

Latin America and Caribbean Travel & Tourism Competitiveness Landscape Report: Assessing Regional Opportunities and Challenges in the Context of COVID-19

INSIGHT REPORT

JULY 2020



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Preface

Appropriately developed competitiveness strategies can be used to create a more sustainable and resilient T&T industry



Christoph Wolff
Head of Shaping the Future
of Mobility, Member of the
Executive Committee, World
Economic Forum

A handwritten signature in blue ink, appearing to read 'Christoph Wolff'.

The COVID-19 pandemic represents one of the greatest health and economic challenges that the global community has faced in modern times. As entire countries and regions restrict travel and order their populations to stay at home, the global travel and tourism (T&T) industry has been effectively shut down. In the Latin America and Caribbean region, where according to the World Travel and Tourism Council the industry accounts for 10.2%¹ of GDP, this has generated dire consequences. Accordingly, it is more important than ever for regional stakeholders to work together to help mitigate the impact of the crisis on T&T and set the industry on course for recovery.

That is why the World Economic Forum has published the Latin America and Caribbean Travel and Tourism Competitiveness Landscape Report. Part of the Forum's long-running Travel and Tourism Competitiveness Report series, this publication takes a regional look at "the set of factors and policies that enable the sustainable development of the T&T sector, which in turn, contributes to the development and competitiveness of a country". By better understanding the factors that affect T&T competitiveness, public-private cooperation can be calibrated to maximize the industry's potential to boost economic development and the growth of small and medium businesses, reduce poverty and

encourage greater gender parity in the labour force. Moreover, appropriately developed competitiveness strategies can be used to take advantage of opportunities presented by the current crisis to create a more sustainable and resilient T&T industry that will be better prepared for future headwinds. For this reason, the theme of this report is "Assessing Regional Opportunities and Challenges in the Context of COVID-19".

We would like to thank our community of data partners without whom this report would not be possible. The community consists of the International Air Transport Association (IATA), the International Union for Conservation of Nature (IUCN), the World Tourism Organization (UNWTO), the World Travel & Tourism Council (WTTC), Bloom Consulting and STR. Additional data was sourced from partner institutes around the region, which help administer the Forum's Executive Opinion Survey, providing invaluable data for the index and this report. We also thank our industry partners for their continuous insight and perspectives on industry transformations and challenges. Lastly, appreciation goes to the Global Competitiveness and Risks team, the Latin America regional team and Platform for Shaping the Future of Mobility colleagues who helped develop the Travel and Tourism Competitiveness Report series.

Below: Machu Picchu Inca
Ruins – Sacred Valley, Peru

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Executive summary

An overview of the Latin America
and Caribbean (LAC) travel and tourism
(T&T) findings



The *Latin America and Caribbean Travel & Tourism Competitiveness Landscape Report* is designed to give an in-depth view of the Latin America and Caribbean (LAC) travel and tourism (T&T) industry. This report serves as a benchmarking tool for policy-makers, companies and complementary sectors to advance the future development of the T&T sector by providing unique insight into the strengths and development areas of each country/economy to enhance industry competitiveness. Further, it serves as a platform for multistakeholder dialogue to understand and anticipate emerging trends and risks in regional T&T, to adapt policies, practices and investment decisions, and to accelerate new models that ensure the longevity of this important sector. The report's theme is "Assessing Regional Opportunities and Challenges in the Context of COVID-19". The COVID-19 pandemic is one of the greatest challenges the LAC T&T industry has faced in its history.

Accordingly, attention has been paid to how T&T competitiveness can be used to mitigate the impact of the crisis and build back better.

The metrics in this report are based on the most recent version of the Travel & Tourism Competitiveness Index (TTCI). Published biennially, the TTCI benchmarks the T&T competitiveness of 140 economies and measures "the set of factors and policies that enable the sustainable development of the Travel & Tourism (T&T) sector, which in turn, contributes to the development and competitiveness of a country". The index is comprised of four subindexes, 14 pillars and 90 individual indicators, distributed among the different pillars. For the purposes of this report, the results of the 21 LAC countries covered in the global TTCI are taken. All references to changes in scores relate to the difference between the 2017 and 2019 index results.

2.1 Results overview

🗣️ **For the region's T&T industry to survive and recover from the crisis, policy-makers and other stakeholders will have to come up with creative ways to improve the region's competitiveness.**

Before the outbreak of COVID-19, the LAC region was improving in terms of T&T competitiveness, albeit with most of its economies still performing below the global average. The region benefits from its abundant natural resources and increasing international openness and price competitiveness, all of which boost the attractiveness of the region as a destination. However, the COVID-19 crisis has, at least temporarily, negated these factors as the regional and global T&T industry has been forced to shut down. For the region's T&T industry to survive and recover from the crisis, policy-makers and other stakeholders will have to come up with creative ways to improve the region's competitiveness.

Currently, numerous obstacles remain, not least of which are low scores for the Business Environment and Safety and Security pillars. Infrastructure and, in particular, air and ground transport assets are also relatively underdeveloped, discouraging visitation and T&T investment. Below-average environmental sustainability also endangers the region's advantage in nature tourism. Lastly, the COVID-19 pandemic has exposed problems with the region's health and

hygiene system, making it more difficult to manage the virus, reopen and build back trust for travel.

Out of the 21 LAC countries covered in this report, 12 have increased in T&T competitiveness since 2017, with Bolivia, Colombia, Uruguay and the Dominican Republic registering the greatest improvement. Mexico remains the highest scorer on the TTCI in LAC, with enhanced T&T policy and enabling conditions, infrastructure and natural and cultural resources helping it rank in the global top 20 for the first time since the inception of the TTCI.

If LAC's private- and public-sector T&T leaders take advantage of the current crisis and work together to improve competitiveness, the industry can be equipped to tackle the regional issues, including slower rates of economic development and poverty. However, in order to accomplish these goals, stakeholders must also recognize the need to consider environmental and socioeconomic sustainability in decision-making. Approaches that focus only on driving short-term tourism demand have the potential to weaken the long-term resilience of the T&T industry.

3

Latin America & Caribbean T&T Competitiveness Index 2019 Overall Rankings

Covering 140 economies, the T&T Competitiveness Index (TTCI) measures the set of factors and policies that enable the sustainable development of the T&T sector, which contributes to the development and competitiveness of a country. This table highlights the 21 Latin America and Caribbean economies covered in the TTCI.

Global rank	Economy	Score	Difference from 2017		Score diff. from benchmark avg.	
			Rank	Source growth (%)	Regional (%)	Global (%)
19	Mexico	4.7	3 ▲	3.4	24.7	21.9
32	Brazil	4.5	-5 ▼	-0.8	18.5	15.8
41	Costa Rica	4.3	-3 ▼	1.0	13.5	10.9
47	Panama	4.2	-12 ▼	-4.0	11.5	9.0
49	Peru	4.2	2 ▲	3.1	10.8	8.3
50	Argentina	4.2	0	2.5	10.4	7.9
52	Chile	4.1	-4 ▼	0.9	9.0	6.6
55	Colombia	4.0	7 ▲	4.7	6.6	4.2
70	Ecuador	3.9	-13 ▼	-1.2	2.8	0.4
73	Dominican Republic	3.8	3 ▲	4.2	0.4	-1.9
74	Uruguay	3.8	3 ▲	4.2	0.1	-2.1
76	Jamaica	3.7	-7 ▼	0.9	-0.3	-2.6
87	Trinidad and Tobago	3.6	-14 ▼	-2.4	-4.7	-6.9
90	Bolivia	3.5	9 ▲	4.7	-7.0	-9.1
91	Nicaragua	3.5	1 ▲	1.6	-7.1	-9.2
94	Honduras	3.5	-4 ▼	-0.9	-8.1	-10.2
99	Guatemala	3.4	-13 ▼	-3.2	-9.8	-11.8
108	El Salvador	3.2	-3 ▼	-1.3	-14.1	-16.0
109	Paraguay	3.2	1 ▲	2.7	-14.1	-16.0
117	Venezuela	3.1	-13 ▼	-4.6	-16.7	-18.6
133	Haiti	2.8	n/a	n/a	-26.6	-28.2

Source: World Economic Forum, 2019

Note: Overall scores range from 1 to 7 where 1 = worst and 7 = best

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About the *Latin America and Caribbean Travel & Tourism Competitiveness Landscape Report*

A quick guide to content and methodology



The *Latin America and Caribbean Travel & Tourism Competitiveness Landscape Report* is based on the latest 2019 iteration of the TTCI published in the 2019 edition of the Travel & Tourism Competitiveness Report (TTCR). While the TTCR covers 140 economies, the Landscape Report provides a more in-depth view of the 21 Latin America and Caribbean (LAC) countries ranked in the TTCI. The report provides a strategic benchmarking tool for business and government

to develop the T&T sector. By enabling cross-country comparison and benchmarking countries' progress on the drivers of T&T competitiveness, it informs policy and investment decisions related to T&T business and industry development. The report provides a unique insight into the strengths and areas for development of each country in order to enhance its industry competitiveness, plus a platform for multistakeholder dialogue at the country level to formulate appropriate policies and actions.

4.1 The TTCI

Published biennially, the TTCI benchmarks the T&T competitiveness of 140 economies and measures “the set of factors and policies that enable the sustainable development of the T&T sector, which in turn, contributes to the development and competitiveness of a country”. For the complete performance results of the 2019 TTCI, please visit the TTCR’s homepage at <http://reports.weforum.org/ttcr>.

The index has been developed in the context of the World Economic Forum’s Industry Programme

for Aviation, Travel & Tourism, as part of the Platform for Shaping the Future of Mobility. It is undertaken in close collaboration with our data partners Bloom Consulting, IATA, IUCN, STR, UNWTO and the WTTC.

The TTCI is comprised of four subindexes, 14 pillars and 90 individual indicators, distributed among the different pillars.

