comprising the House, which is made up on one deputy elected for every 50,000 inhabitants with not less than two deputies per province (149 seats), and the Senate, which is made up of one senator per province (30 seats); the Santo Domingo National District counts as a province for this purpose. The President, Vice-President, senators and deputies are elected by direct vote every four years, together with mayors and councilmen of local (municipal) governments. The President appoints the governors of provinces and the members of the cabinet. The Senate in general appoints the Chief of Justice, Supreme Court justices and judges (Economic Intelligence Unit 2000: 7).

The country is politically and administratively organized into 29 provinces and a National District<sup>15</sup>; these in turn contain 111 *municipios* and 56 municipal districts. The planning process of the ministries, as well as the execution of development plans, is implemented through the regions. The exception is the Ministry of Health and Social Welfare (SESPAS), the state entity that in 1998 moved from regional planning to provincial management. The National Office of Planning (ONAPLAN) manages the national and sub-national planning

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<sup>15</sup> see appendix 4

processes. The Provincial Development Councils (CDPs) created in 1996 coordinate the institutions of the central government at the provincial level with the municipal councils and representatives of civil society. These entities present proposals, build consensus, and coordinate and monitor state planning and management. For its part, ONAPLAN has facilitated and expanded citizen participation in the planning process, thanks to the organization of provincial planning offices and to the creation of other mechanisms for citizen participation, such as national dialogues, and national and local consultations on various aspects of national life. At the municipal level, the planning process rests with the town council. In the *barrios*, this function is exercised through neighborhood groups and other community entities (Pan American Health Organization 2000). The executive branch defines and sets the specific objectives and goals for the social area in general.

Although the Dominican Republic cannot yet be termed a consolidated democracy, elections have resulted in the transfer of political power over the past two decades. The 1996 and 2000 presidential and 1998 congressional and municipal elections were held with a high degree of transparency. However, in the Dominican Republic, personalization of political power and the prevalence of 'clientelism' and 'nepotism' within the political parties have tended to weaken both government institutions and political parties. The strategic objective continues to focus on enhancing the capacity of civil society, increasing local capacity to monitor elections, and strengthening the rule of law and respect for human rights. Civil society must now widen its expertise in the areas of public advocacy, policy dialogue, respect for human rights and participatory decision-making (UNDP 2000).

The Fernandez governments' political agenda (1996-2000) was for the first time, one of economic and judicial reform and helped to enhance Dominican participation in hemispheric affairs. Strong coordination between key Dominican government officials and an active and lively civil society has defended the justice sector reform and modernization beginning in 1997. Remarkable advances have been made in strengthening judicial organizations and rule of law agenda from anti-reform backlashes (CIA World Factbook 2000).

Moreover, the Dominican Republic opened its doors further to the global economy during the new Mejia government, with the GATT agreement coming into effect in July 2001. The country will now need to be able to compete with other countries, especially its Latin American neighbors, for foreign investment. Thus, *good governance* will be vital for this goal, as well as for economic stability, high-quality growth, and the implementation of further reforms, that

guarantee the rule of law, promote the accountability, efficiency, and transparency of the public sector, and tackle corruption. According to the International Country Risk Guide, the DR compares favorable with other Latin American countries in their indices for government stability, corruption as well as law and order, while it compares less well on the quality of bureaucracy (IMF survey 2001:1).

#### 8.6.1 Political Influencing Parties

Of the more than 20 political parties, the three largest are: the social democratic Partido Revolucionario Democrático (PRD); the Partido de Liberación Dominicana (PLD), originally a Marxist split from the PRD and now a centrist party; and the Partido Reformista Social Cristiano (PRSC), led by Balaguer, formed in 1964.

The Catholic Church plays an important role in public life in a country where the vast majority of the population is Catholic. The trades union movement and left-wing opposition groups, which were key players in the struggles against dictatorship in previous decades, are weaker nowadays. However, there is a vibrant movement of strong and well-organized civil society groups, many of them grassroots, including neighborhood organizations, women's groups and community associations, which have the capacity for mobilizing on economic and social issues (Economist 2000: 7-8).

There is a massive standing army of 24,000 active duties and a paramilitary police force of 15,000 commanded by the president. Its principal mission is to defend the nation, but it serves more as an internal security force. The army, twice as large as the other serviced combined, consists of four infantry brigade and a combat support brigade; the air force operates three flying squadrons; and the navy maintains 30 aging vessels. The Dominican Republic's military is second in size to Cuba's in the Caribbean. The armed forces participate fully in counter-narcotics efforts. They also are active in efforts to control contraband and illegal immigration from Haiti to the Dominican Republic and from the Dominican Republic as mentioned to the United States (U.S. Department of State 2000: 5).

#### 8.6.2 Foreign Relations

The Dominican Republic has a close relationship with the United States and with the other states of the Inter-American system. It has accredited diplomatic missions in most Western

Hemisphere countries and in principal European capitals. The Dominican Republic and Cuba recently established consular relations, and there is contact in fields such as commerce, culture, and sports. Although Dominican relations with its closest neighbor, the Republic of Haiti, have never been extensive, there are signs of change. However, strained relations between Haiti and the Dominican Republic continue with the two main sources of tension, being Haitian migration and trade relations. A bilateral commission charged with improving relations between the two countries lacks muscle and the political will to make recommendations to address the root problems (USAID 2001).

The DR belongs to the UN and many of its specialized and related agencies, including the World Bank and International Civil Aviation Organization. It is also a member of the OAS (Organization of American States), the Inter-American Development Bank International Telecommunications Satellite Organization (INTELSAT).<sup>16</sup>

### **8.7 Tax System, Capital Repatriation and Investment Climate**

The tax system went through two major reforms, in 1990-92 and then in late 2000. The first had to be comprehensive because the complex system had lost much of its ability to generate revenue as a result of high inflation in the late 1980s and in 1990. The reform made the revenue base more stable and increased its growth potential. As a consequence, total central government revenue rose from 12.5% of GDP in 1990 to 16% in recent years, and the share of income tax and VAT revenue grew from about one-third in 1991-92 to almost one-half in 2000. In the mid-1990s, tax reform slowed as the political climate became more difficult. After the 2000 presidential election, a deteriorating fiscal situation prompted the new administration under Hipolito Mejia to introduce a number of fiscal reforms. The VAT rate was raised from 8% to 12%- closer to the average in Latin America- and its base was enlarged to include a number of services previously subjected to specific taxes. Selected consumption taxes were also increased on automobiles, alcoholic beverages and tobacco products, and a minimum tax on gross sales was introduced. However, tax administration is still hampered, by the existence of numerous small taxes and fees that generate little or no revenue. Further the budget process still lacks transparency and accountability (Pellerano& Herrera 2001:3).

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<sup>16</sup> INTELSAT, an organization of 125 shareholding nations, supplies to more than 180 countries, territories, and dependencies the capacity to send and receive telephone calls, telegrams, and television programming. The system presently carries two-thirds of the world's overseas telephone traffic and almost all international television via a fleet of satellites operating in synchronous orbit 22,300 miles above Earth.

The main fiscal retention in the Dominican Republic is the corporate tax, equivalent to 25 % of the net operating benefits of operation. For private individuals, taxes range from 10% to 25% of personal income. Customs duties range from 0% for certain agricultural products to 30% of finished consumer goods; the trend is toward lowering duties. Since July 2001 trade barriers have been abolished with the GATT agreement coming into operation.

With respect to the possibilities of Repatriation of Capital, Article 7 of the law for Foreign Investment says as follows: It authorizes "private persons or legal entities" which make investments in the country to remit the total amount of the invested capital and the dividends declared during each fiscal year abroad, in freely convertible currencies and with no need of previous authorization (Pellerano & Herrera 2001: 4).

The External Sector of the Dominican Republic is highly dependent on foreign investments as well as on transfers of Dominicans living abroad. Due to increasing direct foreign investment inflows the balance of payment concluded with a surplus of 38,6 million US-\$ in 2000. These foreign investments were especially related to new tourist projects and to strategically agreements in the financial and industrial sectors (Horwath 2000).

Government policy prohibits new foreign investment in a number of areas including national defense production, forest exploitation and domestic air, surface and water transportation. Government regulations, such as the process required to obtain the permits to open new businesses, hinder economic growth and innovation. The difficulties of protecting intellectual property rights have slowed the use of modern medicines. Investment in modern agricultural techniques is impeded by a chaotic land tenure system and the unwillingness of large landowners to modernize (U.S. Department of State 2000).

## **8.8 Infrastructure**

### **8.8.1 Electricity**

The electricity sector is a weak link in the Dominican economy with long blackouts, especially in the hot summer months, a regular occurrence. The state electricity company's distribution units and thermal generation facilities were capitalized in 1999, and are now under the control of private sector operators. The CDE (Corporación Dominicana de Electricidad) could not provide the capacity needed, thus leading to a split up into generation, distribution and

transmission arms. As power demand has outstripped supply in recent years, the industry has a deficit estimated at 300million watt. The Dominican Republic still face a serious energy crisis as the government and new electricity providers are waging a war of accusations over the country's prolonged blackouts, effecting the whole economy of the country (USAID 2001).

#### 8.8.2 Water supply

Water shortages are a major environmental problem in the Dominican Republic. The water supply is by far the most pressing environmental problem and this is also considered a question of basic human rights. The World Bank and missionary type organizations single out the lack of drinking water as one of the main issues to be corrected in the country. Current estimates of the number of households, which do not have access to drinking water, vary from 22 to 35% (Pigram 1999).

#### 8.8.3 Telecommunications and Internet

The Dominican Republic is probably the Latin American nation with the most advanced telecommunications system (Economist 2001: 10). The principal companies *Codetel* (U.S. subsidiary and the first main telecommunications company), *Tricom* (40% Motorola) and *Orange* (France Telecom) carry out efforts to stay at the vanguard of technological developments and continuously implement aggressive marketing programs to introduce new products and services to the Dominican market. As a result, the nation enjoys the latest in cellular mobile phones, beepers, facsimile, national paging services, telenet, email, 800 lines, prepaid calling cards, residential and commercial telephone systems, data transmission, wireless Internet, videoconferencing, electronic commerce, webTV, and other state of the art technologies. It is expected that the digital cellular telephone segment will be one of the fastest developing in telephone communication within the next years (DRone 1999).

The Communication network in the Dominican Republic has been and will continue to be a leading growth sector and a key element in its economy. Equipments is one of the fastest growing and most competitive industry sectors. According to data provided by the UN's International Telecommunications Union, the Dominican Republic has around 9.4 telephones per 100 inhabitants, compared with 4.2 nine years ago. The market is characterized by innovation and declining prices (Economist 2000: 11).

The most ambitious project of former president Fernandez was a national internet strategy and the building of a new 'Cyberpark and Institute of Techonology Las Americas'. With its



proximity to both the US and Latin American markets, combined with a Spanish-speaking population and robust telecommunications infrastructure, the Dominican Republic aims to be a bridge for IT businesses in the Western Hemisphere. In the year 2000 there have been 24 Internet Service Providers (ISPs) and about 25,000 Internet users, in many parts of the countries, as well in more remote areas.

#### 8.8.4 Transportation and Road Network

There is an extensive road network of over 20,000 kilometers of highways and secondary roads, of which the majority is not paved. Routes are often not clearly signed and rules of the road are not strictly enforced, making driving tense and chaotic for those who are not accustomed to it. In 2000 there were 45 motor vehicles per 1,000 people. A major road-building programme is currently under way, involving urban schemes in Santo Domingo and principal intercity routes (Economist 2001).

The country has, however, an excellent bus system providing scheduled transport between Santo Domingo as the hub of all domestic transportation and major cities. Privately-operated companies offer inexpensive and fast traveling in well-maintained and comfortable buses—usually with on-board bathrooms, air conditioner, and on board TV's. Along the most frequently traveled routes, buses leave every half hour. There are also smaller buses and bus-vans that run between the cities and towns, but which are less comfortable (DRpure 2001).

In general, taxis have to be payed to and from the main airports, if no transfers are arranged with tour operators. There is a strong lobby of taxi drivers that successfully prevented so far the introduction of regular airport bus shuttles to and from the capital Santo Domingo.

Urban public transport services in the capital Santo Domingo are poor, and limited to the OMSA (public bus) for the main streets and to the usual mode of public transport (so called 'carros públicos' (public taxis)). These are, however, in general not used among day-tourist. Visitors will find all areas accessible through the use of taxis, car rentals, or ground tour operators who offer sightseeing, shopping and overnight tours.

The projected travel times between Santo Domingo and major tourist destinations are as follows:

**Fig. 15: Domestic Travel Times in the Dominican Republic**

Santo Domingo- Puerto Plata = 3-1/2 h	Santo Domingo- Samaná = 4 h
Santo Domingo- Punta Cana = 3-1/2 h	Santo Domingo- Barahona = 3 h
Santo Domingo- Juan Dolio = 45 minutes	Santo Domingo- Jarabacoa = 2 h
Santo Domingo- La Romana = 2 h	Santo Domingo- Santiago = 2 h

Source: own estimates

## 8.9 Access to the Dominican Republic

### 8.9.1 Access by Air

Currently, there are five international airports in operation throughout the Dominican Republic. Las Américas International Airport is located approximately 19 miles (30 kilometers) east of the capital city. The government recently built a new runway at this airport to alleviate air traffic. Currently, the government has planned to construct another international airport in the Northern area of the city of Santo Domingo, which will replace the existing smaller Herrera Airport. Other airports include, Puerto Plata in the North, Punta Cana in the Bávaro area in the east, Punta Aguila in La Romana (southeast), Maria Montés in Barahona (southwest) and a smaller international airport in Santiago, which handles light aircraft, small jets and commuter planes. Besides these airports, another international airport is currently under construction in Arroyo Barril, Province of Samaná (DRone 1999).

Flying times to New York are 3 1/4 h, to Miami 1 3/4 h, San Juan in Puerto Rico 35 minutes, Toronto 5 h and to most European cities between 8 and 10 hours.

The main airlines, which fly to the Dominican Republic from the American continent, are among others: American Airlines, Trans World Airlines, Air Atlantic, Tower Air, and Aeromar. American Airlines further offers flights from London via Miami. Direct flights from the USA are operated by Continental Airlines (from New Jersey), and TWA (from New York). American Airlines has been flying to the DR for 26 years. It is the predominant air carrier and is responsible for over 80% of the traffic between the Dominican Republic and the US as well as Puerto Rico.

Other airlines operating flights from Europe are Air France, Air Portugal, Condor and Martinair, as well as Iberia, which operates every day to Santo Domingo via Madrid. Connections to South and Central America offer Copa Airlines (an affiliate of Continental) and Mexicana de Aviación, with flights to Panamá and Cuba, as well as Cancun (since October 2001). Additionally, there are direct flights from Caracas, Bogotá and Panamá along with other connecting flights (General Air Services 2001).

The only domestic airline is Air Santo Domingo, which was acquired in 1999 from Air Europa, and operates through a wetlease charter arrangement with SAP Group (US carrier) of air charter and airline companies. According to the company that began flights to San Juan and Puerto Rico last year, it carried out 5,575 flight operations in 2000, transporting 54,982 passengers. The domestic commuter is the first company to get around from the ban on Dominican airlines from flying to US territory (DR1 Travel News 2001).

According to the figures of the National Office for Civil Aeronautics, in 1999 and 2000 the number of regular flights to the five international airports in operation reached the following volume:

**Table 4: Number of Regular and Charter Flights in 1999-2000**

AIRPORT	1999		2000		VARIACION GROWTH (%)	
	REGULAR	CHARTERED	REGULAR	CHARTERED	REGULAR	CHARTERED
<b>TOTAL</b>	<b>35,745</b>	<b>10,456</b>	<b>37,754</b>	<b>11,612</b>	<b>5.6%</b>	<b>11.1%</b>
LAS AMERICAS	21,815	1,692	23,688	1,654	8.6	-2.2
PUERTO PLATA	5,608	4,496	6,255	4,480	11.5	-0.4
PUNTA CANA	3,692	4,198	3,685	5,138	-0.2	22.4
LA ROMANA	1,997	70	2,051	280	2.7	100.0
CIBAO	2,633	0	2,075	60	-21.2	0.0

Source: National Office For Civil Aeronautics 2000; General Air Services 2001

As shown above, travel to Punta Cana increased strongly in the year 2000, although Puerto Plata still has been the most important airport for international charter flight arrivals.

Dominican citizens living in the United States frequently use flights to and from Santo Domingo; their arrivals have accounted 27% of all regular flight arrivals in Las Americas last year (General Air Services 2001).

### 8.9.2 Access by Water

In the year 2000, the arrival of cruise passengers diminished by 40%, compared to the prior year, and confirms the general trend of the recent years. The diminution is mainly due to an increase in number of tourists arriving by plane and a lack of attracting further ships. However, there is a regular ferry from Santo Domingo to Puerto Rico and back. As well the popular cruise ship, the AIDA, still has regular stays in Sans Souci/Santo Domingo port.

The following table presents the arrival of passengers and ships in 1999 and 2000 by the most important seaports:

**Table 5: Number of Seaport Arrivals in 1999-2000**

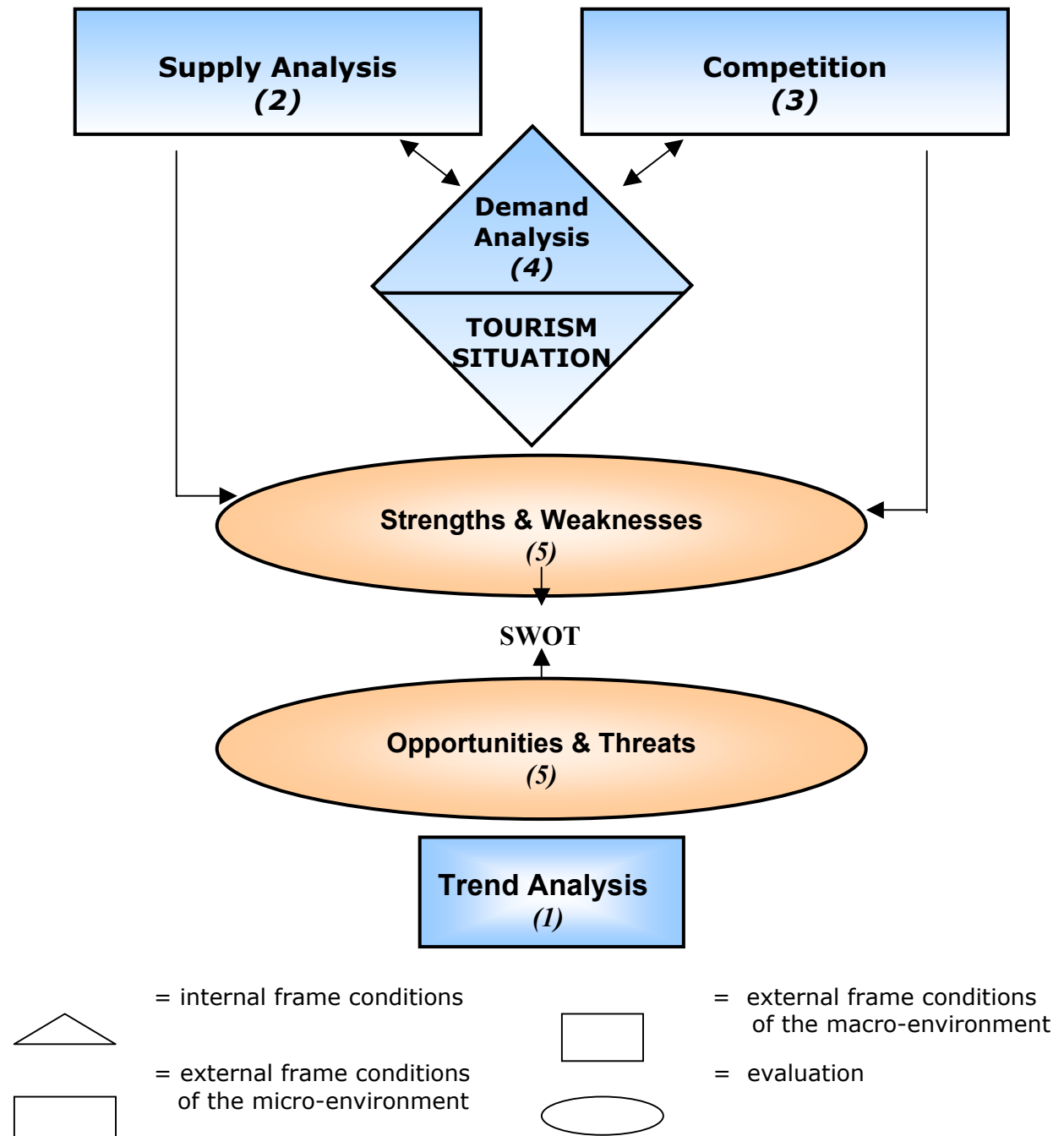
SEAPORT	1999		2000	
	PASSENGERS	SHIPS	PASSENGERS	SHIPS
<b>TOTAL</b>	<b>283,414</b>	<b>422.0</b>	<b>171.368</b>	<b>341</b>
SANTO DOMINGO	211,991	325	109.760	253
Don Diego	54,936	74	48.366	58
Sans Souci	131,601	92	30.533	47
Ferry	25,454	159	30.861	148
PUERTO PLATA	1,736	40	4.500	48
LA ROMANA	68,929	53	56.421	37
SAMANA	758	4	867	3

Source: Dominican Seaport Authority

## 9 Tourism Industry in the Dominican Republic

The illustration below shows the course of the following chapters, where the Dominican tourism industry will be analyzed and then evaluated through the SWOT analysis. As tourism trends must be considered beforehand a brief profile of the regional tourism environment, the Caribbean. (1).

