Destination: Central America
A Conceptual Framework for Regional Tourism Development

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CEN 607
Working Paper. Written by Crist Inman, Jean Pierre Ranjeva, Gustavo Segura S., Nathalia Mesa y Andrea Prado, Researcher-Consultant of the Latin American Center for Competitiveness and Sustainable Development –CLACDS. This work seeks to stimulate thought about: new conceptual frameworks; possible alternatives to framing problems; suggestions to implement public policies; regional, national, and sectorial investment projects; and business strategies. It does not intend to prescribe models or policies. Neither does it make the authors or CLACDS responsible for incorrect interpretation of its content, nor for good or bad management or public policy practice. The objective is to elevate the level of discussion regarding competitiveness and sustainable development in the Central American region. Under the prior stated conditions, CLACDS, and not necessarily its contributing partners, is responsible for its content. March 2002.
# TABLA DE CONTENIDO

1. INTRODUCTION .................................................................................................................. 5

2. CENTRAL AMERICA GENERAL OVERVIEW ...................................................................... 6
   2.1 RECENT HISTORICAL CONTEXT ....................................................................................... 6
   2.2 TOURISM ENVIRONMENT ................................................................................................. 7
       2.2.1 General ..................................................................................................................... 7
       2.2.2 Central America ....................................................................................................... 8
       2.2.3 Intra-regional tourism ............................................................................................. 12
       2.2.4 Tourism resources .................................................................................................. 12
   2.3 COSTA RICA .................................................................................................................... 12
       2.3.1 Nature and protected areas ..................................................................................... 13
       2.3.2 Beaches and sea-related activities .......................................................................... 14
       2.3.3 City .......................................................................................................................... 14
       2.3.4 Other ....................................................................................................................... 14
   2.4 EL SALVADOR .................................................................................................................. 15
       2.4.1 Beaches and sea-related activities .......................................................................... 15
       2.4.2 Archeology ............................................................................................................ 16
       2.4.3 Nature and protected areas ..................................................................................... 16
       2.4.4 Handicrafts ............................................................................................................ 17
   2.5 GUATEMALA .................................................................................................................... 17
       2.5.1 Cities and Colonial Legacy ....................................................................................... 17
       2.5.2 Archeology ............................................................................................................. 18
       2.5.3 Ethnic groups and living culture .............................................................................. 18
       2.5.4 Nature and protected areas ..................................................................................... 19
       2.5.5 Beaches and sea-related activities .......................................................................... 19
       2.5.6 Other ....................................................................................................................... 19
   2.6 HONDURAS ...................................................................................................................... 19
       2.6.1 Beaches and sea-related activities .......................................................................... 20
       2.6.2 Archeology ............................................................................................................. 20
       2.6.3 Cities and Colonial Legacy ....................................................................................... 21
       2.6.4 Nature and protected areas ..................................................................................... 21
       2.6.5 Ethnic groups and living culture .............................................................................. 21
       2.6.6 Handicrafts ............................................................................................................ 21
   2.7 NICARAGUA ..................................................................................................................... 22
       2.7.1 Nature and protected areas ..................................................................................... 22
       2.7.2 Cities and Colonial Legacy ....................................................................................... 23
       2.7.3 Beaches and sea-related activities .......................................................................... 23
   2.8 PANAMA .......................................................................................................................... 23
       2.8.1 Nature and protected areas ..................................................................................... 24
       2.8.2 Ethnic groups and living culture .............................................................................. 24
       2.8.3 Beaches and sea-related activities .......................................................................... 24
       2.8.4 Cities and Colonial Legacy ....................................................................................... 25
       2.8.5 The Canal .............................................................................................................. 25

3. DESTINATION: CENTRAL AMERICA ............................................................................... 26
   3.1 CENTRAL AMERICAN TOURISM ORGANIZATION ......................................................... 28
       3.1.1 OCAT’s Specific Objectives .................................................................................... 29
       3.1.2 OCAT’s structure and membership ........................................................................ 29
3.1.3  **OCAT's Financing Sources** ................................................................. 29
3.2  **NORTH AMERICAN WHOLESALERS SURVEY RESULTS** ......................... 30
3.3  **POSITIONING** ......................................................................................... 31