Travel & Tourism Competitiveness Index			
Enabling Environment	T&T Policy and Enabling Conditions	Infrastructure	Natural and Cultural Resources
Business Environment	Prioritization of Travel and Tourism	Air Transport Infrastructure	Natural Resources
Safety and Security	International Openness	Ground and Port Infrastructure	Cultural Resources and Business Travel
Health and Hygiene	Price Competitiveness	Tourist Service Infrastructure	
Human Resources and Labour Market	Environmental Sustainability		
ICT Readiness			

The **Enabling Environment** subindex captures the general conditions necessary for operating in a country and includes five pillars:

- **Business Environment (12 indicators)**
- **Safety and Security (five indicators)**
- **Health and Hygiene (six indicators)**
- **Human Resources and Labour Market (nine indicators)**
- **ICT (Information and Communication Technologies) Readiness (eight indicators)**

The **T&T Policy and Enabling Conditions** subindex captures specific policies or strategic aspects that affect the T&T industry more directly and includes four pillars:

- **Prioritization of Travel & Tourism (six indicators)**
- **International Openness (three indicators)**

- **Price Competitiveness (four indicators)**
- **Environmental Sustainability (10 indicators)**

The **Infrastructure** subindex captures the availability and quality of physical infrastructure of each economy and includes three pillars:

- **Air Transport Infrastructure (six indicators)**
- **Ground and Port Infrastructure (seven indicators)**
- **Tourist Service Infrastructure (four indicators)**

The **Natural and Cultural Resources** subindex captures the principal “reasons to travel” and includes two pillars:

- **Natural Resources (five indicators)**
- **Cultural Resources and Business Travel (five indicators)**

4.2 Data and methodology

Two-thirds of the indicators for the TCI are derived from statistical data from international organizations, with the remaining third based on survey data from the World Economic Forum’s annual Executive Opinion Survey, which is used to measure concepts that are qualitative in nature or for which internationally comparable statistics are not available for enough countries. Carried out among more than 16,000 business executives and business leaders annually in all of the economies included in our assessment, the survey represents a unique source of insight into critical qualitative aspects of T&T competitiveness. For more details about the survey, please see Appendix B of *The Global Competitiveness Report 2018* (<http://reports.weforum.org/global-competitiveness-report-2018/>).

The sources of statistical data include, but are not limited to, Bloom Consulting, STR, IATA, the International Congress and Convention Association (ICCA), the International Labour Organization (ILO), the International Congress and Convention Association (ITU), IUCN, UNESCO, UN Statistics Division, the Joint United Nations

Programme on HIV/AIDS (UNAIDS), UNWTO, the World Health Organization (WHO), the World Bank, the World Resources Institute, World Road Statistics, the CIA World Factbook, the World Trade Organization (WTO), WTTC, the World Database on Protected Areas (WDPA), and the Yale Center for Environmental Law and Policy/ Center for International Earth Science Information Network (CIESIN) Environmental Performance Index. The overall TCI score is computed through successive aggregations of scores, from the indicator level (i.e. the lowest, most disaggregated level) through the pillar and subindex levels, using a simple average (i.e. arithmetic mean) to combine the components. Scores on each indicator are first normalized onto a common scale.

More details about the data and methodology of the 2019 TCI can be found in the Methodology of TCI 2019 chapter of this report. However, for the most comprehensive overview of this information, please visit Appendix B and Appendix C of the 2019 TCI (<http://reports.weforum.org/travel-and-tourism-competitiveness-report-2019/methodology2/>).

4.3 Country coverage

The report covers the 21 LAC economies covered by the 2019 edition of the TCI. These countries in alphabetical order are: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela. Haiti is a new addition to the TCI

as it was not covered in 2017, while Barbados was excluded due to insufficient data. Detailed results and profiles for LAC and other economies can be found on the country profile page of the 2019 TCI (<http://reports.weforum.org/travel-and-tourism-competitiveness-report-2019/country-profiles/>).

Below: Atacama Desert,
Moon Valley, on the Chile,
Bolivia and Argentina border

5

Competitiveness landscape

Shifting dynamics in the time
of COVID-19



5.1 Global context

“The spread of COVID-19 has thrown the global T&T industry into one of its worst crises in history

The spread of COVID-19 has thrown the global T&T industry into one of its worst crises in history. In order to combat the spread of the virus, governments around the world have put cities under lockdown and closed borders to passenger traffic. Combined with general consumer fear of travel, these measures have effectively shut down the T&T industry. Given that the industry accounts for one in 10 jobs around the world and around 10% of GDP,² the impact of this on the global economy has been significant, helping create the worst global economic downturn since the Great Depression.³ As of the publishing of this report, the World Travel and Tourism Council estimates in its baseline scenario that 121 million jobs are at risk, with a potential loss of \$3.4 trillion in GDP due to COVID-19's impact on T&T.⁴

Naturally, industry recovery from the crisis will depend on a range of factors, including outbreak management, the effectiveness and size of stimulus assistance, when and how lockdown and travel restrictions are lifted, which should be driven by the preservation of lives, overall macroeconomic conditions and consumer confidence in travel, with results varying by region and country. UNWTO has provided a set of recommendations for navigating the COVID-19 disruption, dividing them into three areas: 1) managing the crisis and mitigating the impact; 2) providing stimulus and accelerating recovery; and 3) preparing for the future.⁵ In all of these phases and beyond, the levers of T&T competitiveness will play a vital role as they constitute the factors and policies that enable sustainable development of T&T.

The World Economic Forum's *Travel & Tourism Competitiveness Report 2019* (TTCR) points to multiple factors that drove competitiveness before the crisis, including expanding air traffic capacity, reduced barriers for cross-border travel, rising price competitiveness, increasingly pro-tourism government policies and improved ICT readiness. However, in the short term, many aspects of competitiveness, such as improved international openness, will have a reduced impact on demand due to travel restrictions. Meanwhile, other aspects of competitiveness will increase in importance. For instance, according to TTCR results, high-income economies in regions such as Europe have a significant advantage when it comes to health

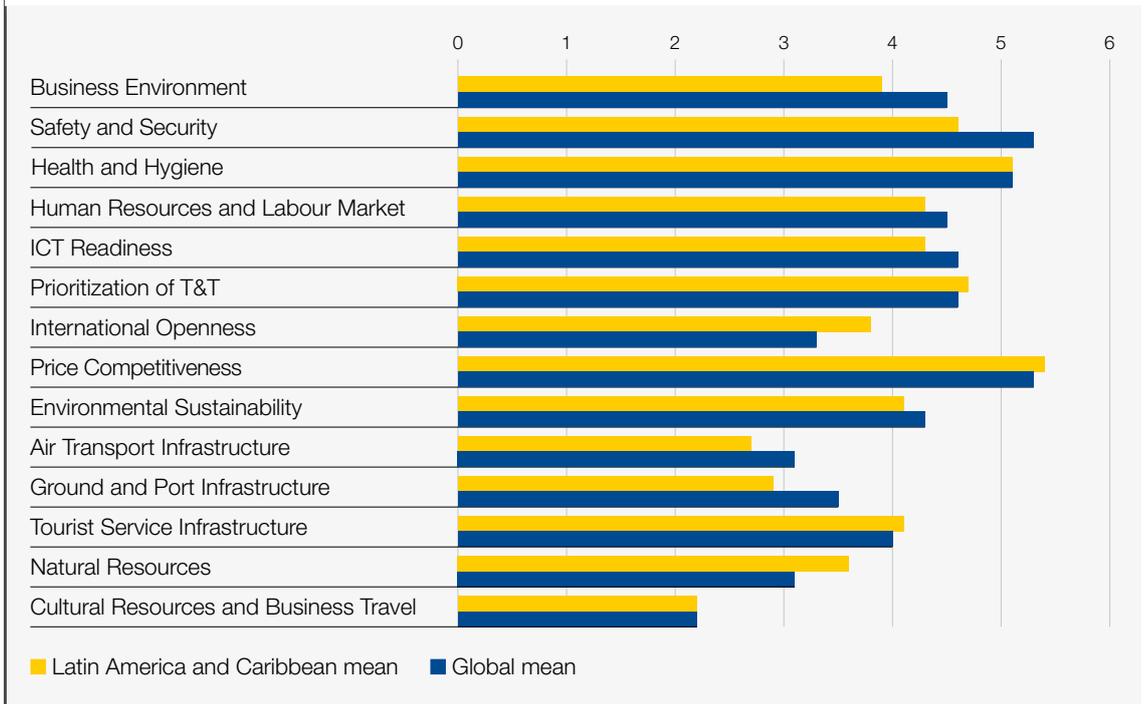
and hygiene conditions, enabling them to better manage the outbreak and regain consumer trust in travel. Similarly, higher ICT readiness will help T&T operators and their supply-chain partners to provide more services digitally – a growing advantage when person-to-person interactions are constrained. Competitiveness components such as a favourable business environment and labour markets can also act as supply-side stimulus, generating relief and accelerating the recovery.

Yet, despite the current downturn, the long-term prospects for T&T remain encouraging. The industry has historically outperformed global GDP growth and is likely to do so again once COVID-19 is controlled and the economy recovers. Before the outbreak of the virus, the global T&T industry was experiencing a prolonged period of expansion. According to UNWTO, international tourist arrivals worldwide reached about 1.5 billion in 2019. That is nearly 54% more arrivals than in 2010.⁶ However, this growth also led to several challenges such as overcrowding and infrastructure capacity constraints, indicating the need to invest in infrastructure and tourism management. Results for environmental sustainability have also been mixed. More environmental treaty ratifications and improved perceptions that T&T is being developed in a sustainable manner since 2017 bodes well for tourism sustainability. However, the enforcement of treaties and protected lands might be insufficient to preserve some natural resources, given that air pollution, deforestation and species endangerment have continued to rise over the past two years.

The crisis offers an opportunity for the industry to reset and build back better. Addressing long-term challenges such as cultural and environmental degradation in addition to changing dynamics caused by the spread of COVID-19 will become essential. If the industry does not respond to the situation and set a more sustainable path, there is a risk of losing consumer trust as well as damaging the very assets that make these destinations attractive, resulting in reduced tourism revenues and lower economic development. Countries and regions that do take advantage of the situation will be able to boost their resiliency and outcompete others in the years ahead.