**Fig. 16: Analysis and Synthesis of the Tourism Industry**



## **9.1 Tourism Trends in the Caribbean Region**

The Caribbean Region as defined by the Caribbean Tourism Organization is conformed by 34 countries. The region was originally known primarily for the three S's - sand, sea and sun, but most countries have made attempts to diversify their product. Many of the smaller islands now try to attract eco-tourists who enjoy the relatively undeveloped state of the environment. Other countries have diversified into entertainment and cultural tourism and to a lesser extent, health tourism.

For the last decade the Caribbean Region has maintained a market share of approximately 3.0% of world tourism arrivals. Tourist (stay-over) arrivals in the Caribbean have grown by more than 70% at a yearly average rate of 5.1%, which is somewhat faster than the growth in international tourism worldwide. Cruise passenger visitation to Caribbean destinations grew even by an average of 6.9% per annum between 1989 and 2000 (CTO 1999-2000: 30).

In 2000, the Caribbean kept growing at the same pace as worldwide tourism, attracting more than 20 million tourists, which was approximately 4.0% higher than the prior year

The United States remain the most important source of tourists to the Caribbean Region, despite a steady fall in its share of total tourist arrivals to the Region in recent years. As a consequence, American Airlines dominance in the Caribbean region is significant with more services to more Caribbean Islands than any other airline.

The importance of Europe as a source market has continued to grow; the share of European tourists has increased from 21.4% in 1994 to 25.2% in 2000. This reflects a strong growth that has been recorded from this market since the mid-1980's. Tourists from Canada accounted for 5.6% of all tourist arrivals in 2000, which is slightly above the 5.3% share accounted for by this market in 1994 (CTO 1999-2000: 30).

The average stay of tourists visiting the Dominican Republic, Cuba, Jamaica, Barbados and Martinique exceeded 10 days in 2000, while the average stay for tourists to the Bahamas, Bermuda, Guadeloupe and Puerto Rico was less than seven days. There are, however, significant differences between the average stay of tourists from the various major markets: European tourists stay longest on average, followed by Canadians and tourists from the United States. This appears reasonable given the distance to the Caribbean Region from each

tourist market. As would be expected, destinations with a higher dependence on the European markets tend to register higher lengths of stay than those with a greater dependence on tourists from North America.

In 1999, the Caribbean destination received a total of 31.81 million visitors, comprising 19.54 million tourist arrivals and 12.27 million cruise passenger visits. By the end of 2000 the total accommodation capacity in the Caribbean region grew by 5.2% to reach 257,000 thousand rooms. It represented a compounded growth of 5.2% from the period 1994 to 1999. However, total growth has slowed down in 1999 to 4,3%

Within the hospitality sector, the all-inclusive hotel brand has become increasingly important for attracting tourists, but traditional hotels as well as small hotels and villas meanwhile provide a variety of options. All- inclusive package holidays in the Caribbean are mainly booked by Europeans, South Americans and Canadians and this in countries.

Since 1995, the most noticeable tendency within the Caribbean region has been the significant growth in market share by the Hispanic Caribbean Group (Dominican Republic, Cuba, Mexican Caribbean, Puerto Rico) that grew by an average 7.6% compared to 1.7% for the traditional CARICOM (Caribbean Community Secretariat)<sup>17</sup> destinations. The Hispanic Caribbean Grew accounted for more than half of all tourist arrivals to the Caribbean in 2000. In the same year the real growth took place in the emerging destinations such as Mexico (Cancun), Cuba and the Dominican Republic.

The French West Indies group (which receives around 80% of its tourists from France) also increased its share of total Caribbean tourism in the last years. All other regional groups in the Caribbean have seen their shares slowly declining between 1995 and 1999. For example, the 18-nation Commonwealth Caribbean group, which accounted 35.9% of all tourists to the region in 1995, received only 30.6% of the total in 2000 (CTO 2001:12). The slow down of the 'older' Caribbean destinations is due in part of the 'newness' of the Spanish Caribbean destinations, their price advantages and market size.

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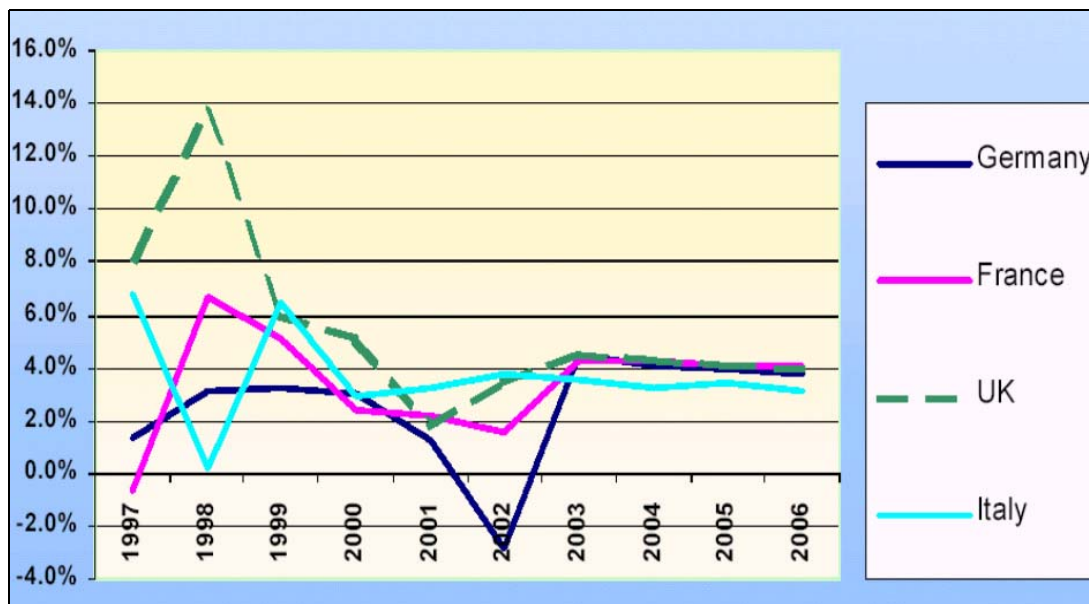
<sup>17</sup> Members are: Antigua and Barbuda, Bahamas, Barbados, Belize, Grenada, Haiti, Montserrat, St. Lucia, Trinidad and Tobago, St. Vincen& the Grenadines, Dominica, Guyana, St. Kitts and Nevis, Suriname.

The Caribbean is the most tourism-oriented region in the world. It is estimated that in 2000, tourism employed 3.1 million people either directly or indirectly, thus accounting for 13.4% of total employment. Direct employment in the tourism characteristic industries alone amounts to 5% of total employment. Visitor expenditures contributed an estimated US\$17 billion, or 18.4% to export revenues. Countries whose international tourism receipts exceed 5% of GDP or 10% of export revenues are considered to be "tourism countries" for the purposes of the World Trade Organization (International Labor Organization 2001).

Tourism results by the beginning of the year 2001 have been less successful. Mexico and the Caribbean have already been severely affected by decreasing tourism arrivals before the September attacks in the United States.

The general trend of key outbound markets will include steep end-2001 declines, followed by a generally weak first half of 2002. Strength will emerge in most European markets in the second half of next year. One notable exception is Germany, as its economy struggles well into 2002. All of this sets up 2003 as a banner calendar year (DRI WEFA's Travel & Tourism consulting group 2001).

**Fig. 17: Outbound Travel Growth Forecast: 1997- 2006**



Source: DRI WEFA's Travel& Tourism consulting group 2001



As the economies of South America stagger, outbound travel from these markets will decline. However, the type of tourist traveling from these markets tends to be relatively unaffected by economic downturns. The Caribbean will recover strongly in the fourth quarter of 2002 and first quarter of 2003, as reduced airfares and other incentives draw back the leisure traveler (DRI WEFA's Travel & Tourism consulting group 2001).

Before the attacks, the Caribbean Tourism Organization's predicted an annual average growth rate of 4,6% for the coming decade. According to this forecast, high growth rates probably slow down. This is mainly due to the international more aggressive tourism competition, from other warm weather destinations.

However, the Caribbean tourism sector has recognized to continue to add variety and quality to its products and services, to be able to defend its position in the 'world tourism sector'. At the start of the 21<sup>st</sup> century the Caribbean region stands on the edge to provide sophisticated and demanding consumers with a diversified and interesting product. Thus, the economic survival of the region depending on the adoption of a sustainable tourism approach can be identified as critical.

## **9.2 Historical Tourism Development**

The Dominican Republic initiated the development of its tourism industry comparatively late, relative to other Caribbean destinations such as Barbados, Puerto Rico, and Jamaica. Prior to 1967, more Dominicans traveled abroad to other countries than foreigners came to visit (Freitag T.G. 1994: 38). This has changed rapidly in the last 30 years.

IN 1968 tourism was declared as national interest through the law no. 2536, which marked the beginning of tourism development in the Dominican Republic. During the 1970s, President Balaguer and his ministers strongly supported government and private investment in the national tourism industry, with the slogan "Come to the land that Columbus loved". A Tourist Incentive Law (Law 153) was introduced in 1971, which created certain "tourist poles" to promote the industry's growth, and, more important, to provide investors in tourism a ten-year tax holiday and an exemption from tariffs on imports not available locally. The law also created a special arm of the central bank to co-finance new investments in the sector.

The implied goal of the industry was to provide a framework for raising the standard of living of the local population and increasing the nation's revenue. The profits from tourism would, as thought theoretically, later be redirected towards further diversification of the economy (Wiarda and Kryzanek 1982:84-85).

Domestic investors have predominantly financed the development of tourism in the Dominican Republic, unlike the agribusiness, mining, and manufacturing industries. A few foreign owned resorts, such as La Romana's Casa de Campo, developed by Gulf and Western, have attracted affluent tourists since the early 1970s (Freitag 1994: 38). Through the services of the government and the Central Bank, an organization called 'El Desarrollo de la Infraestructura Turística', or INFRATUR, was created to finance and direct the infrastructural development of 'tourism zones'. Beginning in the 1970s, with strict spatial limitations, the government-sponsored development of the Boca Chica tourism zone and the Puerto Plata tourism zone on the north coast.

The Dominican tourist industry then grew tremendously during the 1970s and the 1980s. In 1979 the administration of president Antonio Guzmán Fernández (1978- 82) elevated the director of the country's tourism development efforts to cabinet level, a further indication of official interest and commitment. It was then, when foreign owned hotel chains, such as Jack Tar, Radisson, Sheraton, Concorde, and Club Med, began to invest heavily in the Dominican Republic. Even as late as 1987, government estimates were that only 21% of all hotel rooms were foreign owned (Economic Intelligence Unit 1990:28).

Many private investors and Dominican government planners have favored the development of enclave resorts in spatially centralized areas of the country, because initial infrastructure deficiencies have been severe, and the costs for tourism development had been borne by the Dominican government. However, between 1974 and 1982, over US\$ 76 million (the majority borrowed from international credit agencies) were invested by the government in the north coast Puerto Plata zone, to establish the facilities necessary to attract private investors (Wiarda and Kryzanek 1982:85). This included an international airport, a government owned hotel with training facilities for management, sewage treatment facilities, and improved roads. Moreover, government planners rationalized that bringing facilities up to the level demanded by international tourists was more economically feasible in a few zones than in many dispersed locations (Freitag: 541).

Foreign-exchange earnings from tourism also multiplied dramatically, during the 1980s, from US\$100 million in 1980 to US\$570 million by 1987, or the equivalent of 80% of all merchandise exports. In 1984 tourism replaced sugar as the country's leading foreign-exchange earner, exemplifying the growing diversity of the Dominican economy. The number of tourists visiting the island increased from 278,000 in 1975 to 792,000 in 1985, and in 1987 the number of vacationers surpassed 1 million for the first time. This total surpassed those of traditional resort locations like Bermuda and Barbados, and it made the Dominican Republic the fifth largest earner of tourism dollars in the Caribbean, behind the Bahamas, Puerto Rico, Jamaica, and the United States Virgin Islands (American Library of Congress Country Studies 1989).

As a consequence of numerous devaluations of the peso in the 1980s, the country was the least expensive Caribbean resort. The republic also benefited from a general upswing in Caribbean tourism, in the 1980s, associated with the strong United States economy. Each year during the decade, the United States accounted for more than 50% of the visitors to the Dominican Republic. Other vacationers came mainly from Canada, Italy, Spain, West Germany, and the Scandinavian countries. As the island offered more "all-inclusive" package vacations to visitors, the average tourist expenditure and length of stay also increased, indicating the gradual maturation of the trade. Levels of hotel occupancy generally were very high, between 80% and 90%. Traditionally, the most popular resorts had been in La Romana, Puerto Plata, and Santo Domingo, but new beach hotels in the southwest, the east, and the north all promised to be major attractions in the future.

By the beginning of 1985, sound macroeconomic policies provided an appropriate context for a takeoff in investment in the sector. By 1989, six official tourist zones had been designated with additional regions being remarked for future projects. In the same year, the country boasted over 18,000 hotel rooms--more than any other location in the Caribbean (American Library of Congress Country Studies 1989).

### 9.3 Recent Tourism Development

In 2000, the contrast cannot be more complete with tourism revenues of US\$ 2,895 million and 2,483.3 in 1999. The Dominican Republic rolled out a warm welcome to 2,147,742 overnight foreign tourists, making it the leading destination by volume of visitors, in the Caribbean region (before Cuba). Since 1985 the volume of visitors to the Dominican Republic has nearly quadrupled, growing at an average annual growth rate of 10,4% (WTO 2001: 131). Haiti, by contrast, received 148,735 such tourists and is now looking to the Dominican tourist industry for a leg-up rebuilding its own (Anne Fuller 1999).

By the end of the 1990s eight main tourism zones exist in the Dominican Republic<sup>18</sup>:

**Fig. 18: Touristical Zones in the Dominican Republic**

1. Santo Domingo- Romana	(1973 resolution No. 3133)
2. North Coast -Puerto Plata	(1972 resolution 2125)
3. Punta Cana- Bávaro	(1986 resolution 479)
4. Barahona- Pedernales	(1985/ 98 res. 3327/30)
5. Northwestern Region- Monte Cristi	(1993 resolution 16)
6. Samaná- Las Terrenas	(1994 resolution 91)
7. Jarabacoa-Constanza	(1977 resolution 2729)
8. Costa Caribe	(1973)

Source: Hoy 2000

In 2001, the Dominican tourism sector has suddenly experienced a rapid decline of room occupancy ratios after a decade of steady growth. Tourism revenues fell 15% in the first four months, compared to the same period in 1999. Tax increases and thus, increased prices reduced both private consumption and investment. The number of tourists at the north coast resorts around Puerta Plata had been dwindling for several months. However, things were made worse at the end of August when charter flight arrivals declined seriously as Britannia Airways suspended flights from Germany. Lack of visitors and a decline in hotel occupations, caused a rapid fall in sub-sectors, in particular bars and restaurants (Cenantillas 2001).

The New York attacks of 11<sup>th</sup> September, finally led to a total collapse in the tourism industry, with the consequence of further decreases and cancellations of flights.

<sup>18</sup> see appendix 5

## 9.4 Supply Analysis

### 9.4.1 Attractions

#### 9.4.1.1 Natural Attractions

The Dominican Republic has primarily marketed itself as a beach destination with the tourism industry concentrated around the coastal towns of Puerto Plata in the north and Punta Cana, Boca Chica and La Romana in the east. As mentioned before, this traditional market is still growing but is seen as a mature market.

Fortunately, the country is large and diverse in Caribbean terms, with its mountains, rainforests, fertile valleys and deserts. Alternative<sup>19</sup> activities have been developed to add variety. The new emerging natural attractions for alternative tourism are Jarabacoa in the interior, the Samaná Peninsula in the north east for whale watching and Santo Domingo the capital and its colonial city. The natural attractions of the Dominican Republic, some of them already mentioned before, can be summarized as follows (CTO 1999: 39-40):

- The DR has the greatest biodiversity in the Antilles; in global terms, the DR is ranked third in biodiversity for an island of its size.
- 14 national parks and seven nature reserves covering 12% of the country, with more than 5,600 plants documented (including 300 species of orchid).
- A wide range of 'life zones', with Lake Enriquillo and the mountain Pico Duarte, these are the lowest and highest points in the Antilles.
- A diverse geomorphology and landscape with three mountain ranges; the only part of the Antilles where it is possible to find alpine and Andean vegetation, in the Nuevo Valley.
- The most impressive Karst region in the Antilles at Los Haitises National Park, covering an area of 1600km<sup>2</sup> with caves, subterranean rivers etc.
- One of the highest free-fall waterfalls, Agua Blanca de Constanza, with two waterfalls of some 83 meters.
- The largest number of caves and caves art in the Antilles and greatest quantity of cave paintings in one cavern (over 1700 in the cave of Jose Maria/Parques Nacional del Este)
- The highest number of visiting whales in the Caribbean
- Other wildlife including crocodiles, iguana and over 250 species of birds.
- Impressive Botanic Garden in Santo Domingo

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<sup>19</sup> 'Alternative' is understood as any other form of tourism development, and not 'alternative tourism' in particular.

#### *9.4.1.2 Physical and Cultural attractions*

The Dominican Republic has very special physical heritage resources in the Colonial City in Santo Domingo and the city's association with Christopher Columbus. The capital also has the largest and, reputedly, the best museums in the Caribbean and offers plenty of good high-class restaurants and theatre activities. Outside Santo Domingo, there are interesting Colonial ruins and a few historic houses including the Victorian houses of Monte Christi, Santiago and Puerto Plata.

The Colonial City in Santo Domingo, the original walled settlement of 3 ½ km<sup>2</sup> at the mouth of Ozama River, is a World Heritage Site described as 'the new cradle of the New World'; the oldest city in the Americas with the first monastery, hospital, fortress, the first university and cathedral. Most of these attractions remain at the eastern end of the city (the restored fortress, Columbus's house, the cathedral and Calle Las Damas) with attractive views over the river basin where cruise liners are now moored instead of Spanish galleons. To the south is the seaside promenade (the Malecon) and various monuments. The Colonial City is an exceptional attraction but in need of environmental improvement and visitor management. However, it has the potential to become an international attraction given the enormous importance of the 'Columbus connection' and associated heritage (CTO 1999:40).

### **9.4.2 Dominican Lodging Market**

#### *9.4.2.1 National Supply*

During the last decade the hotel industry experienced a high growth rate of 172%, with 51,916 hotel rooms reaching by the end of 2000. This represents a growth rate of 4.6 % compared to 49,623 available hotel rooms at the end of 1999, and 11.8 % compared to 44,372 available hotel rooms at the end of 1998. Generally, there is a high concentration in the coastal zones.

Most of the hotels (average 57,3%) offer all-inclusive packages. All-inclusive is offered to 100% in Playa Dorada and la Romana/Bahayhibe and to 80% in Bavaro-Punta Cana and Samaná; in Boca Chica and Juan Dolio as well as Sosua-Cabarete 60% and 41.2% offer all-inclusive respectively. The hotels in these areas sum up 71% of the total hotel supply in the Dominican Republic.

In the capital Santo Domingo, hotels most frequently (41.7%) offer EP (accommodation with no meals) and generally not all-inclusive (Asonahores 2001).