4.  **CORE PRODUCT LINES** ........................................................................... 33
4.1  **ENVIRONMENT AND NATURE CONSERVATION** ........................................... 33
4.2  **ARCHEOLOGY, PRE-COLOMBIAN HISTORY** ............................................... 33
4.3  **ETHNIC GROUPS AND LIVE CULTURE** ..................................................... 34
4.4  **URBAN ARCHITECTURE AND COLONIAL HERITAGE** .................................... 34
4.4.1  **Complementary Product** ......................................................................... 35
4.4.2  **Potential Strategy** .................................................................................. 35

5.  **TOURISM DEVELOPMENT ISSUES** .......................................................... 36
5.1  **THE SUSTAINABLE TOURISM PARADOX** .................................................... 36
5.2  **SUSTAINABLE: CONFLICTING INTERPRETATIONS** ...................................... 36
5.3  **BASIS FOR SUSTAINABILITY** ..................................................................... 37
5.4  **COSTA RICA'S CERTIFICATE FOR SUSTAINABLE TOURISM** ......................... 38

6.  **DESTINATION CENTRAL AMERICA: MARKETING STRATEGY** ................... 42
6.1  **INTRODUCTION** ...................................................................................... 42
6.1.1  **Destination Central America's identity** ....................................................... 42
6.1.2  **Strategic Approach** ................................................................................. 42
6.2  **ADVERTISING** ......................................................................................... 43
6.3  **PRODUCT DEVELOPMENT** ....................................................................... 44
6.4  **STANDARD CONVERGENCE** ................................................................... 45
6.5  **MARKET DEVELOPMENT** ........................................................................ 45
6.6  **SALES SUPPORT STRUCTURE** .................................................................. 45
6.7  **TECHNICAL AND INSTITUTIONAL DEVELOPMENT** ................................... 46
1. INTRODUCTION

The year 1996 marked a turning point in the history of tourism in Central America. The Presidents of Central America held a summit meeting titled “Tourism and Sustainable Development” in Montelimar, Nicaragua in May 1996. The objective was to discuss the opportunities and challenges related to the regional integration of tourism on the Isthmus.

The Presidents concluded that the tourism industry of the region contains a set of characteristics that would allow development of distinctive and sustainable competitive advantages at the regional level. As such, the industry was identified as having the potential to improve the quality of life of the entire Central American population.

The Montelimar Summit, as it has come to be known, was part of a larger effort to position the region towards the new millennium. This effort is called the Central American Alliance for Sustainable Development (ALIDES). Institutional support for this alliance has been committed by INCAE and Harvard University for research, facilitation, and advisory services. These services have been strongly supported with financial resources from the Central American Bank for Economic Integration (BCIE) and the Avina Group.

After declaring tourism to be a critical strategic component of regional development and integration, the Presidents set forth an aggressive agenda of reforms with respect to promotion, legislation, investment incentives, facilitation and sector coordination. These reforms were created in an effort to transform tourism into a globally competitive sector by the turn of the century.

In August 1997, in Guanaja, Bay Islands, Honduras, at the XXI Meeting of the Central American Council of Tourism Ministers (CCT), the Presidents’ mandate was translated into a specific mission: to develop a coherent strategy for positioning Central America as a unified tourism destination in the global market. The present document is a manifestation of that mission, presenting a conceptual framework for a regional image and promotion strategy for Central America.

As requested by the CCT, this document outlines the motivations for, and design of a regional promotion strategy based on Central America’s tourist resources and natural attractions. This strategy is meant to complement and add value to each individual national strategy of the countries in the region—not to replace them.
2. CENTRAL AMERICA GENERAL OVERVIEW

This section reviews the context and recent significant events that have shaped the current state of the tourism industry in Central America. It also provides a brief inventory of the region’s main tourism assets.