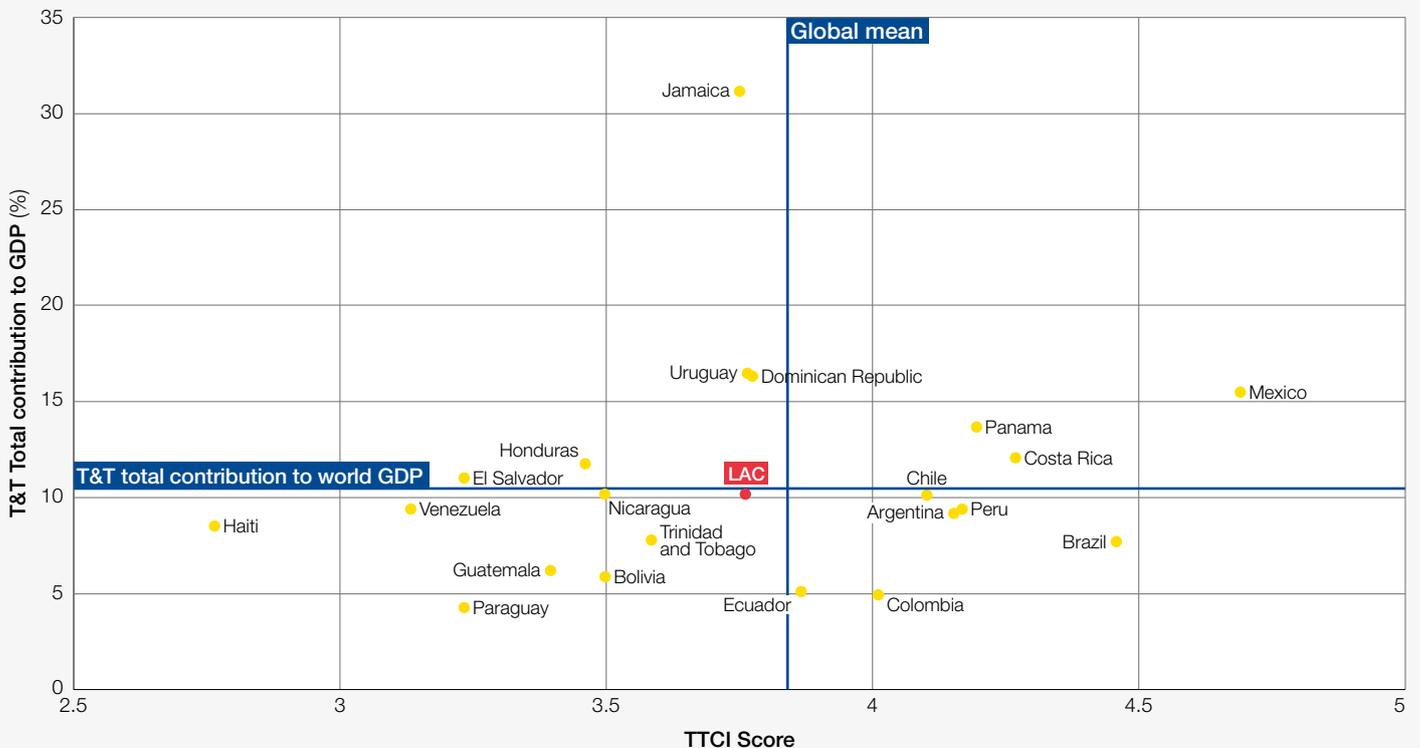
5.2 Latin America and Caribbean's competitiveness landscape

FIGURE 1 Travel & Tourism Competitiveness Index 2019 pillar performance



Source: World Economic Forum, 2019

FIGURE 2 T&T competitiveness vs. GDP contribution, Latin America and Caribbean economies



Source: World Economic Forum and World Travel & Tourism Council, 2019

Not only is the LAC region facing a tragic health crisis, but the region has been one of the hardest hit economically by the COVID-19 pandemic. While estimates of the downturn are still in flux, the United Nations Economic Commission for Latin America and the Caribbean expects this to be the region's worst economic contraction since records began in 1900.⁷ COVID-related decline in domestic spending, trade and commodity prices, supply-chain disruptions and worsening financial conditions are all expected to add pressure to a region that was already beset by sluggish economic growth, inequality, decline in public trust and political instability.

The impact of COVID-19 on the T&T sector has been even more severe. In April, the WTTC estimated that the LAC region could lose \$110.2 billion in T&T GDP due to the crisis, which represents a drop of more than 30% in T&T GDP compared to 2019.⁸ Given that T&T's 2019 direct and indirect activity accounted for 9.2% of employment and 10.2% of GDP in the 21 countries covered by this report, the economic well-being of the industry is strongly intertwined with the well-being of the region.⁹ Therefore, investing in competitiveness will be an important component of COVID-19 mitigation and recovery strategies.

Based on 2019 T&T results, the average T&T score and rate of growth (2017–2019) for LAC is just below that of the global mean. As Figure 1 shows, strengths such as rich natural resources are dampened by challenges including below-average business environment conditions, safety and security, environmental sustainability and transport infrastructure. However, by addressing competitiveness challenges, regional players can help the industry cope with the crisis, then recover and strengthen. In turn, a more competitive

T&T industry can become a valuable means for developing LAC's economy, solving the region's socioeconomic and sustainability problems and building long-term resiliency.

However, the region is home to a diverse set of economies that vary in circumstances and competitiveness – and in their capacity to deal with and recover from the crisis. Figure 2 shows the direct and indirect T&T contribution to the GDP of the LAC economies covered in this report and their T&T scores, set against the global mean for T&T scores and total T&T GDP contribution to the world. Countries in the top right-hand corner are likely to have the steepest decline in GDP due to reduced T&T activity but are probably more likely to be competitive enough to recover faster or in better shape. On average, these nations have better enabling environments, T&T policies and infrastructure. Moreover, they have rich natural and cultural assets that will attract tourists. Economies in the bottom-right corner have a similar level of competitiveness but are less economically exposed to the T&T contraction. The bottom-left countries are below average in competitiveness, but because they are less economically exposed to T&T, this will likely be less of an issue for their economic well-being. However, this could also indicate that they are not optimizing their T&T industry to deliver economic development. The countries located in the top-left quadrant face the greatest difficulty. They are highly dependent on T&T for economic activity, but due to lower competitiveness, they may struggle to cope with the impact of COVID-19. As a result of their dependence on T&T, these nations have, on average, prioritized T&T and international openness to a greater degree than the rest of LAC, but they struggle with issues ranging from underdeveloped transport infrastructure to relatively less attractive natural and cultural resources.

Below: Havana, Cuba



5.3 Elements to improve the T&T economy

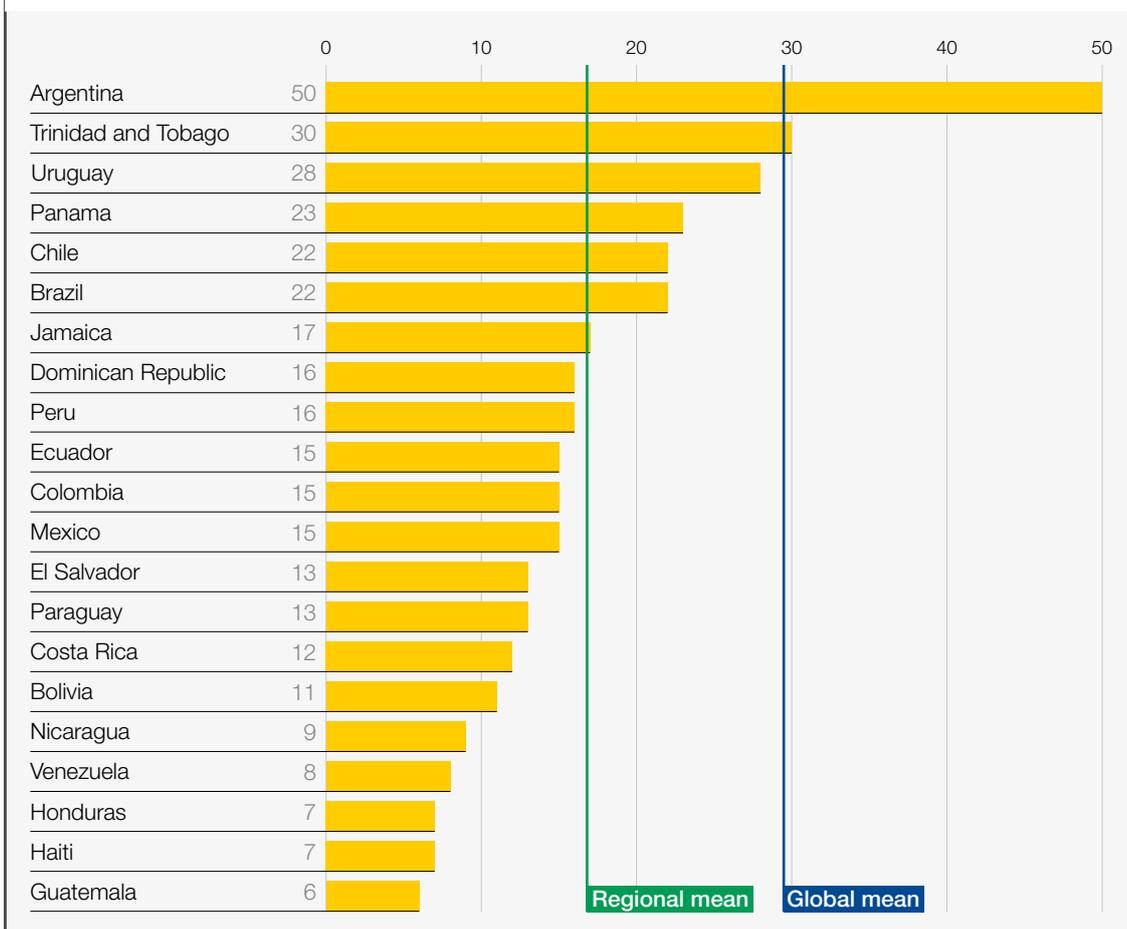
The section below seeks to provide a better overview of the various aspects of LAC's T&T competitiveness (as defined by the TTCL) and how they relate to the COVID-19 crisis.

The healthcare capacity and access challenge

As a result of COVID-19, health and hygiene has become a primary aspect of T&T competitiveness. The quality of countries' healthcare systems is a primary factor in how well they can manage and overcome the pandemic. Nations that have better healthcare are more likely to effectively mitigate the spread and impact of the virus, thus saving

lives and also accelerating the loosening of travel and lockdown restrictions and the recovery of T&T and the wider economy. Consumer and business travellers, who are more likely than ever to be sensitive to health risks when travelling, will probably place extra value on destinations with acceptable levels of health and hygiene.