As relates to the Dominican Republic's relative position in world tourism, surveys confirm that the average room rate is among the lowest. The classification into high, medium or low room rates differs considerably between the Dominican Republic compared to South America and many other countries. In the Dominican Republic, a 'high' daily room rate starts with a price equal or above US\$ 50, which is already below the most economic categorization in South America with US\$ 80/day (below or up to).

In 1999, the average Dominican room rate of US\$ 27.97 has been the lowest of 26 countries. The Dominican Republic was followed by Croatia with US\$ 37.00 and Hungary US\$ 44.19. (Horwath International 1999: 54-55).

In the year 2000, hotels in Santo Domingo generally had, with US\$76.4 a relatively high average annual room rate, compared to the 'beach' hotels that showed a further decline to US\$ 18.7. Moreover, the latter represent the majority of hotels and rooms in the Dominican Republic (Punta Cana and Puerto Plata). In other words, hotels with the largest accommodation offer and the lowest income are the hotels with the largest occupational rate (72.3%). This shows a strong vulnerability of these hotels, if occupation rates decline (Horwath 2001).

However, the average occupancy rate within the last decade has been maintained at a high and competitive ranging from 69.0% to 76.8 (69,2% in 2000), notwithstanding the significant increase in rooms supply experienced by the country.

The following table shows the constant growth rate that the Dominican hotel industry has maintained during the last 10 years, with the exception of a slowdown in the year 2000:

**Table 6: Hotel Rooms Supply and Occupancy Rate**

YEAR	HOTEL ROOMS	GROWTH RATE (%)	OCCUPANCY ROOM RATE (%)
1970	1.134	--	N/A
1980	5.394	--	N/A
1985	8.562	--	N/A
1987	12.000	--	N/A
1990	19,043		69.0
1991	21,510	13.0	66.0
1992	24,410	13.5	69.0
1993	26,801	9.8	75.0
1994	29,243	9.1	72.0
1995	32,846	12.3	76.8
1996	36,273	10.4	72.8
1997	40,453	11.5	76.2
1998	44,665	10.4	69.7
1999	49,623	11.1	67.9
2000	51.916	4.6	70.2

Source: National Association of Hotels and Restaurants 2001 and Horwath Consulting 2001

In 2000, the eastern region (Bavaro-Punta Cana) had the highest average occupation rate of 72.9%, which is an increase of 11% compared to 1999 (62%). Further the months with the best occupation rates have been in January (70.7%), February (70.9%), March (70.8%) and April (70.5%) of the year 2000 (Horwath 2001).

The hotel industry in the Dominican Republic has experienced an extraordinary development since the beginning of the early 70s. The rapid expansion of hotel rooms outstripped the average growth rates within the Caribbean region and has been a result of the high increase of tourists visiting the country.

The following table shows the number of hotel rooms in the Caribbean Region compared to the Dominican Republic for the years 1980 as well as 1994 to 1999.



**Table 7: Hotel room development: Dominican Republic and the Caribbean**

<b>YEAR</b>	<b>HOTEL ROOMS IN THE CARRIBEAN REGION</b>	<b>GROWTH %</b>	<b>HOTEL ROOMS IN THE DOMINICAN REPUBLIC</b>	<b>GROWTH %</b>	<b>DOMINICAN SHARE OF THE CARRIBEAN HOTEL ROOMS %</b>
<b>1980</b>	83,774	-	3,800	-	4.5
<b>1994</b>	189,763	-	29,243	-	15.4
<b>1995</b>	197,942	4.3	32,846	12.3	16.6
<b>1996</b>	209,909	6.0	36,273	10.4	17.2
<b>1997</b>	222,295	5.9	40,453	11.5	18.1
<b>1998</b>	233,000	4.8	44,665	10.4	19.1
<b>1999</b>	245,000	5.2	49,623	11.1	20.3
<b>2000</b>	257,000	4.9	51,916	4.6	20.2

Source: World Tourism Organization Report, 1999; National Association of Hotels and Restaurants 2001

#### 9.4.2.2 Regional Hotel Supply

Tourist hotel concentrations have been developed in several different areas, as the country now has six international airports, the largest at Santo Domingo and Puerto Plata. The following part describes the principal areas of hotel supply in the Dominican Republic. However, changes might have taken place in the number of hotels as declining tourist arrivals and a general weak economic environment forced many hotels, in particular in the North (Puerto Plata/Sosua), but as well in Punta Cana, to close their hotel businesses- some forever, others just temporarily.

##### South Coast: Boca Chica/ Juan Dolio

Boca Chica, situated 8 km east from the International Airport Las Americas, is the touristical area that is closest to the capital of Santo Domingo. Presently the supply predominately consists of twenty smaller hotels and pensions offering 406 rooms and three resorts accounting for 1,283 rooms, which are all operated as all-inclusive resorts. The annual average occupancy was 68% in the year 2000. The touristical demand in Boca Chica is highly determined by European guests, although due to its proximity to Santo Domingo a

comparatively high portion of the local demand is generated especially on weekends and on holiday time. During these periods the area of Boca Chica is highly congested as a result of the high quantity of local and international tourists.

#### East Coast: La Romana, Punta Cana, and Playa Bávaro

The Eastern Coast area that comprises the provinces La Romana and La Altagracia is next to the North Coast region one of the major touristical zones in the Dominican Republic. La Romana, some 75 miles east of Santo Domingo, was attracting wealthy tourists in the 1970s to Casa de Campo, a 7,000-acre resort designed by Oscar de la Renta. Also aimed at the luxury market is Altos de Chavón, a reconstructed 16<sup>th</sup> century Italian-style artists village perched on a cliff overlooking the Chavón River and the Caribbean sea.

The resorts in the east are mainly catered by the International Airport of Las Americas in Santo Domingo, the International Airport of Punta Cana (which mainly receives chartered flights) and the airport of Punta de Águila in La Romana.

Presently in the East Coast Area there are more than 20 all-inclusive resorts with more than 200 hotel rooms each. The room supply in this region amounted 19,718 hotel rooms in the year 2000 (18,274 in La Altagracia and 1,444 in La Romana), representing 38% of the total national supply. The occupancy rate increased to 74% in 2000, which means an increase of 16.3% to 1999, where the occupancy rate was 63.2% (Horwath 2001).

Mainly tourist groups are visiting these hotel resorts. Hotel properties are offering a high variety of facilities and amenities, time-sharing, all-inclusive, moderate and upper level prices, golf courses and casinos. Tour operators and distributors particularly dominate the touristical market in the area of Punta Cana and Playa Bávaro.

#### North Coast: Puerto Plata, Sosúa, Playa Dorada, Playa Grande, Samana

##### Puerto Plata

The North Coast is the center of more than a third of the nation's hotel rooms (18,400). At the heart of this region, the city of Puerto Plata curves around the base of towering the mountain 'Isabel de Torres', which can be reached by an electrified sky lift system called the Teleférico.

The charm of Puerto Plata, the largest city on the North Coast, is enhanced by the extent and variety of its Victorian architecture, unrivaled by any other Dominican city. Stylistically, the gingerbread motifs, wooden 'lace' filigree, and pastel colors of its houses and public buildings convey the romantic aura of an earlier time. But functionally they house tourist-oriented city's businesses, offices, shops, bars, restaurants and clubs.

#### Playa Dorada

A few miles east of the city lies the ocean side complex of Playa Dorada, grouping together 14 resorts, each with its own style, appearance and attractions. Uniquely, they share a sandy shore, numerous sports facilities, and a shopping plaza. This complex also features an 18-hole championship golf course.

Playa Dorada's collection of resorts in their holiday-oriented enclave creates mingle visitors from a dozen nations. There are a high number of restaurants, snack bars, nightclubs, casinos and discos within the enclave. The annual average occupancy rate was 68.8% in the year 2000 (100% all inclusive plan) (Horwath 2001).

#### Sosúa

A little further east from Puerto Plata lies the village of Sosúa. Many would contend argue that Sosúa's crescent-shaped beach hugged by a sheltering cove bracketed by Los Charamicos to the West and El Batey to the East is the country's most applauded beach.

Settled by Jewish refugees from Europe more than a half century ago, Sosúa has remained popular with European visitors, and its streets are punctuated with casual European-style open-air restaurants, bars, and cafes.

#### Cabarete

The windsurfing center of the Dominican Republic is Cabarete, which is situated 15-minutes east from Sosúa. This windsurfer's paradise is situated on a strip of land between a bay and a lagoon. Besides windsurfing, Cabarete offers wave surfing, body boarding, tennis, golf, mountain biking and horseback riding and serves as a point of departure for numerous adventure-tours. The annual average occupancy rate was 75% in the year 2000 (Horwath 2001).

### Playa Grande and Rio San Juan

Playa Grande is a tourist project with an approximate total extension of 7.5 million sq. meters and 1600 meters of white sand beaches. It is located in the North Coast of the Dominican Republic, between the municipalities of San Juan and Cabrera, in the Province of Maria Trinidad Sanchez. Nearby, the golf course has begun to attract international guests. The annual average occupancy rate in Playa Grande was 81% in the year 2000 (Horwath 2001).

Now known as Costa Verde, the area beckons with numerous all but deserted beaches of white sand and palm trees, while a scattering of newer small hotels offers a possible alternative to the big resort communities.

However, the objective of a new bid by the National Bank is to sell the whole area, with the possibility of dividing the project in two large areas: East Zone and West Zone (National Bank 2001).

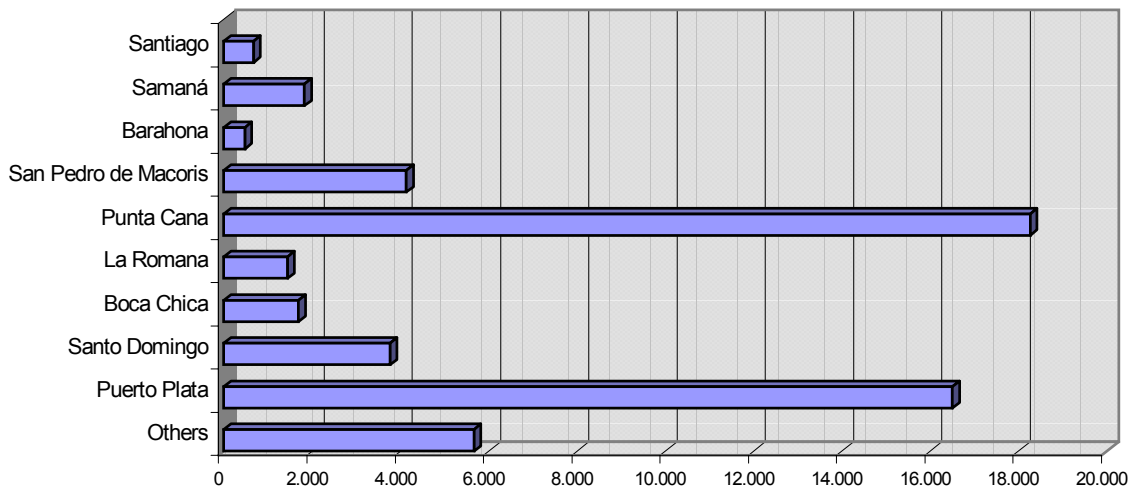
The area of Puerto Plata offers 31.8% of the total hotel room supply in the country, with 16,514 rooms at the end of December 2000. The profile of tourists coming to the province is quite similar, however, has considerably changed during the last ten years. The arrivals of European guests have increased from 34.7% in 1990 to a 70.9% in 2000. On the same time the guest portion from the United States decreased from a 32.8% in 1990 to 14.6% in 2000.

**Table 8: International Arrivals in the North**

PASSENGER ARRIVALS BY AIR	INTERNATIONAL AIRPORT LUPERON/ PUERTA PLATA
COUNTRY	PERCENTAGE
Europe	70.9
United States	14.5
Canada	13.8
Latin America	0.6
Others	0.2
<b>TOTAL</b>	<b>100.0</b>

Source: National Bank of the Dominican Republic

The highest amount of hotel rooms can be found in Puerto Plata and in the Punta Cana area, due to numerous large-scale tourism resorts. The distribution of hotel rooms will be shown with the following graphic:

**Fig. 19: Distribution of hotel rooms in different regions**

Source: ASONAHORES 2001: 32

#### 9.4.3 Marina Supply

Interestingly enough there are presently no marinas as such to be identified at the Northern coast of the Dominican Republic, though many sites have been mentioned or rumored over the years as the ideal place for a local marina development. However, the majority of these projects have not seen completion. One exception is the newly opened *Casa de Campo Marina* in the southeast of the country, which is called by its creator the 'most sophisticated in its kind' in the Dominican Republic and possibly in the entire Caribbean. Casa de Campo Marina was built at a cost of about RD\$500 million and has 232 berths for boats of different sizes, fuel stations, electricity connections and other facilities. Eighty-seven apartments, 14 villas and a commercial center are also on the grounds. The marina was patterned after the port of Portofino on the western coast of Italy (DROne 1999).

There are some Dominican beach resorts which claim themselves to have a marina (i.e. Casa Marina Bay in Samaná, Casa Marina Beach in Sosua). However, these resorts do not really offer noteworthy marina facilities, but only water sport activities such as windsurfing, pedal boats or kayaking.

Besides there exist some private small sized marinas at Santo Domingo and Boca Chica, which can only be used by its members and which only offer a limited amount of facilities.

#### 9.4.4 New Tourism Development Projects

New areas of tourism development are Barahona (at present 480 hotel rooms) as well as, Samaná (at present 1,825 rooms) for eco-tourism. Another area in the Cordillera Central, Jarabacoa, which so far is mainly popular among Dominicans, is gaining a growing international interest for sports, adventure and nature tourism.

More and more, Dominican hotel resorts also offer *time-sharing*, which is a way of leasing accommodation through a contract, by which a person acquires the right to use, specified immovable property (tourist accommodation) for a certain period of time during each year (not less than a week). It has a duration of 3 to 60 years at a total rent.

Some hotels offering time-sharing contracts in the Dominican Republic are:

- Club Dominicus Bay – Bayahibe
- Club on the Green - Puerto Plata
- Costa Linda Hotel & Beach Resort - Santo Domingo
- Village Bavaro - Punta Cana
- Caribbean Village Playa Grande - Rio San Juan

The total number of hotels offering time-sharing is so far unknown, however, a registration by SECTUR is in process.

For the next two years, the National Association of Hotels estimates that about 15 new hotel projects will offer further 3,000 hotels rooms. Among these, are high-class hotels in Santo Domingo and Santiago (Crowne Plaza).<sup>20</sup>

Moreover, the construction of luxury holiday resorts in the next three to five years, comprising marinas, golf courses, conference centers, health and wellness spas, villas and summer residences as well as training centers (hotel schools), will provide a large quantity of new accommodation facilities. With the planned marina projects, small boat or private yacht tourism should also be promoted.

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<sup>20</sup> See appendix 6

Some important large-scale projects are so far:

1) *Riviera del Mar* at the North Coast of the Dominican Republic:

Contemplates eight beach hotels, two mountain hotels, one marina hotel plus residential villas, mountain and marina apartments (all with ocean view) that will provide a total of 8000 rooms (Resort Community 2001).

2) *Yasica Beach Resort* in the North of the Dominican Republic:

Encompasses 100 Suites and 450 villas, as well as 100 Time Share Apartments. One De Luxe Hotel, Golfhotel and Familyhotel, will provide together another 650 rooms by the year 2003 (ACN International 2001).

3) *Cap Cana* in the eastern part of the island (Punta Cana),

Grupo del Caribe, one of the Caribbean's largest development groups, is developing another multi-billion-dollar Cap Cana project on 30,000 acres on the easternmost point of the Dominican Republic, next to Punta Cana. Jack Nicklaus, a famous golfer and successful golf course designer, will plan three golf courses. Further, the project plans to feature the Caribbean's largest marina, with several harbors, and two dozen luxury hotels. Cap Cana aims to host a large community of luxury permanent and part-time residences by the year 2003 (PGA 2001).

4) The '*Montecristi- Dajabón development project*' will also include the construction of various new luxury hotels (Four Seasons, Accord) and the development of the Montecristi area for tourism. Investments of more than US\$ 974 million are planned within the next five years (AHK 2001).

The project in total comprises further the construction of a mega-port, with the goal to convert the nation into a bridge among the other countries of the Caribbean, Central America and the United States; further it contemplates the construction of a free zone and a free trade area, a new airport and infrastructure. Total investments of US\$ 1,800 million will be made by a consortium of American, French and Arabic companies (Russin, Vecchi& Heredia Bonetti 2001).

## 9.5 Main Competitors

The main competitors of the Dominican Republic are from the Hispanic Caribbean Group, like Cancun (Mexico), Cuba and Jamaica, but also Bahamas and Barbados.

### CUBA

In 1990, a total of 340,300 tourists visited Cuba; by the end of 2000 that number had reached 1.7 million guests. Nine international airports coupled with daily flights from most of its main markets of Canada, Spain, Italy, France and Germany have helped to fuel this market, which is expected to reach two million visitors in 2003.

Tourism will continue to be the backbone of the Cuban economy, and the hotel sector has more than doubled the available rooms capacity within the last decade. At the end of 2000, there were 189 properties having over 37,110 rooms. The occupancy in 2000 averages 72%, while the average daily room rates ranged between US\$50 and US\$125. Resort and Hotel constructions have continued unabated, and in 2000, more than 20 four-star hotels started their operations in Cuba (Horwath 2000).

### CANCUN (MEXICO)

In 2000, 3.04 million visitors arrivals at Cancun were counted, an 8.1% increase compared to the 2.81 million arrivals in 1999. The reported average daily rate for four-star hotels has been US\$92 per occupied room in 2000. Cancun continues to achieve the highest occupancy percentage of any tourist destination in Mexico; overall occupancy rate in 2000 has been 72.1%, and even 76% in 1999. One reason for this decline was a 4.4% growth in hotel room supply, which now totals 24,610 hotel rooms.

Cancun continues to rely on the U.S. market, which generated over 54% of the total number of arrivals in 2000. The European market was the second most important segment representing 11% of the total arrivals in 2000; this market posted an astounding 38.7% growth in arrivals over the prior year, compared to a growth rate of only 2.5% in U.S. arrivals.

The long-term outlook for Cancun appears to be favorable, as the hotel zone will be faced with a scarcity of available development land, which should slow down growth in the room supply, and help maintain current occupancy rates. It appears that growth will continue in the Riviera



Maya corridor, although there is mounting concern that further development will compromise the environment and the unique experience offered by this area (Horwath 2000).

#### JAMAICA

Tourism is Jamaica's primary source of foreign exchange incomes. While arrivals have not increased substantially, it is important to note that the room count has steadily increased, partly through expansion and partly through replacement. During this time Jamaica have seen considerable expansion of the all-inclusive accommodation component, primarily through the activities of local entrepreneurs. This general upgrading of the accommodation plant is reflected in the visitor expenditure performance - also showing steady increases over the time period.

In 2000, the tourist arrivals increased 6.0% compared to 1999, equivalent to 1322,690 tourists, and 1,248,397 respectively. The average rate growth of tourist to this destination stood at 2.0% since 1993. Actually, Jamaica has more than 23,000 guest rooms. In 1999 the room occupancy rate was 57.0% (Horwath 2000).

#### BAHAMAS

For more than 40 years, the Bahamas has been one of the most important tourist destinations in the Caribbean. The Bahamas, with a territory of 13,935 square kilometers and a population of approximately 300,000 inhabitants, is located approximately 50 miles from the main land of the United States of America.

The Bahamas tourism sector has long been the engine of the Bahamian economy. Tourism generates about 50% of the total Gross Domestic Product and, directly or indirectly, employs about 50,000 people, roughly half the total workforce.

Since 1999 the Bahamas witnessed a strong recovery of the national economy, especially based a repositioning of the Bahamas as an upscale tourism destination, a continuing privatization of hotel properties, a boosted airline service, broad renovation and extension of many of the hotel complexes with governmental and private investments of over US\$1.0 billion in the hotel industry in 1998.

These factors resulted in an increase in the supply of hotel rooms to 14,153 in 246 hotels in the year 2000, representing a significant portion of the total Caribbean hotel room supply. Due to various foreign investments particularly from the United States and Europe, today less than 5% of the hotel room supply is state-owned.

In 1999 tourists' air arrivals increased by 9.0% to a total of 1,438,887, compared with the year 2000, when the country received 1,480,683. This represents an increase of 2.9% over 1999.

During the year 2000, the industry boasted an occupation rate of 69% and an average daily room rate ranging between US\$115 and US\$179 (Horwath 2001).