2.1 Recent historical context

In August of 1987, five Central American countries adhered to a peace treaty devised by the President of Costa Rica, Oscar Arias. Under the terms of the Esquipulas accords, governments were to enter into dialogue with guerrilla forces and to engage in a process of democratization, ending political and military conflicts, which have been affecting the region since the late 1970s. The result of the elections held in 1990 allowed for the demobilization of the remaining rebel forces in Nicaragua. The Salvadoran government and the FMLN reached an agreement to end a 12-year civil war in 1992 and a final peace settlement ended a 36-year old conflict at the end of 1996 in Guatemala.

Stability and the subsequent implementation or reinforcement of democratic regimes, revived the countries’ interest in better economic cooperation and integration. Although the common market agreement of 1963 (CACM) links Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica, different interpretations and uneven distribution of capital and trade benefits created tensions which hampered the development of intra-regional trade.

The stimulus from the NAFTA trade agreement between Canada, the USA and Mexico, and the realization that joining trade blocs may become an essential part of a country’s competitiveness led to a redefinition of the future of CACM. Summits in 1990 and 1991 established a new framework for integration. Common tariffs for imports of finished products and intermediate and capital goods were introduced in 1992 (but modified in 1995). In 1991, the Central American countries, including Panama, affirmed their commitment to integration. A new executive organization for the integration system (SICA) was established in 1993. Panama joined SICA in 1996 and although the country remains outside CACM, it announced plans for free-trade talks with the member countries.

In 1993, El Salvador, Honduras and Guatemala formed the “Northern Triangle,” removing restrictions on international trade and eliminating all barriers to free movement of goods and people. Nicaragua’s subsequent adhesion gave rise to the Group of Four (G4). Guatemala and El Salvador are currently engaged in negotiations to form a customs union. Successful unilateral macroeconomic stabilization programs brought inflation rates down and permitted free convertibility of local currencies. CACM intra-regional exports have grown from US$671.2 to US$1,508.4 million from 1990 to 1995. In 1997, the Council of the Economy Ministers adopted a proposal to restore and diminish harmonized import tariffs by the year 2000.

By 1994, the region’s focus shifted from free trade and tariff-related problems towards integration of social policies, sustainable development and investment in infrastructure.
That year, the leaders of Central America and Panama approved a Regional Alliance for Sustainable Development and discussed strengthening democracy and prompting social stability. In December of 1994, the USA and Central America signed the "Conjunto Centroamericano-USA" (CONCAUSA), a partnership for sustainable development. Subsequent treaties include a Central American Social Integration Treaty providing the legal and institutional framework for regional social integration, measures for curbing violent crimes, developing a police academy and organizing SICA’s 32 secretariats into a single body known as the General Unified Secretariat.

The Arias peace plan provided for the establishment of a directly elected Central-American parliament (PARLACEN) to serve as a permanent forum for resolving regional problems. The first elections were held in 1991 in El Salvador, Guatemala and Honduras. Nicaragua held its election in 1996 and Panama sent permanent observers. The adhesion of Costa Rica has to be submitted to the approval of the country’s legislative body.

The return to peace and the corresponding stabilization process allowed for an extension of the efforts to harmonize and integrate the economic environment of the tourism sector. At a summit held in 1996, the presidents of all Central American nations identified tourism as the potential main source of revenues in the region.