FIGURE 3 Latin America and Caribbean hospital beds per 10,000 people



Source: The World Bank, World Development Indicators Database, latest available data

On average, LAC countries score just 0.9% above the global mean for the Health and Hygiene pillar. In general, the region has relatively low rates of diseases such as HIV and malaria but could benefit from expansion in hospital and physician coverage – two factors that are especially important to managing the outbreak. Hospital beds are in particularly short supply. At 16.9 beds per 10,000 people, LAC nations typically have about 42.0% fewer beds than the global mean of 29.4,¹⁰ with only Argentina substantially exceeding this benchmark (see Figure 3). LAC physician density, while less of an issue than beds, is also

below the global average, adding to capacity concerns. Moreover, hospital and physician availability are directly connected to widespread healthcare access issues in LAC, with services often lacking outside major urban centres. The 2.2% of GDP that regional central governments spent on the health sector in 2018 was far below the 6.0% recommended by the Pan American Health Organization to reduce inequities and increase financial protection. In addition, in 2016, enrolment in health insurance of employed people stood at 57.3%, and just 34.2% for those in the lowest income bracket.¹¹

Given that regions with more advanced healthcare infrastructure and access are facing capacity problems, LAC nations may have to maintain restrictions for longer to avoid overwhelming their healthcare systems or because lack of access will prevent proper COVID-19 treatment of the population, thus costing lives and further delaying recovery. However, investment or other solutions to spread health and related services into rural areas can open those destinations to more visitors and relieve pressure on densely populated urban areas that may struggle to encourage tourism due

to concerns over visitor congestion and the spread of viruses. Post-COVID, investment in healthcare could also help attract the increasing number of people travelling abroad for medical treatment. Estimates of the size of the global medical tourism market range from \$45.5 to \$100 billion.¹² Key aspects that LAC countries need to consider when seeking to attract medical tourists include medical costs, the combination of treatment with attractive destinations, quality care and access to medications not available in the traveller's home market.¹³

Tackling safety and security risks

Safety and Security is another area in which improvements can be made to encourage T&T development. Currently, the region scores 14.2% below the global average for this pillar. LAC has some of the highest homicide rates in the world, with low average perceptions of police reliability. Consequently, the business costs of crime and violence are greater than what is typically found globally. This not only discourages investment

in T&T but is an important factor in discouraging visitors to destinations. Encouragingly, there seems to have been some progress in the region's security situation, with 12 economies increasing their Safety and Security pillar score since 2017. However, the impact of the economic downturn and more constrained fiscal environment will put additional pressure on funding and have an impact on the effectiveness of policing in the region.

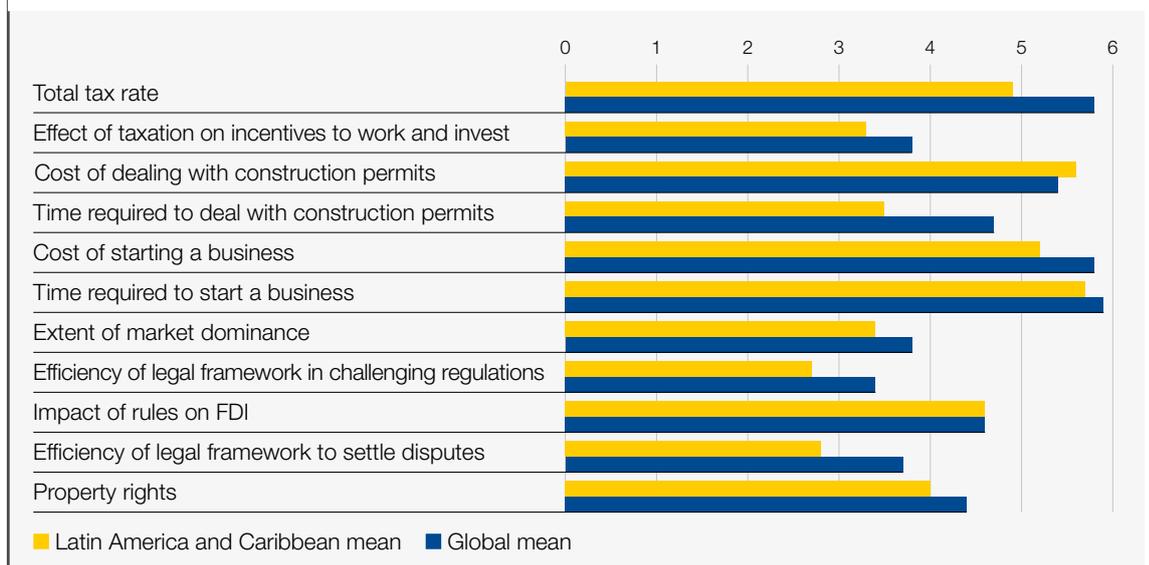
The increasing need to build favourable business conditions

Results for the 2019 TTCI show that the LAC average score for the Business Environment pillar is 12.7% below the global mean, representing one of the region's greatest disadvantages. However, by building a more favourable business environment, LAC economies can better mitigate the economic impact of COVID-19 and bolster the future competitiveness of the overall economy and the T&T industry.

According to UNWTO recommendations, reviewing taxes, charges, levies and regulations related to tourism is an important aspect of mitigating the

impact and progressing recovery from the crisis.¹⁴ The 2019 TTCI results show that on average, LAC economies have some of the highest corporate tax rates in the world. Unsurprisingly, the region receives the TTCI's lowest score for perceptions of the effect of taxation on incentives to work and invest. An appropriately recalibrated tax policy, including lower rates, may help T&T businesses reduce costs, thereby giving them more room to weather the crisis and encourage future investment in the industry. Other business obstacles that companies operating in LAC often face include relatively inefficient legal frameworks,

FIGURE 4 Business Environment pillar component scores, scale 1–7 (worst–best)



Source: World Economic Forum, Executive Opinion Survey 2018 and World Bank, Doing Business 2019: Training for Reform

Note: See methodology section of the *Travel & Tourism Competitiveness Report 2019* for more information on indicators

long wait times for construction permits and lower perceptions of market competitiveness. The combination of tax reform and improvement in other business environment factors will be especially beneficial for the small and medium enterprises (SMEs) that drive so much of T&T development. For instance, micro and small businesses account for 99% of enterprises and

77% of employment in the region's hotel and restaurant sector.¹⁵ Smaller types of companies have fewer resources to deal with administrative, legal and tax constraints than large corporations, especially during COVID-19. Additionally, reforms in these areas will be important to help increase investment in other T&T-related areas such as infrastructure.

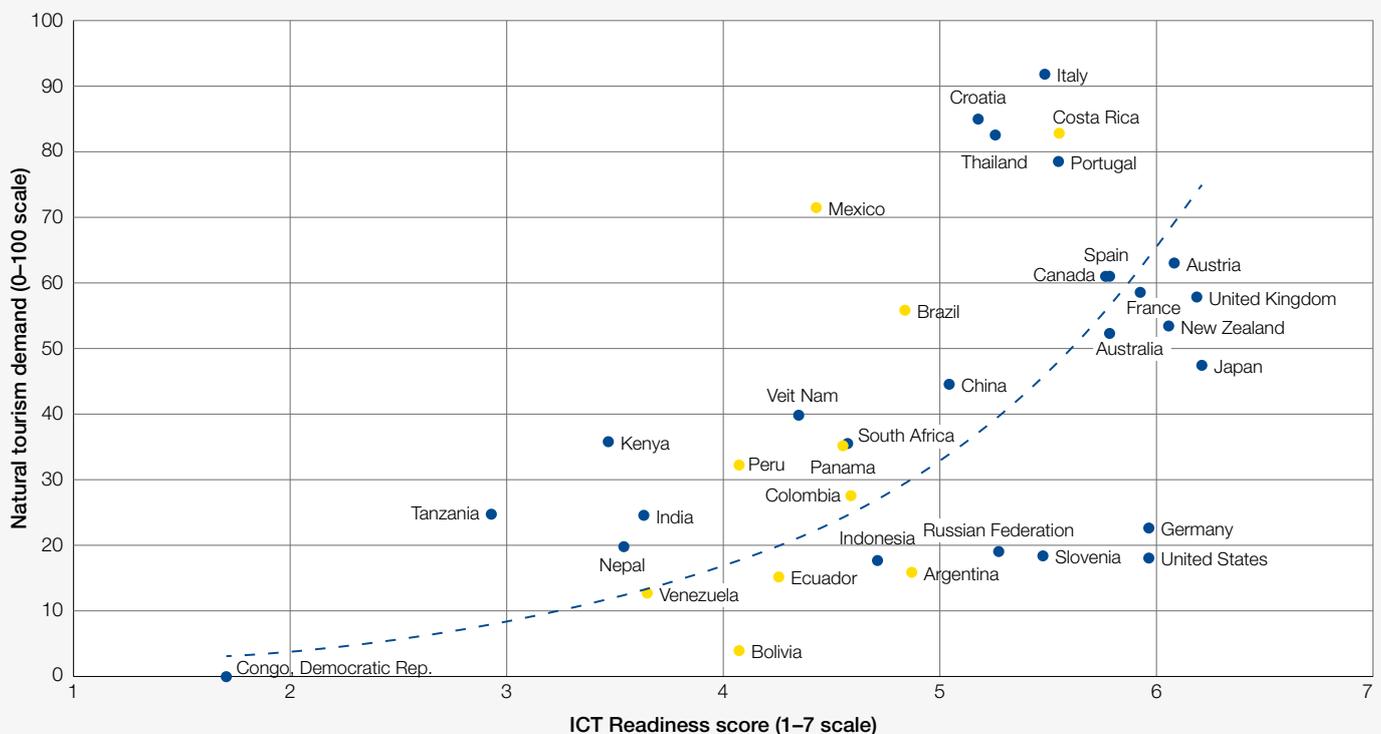
Keeping up with the digitalization of T&T

In addition to creating a more favourable business environment, the region can benefit from increased investment in digital technology. While LAC countries have made above-average progress in ICT Readiness in recent years, the region still lags behind the global average score for the pillar. Continued improvement in this area will play a fundamental role in making the region more competitive in T&T, especially because the response to COVID-19 will likely further drive the use of ICT.

Industry services are already increasingly dominated by digital natives such as online travel aggregators (OTAs), meta-search engines, travel service platforms and sharing economy players such as Airbnb. Moreover, customers increasingly access these online services via mobile devices and expect seamless travel experiences. Given the restrictions

and consumer anxiety surrounding person-to-person proximity, the need to go digital will become even more necessary. Improvement in ICT readiness can also help LAC T&T businesses take advantage of various market intelligence and digital technologies to gain greater customer insight and preferences.¹⁶ It is not surprising that research indicates that greater ICT readiness is positively correlated with tourism receipts.¹⁷ In addition to increasing revenue, improved ICT adoption can lead to reduced costs as businesses use digitization to optimize operations and cut transaction expenses.¹⁸ Internet tools such as online platforms also enable locals and travellers to connect directly, cutting out intermediaries. This presents an opportunity for SMEs to reach beyond their local market and connect with the broader domestic and international markets, helping drive entrepreneurship, employment and inclusiveness.

FIGURE 5 ICT Readiness vs. natural tourism digital demand, top 25% of Natural Resources pillar scorers



Source: World Economic Forum and Bloom Consulting based on Country Brand Ranking, Tourism Edition

Note: Data points represent the top 25% of ranked economies for the Natural Resource pillar in the 2019 TTCI

Increased female participation in the workforce has been shown to help reduce poverty, sustain economic growth and support women's empowerment and independence

Therefore, online presence and ICT adoption is also necessary for advertising destinations to a connected global market. For instance, Figure 5 shows that there is a positive relationship between increased ICT readiness and natural tourism digital demand (a measure of online searches) among

the top 25% of scores for the Natural Resources pillar – which is the pillar representing the LAC's primary competitiveness strength. Consequently, digital strategy is vital for the effectiveness of marketing and could have a positive impact on small business development.