#### BARBADOS

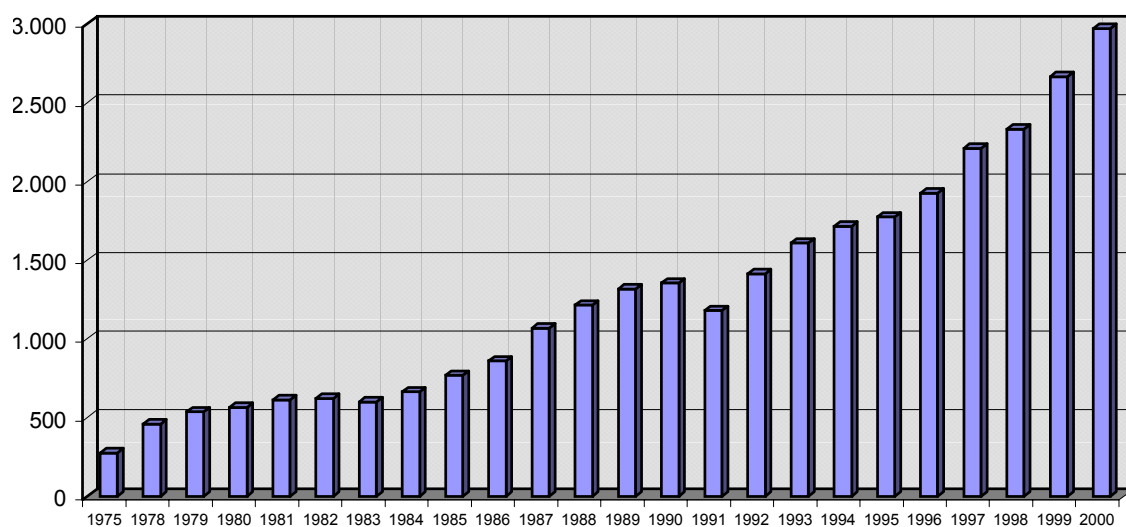
In 2000, Barbados was host to 542,970 stay-over visitors and 533,278 cruise passengers. Contrary to the Caribbean as a region that receives the majority of its visitors from the United States, tourist arrivals to Barbados are dominated by the U.K. citizens that contributed to 39% of total stay-over visitors in 2000. Unlike some of its neighbors, Barbados does not boast a strong branded presence in the accommodation sector, which is dominated by independently owned and operated properties. There are, however, several well-established local chains including Gems of Barbados, Elegant Resorts of Barbados and Almond Beach Resorts. New construction and development has been growing over the last few years and there are several projects in process. It is estimated that by 2003, there will be 3000 newly constructed or refurbished rooms added to the island's room stock (Horwath 2001).

## 9.6 Demand Analysis

### 9.6.1 Tourist Arrivals by Air until 2000

The majority of tourists come by air and stays for at least a week (Europeans average two weeks). Tourist arrivals increased from 278.00 in 1978 to 792.000 in 1985. As mentioned before, since 1985 the volume of visitors to the Dominican Republic has nearly quadrupled (3.8 times), as shown with the following graphic:

**Fig. 20: International tourist arrivals 1975- 2000 (in 1000)**

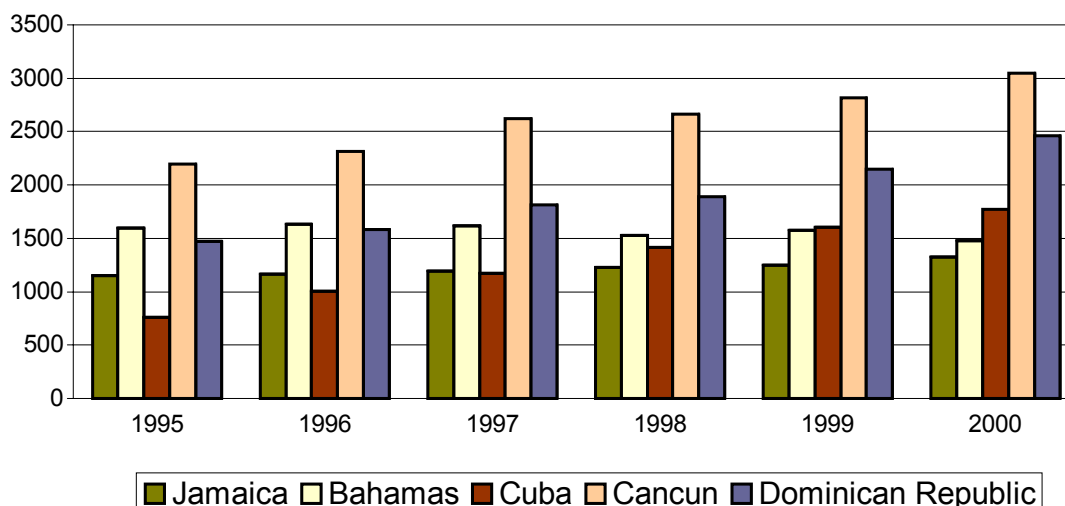


Source: Tourism Ministry 2001, Asonahores 2001: 24-25

Since 1985, international tourist arrivals in the Dominican Republic were growing at an average annual growth rate of '10.4%', reaching 2,972,552 foreign tourists in 2000 (WTO 2001: 131).

This annual growth rate is exceptional, as it has been much faster than the respective average international and Caribbean growth rates; as mentioned before, the world average growth rate has been 4.6% annually, the Caribbean grew somewhat faster with 5.1% between 1989 and 1999, which is half of the mentioned outstanding Dominican rate (CTO 1999-2000:1).

Between the years 1995 and 2000, the average annual growth rate of Cuba (18%) and the Dominican Republic (10.7%) showed a much stronger increase compared to its main competitors, followed by Cancun (6.8%); whereas in the Bahamas the number of tourist arrivals declined and in Jamaica the growth has been with (2.9%) rather slow.

**Fig. 21: Dominican Republic\* and the Caribbean: Tourist Arrivals 1995- 2000**

\* Arrivals of Foreigners only (without Dominicans not resident)

Source: CTO 1999- 2000: 14,25; WTO 2000: 3

In the year 2000, 52.9% of the tourists came from Europe, of which 34.7% were from Germany, 13.4% from France and 10.4% from Italy. The share of the British tourists, which have been second after the Germans for a long time, declined steadily since 1997 and only represented 6.7% of all European tourist arrivals in the year 2000 (see table 10).

Arrivals from Central and South America reported only 9.3%. Nevertheless, between 1999 and 2000, the North American and Latin American market shares grew 2,3% and 63% respectively (mainly in the eastern tourism resorts), while the European market share showed a decline of 2,7% (Asonahores 2001).

**Table 9: Change of Tourist Arrivals: 1980- 2000****Market Shares (in%)**

Nationality	1980	1988	1990	1993	2000
United States*	69.5	52.3	24.4	21.1	21.6
Canada	3.3	15.9	14.6	13.9	10.0
Europe	8.0	13.5	50.2	54.4	52.9
Latin America	18.0	15.3	5.1	5.7	9.3
Caribbean's	---	---	4.6	4.4	---
Rest	1.2	3.0	1.1	0.5	---

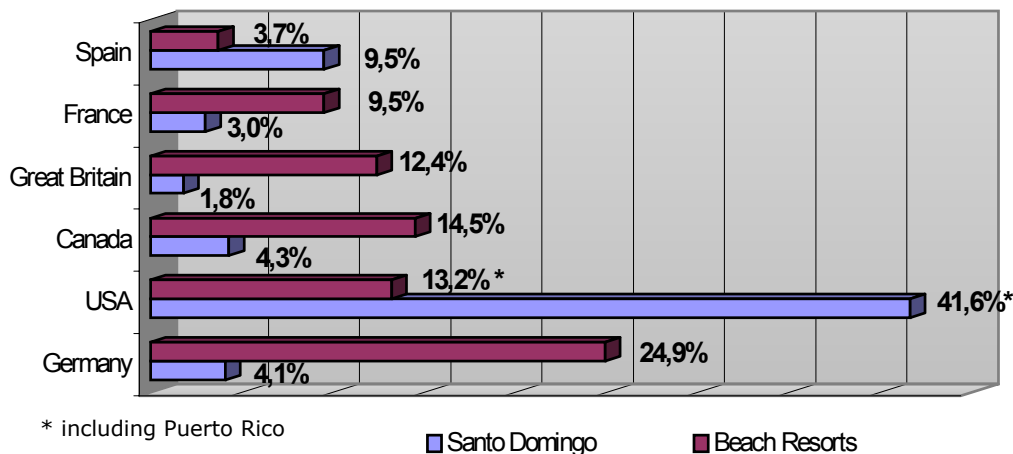
Sources: ASONAHORES 2001: 33; FAO 1996:8

As can be seen in the table 10 above, the number of American tourists shows a triple decline within the last 30 years. In the 1990s unlike most Caribbean destinations, the majority holidaymakers come from Europe, with Germany (18,4%) the biggest originating market.

This bias towards Europe reflects a strong summer season, whereas American tourists mainly come in the traditional Caribbean winter season. Thus, fluctuation is relatively low in Dominican tourism.

While arrivals from the United States accounted 21.6% of total arrivals, the majority of those are, however, business men or Dominicans, resident in the USA that are not staying at tourist resorts; the same occurs with arrivals from Spain (11,5%).

**Fig. 22: The six most important tourist-originating countries:  
Stays in Santo Domingo compared with Beach Resorts Sojourns**



Source: Horwath 2001

The following table summarizes some of the international tourist arrivals according to nationality of the last 5 years:

**Table 10: Tourist Arrivals according to Nationality**

Nationality	1996	1997	1998	1999	2000
United States*	412.016	402.039	437.700	530.352	643.748
Germany	327.772	328.860	366.600	453.175	451.920
Great Britain	121.778	216.790	188.183	108.045	117.200
Canada	127.683	152.777	170.027	174.625	245.732
Spain	91.367	106.398	110.782	137.664	150.188
Italy	104.218	118.552	110.332	135.539	135.295
France	32.479	57.507	95.771	130.587	174.258
Argentina	62.996	64.404	78.764	66.846	74.659
Belgium	35.309	46.590	40.145	37.743	37.470
Austria	40.262	36.753	30.017	21.830	23.463
Chile	14.712	11.735	15.747	14.967	16.799
México	6.183	8.888	7.667	12.127	13.137

\* Most of the arrivals are Dominicans not resident in the DR

Source: Asonahores 2001: 32

Tourist arrivals showed a strong increase in the eastern tourism regions between 1998 and 2000, with an exceptional increase of 66.7% in Punta Cana (from 519,142 to 865,540). As well La Romana could profit from the enlargement of its airport, with an increase of 37%, from 44,947 arrivals to 61,579 arrivals. Tourist arrivals in Puerto Plata, where, however, still the highest compared to the eastern tourism areas, with 872,668 in the year 2000, but showed a slower growth of arrivals with 14,3% (763,574 in 1998). International arrivals in Santo Domingo increased 19,9% to 1,47,442 (190,119 arrivals more than in 1998), whereas in 2000 only 782,156 of these arrivals have been foreigners (rest Dominicans) (Asonahores 2001: 26-30) (Asonahores 1999: 21-25).

#### 9.6.2 Tourist Arrivals by Air in 2001

The Dominican Republic is suffering its worst moments within the last decade. Travel to the DR in the first semester decreased to more than 800% due to internal (e.g. higher taxes) and external (e.g. high dollar rate for European travelers) constraints.

Tourist arrivals in 2001 grew only 2.6% in the first six months compared to a growth of 23% in the same period in 2000 (Cenantillas 2001). Although a stronger increase of North American tourist has been noted within the first months, in particular in the Punta Cana area, total tourist flows declined 0.4%. This decrease might seem little, however, the loss of tourists from Europe has been much higher, with a decline of 7.6% already in the stronger months of the year (the first trimester), and already 12.1% at the end of the first semester (see table

12). August figures were showing a 3.5% decline in occupancy rates over last year's numbers (see table 12 ). Simultaneously a growth of 1% of foreign exchanges, the smallest for the last decade, finally also had strong impacts on the Dominican economy (Cenantillas 2001).

**Table11: Tourist arrivals according to country of origin:**  
**January- June 2000/ 2001**

Region	Number of Arrivals 2000	Market Share %	Number of Arrivals 2001	Market Share %	Change %
North America	507,9	38.9	597,179	45.7	17.6
Central America and Caribbean	23,818	1.8	18,116	1.4	-23.9
South America	83,929	6.4	96,375	7.4	15.0
Europe	671,929	51.4	590,752	45.2	-12.1
Rest	19,016	1.5	3,464	0.3	-81.8
<b>Total</b>	<b>1,306,452</b>	<b>100</b>	<b>1,305,886</b>	<b>100</b>	<b>0</b>

Source: Asonahores 2001: 27; Cenantillas 2001

The tourism industry lost profitability through the lack of tourist arrivals and hence low occupancy rates. This led to a collapse of the sub-sectors 'bars and restaurants'. In the north coast the loss of tourist arrivals has been felt even more due to the missing flights of Britannia bringing in before mainly German and British tourists. This led to closures of more than 30 hotels within the first six months in the area of Sosúa and Cabarete (Cenantillas 2001). As well Samaná has been heavily affected as can be seen in the following figure:

**Table 12: Hotel Occupancy Rate in different regions:**  
**First semester 2000-2001**

	TOTAL	Santo Domingo	Boca Chica/ Juan Dolio	Playa Dorada	Sosúa/Cabarete
Average 2000	74.8	64.7	74.4	75.4	78.6
Average 2001	72.2	65.9	74.7	71.8	66.7
Change (%)	-3.5	2	0.3	-4.7	-15.1
	TOTAL	Romana/Bayahibe	Punta Cana/Bávaro	Samaná	Playa Grande
Average 2000	74.8	77.1*	77.1*	69.0	83.0
Average 2001	72.2	81.6	74.2	55.2	71.7
Change (%)	-3.5			-20.1	13.6

\*In 2000 these regions were accounted together

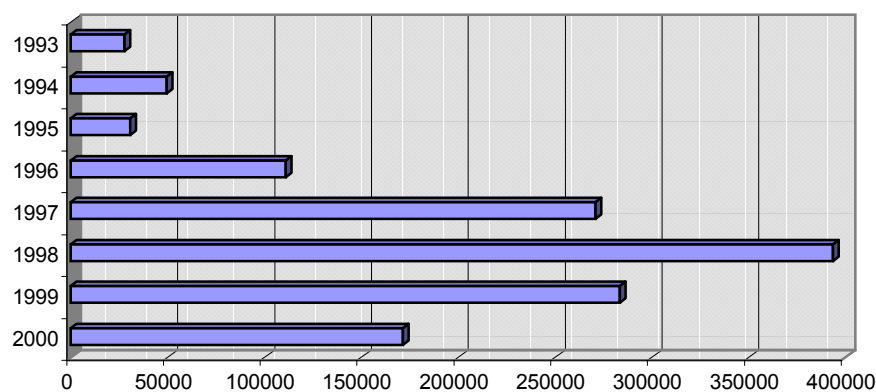
Source: Asonahores 2001: 45-48; Cenantillas 2001

After the attacks, in October, tourist arrivals declined 22.1%, meaning 35,733 fewer tourists came, as reported in the same month in 2000 (161,519 arrivals). This is a greater decrease than in September, when travel declined 16.4%. Punta Cana hotels in the East, which had been immune before to the international travel crisis, finally have been affected by the September attacks. Indeed, in August, arrivals to the Punta Cana International Airport increased almost 10% from 71,550 (in 2000) to 78,665 passengers, whereas travel in September suddenly dropped down 6.31%, from 56,558 in 2000 to 52,987 this year. In October, arrivals were declining further 18%, to 48,336 tourists compared with 58,885 the year before (DR1 2001).

### 9.6.3 Tourist Arrivals by Sea

Tourist arrivals by sea have reached their peak in 1998 with 393,631 passengers. Since then the number has been declining continuously, as well due to unsatisfactory services at the harbors and complaints of passengers about the waste problems in the capital Santo Domingo. In the year 2000, 171,368 travelers arrived by sea, which represented a decline of 60,5% compared to 1999 where 283,414 tourists arrived (Asonahores 2001: 35).

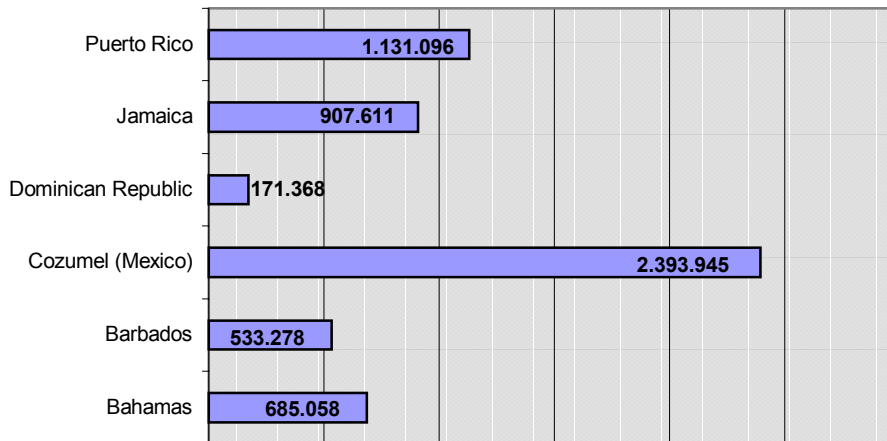
**Fig. 23: Tourist Arrivals by Sea 1993-2000**



Source: Asonahores 2001: 35

Compared to the main competitors, the Dominican Republic ranks behind total cruise passenger arrivals, with the exception of Cuba where some 4,000 cruise passenger arrivals were counted in the year 1999.



**Fig. 24: Cruise passenger arrivals 2000**

Source: CTO 1999-2000 (Caribbean Tourism Statistical Report 1999-2000): 18)

A rise in cruise passenger arrivals in 2001 is not expected neither in the coming years. This is mainly due as small boat or yacht tourism seems to be more attractive for the Dominican Tourism Ministry than more cruise ships.

#### 9.6.4 Tourist Market Segments

There has been no specific research on the profile of tourism visitors in the Dominican Republic. The number of individual tourists, however, is still very small with estimated 7%. As well as the growing market for incentive groups and commercial travelers.

A survey undertaken by the Dominican Ministry of Tourism in 2000, illustrates that almost all tourists outside the big cities come for leisure purposes (71.3%). Within this segments 64% come to the island for the reasons of 'sun and beaches', 15% because of nature, 8% for sports and culture respectively and the smallest percentage for the reason to get married (5%). The demand for conferences or business reasons at resorts is with 2.2% and 1.3% still very small (Horwath 2001).

The market segmentation in the capital Santo Domingo looks different. About 52.4% of all the lodging demand comes from corporate groups (sales and other businessmen) or tour groups with overnight stays (19.9%), whereas the size of the average group is relatively small with

less than 200 people. The segment including meetings and conferences is with 7% as well relatively small.

Further, it has to be pointed out that the market for alternative tourism (e.g. adventure tourism or eco-tourism sectors) does not attract the tourists into the country. Instead alternative tourism is so far building upon conventional tourism. In other words, so-called 'eco-tourist' who visit natural parks or 'adventure tourists' who do activities like trekking or hiking usually go on short (daily) trips, while having booked a conventional all-inclusive package (CTO 1999).

Another survey shows that many tourists from North, (21.3%) South (14.3%) and Central America (13.9%) come to the Dominican Republic because of previous visits, whereas only few Europeans came for a second time (4.8%). However, tourists from all these different destinations, feel generally attracted by the hospitality of the Dominican people (Asonahores 2001:71).

## **9.7 Impacts of Tourism in the Dominican Republic**

As mentioned before, the first half of the year 2001 led the Dominican tourism industry into a deep crisis. This finally revived a vital debate over tourism development in the Dominican Republic of the past decade. The question was raised whether major external or internal effects have caused the downturn of the tourism sector. The following analysis of the positive and negative impacts in Dominican tourism development may help to answer this question.

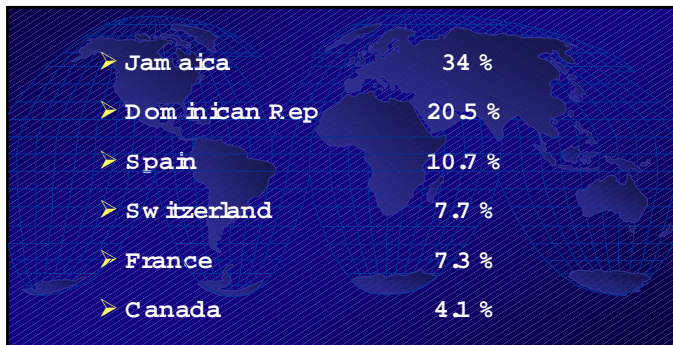
### **9.7.1 Economic Impacts**

#### **9.7.1.1 *Share of Tourism in GDP***

WTO started in 1994 the design of a TSA (Tourism Satellite Account) with the basic objective to present a comprehensive and integrated framework for estimating production, consumption, capital investment, employment and other related variables to tourism activity, with the main objective of allowing the international comparability of tourism economic impacts.