Building competitive human capital

Greater investment in the region's labour force is also necessary to deal with the current crisis and make the industry more competitive during the recovery. For instance, more worker training is necessary for the use of ICT tools that will grow in importance during and after the pandemic. According to a survey conducted for the Future of Jobs 2018 report, 89% of aerospace, travel and tourism (ATT) companies surveyed worldwide identified skills gaps in local labour markets as a barrier to new technology adoption. Moreover, talent availability was the primary factor for determining job location decisions for LAC ATT firms.¹⁹ Yet, on average, LAC economies score 5.6% below the global mean for the Human Resources and Labour Market pillar. Many regional economies do benefit from above-average rates of secondary education enrolment, which helps create a sophisticated workforce capable of using new technologies and business models. However, primary school enrolment rates and perceptions of the degree of staff training are often relatively low compared to the global mean, contributing to skills gaps throughout the entire industry supply chain. On average, perceptions of the ease of finding skilled

employees are less favourable for LAC economies than for the rest of the world.

Aside from education and training, other structural barriers can prevent economies from maximizing the T&T industry's potential for boosting employment. On average, LAC countries score below the global mean for perceptions of hiring and firing practices and ease of hiring foreign labour, adding additional obstacles to T&T operators' search for talent. The regional talent pool is also greatly reduced by lower rates of female labour force participation. On average, regional economies' ratio of female to male participation is about 69%, compared to 75% for all the countries ranked in the TTCI. However, creating a more competitive T&T economy provides a strong opportunity to boost the female workforce. According to the WTTC, T&T has almost twice as many female employers compared to other sectors. Increased female participation in the workforce has been shown to help reduce poverty, sustain economic growth and support women's empowerment and independence,²⁰ all which are more vital during this time.

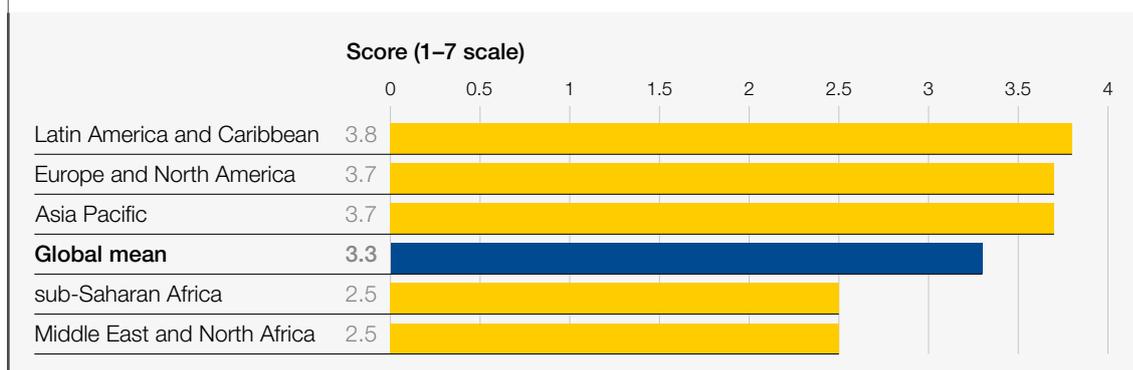
Preserving and furthering gains in international openness

TTCI 2019 results indicate that before the crisis, the LAC region was becoming more competitive in T&T-specific policies and conditions. Scoring 14.8% above the global average, the region has the top score for the International Openness pillar, which includes reduced visa requirements, more regional trade agreements and relatively good marks for openness of bilateral air service agreements. While many of these gains have been undone by COVID-related lockdowns and travel restrictions, once

restrictions are lifted, progress needs to continue. Moreover, with travel limitations currently widespread, the crisis offers an opportunity for many LAC economies to catch up during the recovery phase. However, openness policies should be kept in line with the public health threat and based on local risk assessment.²¹

As economies open up again, the region will need to maintain the benefits it gains from fairly

FIGURE 6 International Openness pillar mean score, by region



Source: World Economic Forum, 2019

open air service agreements, with only Bolivia and Venezuela having more restrictive agreements than what is typically found globally. Yet reducing visa requirements remains one of the most effective ways to encourage T&T, potentially tripling travel flows and increasing job growth.²² In recent years, regional progress on this front has been made, with five economies improving their score for requirements between the 2017 and 2019 rankings, while eight

countries score above the global average. However, this still leaves the majority of economies in the position of not making gains. Greater advancement has been made when it comes to regional trade agreements, which can encourage the flow of services and goods for T&T activities. On average, the number of regional trade agreements signed in LAC has increased, with seven economies ranking above the global average.

Prioritizing T&T policy and management

While just above the global average, the region's recent gains in openness have been backed by improvement in T&T prioritization, something that is even more important during the crisis. In 2018, LAC countries covered by this report spent 5.4% of their budget on T&T, relatively outspending every other region in the world. Yet, while increased spending on the industry would be beneficial during this time, the economic downturn is expected to put severe constraints on already pressured government budgets. Therefore, the effectiveness of promoting regional destinations, especially online, may become a more cost-efficient avenue for supporting the T&T industry.

An increase in average grades for country brand strategy rating (a metric of the level of accuracy of the strategy of the national tourism organizations based on online searches) between the 2017 and 2019 TTCL highlights that many countries

are focusing more on this area. Building a brand requires more than just improving ICT readiness to garner more online searches. Destination actions, activities and policies need to align with the brand vision, new digital metrics need to be developed to track the impact of strategy, and governments need to recognize that they are no longer exclusively responsible for brand strategy, requiring them to support new forms of brand management structures. Fortunately, as digital transformation speeds up, the time required to build a brand is shortened. However, this also means that reputations can be more rapidly destroyed.²³ In the short term, this could mean that how regional destinations respond to the COVID outbreak will have a more immediate impact on their standing. In the long run, destinations will need to become more aware of how rapidly perceptions change and how issues such as safety, health, inclusivity and sustainability correlate with their global image as a place to visit.

Below: Vinicunca, Cusco Region, Peru. Montana de Siete Colores, or Rainbow Mountain



Dealing with price competitiveness

In more recent years, LAC's T&T competitiveness has also been improved by greater price competitiveness. Decreased average fuel and hotel prices have made travel to the region a better value proposition. Regional economies have also sought to reduce ticket prices and airport charges, which have fallen in all but three LAC countries between the 2017 and 2019 TTCIs. However, 2019 index results still show that the region scores only 0.7% above the global average for the Price Competitiveness pillar. Additionally, given the collapse in demand for T&T caused by the crisis, price competition around the world will likely intensify. Consequently, this reinforces the need to provide better value via improvements in other aspects of competitiveness such as better marketing and nurturing attractive destination assets.

An area on which LAC economies can focus to decrease prices and improve long-term competitiveness is ticket prices and airport charges. Despite the mentioned reduction, fees remain relatively high compared to the global average. Further reduction in charges can help the aviation sector cut costs and better deal with periods of low demand. However, this may put an additional burden on airports that are already dealing with reduced traffic. Nevertheless, investment in ICT can help airports and other T&T businesses manage costs, while greater infrastructure investment can help improve transport efficiency, reducing inflation.

The infrastructure gap

🔗 On the other hand, the pressure caused by the crisis provides an opportunity to reassess construction projects and direct funding to the most important areas

Relatively underdeveloped infrastructure is one of LAC's biggest obstacles to enhancing T&T competitiveness. On average, the region scores about 9.0% below the global mean for the Infrastructure subindex and according to the Global Infrastructure Hub, LAC faces a transport infrastructure investment gap of more than \$2.0 trillion in the coming 20 years.²⁴ As a result, many of the region's economies are likely to experience greater capacity constraints. The COVID-19 pandemic has also added additional challenges to addressing this problem. Lockdown-related work stoppages will delay project completion and likely increase costs.²⁵ The deteriorating fiscal condition of governments and increased investor uncertainty are also likely to lead to reduced financing, while reduced use of transport services will diminish infrastructure income. On the other hand, the pressure caused by the crisis provides an opportunity to reassess construction projects and direct funding to the most important areas.

Given LAC's expansive, often hard-to-traverse landscape and dispersed population centres, good air transport is key to the region's tourism development. However, the region scores 14.3% below the global average for air transport infrastructure, with only Mexico, Brazil and Panama scoring above the mean. On the positive side, in recent years, air route capacity and the number of airlines offering services has improved throughout the region, indicating greater availability and demand for aviation services as well as potentially favourable outcomes from improved international openness policies. Maintaining progress made in international openness as economies lift restrictions, improving the business environment, cutting airport charges and providing assistance to the airline industry will all be helpful in maintaining

LAC's capacity for air travel going forward. This is especially true given that despite the growth in route capacity and the number of airlines, most LAC countries still have a below-average number of operating airlines and seat availability. However, in the long run, international route expansion will be limited without further investment in hard air transport infrastructure. For LAC's population size, its airport density is fairly low. Moreover, perceptions of air transport infrastructure quality have declined since 2017 and are below the global average among most LAC states.

Ground and Port Infrastructure is another area that requires region-wide attention. Since the 2017 TTCI, overall regional Ground and Port Infrastructure pillar scores improved at a slightly higher rate than the rest of the world. The vast majority of LAC countries ranked on the TTCI saw an increase in share of roads that are paved, which coincides with improved perceptions of road quality. Opinions about rail and port infrastructure quality have also become more favourable. While this indicates that recent progress has been made, LAC's underdeveloped ground infrastructure still requires further progress. The region's average pillar score for Ground and Port Infrastructure is 15.9% below the global mean. Most ranked LAC countries have less than half of their road networks paved, while railroad density is among the lowest in the world. On the other hand, regional tourism infrastructure has slightly improved, especially regarding perceptions of quality. However, hotel room density is lower than the global average, which may limit many economies' ability to accommodate guests and could push up hotel prices.

The opportunity to guide infrastructure development

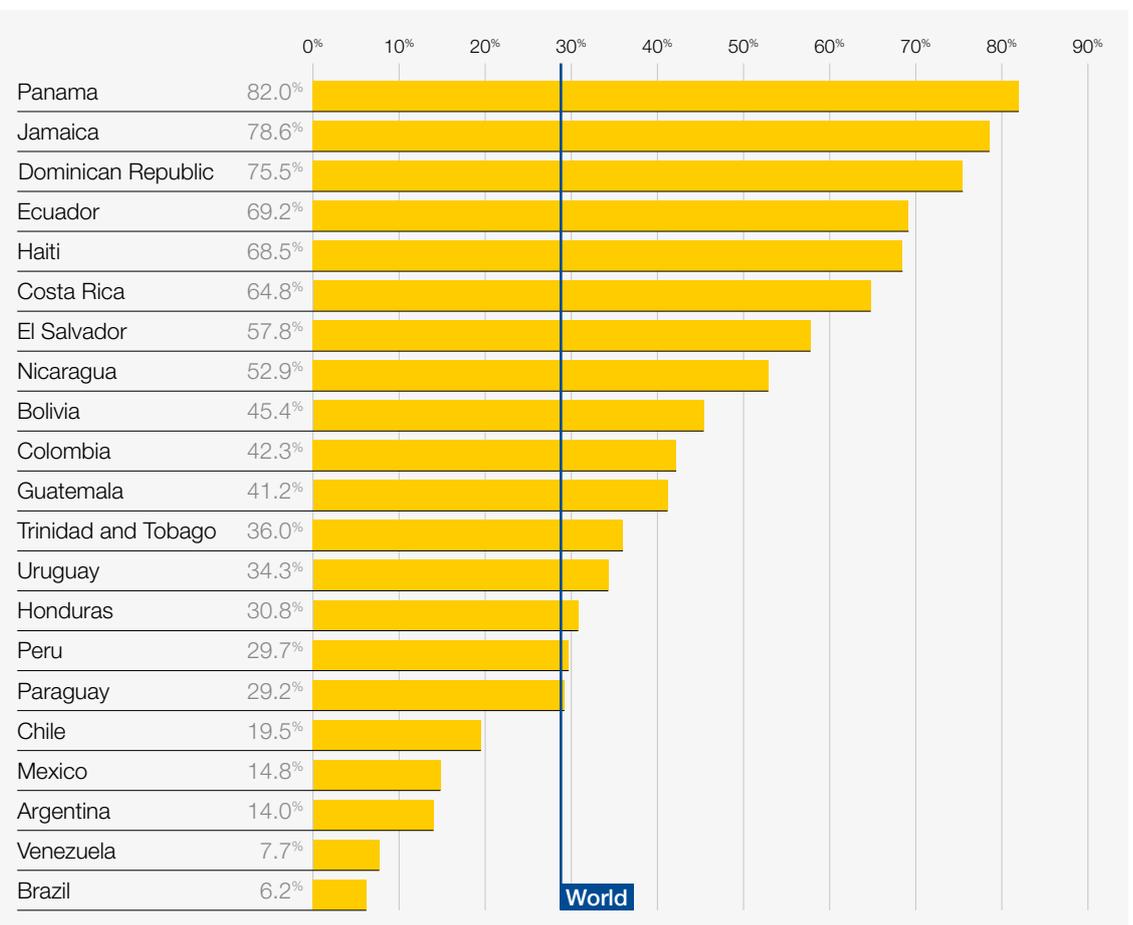
While the impact of the COVID-19 pandemic has made infrastructure development more difficult, the combination of this impact and the region's T&T potential can act as a guide to select which projects to pursue and may inform reprioritization. For instance, in the short term, more attention needs to be given to infrastructure serving the domestic, followed by intraregional, T&T markets. First, these markets will probably be the first to be fully opened and recover.²⁶ Second, due to global travel restrictions and initial consumer preference for short-distance travel, demand for the region's tourism exports to faraway markets might remain subdued for longer. Lastly, this represents an opportunity to reduce the dependence on international visitor spending (Figure 7) in many of the region's T&T economies. In the longer term, already growing local discontent over overcrowded destinations increasingly experienced around the world may be amplified by concerns that a return to previous levels of tourist density could lead to higher infection rates of COVID-19 or other viruses. A more active approach to congestion and tourism flows can help guide infrastructure investment into less developed rural areas, dispersing travellers and spreading the benefit of T&T.

With regard to the aviation industry, these factors offer an opportunity for direct investment in

domestic route capacity. In 2018, on average, 83.4% of regional economies' scheduled available seat kilometres consisted of international flights, far higher than the 65.5% typically seen around the world.²⁷ While Caribbean island states such as Jamaica are limited in their options, larger countries including Brazil and Argentina can expand local routes. For ground transport, the T&T case for more extensive and better-quality road and rail infrastructure is strengthened as current networks limit access to remote natural and cultural destinations, while urban destinations are at a greater risk of congestion. According to TomTom's Traffic Index 2019, LAC cities account for nearly a fifth of the 50 most congested cities in the world, with Bogotá, Lima, Mexico City, Recife and Rio de Janeiro placing among the 20 most congested.²⁹ Not surprisingly, perceptions of ground and rail service efficiency remain below the global average. In general, when preparing for tourism, urban areas need to invest not only in transport and accommodation infrastructure but also to do so with a broad spectrum of variables in mind, especially the needs of residents.³⁰

COVID-19 may also accelerate the push for touchless travel, simultaneously enhancing traveller safety and infrastructure throughput efficiency. Automation, backed by touchless fingerprint and

FIGURE 7 Visitor exports, % of internal T&T spending



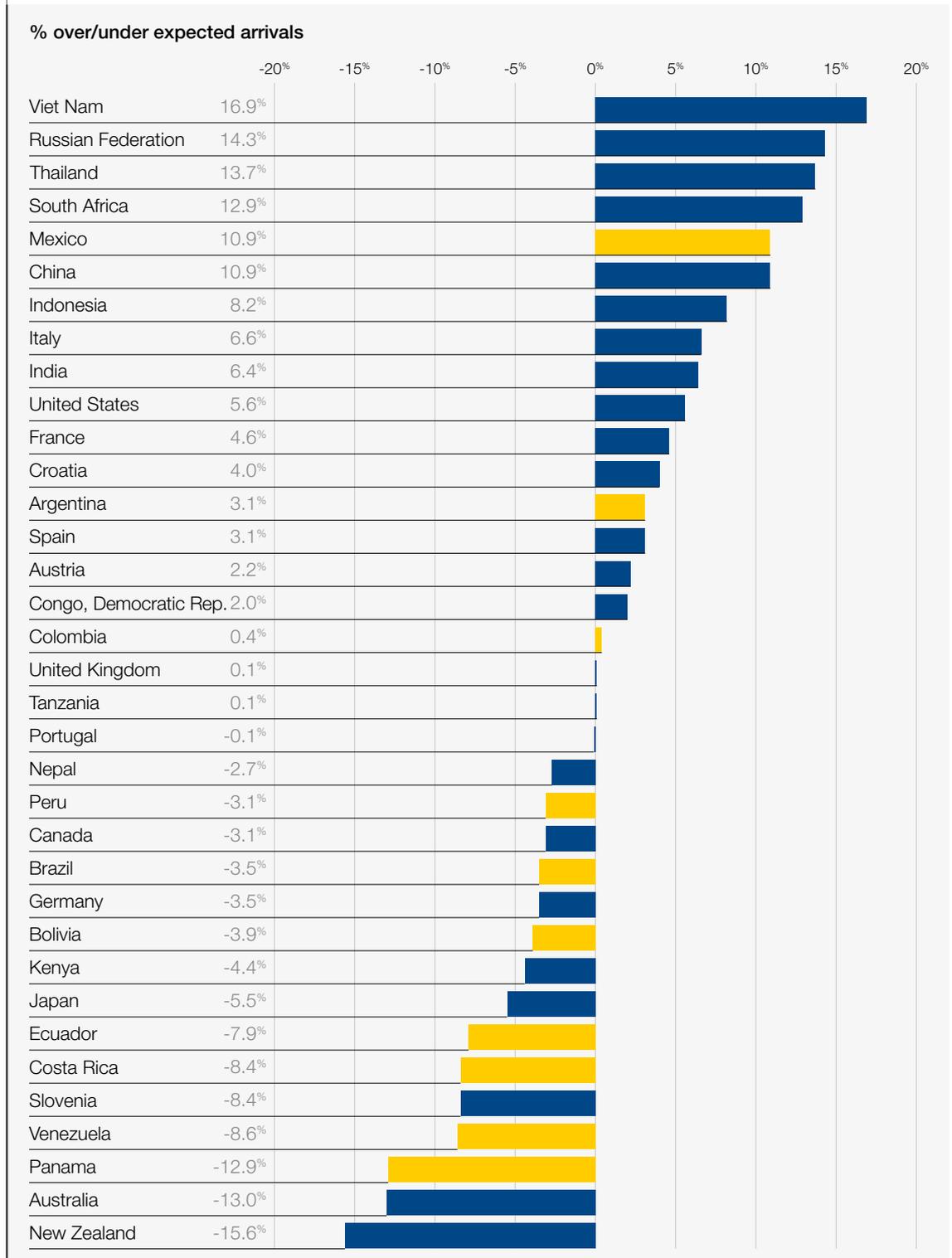
Source: World Travel & Tourism Council, 2018

document scanning, face recognition and voice controls, will grow in use throughout airports and even hotels. The use of digital traveller data (including health information) will also proliferate as these technologies become more available. However, precautions will need to be made to ensure these technologies uphold privacy, are inclusive and do not generate biases. Moreover,

more work is needed to make these solutions interoperable among business and governments, with the World Economic Forum's Known Traveller Digital Identity initiative being one such example.³¹ Lastly, the growth of touchless and seamless technology further encourages the investment in ICT technology.

Making the most of natural and cultural resources

FIGURE 8 Ratio of actual over expected international tourist arrivals for the top 35 Natural Resources pillar scorers



Source: World Economic Forum and World Tourism Organization (UNWTO)

Note: Expected international tourist arrivals is based on predicted value using the line of best fit for a selected economy. The line of best fit is a linear regression between international tourist arrivals (log) and TTCI scores for all 140 economies ranked in the 2019 index. The countries selected for this figure are the top 35 scorers for the Natural Resources pillar.

“ The region's dependence on natural assets also means more attention must be paid to sustainability

LAC's greatest T&T asset is its rich natural heritage. On average, regional economies outscore the global mean by nearly 15% when it comes to the Natural Resources pillar. Additionally, the pillar contributes to regional performance more than any other based on pillar score share of total score. In fact, compared to the global average, LAC is nearly 20% more dependent on natural resources for its overall TTCI score. More specifically, on average, the region has nearly twice the number of known species compared to the TTCI mean and it outperforms the global ranking in the number of UNESCO World Heritage natural sites, total protected areas, natural tourism digital demand as well as the perception of natural asset attractiveness. With the COVID-19 crisis highlighting the importance of T&T for the region's development, it is now clearer than ever how important it is for LAC countries to preserve, nurture and make effective use of their natural assets so that they can remain an attraction for future generations.