The most relevant aggregate obtained from the TSA is tourism GDP, generally expressed in percentage. Tourism's contribution to the general economic activity has as well been measured by this method in the Dominican Republic (in 1996) and amounted considerably 20.5 % of GDP.

**Fig. 25: Share of Tourism GDP- TSA results**

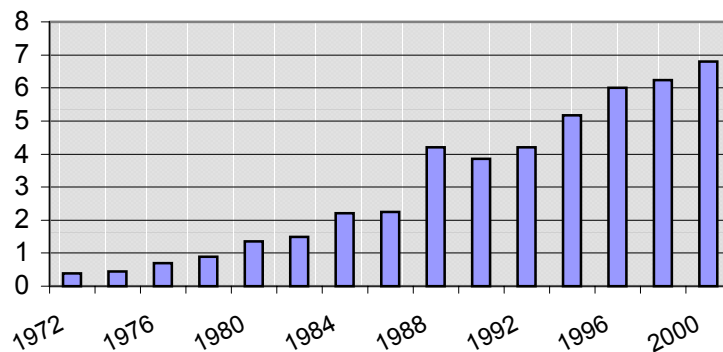


Source: WTO 2000a

The graphic above shows the share of tourism in GDP of each country. It is evident that tourism is an important 'industry' for Spain compared to the other developed countries. However, the impact of tourism in the Caribbean islands including the Dominican Republic is much higher.

According to estimates of the National Bank, the *hotels, bars and restaurants* sector, which fundamentally shapes the tourism activity, yielded 6.8% of total GDP in the year 2000, and thus continues to add its contribution to the Dominican economy. Its participation is imperative for a sustainable increase of GDP that showed an annual average growth of 12,4% between 1990 and 2000 (Centanilles 2001).

**Fig. 26: Participation of the sub-sector *Hotels, Restaurants and Bars* In GDP (%): 1970-2000**



Source: National Bank Dominican Republic

#### 9.7.1.2 Income and Employment Effects

Income of tourism increased strongly in the last 25 years, as shown below. However, the income per tourist by the year 1995 has only slightly been higher than the one gained 20 years before.

**Table 13: Income per tourist**

YEAR	Tourist income (\$m)	Tourist Arrivals	Income per tourist (\$)
1975	80	100.000	800
1980	168	383.280	438
1985	368	660.178	557
1987	500	902.302	554
1990	900	130.5361	689
1995	1.576	1.775.870	887
2000	2.510	2.459.585	1020

Source: ASONAHORES

The reason of this development lies mainly in the rapid growth of hotel capacities and cheaper charter flights, which led due to an increase of tourist arrivals and the advantage of economies of scales to a decrease in prices and incomes per tourist. This phenomenon is closely linked to mass tourism and has been embodied in the Dominican Republic.

**Table 14: Percentage of Employees working in the tourism sector**

YEAR	TOURISM EMPLOYMENT		TOTAL
	Direct	Indirect	
1980	6,796	13,592	20,388
1985	10,788	21,576	32,364
1987	15,174	30,348	45,522
1991	27,963	69,910	97,873
1995	36,131	90,327	126,458
1996	36,273	90,688	126,961
1997	44,499	111,247	155,746
1998	44,665	111,665	156,330
1999	45,653	114,133	159,786
2000	41,533	103,833	167,169

Source: Central Bank of the Dominican Republic 1998; National Association of Hotels 2001:79-83

Tourism in the Dominican Republic has been an important way to generate employment, either directly or indirectly, due to its multiplier effects (1.2). Since 1990, it is estimated that one direct job in tourism will create 2.5 indirect jobs per room in the Dominican Republic. In the year 2000, the number of employees created for each hotel room available amounted 0.9 persons in the capital Santo Domingo and 0.8 persons at beach resorts (Horwath 2001). As in 1999, it was estimated that 1.0 employee's work per available room, the number of total workers in the tourism industry declined in 2000. Generally, a decline can be noticed; in 1995 even 1.1 employees per available hotel room at beach resorts were estimated.

Nevertheless, the total number of directly employed persons in the tourism sector increased from 27,963 in 1991 to 41,533 in 2000, which represents an increase of 48,5%. This means, tourism absorbed a percentage of 5,4% of the total working population in 1999.<sup>21</sup> This number has largely increased in the last decade (Centanilles 2001).

However, jobs for new hotel constructions are mainly taken over by Haitian migrants who work for very low salaries. Moreover, jobs in tourism are mainly found in areas of the country where the hotel and accommodation development has been strong, like in Puerto Plata, La Romana, Samaná, San Pedro de Macorís and La Altagracia (Cepal 1995).

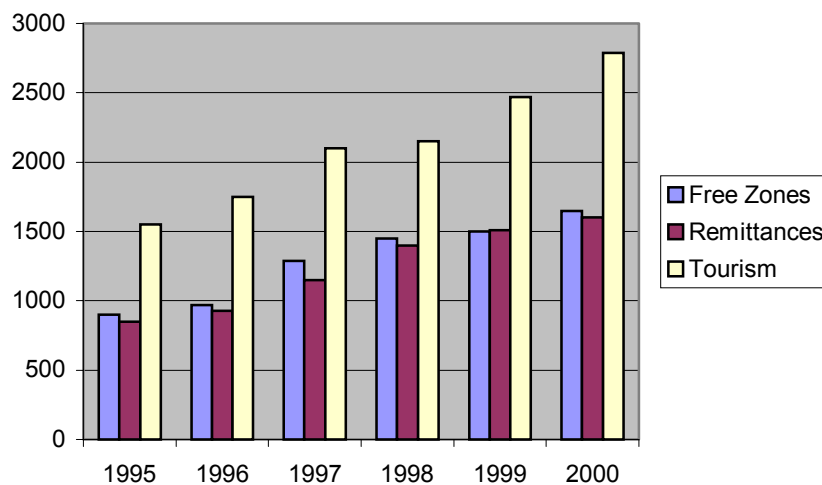
<sup>21</sup> see appendix 7

Employment remuneration repatriations have remained stable even though employment has grown, presumably because hiring is mostly at the local level (low salaries). Most foreign personnel is found only at the highest level of internationally managed chains and most managers are Dominicans graduated from the many hotel and tourism schools promoting training at all levels. This has contained the outflow of salaries (WTO 2001: 132).

#### 9.7.1.3 Foreign Exchange Earnings

One of the most important contributions of the tourism industry to the economy is its ability to generate high foreign exchange earnings. Compared with two other excellent 'hard-currency' suppliers, the Free Trade Zones and family remittances, the Dominican tourism industry has by far been the major contributor.

**Fig. 27: Foreign exchange generators, selected by industry sectors: 1995-2000**



Source: National Bank 1996-2001

The importance of foreign exchange earnings becomes evident when comparing them with the national imports of goods (excluding Free Zones).

As shown below in table 15, the foreign exchange earnings from tourism in 2000 covered nearly half, 44.3%, of the earnings needed to finance the imports of goods and services, whereas in 1999 the percentage has been with 47,3% even higher. The 3% decline is mainly due to the raise of petroleum prices in 2000 (Centanilles 2001).

**Table 15: Relation Imports of goods& services and Foreign Exchange Earnings from Tourism**

Year	Imports of goods and services (1)	Foreign Exchange Earnings (2)	2/1
1995	3,329.9	1,644.9	49,4%
1996	3,580.7	1,768.8	49,4%
1997	4,192.0	2,091.8	49.9%
1998	4,896.6	2,134.9	43.6%
1999	5,379.6	2,544.0	47.3%
2000	6,534,9	2,895.0	44.3%

Source: National Bank: Balance of Payments. 1995-2000

As seen above, the total amount of imports grew stronger in the last years than the foreign exchange earnings of tourism, due to the declining room rates and prices charged in the Dominican tourism industry. Nevertheless, a constant high percentage of import costs that tourism earnings cover, shows that the country is depending strong on tourism in international trade.

#### *9.7.1.4 Leakages in Dominican Tourism*

In 1991, the Dominican Republic established the national "tourism satellite account", with technical assistance from the World Tourism Organization (National Bank 2001: 32). The result of these studies carried out in 1991 and updated for the period 1994- 1996 showed that import leakages (line 3), or the proportion of tourism income utilized for tourism imports, has declined from 18.8% to 12.9% in this period of time. This would imply that the local supply (e.g. with consumer goods) for tourism increased and imports for tourism declined.

However, as the total agricultural production has been much slower, than the rapidly increasing tourist demand of the last years, this rather led to a gap in supplies of the national market and higher consumer prices.

Other experts, however, estimate that leakages are much higher in the meantime, due to the rapid growth of tourism and failure to provide quality local products to both tourists and own population. Guesstimates vary between 20% (SECTUR) and up to 40% (CEBSE).

#### *9.7.1.5 Regional Development*

In the Dominican Republic has been little democratic participation in tourism planning and not enough attention paid to the needs of the country beyond job creation. Little planning has gone into building-in linkages to other sectors of the economy and to regional development.

Enclave resorts that do not attempt to initiate at least some minimal economic or cultural linkages with local communities promoted a type of local dependency rather than development. Local inhabitants rather were pushed aside, with little consideration of their social and economic needs, as elite- controlled tourism development was introduced into their communities (Freitag 1994: 40). Further, hotel managements frequently seek to limit the interaction between the tourists and local communities to improve its own profits (e.g. sales of excursions). Luxury resorts, with fences and armed guards have too long been given all the government tax and import concessions, while individuals initiating small-scale tourism (such as bungalow tourism, bed and breakfast establishments, guest houses, hostels) received and still do, little government encouragement.

The failure of Dominican tourism's role as a catalyst for regional development or other industries, caused an even deeper gap and consequently led to migration into the urban surroundings of Santo Domingo or into the remote areas where tourism developed (Puerto Plata/Sosúa, Punta Cana). As tourism wages are relatively higher as in the agricultural sector and tourism seasonality is relatively low, a lot of the workforce has been attracted into this industry, contributing at the same time to a further decline of this traditional sector. Moreover, the massive growth of these new communities outside the enclave resorts has been uncontrolled and local conditions have even worsened. Further constructions or infrastructure improvements by public authorities, mainly took place in the capital Santo Domingo, than in the peripheral regions of the country.

As a case study reveals, most of the constraints to build linkages between tourism and agriculture in the Dominican Republic, is firstly the poor quality of food (in particular cheese, beef or other meat), which does not meet the international standards and could cause high



risks for hotel managers to buy these within the country. Second, purchasing agricultural products has been taken over by wholesalers retail outlets located in the large urban centers who control the internal market and mostly benefit from transactions (FAO 1996: 39). Furthermore, the Cibao Region, as one of the most fertile parts of the country, where the agricultural sector is one of the main contributors to the GDP, is solely satisfying the increasing demand for food in the big cities and the tourist resorts at the coast, which makes it difficult for the country to keep pace with an appropriate supply. In other regions agricultural products are mostly determined for the national market, and in provinces like Puerto Plata and Samaná, the tourism sector already is supposed to supersede the agricultural sector as the main contributor to the GDP (Howarth 2000).

Although import substitution seems to be possible, on the basis of the projected growth in tourist expenditures, and the value of food demand that expands significantly, the share of domestic agriculture is so far trending downwards due to constraints under which local farmer operate, like unsatisfactory equipment, inefficient land use, control of wholesalers, lacking public investments and stronger international competition through the introduction of the GATT this year.

#### *9.7.1.6 Tourism investments*

Since the 'new' investment law in the 1980s that offered attractive tax exemptions and other benefits to international hotel chains and multinational companies, the interest for investments in the Dominican Republic increased. This, however, led to rising land prices associated with speculations of some real estate enterprises. On the other hand, the Dominican government, like many other developing countries, required foreign funds and investments for tourism to develop.

Furthermore, strong investments by foreign companies weakened the bargaining power of the country. In 2000, 31.7% of all Dominican hotels were foreign-owned, which, however represent 51,2% of all rooms available in the country. Spanish investors strongly entered the Dominican market with high investments in large-scale resorts (average 289 rooms). In the year 2000, 36,7% of all rooms have been owned by them, just 4.5% less than the Dominican Republic owns itself, as shown in the following table:

**Table 16: Distribution of Investments in Hotel Resorts\* by country of origin: 2000**

Country	Hotels	%	Rooms	%	Investments (US\$ Mill.)	%
Spain	45	9,3%	13.012	36,7%	670,0	49,1%
Italy	14	2,9%	1.016	2,9%	35,6	2,6%
USA	12	2,5%	691	1,9%	24,2	1,8%
Canada	21	4,3%	711	2,0%	19,0	1,4%
Germany	23	4,8%	627	1,8%	23,0	1,7%
Austria	2	0,4%	569	1,6%	16,7	1,2%
France	9	1,9%	545	1,5%	16,9	1,2%
Cuba	5	1,0%	445	1,3%	15,4	1,1%
Others (foreign)	22	4,6%	542	1,5%	8,8	0,6%
<b>Total Foreigners</b>	<b>153</b>	<b>31,7%</b>	<b>18.158</b>	<b>51,2%</b>	<b>829,6</b>	<b>60,9%</b>
<b>Dom. Republic</b>	<b>268</b>	<b>55,5%</b>	<b>14.621</b>	<b>41,2%</b>	<b>432,9</b>	<b>31,8%</b>
Others (Dominican)	62	12,8%	2.672	7,5%	100,8	7,4%
<b>Total</b>	<b>483</b>		<b>35.451</b>		<b>1.363,2</b>	

\* excluding hotels of the capital as the main focus is on beach resorts

Source: Asonahores 2001; Horwath 2000

Although German tourist have been the most important market segment for the last decade, hotel investments from Germany have been relatively low and mainly in small scale projects (average 27 rooms).

Except of some resorts (Playa Grande, Playa Dorada), the Dominican-owned hotels outside the capital Santo Domingo are small- scale hotels or pensions, which cannot compete with the large foreign-owned beach resorts.

## 9.7.2 Socio- cultural Impacts

### 9.7.2.1 Demonstration Effect and Cultural Clashes

Dominicans in general accept tourism, although tourists are seen as "privileged" and "rich" among the poorest population. However, negative demonstration effects are smaller than expected. The influence by the United States (largely as 'everybody' has 'someone' who lives in the States) and family members returning 'rich' are causing higher demonstration effects than the tourists themselves. This may mainly be due to the little interaction between tourists

and the Dominican communities. Day-trips or excursions are even organized by tour operators, which very seldom foster this interaction with locals. Spatial distances to the poorest regions also prevent further conflicts and cultural clashes.

In effect, tourism and the interaction of locals with international tourism agents (tour operators, hotels, cruise liners, travel agencies) had positive social impacts, namely, forcing them to adapt to international standards. This assimilation by local suppliers and tourism agents represents a modernization of the Dominican society. Tourism in the Dominican Republic, thus, contributed to changes in habits and stimulated a) punctuality (indicator of work discipline), 2) work efficiency, and 3) the capability of planning operations. All these factors contributed to more rational attitudes and changes in lifestyles that did and will further contribute to the efficiency of the economy and the general well-being of the population (Cepal 1995).

Hostility towards tourists is very rare- regardless of a huge gap between 'rich tourists' and 'poor host communities'. Despite the fact that everybody tries 'to get its share', which often leads to a 'double-pricing standard', Dominicans show an astounding hospitality, openness and friendliness which has often been perceived as unique (DRone 1999). Nevertheless, the importunacy of Dominican vendors, not rarely seems to be disturbing for tourist.

#### *9.7.2.2 Stress between Enclave Resorts and Communities*

Tourists quickly learned that beverages and souvenirs are significantly lower in town shops than at a resort. This led some hotel managements to design strategies, including officially forbidding consumption of non-hotel purchased food and beverages on hotel premises. Further they declared themselves not responsible for theft or guest safety off resort premises, while mentioning at the same times that food hygiene and water quality were inferior in local business establishments. Most hotels even opened new hotel shops, including consumer goods frequently purchased by tourists, within the enclave resorts, with prices only slightly higher than outside the hotel establishments. These actions, led to hostility towards hotel managements by local communities.

Another principle frustrations centered on control of local resource-water, which is consistently in short supply in many regions (Sosúa, Playa Grande etc.). Some communities believe that hotels are diverting the town's supply and using it for its own purposes.

As most of the hotel resorts have been planned along coastlines, almost all resorts close the access to beaches for local communities causing further conflicts. Although locals have the same right to enter tourism resorts, domestic tourism is very small, nor has it been promoted much in the past decade. An exception has been this year due to the immense decline of international tourist arrivals that forced hotel managements to offer cheap rates in order to cover some costs through domestic overnight-stays. A vast majority of the population, however, is not even in the position to pay these stays, or is not used to travel at all.

#### *9.7.2.3 Stress between local communities and Dominican elite*

Tourism as a labor-intensive industry has need of a large number of local workers and most positions do not demand a high degree of formal training. In the Dominican Republic, with its high rate of unemployment, some individuals believe that any job created in the region is important, even if it is not high paying and subject to seasonal lay-offs, because any type of employment is 'certainly better than no jobs at all' (Wiarda and Kryzanek 1982: 84).

The enclave resort model promoted by Dominican governments appears to produce an economic situation whereby the lower classes are exploited as a source of cheap labor with the national elites and foreign companies reaping the economic benefits. The level of payment of tourism jobs in the Dominican Republic, are moreover one of the lowest compared to other countries in the Caribbean tourism market. This is a consequence out of the fact that the tariffs charged by the hotels in the Dominican Republic are among the lowest worldwide.

As a conclusion, the poorer segments of society have a few more employment opportunities, but these are counter-balanced by such negative factors as commodity inflation, rising land prices associated with speculation and higher crime rates.

#### *9.7.2.4 Transformation of values*

Women have entered the paid workforce in large numbers in the last twenty years, both in the factories, where they make up 60% of workers but few managers, and in the tourism economy, both directly and indirectly. Forty percent of working women head households that have no male adult members. The shift from a basically agricultural economy has led to deterioration of living and working conditions, according to the Ministry of Women's Affairs. Tourism is contributing to important changes in social and gender relations (ECPAT 1996:1-3).

Among the most negative impacts of tourism has been the growth of prostitution. An estimated 50,000 people are involved in sex work in the Dominican Republic, and the country is now often linked with Cuba, Thailand and the Philippines as the site of an exploitative sex industry (ECPAT 1996: 4).

Prostitutes can earn far more than hotel housekeepers or factory workers, and poor women from the countryside are easily drawn in.

#### Sex tourism

Of urgent concern is sex tourism involving minors; in particular in areas around Sosúa in the North, the beach town of Boca Chica near Santo Domingo and Salinas/Bani south of Santo Domingo. A human rights group concluded in the early 1990s that sexual exploitation of both girls and boys was condoned "and most likely promoted" by the government, tourist services, travel agencies and hotels (Davidson and Tailor 1996:14). Tourism officials are now said to be involved in coordinated efforts to combat child prostitution (Kiskeya-alternative 1999).

As prostitution is officially illegal in the Dominican Republic, there is military and police involvement in the sex trade. Corrupt policemen, the majority with little education and low salaries, and other officials exert a good deal of control over third party involvement in prostitution, offering protection to those brothel and bar owners who pay for it, as well sexually abusing, harassing and extorting money from prostitutes who attempt to work independently (Ecpat 1996: 5).

The Dominican Republic is one of the epicenters for HIV/AIDS infection in the Caribbean, after Haiti. This coupled with the high rate of tourists increases the risk of HIV/AIDS and other infectious diseases (USAID 1999).

The increase of prostitution and AIDS, however, cannot only be attributed to tourism. In particular child abuses including physical, psychological and sexual violence are not rare in the Dominican Republic; according to estimates of the Department for Families and Children, around 50% of Dominican children are victims of any kind of abuse, most often undertaken by family members. However, there are no statistics available and little has been done to bring the perpetrators to court (American Embassy 2001). Thus, tourism is not the only evil, but rather the poor living conditions of the majority of the population and the individual attitudes

towards women and children, are as well responsible for this phenomenon in the Dominican Republic.