TTCI results indicate that the region is potentially underusing its natural resources to generate tourism. Figure 8 shows the top quartile of scorers for natural resources and the expected international tourist arrivals given their overall competitiveness score. Despite accounting for nearly a third of these economies, most LAC countries receive fewer than the expected arrivals and account for nearly half of the underperforming economies. While multiple factors could be responsible for this underperformance, an increased focus on other aspects of competitiveness explored throughout this report could help regional economies to make better use of their natural assets.

The region's dependence on natural assets also means more attention must be paid to sustainability. On average, the region scores 5.6% below the global mean for the Environmental Sustainability pillar, with only Costa Rica, Panama, Peru, Honduras and Colombia scoring above the global level. While most of the region's economies have relatively clean air as measured by particulate matter concentration, wastewater treatment is an issue for countries, creating a pollution threat to the environment, residents and visitors. Additionally, the biodiversity that drives so much of LAC's tourism is consistently under threat from continued deforestation and the region's rising

share of threatened species. Between 2017 and 2019, the average normalized score (the higher the score, the more sustainable) for forest cover loss and the share of threatened species in LAC decreased by 10.0% and 1.2%, respectively. While an increase in the number of environmental treaty ratifications highlights the region's increased focus on environmental issues, a key challenge going forward will be the enforcement of relevant regulations. For instance, only Costa Rica and Chile score in the top 25% of economies ranked for perception on environmental regulation stringency and enforcement.

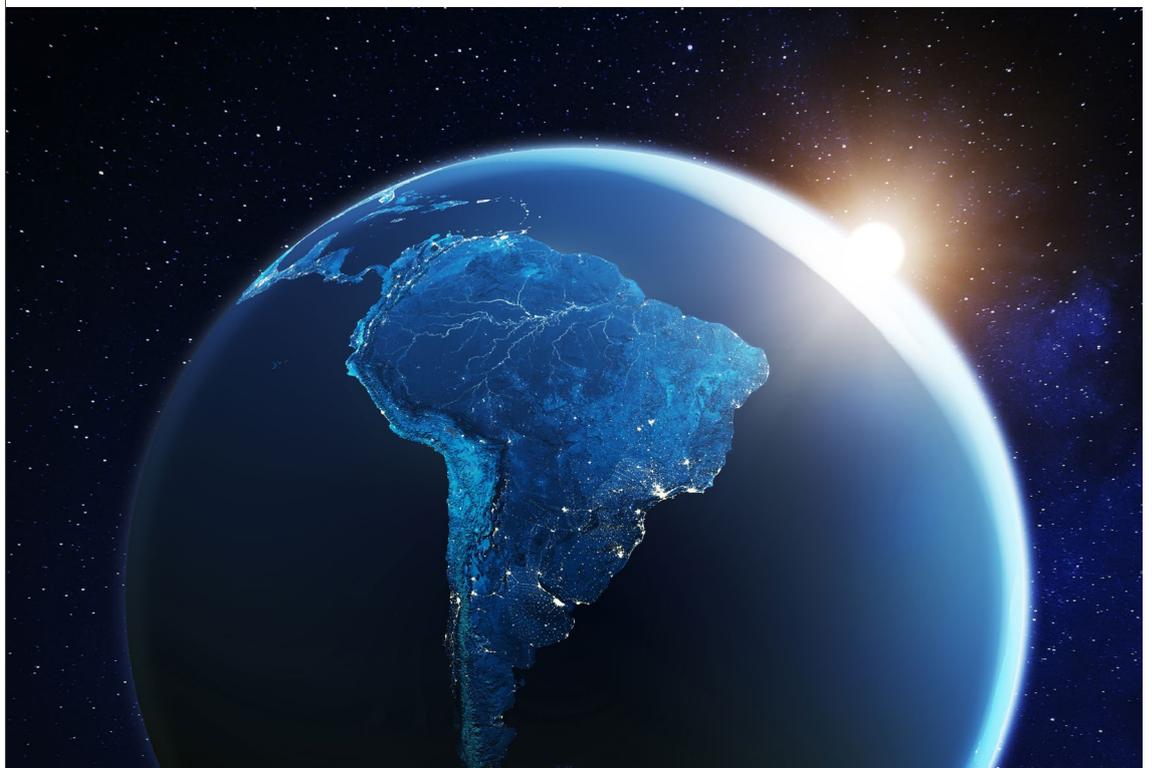
Lastly, aside from protecting natural assets, many economies in LAC could also increase their focus on cultural resources, with the region scoring at about the global average for the Cultural Resources and Business Travel pillar. This would help reduce dependence on nature destinations, while smoothing volatility in demand. Key areas of improvement are the registration of more sites and intangible heritage with UNESCO, and hosting and marketing more internationally and regionally recognized events in the numerous LAC sport stadiums. However, the latter will need to be done with proper health risk assessments. Additionally, the touchless technology previously discussed can help reduce concerns over virus transmission.

Moreover, despite concerns over contagion and overcrowding in densely populated areas, due to the urban nature of many cultural destinations, the role of cities in dealing with T&T competitiveness challenges will likely grow once the COVID-19 pandemic is under control. According to WTTC, nearly half of the world's international arrivals are to cities, which also depend far more on international visitor spending than nations as a whole.³² Consequently, urban planning and city readiness for tourism will have to be considered when developing national competitiveness strategies. Proper planning and management can help alleviate overcrowding and reduce concerns over the spread of diseases. JLL and the WTTC have developed a framework for city readiness for tourism growth that includes aspects such as scale and concentration, leisure and business travel drivers, urban readiness (i.e. infrastructure and environment), crunch (i.e. growth imbalances) and policy engagement.³³

Below: South America viewed from space, overview of Amazon river and forest, night lights from cities in Brazil, Argentina, Chile, Peru

6

Conclusion



The COVID-19 pandemic will shape T&T competition for years to come. Long-term trends such as the increasing importance of ICT readiness and destination brand management will only become more central to the success of a T&T economy. Moreover, increased attention to competitiveness will play a crucial role in how LAC T&T economies mitigate and recover from the COVID-19 crisis. In turn, a more competitive T&T industry can be employed to help the overall economy recover from the current downturn. While undeniably a tragic event, COVID-19 offers an opportunity to recalibrate competitiveness to create a more sustainable, inclusive and resilient industry. For instance, areas in which LAC economies have historically had problems, including health and hygiene, worker training and favourable business environments,

have been highlighted as important areas of investment for the industry. The T&T contraction and the consequent impact on LAC economic development also spotlight how important the preservation of the cultural and natural assets that underpin the reasons for travel are for the well-being of the economy. Combined with the likely re-emergence of issues such as overcrowding, the need to protect tourism assets should elevate the role of sustainable development in T&T competitiveness. This means not only the protection of tourist sites and the environment but also infrastructure investment that benefits the broader community. However, to achieve these goals, a multistakeholder approach is required. Policy-makers, businesses from T&T and beyond, civil society and local communities all need to work together to make a real impact.

Below: Santiago skyline with
Costanera skyscraper and
Andes Mountains, Chile

7

Latin America and Caribbean Travel and Tourism Competitiveness Index Results

Benchmarking performance



The Latin America and Caribbean (LAC) region requires continued business and policy action to fully leverage its travel and tourism (T&T) potential. On average, the region places just below the global mean for Travel and Tourism Competitiveness Score (TTCI) score. As pointed out throughout the report, the region's rich natural and in certain parts cultural assets make it a compelling destination. However, underdeveloped infrastructure, environmental issues and unfavorable enabling environment constrain regional T&T competitiveness. The below section provides the region's 2019 TTCI results and

performance since the 2017 index. While, recent performance might not be as relevant due to the COVID-19 crisis, results can still indicate the general trajectory the LAC's T&T economies are on. Figure 9 highlight the pillar performance of the 21 LAC countries ranked in this report, while the analysis provided covers key performers by overall score and subindex. For detailed results and profiles economies covered in this report please visit the Travel and Tourism Competitiveness Report 2019 Country Profile page at <http://reports.weforum.org/travel-and-tourism-competitiveness-report-2019/country-profiles/>

FIGURE 9 Country Travel & Tourism Competitiveness Index Pillar Heatmap

Key	Note	Global rank	Enabling Environment					T&T Policy and Enabling Conditions				Infrastructure			Natural and Cultural Resources	
			Business Environment	Safety and Security	Health and Hygiene	Human Resources and Labour Market	ICT Readiness	Prioritization of T&T	International Openness	Price Competitiveness	Environmental Sustainability	Air Transport Infrastructure	Port Infrastructure	Tourist Service Infrastructure	Natural Resources	Cultural Resources and Business Travel
0-20%	Heatmap is based on percentile results for the 140 economies covered by the 2019 TTCI.															
20-40%																
40-60%																
60-80%																
80-100%																
Mexico		19	4.2	4.2	5.4	4.5	4.4	5.2	3.9	5.3	3.9	4.0	3.2	4.8	6.0	5.3
Brazil		32	3.7	4.3	5.4	4.3	4.8	4.0	3.0	5.4	4.3	3.7	2.4	4.5	5.8	5.4
Costa Rica		41	4.5	5.4	5.1	4.9	5.6	5.6	4.3	5.1	4.9	3.1	3.0	5.4	4.9	1.6
Panama		47	4.7	5.3	5.1	4.1	4.6	4.9	4.5	5.6	4.7	4.5	3.7	4.7	4.0	1.6
Peru		49	4.1	4.7	4.9	4.6	4.1	4.7	4.5	5.3	4.4	2.8	2.5	5.3	4.7	3.1
Argentina		50	3.3	5.1	6.5	4.5	4.9	4.6	3.1	4.9	3.4	3.1	2.7	4.5	4.5	4.2
Chile		52	4.9	5.7	5.2	4.8	5.4	4.7	4.7	5.6	4.2	3.1	3.4	4.3	3.2	2.4
Colombia		55	3.8	3.8	5.2	4.6	4.6	4.1	4.6	5.8	4.4	3.0	2.5	3.8	4.4	3.2
Ecuador		70	3.8	5.2	5.2	4.3	4.3	4.5	4.0	5.5	4.3	2.4	3.5	4.0	4.2	1.8
Dominican Republic		73	4.1	4.7	5.0	4.4	4.0	6.0	3.3	5.0	4.1	3.0	3.6	4.8	3.0	1.5
Uruguay		74	4.4	5.3	6.2	4.7	5.7	5.3	3.0	5.0	4.2	2.3	2.8	4.8	2.5	1.8
Jamaica		76	4.8	3.9	4.9	4.8	4.3	6.2	4.0	4.3	3.4	2.5	4.6	4.9	2.6	1.4
Trinidad and Tobago		87	4.4	3.9	5.7	4.5	5.0	4.0	3.6	5.6	3.9	3.1	4.0	4.1	2.0	1.2
Bolivia		90	2.8	5.2	4.8	4.0	4.1	3.7	3.2	5.5	4.2	2.2	2.1	3.3	4.1	2.0
Nicaragua		91	3.4	5.6	4.6	4.2	3.6	4.9	4.2	5.6	4.2	2.1	2.8	3.4	3.1	1.3
Honduras		94	4.1	3.6	4.5	3.9	3.4	5.1	4.3	5.5	4.5	2.1	3.1	3.4	3.1	1.3
Guatemala		99	4.2	4.0	4.5	3.9	4.0	4.5	3.9	5.7	3.9	1.8	2.4	3.8	3.0	1.5
El Salvador		108	3.6	3.0	5.1	3.7	4.2	4.3	4.6	5.7	3.8	2.1	2.9	3.1	2.2	1.3
Paraguay		109	4.3	4.9	5.1	3.9	3.9	5.0	2.7	5.4	3.8	1.6	2.3	3.2	2.5	1.4
Venezuela		117	2.4	3.3	5.1	3.6	3.6	3.4	2.2	5.1	3.7	1.8	2.0	3.0	4.1	2.1
Haiti		133	3.0	4.8	3.7	3.6	1.8	3.6	3.9	5.6	3.3	1.8	1.9	2.6	1.8	1.2
LATAM & Caribbean average			3.9	4.6	5.1	4.3	4.3	4.7	3.8	5.4	4.1	2.7	2.9	4.1	3.6	2.2