#### Crime rate

Up- to- data database of crime rates have not been handed out. However, local tour operators confirmed that crime and violence near tourism areas increased in the last years. This is evidently related to the poor redistribution of tourism benefits and the lack of democracy in the sense of the participation of surrounding communities in the decision of what is done with the money (taxes) that government is collecting. Millions of tourist for example around Punta Cana area, tens of thousand of hotel rooms, millions collected in tax, and communities in the region with no or very poor public services access and quality as schools, roads, water, electricity, entertainment, etc.

### 9.7.3 Environmental Impacts

#### Depletion of Natural Resources and Pollution

Despite the beauty and diversity of the countryside, the Dominican Republic suffers from severe environmental problems. Most of the environmental problems are a consequence of the over-exploitation of natural resources.

A 1994 guidebook was already critical of conditions in the Puerto Plata region: "The surge in building has outpaced the infrastructure, which means, that power failures and water shortages are a fact of life for the resorts and surrounding areas.....water pollution (from hotels in the beach-bordered areas) is a major problem" (Kiskeya-alternative 1999).

In early 1998, a spate of reports focused attention on poor hygiene standards in hotels. Tourism is threatened by the environmental pollution caused by inadequate management and disposal of solid waste. Wastes generated in tourism centers are often either dumped in clandestine and improper sites, in open spaces, along roads and watercourses, or burned. Rivers and creeks transport the solid waste to the ocean thereby contaminating beaches used by the hotels (World Bank, 1999).

Reports have identified the following principal sources of environmental degradation (Kiskeya-alternativa 1999):

- (1) inadequate sewage treatment and disposal facilities is causing deteriorating water quality and reef damage;
- (2) water shortages- storm water discharge is transporting silt and pollutant into coastal waters;
- (3) shore line construction, dredging and coral reef damage have caused beach erosion;
- (4) deforestation and soil erosion, as a result of inland agriculture and timber cutting also aggravating flood damage; and
- (5) coastal development is contributing to the destruction of wetlands, important as fish nurseries and wildlife habitat and as buffers against water pollution and coastal erosion.

The natural resource bases that support the island's tourism trade is heavily stressed around the three main tourist centers Punta Cana in the East, Puerto Plata in the North and Boca Chica/ Juan Dolio in the South.

The increasing number of tourists in these areas, with extremely high consumption habits, places a disproportionate strain on the local infrastructure. Studies indicate that the average tourist ingests ten times as much water and produces three times as much solid waste as the average resident. In addition, "the migration of Dominican job-seekers drawn by tourism growth has exceeded the housing supply in these areas, leading to the mentioned squatter settlements lacking in basic infrastructure and frequently situated in higher crime rates. This has mainly been noted in Boca Chica and Sosuá (Horwath 2000).

The design of large, dominating resorts in the Dominican Republic generally do not look out of place in the natural environment; although local materials or structural designs are not always used (e.g. palm thatch). Early enough, building regulations prevented successfully that hotel resorts surmount more than 4 to 5 levels. Thus, the architectural character of most of the hotels remains relatively harmonious with the natural environment. As mentioned, most of the

planning, however, has been along coastlines where almost all resorts close the access to beaches for local communities.

#### Environmental awareness of Dominicans

However, tourism again cannot be blamed as the unique devil for the degradation of the Dominican environment. In contrary, the awareness of environmental issues among the Dominican population is extremely low, leading to harsh problems in all areas of the country, even where tourism has not yet been developed. Sever air pollution and noise outside tourism resorts and within main cities due to a superfluous of motorcycles, waste in streets and natural areas, cause distress and annoyance particularly among European tourist who are environmentally sensitive.

This led to the development of environmental policy and legislation by the new government, to establish institutions and an infrastructure to address environmental concerns, as well as to formulate training programs in regard to environmental awareness (Economist 2000: 10).

## **9.8 Government Planning for Tourism**

### **9.8.1 Structure and Legislations**

According to the Law 84 of December 1979, the official legal institution for tourism is SECTUR (Secretaría de Estado de Turismo), the Ministry of Tourism. Since that time it is responsible for the planning, programming, organizing, promoting, coordinating an evaluation of tourism activities in the country.

SECTUR is represented at a local level by a 'Provincial Tourism Inspector' who is responsible for the local infrastructure and the creation of an enabling local environment for tourism development. In 1998 'the government established the 'Provincial Commission of Tourism' to further remove obstacles for external investments. A more detailed organigram of SECTUR and its specific functions is not existent. An elderly structure plan is not up-to-date and extremely complex and confusing.

A fundamental character for the development and promotion of tourism had the Incentive Law 153 of 1971. Regulations and certain criteria's for new Hotel Establishments and Restaurants



can be found in resolutions 2115 and 2116. In addition, with the recently approved new 'Tourism Incentive Law' (No. 64-00), SECTUR aims to stimulate investments in remote areas with potential for tourism development in the next decade - mainly in the south- and north-western regions of the country. The new law proposes the elimination of the income tax, the 5% bedroom tax, and the reduction by 50% of the VAT and customs taxes on hotels, golf courses, or sports installations. The time period of duration will be 10 years.

#### 9.8.2 Planning for tourism

The recent growth of tourism stems in large part from initiatives taken by the Government over a decade ago. The Ministry of Tourism (SECTUR) identified the potential of tourism and provided incentives to foreign investors. However, the incentive law of the 80s has been abolished by 1992 as it has been seen as inadequate at that time. Local investors, of small and medium sized hotels had been neglected as they found little support. Tourism has mainly been seen as a way to gain foreign exchanges- its development has been poorly planned and organized and investments have been limited to road infrastructures and airport improvements, whereas a huge part was taken over by the international hotel chains.

Tourism promotion and marketing was left to foreign tour operators or agencies for most of the time, which proves the fact that the available budgets have been very low until recently (around US\$ 6-7 million per year).

The Ministry of the Fernandez Government made first real attempts, and has various times commissioned consultants to prepare a marketing plan and a tourism development plan. The goal was to receive 5 million visitors annually by 2008. which would imply that tourism arrivals must increase annually between 8% and 9%. One of the views that the Government further endorsed was the need to address niche markets (adventure tourism, sport tourism, cultural tourism, ecotourism) as one way of moving the tourism industry away from its reliance upon all-inclusive resorts.

Moreover, a classification of existent hotel resorts has been undertaken, but results were never officially presented, which might indicate some dissatisfaction and pressure from various hotel chains or tourism stakeholders.

There have been a series of international congresses particularly on the subject of eco-tourism while regional and national political factors encouraged planning for sustainable tourism

development. Courses in eco-tourism were offered in the state university and by the National Commission of Eco-tourism, established by SECTUR. An increasing local interest in visiting National Parks and a significant proportion of overseas visitors, finally led to the establishment of a unit for eco-tourism in the National Parks Department. Environmental NGO's started taking a more pro-active interest into the potential of eco-tourism

Eco-tourism is now being promoted as an integral part of the Dominican offer by the governments. There exists a dedicated 'Department for Eco-tourism and the Environment' within the Ministry albeit with limited resources.

The eco-tourism department has responsibility for:

- Human resources; presenting seminars and providing training for eco-tourism guides. There is a lack of qualified trainers and funds for financing trainers.
- Classification and regulation of eco-tourism enterprises.
- Co-coordinating development with the government environment agencies considering the environmental impacts of tourism.
- Promoting eco-tourism
- Developing a National Strategy for Eco-tourism Development

The proposed national strategy for eco-tourism development covers a range of issues and defines eco-tourism as follows (Director of Eco-tourism, SECTUR):

"The use of natural areas for sustainable tourism activity, with the aim of enjoying and understanding the culture and natural history, based on management plans to minimize the impacts on the environment through models of carrying capacity and periodic monitoring, integration of local communities and other conservation measures, and to preserve these reserves for present and future generations."

As the new government struggles with the sudden decrease of tourist arrivals, the historical amount of US\$ 38.000 for tourism promotion of the Dominican Republic abroad should further attract other markets. The goal is in particular to recapture North American tourist. However, actions are slow, payments from the budget are lacking behind time partially due to the economic crisis.

A stronger cooperation with new Ministry of the Environment and the Tourism Ministry led to the result, that new tourism projects have to undergo an environmental impact study. However, the environmental standards that have to be accomplished are often limited to

minimum levels and the time scale of the studies usually refers to the construction period, whereas long-term environmental, and thus as well socio-cultural problems are not always considered. Measures to improve local accommodation quality through certifications like the Green Globe 21 and Blue Flag, have so far not been promoted by the government, although they could set the specific environmental standards much higher within the tourism industry than at present.

On the other side, the Dominican government signed major international agreements, like the treaties regulating the area of Endangered Species, Marine Dumping, Marine Life Conservation, Nuclear Test Ban, and Ozone Layer Protection. The Biodiversity, Climate Change, and Ocean Law agreements are signed, but not yet ratified.

Initiatives to reduce environmental impacts and to lift standards have so far mainly been initiated by NGO's or private tourism stakeholder, like some hotel chains in La Romana and Punta Cana. These first steps, might force other competitors to equivalent steps.

## 9.9 Summary

The Dominican economy had been changing dramatically in the past decades. It used to depend on three or four commodities, but is now a service economy based on free-trade zones and tourism. Despite its successes, the Dominican tourist industry is still relatively young, and it faced a series of problems related to its rapid growth. Although workers were drawn by tourism's higher wages and the access that it provided to foreign currencies, the rapid development of the industry ensured that qualified labor continued to be in short supply. Tellingly, the industry's return rate for visitors was low, by Caribbean standards (Kiskeya-alternative 1999).

Although it's not possible to entirely isolate tourism's effects from those of other developing trends, it is clear that tourism has contributed to a rise in prostitution, including child prostitution and rising crime. On the other hand, the all-inclusive resorts favored by Dominican planners have meant less contact between tourists and Dominicans, and the walling off of beaches to local people.

Tourism promotion was left to operators outside the country, who mainly attracted persons of middle-income wages coming for the rest and relaxation. The mass tourism resorts attract persons of lower standards of social behavior and economic power. The latter has undoubtedly been realized in the past months, when these segments declined. This also led to the socio-environmental degradation of the tourist destination, in particular in areas like Sosua or Boca Chica/Juan Dolio. A recent survey revealed that only 23,5% of the visitors intends to definitely return to the Dominican Republic (Asonahores 2001).

Investments in infrastructure outside the capital have been low and mainly completed by foreign investors. Deficiencies in energy supplies and regular electricity shortages cause high costs for hotels, as extra generators have to be paid. The lack of signed streets and control of local traffic, keeps tourists rather in their hotels than attracting them to move around individually.

The economic benefits of tourism have gone disproportionately to elite groups and inflated prices have made life more difficult for the poor. The lack of Dominican government to promote regional initiatives over the years tends to indicate that many officials are off the opinion that elite controlled development of this industry will ultimately benefit all classes

through a type of 'trickle down' effect. The benefit of the rural population from the growth in tourism has mainly been through new jobs, but not regional development.

Liberalization through the introduction of the GATT in July of this year, will do nothing to improve the situation of local farmers, as tariffs on consumer products will be reduced to international levels and doubtlessly make it more difficult for them to compete on equal terms. If domestic production fails to respond to this, even higher levels of food imports with negative macro-economic effects will accompany the tourist industry.

The demands of international-class resorts on water and waste disposal facilities have also reared serious environmental problems.

Community involvement has been rare so far in decision-making processes, with the exception of Samaná and the National Park Los Haitises, where local NGO's, government officials and local community member closely work together, with the goal to promote the area for eco-tourism development.

This niche markets has been particularly in the focus by governments and promoted 'eco-tourism' as the new national tourism strategy that should go along with qualitative improvements of hotel establishments and infrastructure. At the same time, governments still seek quantitative growth, which on the other side is in contradiction to the usually limited number of visitors in ecotourism. Generally, more accommodation and guests might again make it impossible to improve quality through controlled measures and to lift prices of the tourist product.

The collapse of the Dominican tourism industry this year, and the difficult environment for long-haul tourism due to the terror attacks and consumer fears, finally caused adverse effects on the whole economy. Many people and businesses working indirectly or directly for the tourism industry, lost jobs or business partners. The standstill of tourist arrivals, the closure of hotels and heavy losses in some sub-sectors, had strong impacts, in a country, which is highly dependent on this sector as a foreign exchange earner and employment generator.

The objective of reviving tourism with the exceptionally high promotion and marketing budget of US\$ 38, provided by the Mejia government can be understood as solely 'increasing the number of tourist arrivals'. However, as important environmental and social aspects of the

tourist destination in the Dominican Republic have been neglected, the government should also take actions in other fields than promotion so as to develop the tourist product and to boost the Dominicans tourist industry's competitiveness. Inadequate supplies of clean water and electricity, combined with deteriorated accommodation facilities, lack of infrastructure and so on, will first require high investments in establishments that are already existent.

If improvements of hotel installations and general supporting infrastructure of tourism, a control over the growth of new accommodation establishments, together with training programs don't take place at the same time, a diversification of the tourist product will become difficult, if not sheer impossible, and 'enclave-forms' of tourism will continue to develop. Further, the deterioration of the whole environment will make it more and more difficult to attract visitors to the Dominican Republic and to improve the image of the island.

## 10 Critical Evaluation of the Tourism Industry: SWOT- Analysis

The specifications on the Dominican Republic, so far, have shown that strong negative effects and the vulnerability of the tourism industry can have significant impacts on the whole economy. This makes it indispensable to coordinate and plan future sustainable tourism development in the Dominican Republic with utmost care.

The following SWOT analysis will now assist to examine the internal capabilities (strengths and weaknesses) of the Dominican tourism product, and its external environments (opportunities, and threats). It helps to identify areas for development of the tourism product, and serves as a basis to formulate the overall strategy for future advancement of the Dominican tourism industry.

The evaluated *strengths and weaknesses* are based on the foregoing impact analysis and some general aspects presented. They will be summarized in table 18 on the next two pages.

At the macro level there are also uncontrollable external market factors that could threaten or support the long-term success of the new Dominican tourism strategy.

Its main Caribbean competitors mentioned before in chapter 9.5 can particularly threaten the success. However, it has to be added that competition is not only concentrated on the Caribbean itself. As well internationally, there are regions (countries) that directly compete with the Dominican (or Caribbean) tourism products.

Present and potential tourists markets, which should be attracted into the Dominican Republic, further will be taken into consideration, based on the characteristics already presented in chapters 5 and 9.6.

Before the opportunities and threats for the Dominican tourism industry will be summarized in table 19, the image profile of the Dominican Republic that also plays an important role will be examined more detailed.

**Table 17: Strengths and Weaknesses of the Dominican Tourist Product**

	<b>Strengths</b>	<b>Weaknesses</b>
<b>Natural and Cultural Resources</b>	Diverse geomorphology and greatest biodiversity in the Antilles (3 <sup>rd</sup> in global terms); (waterfalls, caves, islands, whales); 14 national parks; cultural attractions (Colonial City S.D and association with Christopher Columbus; Victorian houses Monte Cristi; Taino art)	In need of environmental improvement and visitor management of natural parks and cultural centers; insufficient promotion; public transport services to cultural centers is scarce and makes individual traveling difficult (arrangements made by tour operators, incoming agencies)
Attractions		
Topography& Hydrography	Diversity of landscape, offshore islands; highest and lowest point in Caribbean; rivers and lakes; still untouched beaches	Over-exploitation of some natural areas (Sosúa, Boca Chica, Isla Saona) leading to contamination of beaches and environmental degradation; Rivers are increasingly being dammed for irrigation or electricity generation and cause conflicts with adventure tourism activities (e.g. River Rafting-Yaque del Norte)
Flora& Fauna	Impressive plant life (orchids) and vegetation diverse bird population; American crocodile	Few reptiles and amphibians; hunting of whales led to decrease; no 'big' animals like elephants, monkeys; deforestation; coral reef damage; erosion through shore line construction and destruction of wetlands
Climate	Climate variations are relatively slight; tourism possible during all months; high temperatures are tempered by gentle winds	Natural hazards (tropical storms; hurricanes); humidity
<b>Environmental Conditions and Services</b>	Natural parks with restricted access; Botanic Garden Santo Domingo	Deficient natural conservation as environmental awareness is low (although improving)
Natural Conservation		
Waste Disposal	Basic services provided	Service deficiencies regarding sewage; no recycling concepts
Water	All year round rainfalls; Clear sea waters	Tap water not drinkable; deteriorating water through inadequate sewage treatment; water shortages; resource conflict as many national household do not have access to drinking water; storm water discharges transport silt and pollutant into coastal waters; lack of rainwater collection systems
Air cleanliness& Noise		Air pollution and increased noise through high car density (and motorcycles)
Urban Environment	Clean area in Colonial part and Botanic Garden of Santo Domingo	High density causing environmental constraints; waste as well in green areas or parks (visibility!); lack of dustbins; garbage collection is too rare; decline of architectural quality (no urban development plans);
<b>Human Resources</b>	Stronger representation of women in tourism and gradually as well in higher managerial positions	Lack of professionals; generally poor educational levels; in remote areas few people are able to speak English or even other languages
Know-how/ Educational Level		
Training & Formation	Numerous technical schools and universities in Tourism an Hospitality Management in main cities	Training in touristical zones is mainly within resorts; otherwise formation is concentrated in the cities of Santiago and Santo Domingo- far from the actual tourism centers; poor research facilities and public information services (lack of archives)
'Quality' of Population	Cheerful, outgoing and hospitable people; scarce racial tension; like socializing	Vendors at beaches and in towns sometimes judged 'intrusive'; double- pricing method
<b>Infrastructure</b>	Generally few blackouts in hotel establishments as hotels possess own generators	Long blackouts cause serious energy crisis; deficient distribution; high governmental debts due to unpaid bills from electricity distributors and illegal tapping of electricity wires leading to proportionally high costs for those paying for energy (highest compared to other Caribbean islands)
Electricity		



Telecommunication and Internet	Advanced telecommunications system; up-to-date technological developments (wireless internet); new 'Cyber park and Technological Institute; internet as well in remote areas (educational programs in poor areas); leading growth sector	Poorer regions along Haitian borders are disadvantaged
Transportation, Road System	Extensive road network and highway connections; excellent bus system providing scheduled transportation in comfortable buses; various car rentals	High density of cars cause traffic jams and pollution; fast driving and rules of roads are not enforced, which may keep off tourists from renting cars on their own; routes are not clearly signed; taxi lobby; no bus shuttles to airports; poor urban transport services for tourists; roads in remote areas are less developed or unpaved
Accessibility	Easy accessible by air; 5 (soon 7) international airports in the most important areas of the island; good connections and ideal strategic position between North and South America as well as Central America (Mexico) within short flying distances; regularly flight connections	Strong influence and dictation of flight prices by American Airlines; flight service controlled mainly through foreign air companies; flights with Dominican Airline (Santo Domingo Airline) only within the country; accessibility by sea more difficult through lack of marine supply (so far);
Sports- Leisure facilities	Water Sports (windsurfing; surfing; scuba diving etc.); adventure sports (river rafting, paragliding) tracking possibilities inside the country	Offer of facilities within hotels (excursion organization) or private (expensive) clubs
<b>Tourism Infrastructure</b>		
Lodging Market/ Complementary Offers	High supply of accommodation facilities of all categories; friendly service	Homogenous market (within large-scale establishments); lack of a complementary market to 'all-inclusive' offers; lodging market is mainly located along the coastlines; small-scale hotels are not well promoted from the public side (airports/tourist information offices); lack of a marketing network within the country by small- and medium sized hotels themselves; service standard are average and not of high-class at beach resorts (with few exceptions); hotel classification is not comparable with European standards
Airport facilities/Networks	Handling of charter and regular international flights, light aircraft, small jets; commuter planes and helicopters	Low airport services (no car rentals, tourist information center, accommodation arrangements, restaurant facilities except of fast-food supply etc.); no air conditioning; no bus shuttles to next cities; networks with other Caribbean islands are low
Food & Entertainment	Restaurants and bars of all levels; international and national food supply in the capital Santo Domingo; Altos de Chavon (amphitheatre for concerts); Baseball tournaments; entertainment for young people in main cities (Santiago, Santo Domingo); high class performances in theatres, variety of museums; good shopping facilities in the capital	High imports of fish, meat and milk products as local supply lacks quality; no typical Dominican food supply within hotels; food& entertainment facilities outside hotels is scarce in areas like Punta Cana and La Romana and concentrated within 'enclaves'; promotion of events outside the resorts within the hotels is poor; concentration on entertainment in Santo Domingo- distance to some resorts is too far
Medical Services	All large-scale hotels have 24- hours medical services	Distances to next hospitals or helicopter services are often too far away; insufficient equipment within hotels; distrust in medical services among tourists
<b>Institutional Framework</b>		
Government& Tourism Administration	Modernization and Decentralization process has been introduced	Red tape and inefficiency; poor professionalism; necessity of land-use planning, improvements of transport systems, institutional reorganization of SECTUR and the general public tourism administrations (decentralized!) will take time; lack of inter-sectoral planning;
Rules& Regulations		Lack of a clear regulatory framework; disfunctionality of laws and regulations mainly from the 70s (revision necessary!); lack of quality regulations and incentives

Source: Adapted from Pearce and Robinson 1988: 43; own elaboration

## Image profile of the Dominican Republic

As European tourists and especially German tourists have been the strongest market segment in the last years, the following will focus mainly on this market. This analyses of the Dominican image profile is underlying an empirical German study about the "Caribbean as long-haul tourism destination for German speaking guests", undertaken in 1993. In this study the image of four different Caribbean Islands has been analyzed, namely the Dominican Republic, Cuba, Mexico and Jamaica. The results concerning the Dominican Republic can still today be seen as representative, and can be summarized as follows:

Compared to the other destinations it becomes clearly evident that the majority of tourists interviewed, find the Dominican Republic a 'cheap' destination, whereas Mexico and Jamaica are perceived as much more expensive. Another advantage that tourist see, is the 'easy access' to the country, which is in general a characteristic of mass destinations, where flight connections have been improved. Other criteria's seem to confirm this statement, as the Dominican destination is considered as 'nothing special' and 'like everywhere' (Sun Sand Sea) as well as 'familiar'. The latter can be explained by the assimilation of the country to western standards (international food), where differences that are normally perceived as 'strange' diminish. The Dominican Republic is on the other side praised as a 'safe' place, with the 'friendliest inhabitants' compared to the other Caribbean islands. It seems, however, that tourists are not aware about the variety of cultural, physical or natural attractions of the country, as it was judged that in the Dominican Republic is 'not much to see' and it is 'ordinary' (same to Cuba), while Jamaica is considered as an 'exotic' destination. Whereas many tourist find Cuba a 'clean' destination that is 'environmentally conscious', the survey shows clearly that tourist criticize the Dominican Republic as the 'dirtiest' destination of all four, where people are 'not environmentally conscious'.

The latter is a crucial point, which can keep tourists away from the Dominican Republic due to the pollution, as German tourists are one of the most environmentally sensitive tourism segments in Europe. Tourists can, for example, easily be drawn into Cuba, where the same product to almost same prices is available and the accessibility is judged as good as well, but environmental problems are not 'disturbing' the vacations.

Moreover, the general image in Germany about the Dominican Republic as the 'second Majorca' where masses of persons of lower standards and social behavior and economic power are attracted by cheap prices, can keep those tourists away who seek quality criteria's in their holidays.

According to a recent study in 2000 (Forstner), the existent image has mainly been created by German tour operators or travel agencies, who focused in their promotions particularly on the 'beautiful beaches' of the Dominican Republic, and presented mainly 'all-inclusive' hotel accommodations along the coastlines. They have not considered to promote other activities and forms of tourism (Forstner 2000:10).

Moreover, as the Dominican Republic becomes more and more known as the 'paradise of pedophiles' together with Cuba and South America, some even see the necessity to mention that 'child prostitution is illegal and can even be prosecuted back in Germany' (Forstner 2000:13).

Smaller tour operators who offer alternative forms of tourism (roundtrips, expeditions, nature or adventure tourism), e.g. in Ecuador, Mexico, Cuba or Belize, do not even mention the Dominican Republic.

On the other side, the Dominican Republic started very late (since 1997) to attract other tourism segments through national tourist bureaus in Germany and elsewhere, like tourists who are interested in sports or adventure tourism (scuba diving, rafting, golf), or businessmen for conferences or conventions.

The same study reveals that Cubans are judged as 'open and friendly people' but are surpassed by Dominicans who are promoted as the 'friendliest people in the World', who '...enjoy having you over and do their best to help you, too, to be happy' (Forstner 2000: 26).

In summary, the image among Germans of the Dominican Republic has often a negative touch, as it is associated with a 'cheap mass tourism destination', 'the second Majorca', where 'sex tourism' is existent, and thus, is keeping away some potential tourists who so far do not feel fascinated by these features. Tourist coming to the Dominican Republic seemed to be attracted mainly by the prices and beaches, and thus the Dominican Republic could be considered as a 'sun and beach' destination among many others. This statement can be

underlined by the low percentage of 'repeating' tourists (4.8%) as mentioned before. The country only 'unique selling proposition' (USP) has been so far the 'hospitality' of its people.

The image profile presented may not be fully identical with other countries. However, the fact that the Dominican Republic is a mass tourism destination with prices amongst the cheapest in the world, and which has serious environmental problems can hardly be denied.

The outcome of the opportunities and threats, will now be presented in the following summary:

**Table 18: Opportunities and Threats**

	Opportunities	Threats
<b>Demand Side</b>		
Present tourists	Continuous demand to fill hotel accommodations that are already existent with tourists from North America and Europe (extension of promotion in other smaller European countries (e.g. in Eastern Europe); all-inclusive sector is still a growing sector in the next years; attract e.g. more families (less singles) with children, single-parent households	Low budget and average educational levels by a majority of tourists; dependency on some originating countries in the 3s- segment and tour operators (Germany, Great Britain, Scandinavia); Prices play an important role; little interest in culture and people, more passive relaxing
Future tourists	Quality and environmental criteria's play a major role; higher incomes or level of education of tourists; more tourists traveling individually (e.g. internet marketing); use of complementary segments; high interest in culture, country and people; diversification of Dominican tourism market possible (new markets –North (United States), -South America, and new segments: higher segment: couples with double income and no kids, mobile professionals (wellness, golf etc.), Eco-tourist middle-income segments: younger tourists interested in sports and adventure (windsurfing, tracking, rafting)	Ability to speak at least in English will become necessary (United States market); high costs for improvements of 'new tourist product' (investments in infrastructure, transportation services, environmental improvements, promotion, training and education (services, environmental awareness of local society) etc)- dependence on financial and professional support by international organizations, NGO's or private tourism investors
<b>Competition</b>		
	compete with quality and different segments than with prices	increasing competition in Caribbean (sustainable tourism development process is more advanced in some islands); increasing competition as well from exotic countries in the Eastern Pacific; few hotels in DR have an environmental friendly management  complementary offers may be in direct competition with conventional tourism- conflicts with international tour operators and hotel chains who are in a stronger position
<b>Image</b>		
	USP –friendliest people of the world; safe country; Size of the country and topography make it possible to reinforce the image of the Dominican Republic as a 'multi-destination'	it will be difficult and cost-intensive to change negative image in some European countries (in particular in Germany)

Source: Adapted from Pearce and Robinson 1988: 43; own elaboration

## **11 Formulation of a Competitive Strategy**

On the basis of the situational analysis outlined above, future tourism planning should take place.

The Dominican government so far promotes ecotourism as a 'national strategy'. It is, however, questionable if this can be realized under the present environmental circumstances and the existing image as a low- budget mass tourism destination.

In general there seems to be confusion, what target markets include eco-tourism at all. Beyond this there is little co-ordination between more active 'ecotourism' operators and no promotional literature for the ecotourism sector or specific marketing initiative at a national level. Nevertheless, ecotourism has gradually gained the importance of an overall strategy, without the consideration that is only one possible form of sustainable tourism development. As mentioned before, not all sustainable forms of tourism have to be in natural environments. Further, many so called 'ecotourism companies' are in fact not 'eco'-friendly at all. They just have to fulfill basic environmental standards and all too often just use the term as marketing tool. To call resort tourist 'eco-tourist', because they visit during their whole stay, once a natural park is just one misuse of the term 'eco'tourism in the Dominican Republic. Moreover, there is no real involvement of local communities in the decision-making process or development of 'eco'tourism, although first intentions can be noted. Coordination of plans is still centralized including financial flows.

The Dominican Republic aims at transforming its image by seeking for innovative concepts and attracts target groups in the luxury segment and cultural tourism. The objective is 'to achieve a unique market position backed by a sustainable balance between economic, socio-cultural and ecological aspects' (Kiskeya-alternativa 1999). However, the emphasis on quantitative tourism growth with new 'ecotourism' De LUXE hotel projects in remote areas seems to further promote enclave tourism and raises the question, whether these will imply economic and socio-cultural improvements for the surrounding communities?

In general, the strategy to diversify the market can be appreciated, as it is very important to add value to the destinations product variety and to spread risks. Ecotourism, however, will not be the only solution neither can other niche markets including sports or adventure

tourism, conference and business tourism, be promoted under one single word, namely 'ecotourism'. Further, the term 'ecotourism' used for resorts that accommodate a huge quantity of tourists is already contradictory as it focuses on a narrow segment. The change from a mass tourism destination into an ecotourism destination is further not really convincing, in particular if environmental deterioration is just obviously visible.

The Dominican Republic can, without doubt offer a rounded product, featuring adventure tourism, golf and marina tourism, also nature and cultural tourism with rest and relaxation at its resorts. There are large 'captive' markets amongst the existing groups and the domestic markets. But there have to be high investments and a control of the quantitative growth. It will further be necessary to include *any form of tourism* into an integrated development approach that takes regional development plans, linkages with other sectors (e.g. agro-tourism), community participations, coordination and partnerships among all stakeholders into considerations. This, however, will need long-term inter-sectoral planning and a strategy away from the narrow ecotourism- focus.

A *differentiation strategy* in the long-term, that includes a broader scale of tourism segments, and which offers the possibility to compete for quality criteria than for prices, will rather be a solution for a sustainable tourism development in the Dominican Republic. A unique rounded product, featuring, high-quality adventure tourism but also nature, cultural and ecotourism with the opportunity to also rest and relax at hotel resorts (which not necessarily mean high prices) would make the Dominican 'multi-destination' more attractive for the 'middle and high-class' tourism segments. Large-scale beach 'enclave-forms of' tourism or its growth has to be strictly controlled. In areas like Punta Cana and Puerto Plata it should even be considered to impose a ban on further hotel constructions and rather start to improve the existent (tourism) infrastructure. Low occupancy rates, like it has been the case this year, should be a severe warning for tourism planners.

To implement this strategy it will be important that all stakeholders strike the same path. Strong partnerships will be necessary, whereas individual companies will have to understand that using positive environmental policies to improve quality can enhance their own revenues, growth and profit over the long term. New environmentally friendly 'enclaves' should be avoided if they do not foster interaction with local communities and provide some economic benefits for the region. The diversification of the tourism product and potential investments in

smaller scale establishments with complementary offers away from all- inclusive should be given priority.

## **12 Plan Development-Recommendations and Actions**

Based on the analysis and the evaluation of tourism in the Dominican Republic, conclusions and recommendations can now be made.

First of all, five major policies should aim to achieve a sustainable tourism development before recommendations and actions are given, how to accomplish each of them. The tourism development policies for the Dominican Republic are formulated, with the main points as follows:

- INTEGRATE Tourism in a NATIONAL DEVELOPMENT PLAN
- Promote EQUITY in development
- Guarantee HIGH QUALITY experience of the tourism product
- Improve the QUALITY OF LIFE of THE HOST COMMUNITY
- Improve the INSITUTIONAL and LEGISLATIVE FRAMEWORK

### **12.1 Integrate Tourism in National Strategy**

Ensure that tourism is balanced with broader economic, social and environmental objectives at national and local level by setting out a national tourism strategy that is based on knowledge of environmental and biodiversity resources, and is integrated with national and regional sustainable development plans.

- Establish a national tourism strategy that is updated periodically and a master plan for tourism development and management.
- Integrate conservation of environmental and biodiversity resources into all such strategies and plans.
- Enhance prospects for economic development and employment while maintaining protection of the environment.
- Maximize linkages of tourism into the national economy and minimize leakages.
- Evaluate tourism projects for their contribution to local economic development not just for their national revenue generation and the increase in international arrivals.

- Provide support through policy development and commitment to promote sustainability in tourism and related activities.

## **12.2 Equity**

### *Involvement of All Stakeholders*

Increase the long-term success of tourism projects by involving all primary stakeholders, including the local community, the tourism industry, and the government, in the development and implementation of tourism plans.

- Involve all primary stakeholders in the development and implementation of tourism plans, in order to enhance their success.
- Encourage development of partnerships with primary stakeholders to give them ownership shares in projects and a shared responsibility for success.

### *Awareness*

Raise awareness of sustainable tourism and its implementation by promoting exchange of information between governments and all stakeholders, on best practice for sustainable tourism, and establishment of networks for dialogue on implementation of these principles; promote broad understanding and awareness to strengthen attitudes, values and actions that are compatible with sustainable development.

- Exchange information between governments and all stakeholders, on best practice for sustainable tourism development and management, including information on planning, standards, legislation and enforcement, and of experience gained in implementation; Use international and regional organizations, including UNEP in the Dominican Republic, that can assist with information exchange.
- Encourage development of networks for the exchange of views and information.

### *Capacity Building*

Ensure effective implementation of sustainable tourism, and its principles, through capacity building programs to develop and strengthen human resources and institutional capacities in government at national and local levels, and amongst local communities; integrate environmental and human ecological considerations at all levels.

- Develop and strengthen their human resources and institutions both in private and public sector



- Transfer know-how and provide training in areas related to sustainability in tourism, such as planning, legal framework, standards setting, administration and regulatory control, the application of impact assessment and management techniques as well as procedures to tourism.
- Facilitate the transfer and assimilation of new environmentally sound, socially acceptable and appropriate technology and know-how.
- Encourage contributions to capacity building from the local, national, regional and international levels by countries, international organizations, the private sector and tourism industry, as well as NGOs (CEBSE, DED).

### **12.3 High Quality Experience of Tourism Product**

#### *Improved Marketing*

Improve the marketing and promotion of the new Dominican tourist products by:

- Designing a 'corporate image' (e.g. picture from TAINO art) well defined and developed
- Defining the specific objectives of tourism promotion in tourist originating countries (which country and which potential clientele?).
- Marketing of: Golf, Conventional, Small Boat, Sport, Cultural and Nature tourism. Eco-tourism can be used as marketing tool, if it does really contribute to the conservation of the countryside and involves local communities (Samaná and Jarabacoa have strong potential for eco-tourism).
- Promote: Music events, international cultural and sports events, national parks, exclusive products (diving, deep sea fishing, marinas), roundtrips including Haiti
- Defining the specific promotional strategies for each product and tourist zone in the DR
- Continuous analysis of the market and the satisfaction of its clients.
- Defining the channels and networks of promotion (Internet!!!)
- Stronger Marketing in South America and North America and emerging European countries as well as Scandinavian countries that are under-represented
- Evaluate New Markets (Japan?)
- Give incentives for Marketing Tourism responsibly

### *Infrastructure*

Generally improve the infrastructure necessary for the tourism product.

- Improve highways and main streets (connection Punta Cana- Puerto Plata)
- Improve the supply of electricity and search for alternative sources
- Improve general services at the airport
- Improve ports and marinas.

### *Interagency Coordination and Cooperation*

Improve the management and development of tourism by ensuring coordination and cooperation between the different agencies, authorities and organizations concerned at all levels, and that their jurisdictions and responsibilities are clearly defined and complement each other.

- Strengthen the coordination of tourism policy, planning development and management at both national and local levels.
- Strengthen the role of local authorities in the management and control of tourism, including providing capacity development for this.
- Ensure that all stakeholders, including government agencies and local planning authorities, are involved in the development and implementation of tourism.

Maintain a balance with other economic activities and natural resource uses in the area, and take into account all environmental costs and benefits.

### *Initiatives by Industry (Hotels / Tour operators)*

Ensure long-term commitments and improvements to develop and promote sustainable tourism, through partnerships and voluntary initiatives by all sectors and stakeholders, including initiatives to give local communities a share in the ownership and benefits of tourism.

- Diversify offer, complementary to 'all-inclusive' offers.
- Enable local community access to the tourism market and avoid enclaves.
- Structure initiatives to give all stakeholders a share in the ownership, to maximize their effectiveness.
- Establish clear responsibilities, boundaries and timetables for the success of any initiative.

- As well as global initiatives, encourage small and medium-sized enterprises to also develop and promote their own initiatives for sustainable tourism at a more local level
- Consider integrating initiatives for small and medium-sized enterprises within overall business support packages, including access to financing, training and marketing, alongside measures to improve sustainability as well as the quality and diversity of their tourism products.
- Market tourism in a manner consistent with sustainable development of tourism.
- Solid waste recycling programs
- Traveler education; with emphasis on local history or culture and natural history.
- Hiring, training and promoting local guides; providing them with competitive wages.
- Provide charitable support for local culture/heritage environment, and economic development efforts; building health clinics, schools for local residents.

### *Technology*

Minimize resource use and the generation of pollution and wastes by using and promoting environmentally sound technologies (ESTs) for tourism and associated hotel infrastructure.

- Develop and implement international agreements, which include provisions to assist in the transfer of environmentally sound technologies for the tourism sector's modernization.
- Promote introduction and more widespread use of ESTs by tourism enterprises and public authorities dealing with tourism or related infrastructures, as appropriate, including the use of renewable energy and ESTs for sanitation, water supply, and minimization of the production of wastes generated by tourism facilities and those brought to port by cruise ships.

## **12.4 Improve Quality of Life of the Host Community**

Conserve the environment, and provide benefits for local communities by ensuring that tourism planning is undertaken as part of overall development plans for any area, and that plans for the short-, medium-, and long-term encompass these objectives.

- Incorporate tourism planning with planning for all sectors and development objectives to ensure that the needs of all areas are addressed (Tourism planning should not be undertaken in isolation.)
- Ensure that plans create and share employment opportunities with local communities.

- Ensure that plans contain a set of development guidelines for the sustainable use of natural resources and land.
- Prevent *ad hoc* or speculative developments.
- Promote development of a diverse tourism base that is well integrated with other local economic activities.
- Preserve cultural identity, incentive (arts+ crafts)
- Establish local confidence!!! And responsibilities!!! By improving local conditions and guarantee educational programs.

## **12.5 Improve Institutional and Legislative Framework**

### *Legislative Framework*

Support implementation of sustainable tourism through an effective legislative framework that establishes standards for land use in tourism development, tourism facilities, management and investment in tourism.

- Strengthen institutional frameworks for enforcement of the effectiveness of SECTUR where necessary and decentralize its competencies
- Strengthen executive power of SECTUR within the government and create a 'Presidential Commission of Tourism' that will be responsible for the overall strategic orientations of the country.
- Standardize legislation and simplify regulations and regulatory structures to improve clarity and remove inconsistencies.
- Strengthen regulations for coastal zone management and the creation of protected areas, both marine and land-based, and their enforcement, as appropriate.
- Provide a flexible legal framework for tourism zones to develop their own set of rules and regulations applicable within their boundaries to suit the specific circumstances of their local economic, social and environmental situations, while maintaining consistency with overall national and regional objectives and minimum standards.
- Promote a better understanding between stakeholders of their differentiated roles and their shared responsibility to make tourism sustainable.
- Control and apply sanctions against illegal prostitution or child trafficking

*Environmental Standards*

Protect the environment by setting clear environmental quality standards, along with targets for reducing pollution from all sectors, including tourism, to achieve these standards, and by preventing development in areas where it would be inappropriate.

- Establish preventative plans for the maximum 'carrying capacities'
- Improve general cleanness in tourist zones as priority, then as well in the capital and rest of the country
- Minimize pollution at source, for example, by waste minimization, recycling, and appropriate effluent treatment.
- Take into account the need to reduce emissions of CO<sub>2</sub> and other greenhouse gases resulting from travel and the tourism industry.

*Regional Standards*

Ensure that tourism and the environment are mutually supportive at a regional level through cooperation and coordination between provinces, to establish common approaches to incentives, environmental policies, and integrated tourism development planning.

- Adopt overall regional frameworks within which provinces may wish to jointly set their own targets, incentive and environmental policies, standards and regulations, to maximize benefits from tourism and avoid environmental deterioration from tourism activities.
- Consider regional collaboration for integrated tourism development planning.
- Develop mechanisms for measuring progress, such as indicators for sustainable tourism.
- Develop regional strategies to address transboundary environmental issues, such as marine pollution from shipping and from land-based sources of pollution.
- Networking and Co-operation Partnerships etc. (regional, local, inter sectoral, Caribbean etc.)