7.1 Topline results

Out of the 21 economies ranked in this report, 12 have improved in competitiveness since 2017. **Bolivia** experienced the greatest improvement (+4.7%, from 99th to 90th), with a particularly high percentage increase in the score for Health and Hygiene (+8.3%, 103rd to 95th), ICT Readiness (+8.5%, rank still dropped from 95th to 96th), International Openness (+16.5%, 88th to 72nd) and Price Competitiveness (+27.9%, 109th to 61st). However, **Mexico** is the most competitive

T&T economy in LAC, ranking 19th in TTCI results. The country's greatest advantages relative to the global average include Cultural Resources and Business Travel (138.5% above the global average), Natural Resources (90.8% above) and Air Transport Infrastructure (28.2% above). **Venezuela** experienced the greatest decline in overall T&T competitiveness (-4.6%, 104th to 117th), while Haiti has the lowest TTCI score (133rd).

7.2 Enabling Environment

Enhancing general conditions necessary for operating in a country as represented by the Enabling Environment subindex of the TTCI is one of LAC's biggest obstacles to increasing T&T competitiveness. The region's average score for the subindex is 7.5% below the global mean, with the greatest disadvantages coming from Business Environment (12.7% below global average) and Safety and Security (14.2% below global average). Ranking 49th globally, **Uruguay** has the most competitive enabling environment in LAC. Uruguay outperforms the region in all pillars of this subindex, with strong Health and Hygiene (34th) and ICT Readiness (29th) pillars. However, from a global perspective, the nation still has room for improvement when it comes to deteriorating Business Environment (-4.9%, 55th to 73rd) and Safety and Security (-3.0%, 63rd

to 85th) conditions. **Colombia** had the greatest improvement in Enabling Environment (+6.4%, 106th to 97th) thanks to better Safety and Security (+45.9%, 136th to 133rd), Health and Hygiene (+4.9%, 86th to 77th) and ICT Readiness (+4.8%, rank still dropped from 69th to 73rd), with the latter two slightly outscoring the regional and global averages. However, the rate of this growth mostly comes down to the low starting base of these pillars. **Panama** had the greatest regional decline in Enabling Environment (-2.4%, 65th to 74th) due to a deteriorated human resource and labour market (-7.7%, 84th to 109th) and Business Environment (-5.0%, 35th to 51st). However, **Haiti**, has the lowest score for this subindex (135th) due to particularly low ICT Readiness (138th) and Business Environment (137th).

7.3 T&T Policy and Enabling Conditions

LAC scores just above the global average for the T&T Policy and Enabling Conditions subindex. Relatively speaking, the region's strongest to weakest points in this area are International Openness (14.8% above the global mean), Prioritization of Travel & Tourism (2.7% above), Price Competitiveness (0.7% above) and Environmental Sustainability (5.6% below the global average). Since 2017, the region improved across all of these pillars, with 19 countries increasing in score. **Costa Rica** has the region's top score for the subindex (5th) due to impressive Prioritization of Travel & Tourism (16th), International Openness (20th) and Environmental Sustainability (17th). However, the

country lags in Price Competitiveness (93rd). **Peru** experienced the biggest percentage rise (+12.8%, 72nd to 30th) in this subindex thanks to gains in Price Competitiveness (+38.9%, 127th to 82nd), Environmental Sustainability (+7.7%, 73rd to 47th) and International Openness (+5.3%, 12th to 8th). At the opposite end, **Venezuela** had the greatest decline in T&T Policy and Enabling Conditions (-2.5%, 118th to 133rd), chiefly due to a drop in Price Competitiveness (-7.7%, 26th to 96th) caused by increasing hotel prices (+195.9%, 33rd to 103rd) and falling purchasing power scores (-18.2%, 106th to 124th).

7.4 Infrastructure

Overall infrastructure remains one of LAC's greatest disadvantages. In particular, the Air Transport Infrastructure and Ground and Port Infrastructure pillars score 14.3% and 15.9% below the global average, respectively. Nevertheless, on average, infrastructure scores have slightly improved, with 11 countries experiencing gains since 2017. **Peru** had the greatest improvement (+11.0%, 73rd to 65th), with especially good results for Air Transport Infrastructure (+11.2%, 73rd to 68th) and Tourist Service Infrastructure (+14.3%, 45th to 31st).

However, **Panama** retains the region's best score for this subindex (40th) thanks to relatively good Air Transport Infrastructure (27th) that is defined by high airport density (9th) and perception of quality (14th). **Trinidad and Tobago** had the steepest drop in infrastructure score (-9.0%, 43rd to 58th), primarily due to worsened Air Transport Infrastructure conditions (-23.5%, 29th to 61st). Yet **Haiti** retains LAC's least-developed infrastructure (130th), with especially low marks for the Air Transport Infrastructure (126th) and Ground and Port Infrastructure (138th) pillars.

7.5 Natural and Cultural Resources

Natural and Cultural Resources is the region's strongest subindex. In particular, LAC scores very highly for Natural Resources (14.8% above the global average) but lower for Cultural Resources and Business Travel (0.4% below the global mean). **Mexico** is ranked 5th globally for the subindex due to the strong combination of Natural Resources (1st) and Cultural Resources and Business Travel (10th). The country is also one of only three in the region to improve its subindex score thanks to increasing digital demand for natural tourism

(+18.0%, 11th to 6th) and better numbers for total protected areas following a change in methodology (+47.5%, 85th to 39th). The country with the largest decline in subindex score is **Trinidad and Tobago** (-20.0%, 105th to 129th), with most of the drop coming from less favourable protected area figures (-93.8%, 16th to 123rd), caused by a methodology change. However, **Haiti** ranks lowest in the region, with low marks for both the Natural Resources (138th) and Cultural Resources and Business Travel (125th) pillars.

Methodology of the TTCI 2019

This section provides some details about the methodology of the 2019 edition of the TTCI. For more information, including indicator list definitions, please see Appendix B and Appendix C of the 2019 TTCR at <http://reports.weforum.org/travel-and-tourism-competitiveness-report-2019/methodology2/>.

The TTCI structure (see table below) is composed of 14 pillars organized into four subindexes:

(A) Enabling Environment (five pillars): 1. Business Environment; 2. Safety and Security; 3. Health and Hygiene; 4. Human Resources and Labour Market; and 5. ICT Readiness

(B) T&T Policy and Enabling Conditions (four pillars): 6. Prioritization of Travel & Tourism; 7. International Openness; 8. Price Competitiveness; and 9. Environmental Sustainability

(C) Infrastructure (three pillars): 10. Air Transport Infrastructure; 11. Ground and Port Infrastructure; and 12. Tourist Service Infrastructure

(D) Natural and Cultural Resources (two pillars): 13. Natural Resources and 14. Cultural Resources and Business Travel.

Travel & Tourism Competitiveness Index			
Enabling Environment	T&T Policy and Enabling Conditions	Infrastructure	Natural and Cultural Resources
Business Environment	Prioritization of Travel and Tourism	Air Transport Infrastructure	Natural Resources
Safety and Security	International Openness	Ground and Port Infrastructure	Cultural Resources and Business Travel
Health and Hygiene	Price Competitiveness	Tourist Service Infrastructure	
Human Resources and Labour Market	Environmental Sustainability		
ICT Readiness			

These 14 pillars are comprised of 90 indicators that are calculated on the basis of data derived from the Executive Opinion Survey (Survey) as well as quantitative data from other sources. The survey data is derived from responses to the World Economic Forum's Executive Opinion Survey and ranges in value from 1 (worst) to 7 (best).

Hard data (non-survey data) was collected from various sources, which are described in the Data Definitions and Sources section in Appendix C. All of the data used in the calculation of the TTCI

can be found by visiting the Downloads and Archives page on the online version of the TTCR at <http://reports.weforum.org/travel-and-tourism-competitiveness-report-2019/downloads/>.

The TTCI is calculated as an average (arithmetic mean) of the four component subindexes, which are themselves calculated as averages (arithmetic means) of their pillars. Each of the pillars is calculated as an unweighted average of the individual component variables. Note that the Human Resources and Labour Market pillar is the

unweighted average of its two subpillars: Qualification of the Labour Force and Labour Market.

The number of pillars per subindex decreases as the subindex becomes more directly linked to T&T. As a result, pillar weights increase. For instance, Tourist Service Infrastructure (pillar 12) has a higher weight than Business Environment (pillar 1) because such infrastructure is most relevant to the T&T industry, while the data captured in the Business Environment pillar represents a broader set of factors that influence business and services in the country.

Hard data indicators used in the TTCI are normalized to a 1-to-7 scale in order to align them with the Executive Opinion Survey's results. The standard formula for converting each hard data indicator to the 1-to-7 scale is:

$$6 \times \left(\frac{\text{country score} - \text{sample minimum}}{\text{sample maximum} - \text{sample minimum}} \right) + 1$$

The sample minimum and sample maximum are the lowest and highest scores of the overall sample, respectively. For those hard data indicators for which a higher value indicates a worse outcome (e.g. fuel price levels), we rely on a normalization formula that, in addition to converting the series to a 1-to-7 scale, reverses it, so that 1 and 7 still correspond to the worst and best, respectively.

$$-6 \times \left(\frac{\text{country score} - \text{sample minimum}}{\text{sample maximum} - \text{sample minimum}} \right) + 7$$

In some instances, adjustments were made to account for extreme outliers in the data.

Contributors

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