The implementation of the above, will have to be consistently monitored and tourism activities reviewed to detect problems at an early stage and to enable action to prevent the possibility of more serious damage. This could be done by the Presidential Commission mentioned before. They should ensure rigorously that all actions of tourism development are orientated towards differentiation and tourism growth is controlled. Indicators for measuring quality

standards of the local hotel establishments and complementary services as well as to measure the overall progress of tourist areas towards sustainable development have to be established. For this purpose institutional and staff capacity for monitoring will be required.

### **13 Limitations and Challenges**

The following reveals the obstacles for the Sustainable Development in the Dominican Republic.

Major impediments exist in areas such as lack of economic competitiveness, low education, degradation of the environment, and energy deficiencies. The Dominican economy focuses on paying low wages to its workers and attracting low-end, package tourism. This trend encourages never-ending downward spiral in wages, reduced service quality levels in the tourism sector, and in attention to related environmental issues.

A major constraint to more widespread participation in the nation's economy is the lack of quality education, which is vital to reduce income inequalities and increase entrepreneurship and competitiveness in tourism. Consequences of inappropriate agriculture on hillsides, deforestation and mismanagement of watersheds make it difficult to improve inter-sectoral linkages with tourism. Regulatory frameworks are nonexistent to provide clear signals to privatized firms and assure appropriate service levels, cost recovery, and consumer pricing. Potential benefits from rural electrification programs to diversify economic growth and promote more environmentally sound alternative renewable energy use are still lacking but would be essential for a diversification of tourism, which will also take place in more remote areas.

In spite of the capitalization of the electrical generation and distribution companies and the new regulatory environment, neither the government nor the private sector have developed regional plans where tourism has been an integrated part of development. New tourism projects are planned under short-term aspects, where communities are not included in decision-making processes or regional development issues are considered.

Red tape and inefficiency of national, regional or local governmental institutions still are omnipresent and slow down the progress. Inadequate water supply, transportation, waste and sewage plants or erratic electricity can discourage further tourism investment or increase cost of operations in the Dominican Republic.

Another important obstacles to overcome is the poor environmental awareness by the Dominican society, which will require strong efforts to change this. As well most of the hotel establishments have just accomplished minimum environmental standards. However, it is an essential requirement for the successful implementation of a sustainable tourism development approach.

As the Dominican Republic depends heavily on distribution channel members, such as tourist operators, for achieving their financial targets, intermediaries often take advantage of the situation and use excessive bargaining power to reduce prices. Tourist operators who constantly demand reductions of prices, however, at the same time request an improvement of the quality of services and facilities; on the other side the lack of profit prevents hotels often from renovating facilities as well as from hiring qualified personnel and maintaining training standards.

Thus, the implementation of a sustainable tourism development approach will depend on governments to take responsibility for planning, organization and implementation of coherent, sustainable tourism policy including private public partnerships.

## 14 Conclusion

Sustainable tourism development is a by-product of a multitude of factors that can contribute to the successful present integration and future continuity of tourism at the macro- and micro-levels in the Dominican Republic. Tourism as the fastest growing sector, could make a difference in livelihood, in particular as the Dominican Republic is in the more fortunate position than most other Caribbean Islands, of having a larger and diverse countryside. Yet there has been little democratic participation in tourism and not enough attention paid to the needs of regional development beyond job creation.

Little planning has gone into building-in-linkages to other sectors of the economy, and enclave tourism has been encouraged to the detriment of broader distributive justice and socio-economic transformation.

It is apparent that the Dominican Republic's tourism industry has a number of significant constraints in place, which have reached the peak this year when growth rates of the industry declined heavily. However, it has to be pointed out that tourism development has been fast while political and economic reforms gradually started after 1996 with the new Fernandez government. Thus, rapid changes cannot be expected but should be consistent in a long-term process. Yet, it will need political and private industry commitment to gain back market confidence dynamism and future sustainability in the tourism sector in the next years.

Local communities should be part in this decision-making, while educational programs should support a gradual empowerment. To guarantee this, a new regulatory framework will have to be strictly implemented that guarantees equality among all stakeholders involved. A better understanding within the communities of the importance of tourism, can only be obtained if results can be observed through real improvements in basic infrastructure, like energy, portable water and public facilities, schools and general well-being.

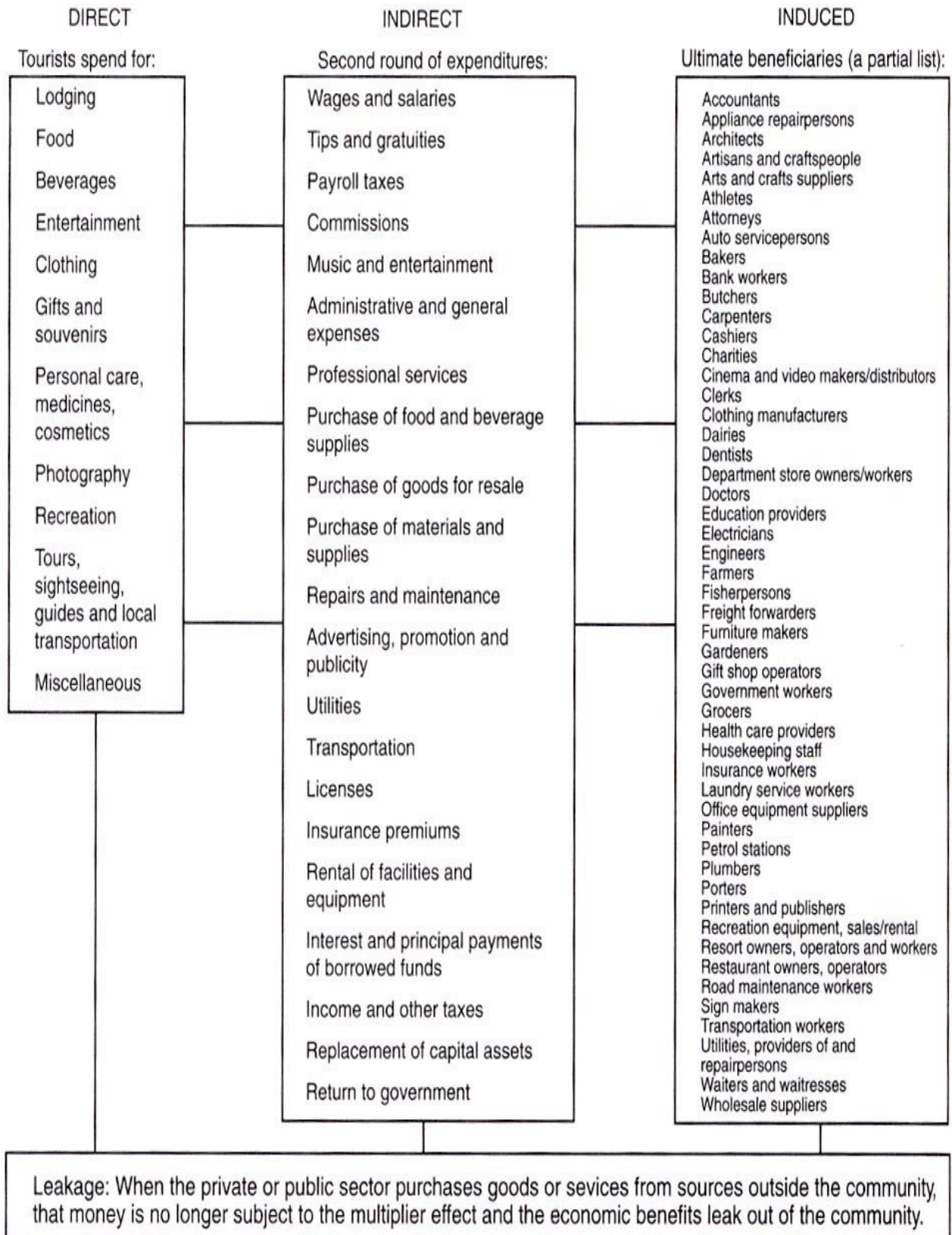
The presented competitive differentiation strategy implies that great efforts have to be done, to get away from the image as a low-budget mass tourism country towards an environmentally friendly, high-class destination. It is not a question, whether this should be achieved, it is more a necessity in regard to the Caribbean and as well international competition.



The government will have to recognize that it must also create the underlying conditions, which means leadership in encouraging investment, streamline regulations and building infrastructure. On the other side the private sector can and must also be encouraged to play an increasingly important role in developing quality products and services geared to international, regional and domestic demand.

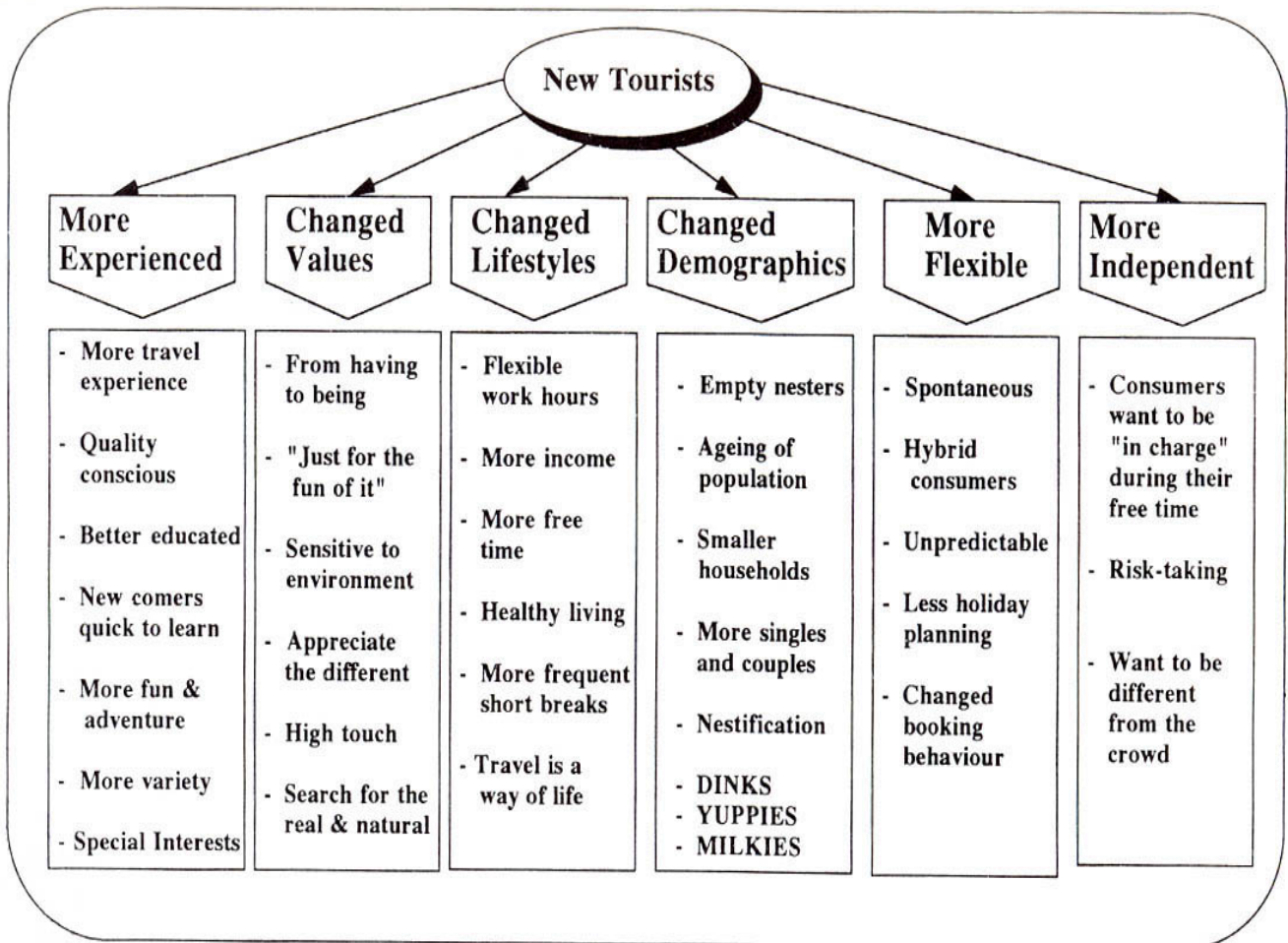
## Appendix 1:

## Multiplier Effect



## Appendix 2:

## The "New" Consumers



Source: Poon 1994 : 115

**Appendix 3:****Hartes Reisen – Sanftes Reisen**

<b>HARTES REISEN</b>	<b>SANFTES REISEN</b>
Massentourismus	Einzel-, Familien- und Freundesreisen
Wenig Zeit	Viel Zeit
Schnelle Verkehrsmittel	Angemessene (auch langsame) Verkehrsmittel
Festes Programm	Spontane Entscheidungen
Außengelenkt	Innengelenkt
Importierter Lebensstil	Landesüblicher Lebensstil
Sehenswürdigkeiten	Erlebnisse
Bequem und passiv	Anstrengend und aktiv
Wenig oder keine geistige Vorbereitung	Vorhergehende Beschäftigung mit dem Besuchsland
keine Fremdsprache	Sprachenlernen
Überlegenheitsgefühl	Lernfreude
Einkaufen ("Shopping")	Geschenke bringen
Souvenirs	Erinnerungen, Aufzeichnungen, Neue Erkenntnisse
Knipsen und Ansichtskarten	Fotografieren, Zeichnen, Malen
Neugier	Takt
Laut	Leise

Source: Roth and Schrand 1992:48; (published in: GEO 10/1980 Robert Jungk)

**Appendix 4:**

Map of the of the Dominican Republic:

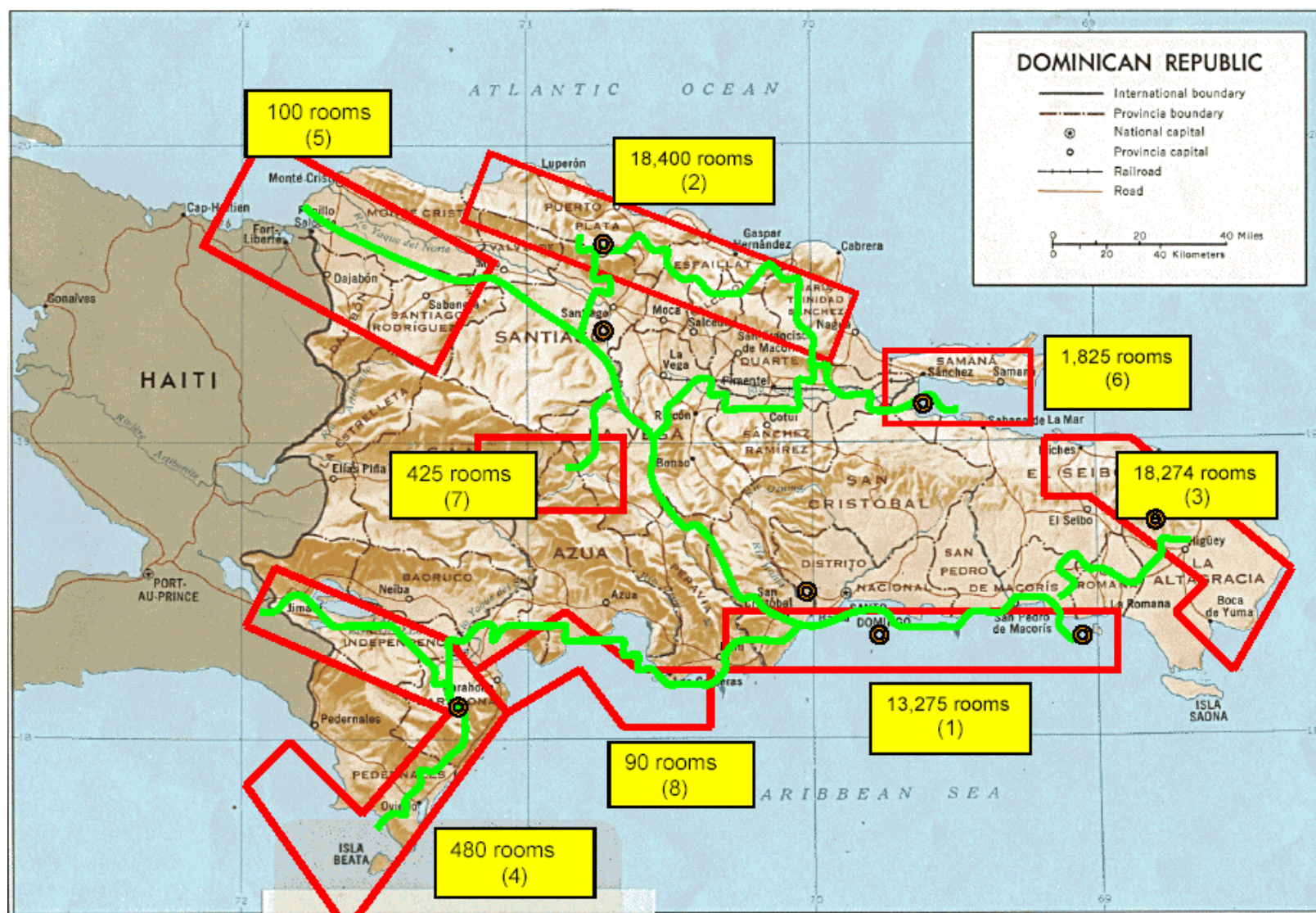
**PROVINCES**



Source: The National Institute of Statistics of the Dominican Republic



## Appendix 5: Touristical Zones and Distribution of Hotel Rooms



Source: SECTUR 2001

**Appendix 6:**Dominican Republic  
Proyectos Hoteleros en Construcción 2001-2002

Project	Rooms	Promoter	Opening
<b>Santo Domingo</b>		Accord	2001
Hostal Nicolas de Ovando (remodelation)	122	Malecón Center	2002
Crowne Plaza Malecón Center	200	Margarita Cardena	2001
Ocean Inn (remodelation)	20	Proyecto Moderno	N.D.
El Prado Gran Hotel	250		
<b>TOTAL SANTO DOMINGO</b>	<b>592</b>		
<b>Juan Dolio</b>			
Residence Albatros	88	N.D.	2001
<b>TOTAL JUAN DOLIO</b>	<b>88</b>		
<b>Bavaro Punta Cana</b>			
Cireni Tropical	300	Hodelpa	2001
Tropical Club	150	Hotel Carabela	2001
Carabela Macao (second leg)	359	Hoteles Catalonia	2001
Catalonia Bavaro (second leg)	393		
<b>TOTAL PUNTA CANA</b>	<b>1,202</b>		
<b>Puerto Plata</b>			
Coral Marien Beach Hotel (Playa Dorada)	456	Costa Dorada Beach	2001
Apartahotel Villa Venecia	18		
Casamarina Bay Club (Mayra Paulino)	?		
Hacienda Golf Hotel	270	J. B. Torquemada	2001
Emi sun village Resort Management	600	Emi Resort	2001
Villa de Luxes	20		
<b>TOTAL PUERTO PLATA</b>	<b>1364</b>		
<b>Santiago</b>			
Aloha Sol (amplification)	24	Aloha Sol	2001
Crowne Plaza Santiago	200	Desarrollo	2002
<b>TOTAL SANTIAGO</b>	<b>200</b>	Pontezuela	
<b>Samana</b>			
Guatapanai Beach Resort (first leg)	216	Immobiliaria Hekaje,	2001
Samana Bay Village	50	S.A.	2001
<b>TOTAL SAMANA</b>	<b>266</b>		
<b>TOTAL</b>	<b>3,712</b>		

Source: ASONAHORES (August) 2001

## Appendix 7:

### Estimated indirect and directly generated employment in the national tourism sector 1991-1999

	Direct Employment*	Indirect Employment*	Total *	Total Change	Working ** Population	Employment generated/ Working Population
1991	27,963	69,910	97,873		2,251,709	4.4%
1992	31,733	79,333	111,066	13.5%	2,406,398	4.6%
1993	32,161	80,403	112,564	1.4%	2,416,649	4.7%
1994	35,093	87,729	122,822	9.1%	2,400,587	5.1%
1995	36,131	90,327	126,458	3.0%	2,400,681	5.3%
1996	36,273	87,688	123,961	-2.0%	2,523,781	4.9%
1997	44,499	111,247	155,746	25.6%	2,652,035	5.9%
1998	44,665	111,663	156,328	0.4%	2,888,950	5.4%
1999	49,623	124,057	173,680	11.1%	2,979,492	5.8%
2000***	41,533	103,833	145,366	-16.3%	N/A	N/A
1991-1999				48.5%		

Sources: \* Estimations by the National Bank D.R.

\*\* Extract of CEPAL 1991-1995 y 1996-1999: Encuesta de trabajo

\*\*\* Asonahores 2001 ; Horwath 2001  
own elaboration



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