### Profile of the Central America Countries

<table>
<thead>
<tr>
<th>Land Area (km²)</th>
<th>Costa Rica</th>
<th>El Salvador</th>
<th>Guatemala</th>
<th>Honduras</th>
<th>Nicaragua</th>
<th>Panama</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (million)</td>
<td>51,000</td>
<td>21,000</td>
<td>108,900</td>
<td>112,000</td>
<td>121,500</td>
<td>77,100</td>
</tr>
<tr>
<td>GDP (billion US$)</td>
<td>$15.6</td>
<td>$13.1</td>
<td>$19.1</td>
<td>$5.9</td>
<td>$2.4</td>
<td>$10.1</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>$3,897</td>
<td>$2,099</td>
<td>$1,683</td>
<td>$902</td>
<td>$483</td>
<td>$3,551</td>
</tr>
<tr>
<td>Inflation (CPI)</td>
<td>11.0</td>
<td>2.2</td>
<td>6.0</td>
<td>11.1</td>
<td>11.4</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Source: The Economist Intelligence Unit 2001

### 2.2 Tourism Environment

#### 2.2.1 General

Between 1990 and 2000, international tourism arrivals grew by an average of 4.3 percent per year, while growth of receipts reached a yearly average growth of 5.4 percent. Tourism growth has proved resilient, declining only twice: in 1991, as a result of the Gulf War and in 1993, because of the recession affecting the industrialized countries. Europe is the dominant tourism destination worldwide, receiving about 57.7 percent of the 699 million arrivals and 48.6 percent of the US$476 billion tourism receipts estimated by the World Tourism Organization in 2000. Intra-European travel represents about 81 percent of the region's arrivals, sustained by minimal cross-border
formalities, an extensive transportation network, increases in short holidays and the opening of Central and Eastern Europe.

The Americas (North, South, Central and the Caribbean) are the second most prominent destination, attracting about 18.5 percent of worldwide arrivals (129 million) and 28.7 percent of the receipts (US$136.4 billion). The United States attracted approximately 40 percent of all arrivals in the region, Mexico and Canada about 16 percent. No other country in the Americas comes close to such large market share percentages as the three North American countries. The Caribbean, as a sub-region, attracted approximately 13 percent of the arrivals in the Americas, making it the next most prominent tourism entity in the Americas.

### 2.2.2 Central America

Central America’s market share (Belize1, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) reached 3.3 percent of visitors in the Americas and 2.2 percent of the region’s estimated tourism revenues in 2000. Arrivals in Central America are progressively recovering from the negative impact of the adverse historical events that occurred in several of the countries. Most of the absolute growth in arrivals in Central America during this period came from increased visitation to Costa Rica, but some of the countries affected by political turmoil during the 1980s had the highest percentage rate of growth in the 1990s. As shown in the following table, growth of arrivals and receipts, although erratic, have respectively averaged 8.81 percent and 11.5 percent per year between 1995 and 1990. This is higher than the global average growth rate for arrivals and receipts during the same period.

<table>
<thead>
<tr>
<th>Year</th>
<th>Arrivals (000's)</th>
<th>Receipts (US$ mn)</th>
<th>Annual growth 1990-2000</th>
<th>Growth rate 1998-99</th>
<th>Growth rate 1999-00</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>1,836</td>
<td>735</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>2,614</td>
<td>1,579</td>
<td>8.81%</td>
<td>20.9</td>
<td>7.0</td>
</tr>
<tr>
<td>1998</td>
<td>3,456</td>
<td>2,263</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>3,990</td>
<td>2,735</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>4,270</td>
<td>2,926</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: WTO, 1Compounded Average Yearly Growth, 2(Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama)

The 1990 to 2000 period saw a surge in tourism in the region as arrivals grew, on average, by an estimated 8.81 percent per year and receipts by 18.82 percent. This surge slowed for the last year but it was still higher than the global growth rate (4.9 and 4.2% for arrivals and receipts respectively). Detailed figures for each country illustrating

---

1 We mention Belize in these statistics because they are part of Central America, but hold aside further discussion of the country because they are not a member of the CCT, described below. Belize is discussed below with regard to its strategic importance to regional tourism, and the importance of integrating the country into CCT membership.
the growth rate for the last three years in Central America are shown in the following table:

**Tourism Arrivals and Receipts per Country in Central America 1998-2000**

<table>
<thead>
<tr>
<th>Country</th>
<th>Tourist Arrivals (000')</th>
<th>% Change 98/99</th>
<th>Tourist Receipts (US$ mn)</th>
<th>% Change 98/99</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belize</td>
<td>177</td>
<td>181</td>
<td>N.D.</td>
<td>2.3</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>943</td>
<td>1032</td>
<td>1106</td>
<td>9.4</td>
</tr>
<tr>
<td>El Salvador</td>
<td>542</td>
<td>658</td>
<td>795</td>
<td>21.4</td>
</tr>
<tr>
<td>Guatemala</td>
<td>636</td>
<td>823</td>
<td>826</td>
<td>29.4</td>
</tr>
<tr>
<td>Honduras</td>
<td>321</td>
<td>371</td>
<td>408</td>
<td>15.6</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>406</td>
<td>468</td>
<td>486</td>
<td>15.3</td>
</tr>
<tr>
<td>Panama</td>
<td>431</td>
<td>457</td>
<td>479</td>
<td>6.0</td>
</tr>
<tr>
<td>Total</td>
<td>3,456</td>
<td>3,990</td>
<td>4,270</td>
<td>15.5</td>
</tr>
</tbody>
</table>

Source: WTO August 2001

Looking back over the entire period, it is clear that Guatemala and El Salvador have been the greatest beneficiaries of the regional peace initiatives on a growth percentage basis and in terms of arrivals and receipts respectively. Costa Rica, while not growing at as high an annual percentage over that period, was the absolute beneficiary in terms of total numbers of visitors and income from those visitors. Tourism arrivals and receipts growth rates over the past ten years are illustrated in the following graphs:

**Central America: Growth of Tourist Arrivals 1990-2000**

Source: WTO. *Compounded Average Yearly Growth

* 1990 - 1999
Central America: Growth\(^1\) in Tourism Receipts
1990-2000

<table>
<thead>
<tr>
<th>Source Region</th>
<th>Tourist arrivals (000's)</th>
<th>Average yearly Growth %</th>
<th>Market Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern America</td>
<td>1.134</td>
<td>1.488</td>
<td>7</td>
</tr>
<tr>
<td>Central America</td>
<td>981</td>
<td>1.795</td>
<td>16</td>
</tr>
<tr>
<td>Southern America</td>
<td>224</td>
<td>252</td>
<td>3</td>
</tr>
<tr>
<td>Caribbean</td>
<td>51</td>
<td>59</td>
<td>4</td>
</tr>
<tr>
<td>Europe</td>
<td>399</td>
<td>433</td>
<td>2</td>
</tr>
<tr>
<td>Asia / Pacific</td>
<td>57</td>
<td>65</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
<td>45</td>
<td>46</td>
</tr>
<tr>
<td>Total</td>
<td>2.857</td>
<td>4.137</td>
<td>10</td>
</tr>
</tbody>
</table>

\(^\text{1}\) Includes Mexico

About 36 percent of the region’s visitors originate from North America. Intra-regional tourism accounts for 43 percent in 1999 as shown in the following table:

Source of Tourism Demand - Central America
1999

A detailed analysis of the arrivals from the main tourism generating countries shows that ten countries account for about 84 percent of non-Central American visitors, as illustrated by the following table:
Arrivals from Select Tourism-Generating Countries  
1999  
(Belice not included)

<table>
<thead>
<tr>
<th>Region</th>
<th>Arrivals</th>
<th>(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Northern America</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>1,059,180</td>
<td>50.4%</td>
</tr>
<tr>
<td>Mexico</td>
<td>144,505</td>
<td>6.9%</td>
</tr>
<tr>
<td>Canada</td>
<td>98,944</td>
<td>4.7%</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>62,939</td>
<td>3.0%</td>
</tr>
<tr>
<td>Spain</td>
<td>78,388</td>
<td>3.7%</td>
</tr>
<tr>
<td>Italy</td>
<td>49,443</td>
<td>2.4%</td>
</tr>
<tr>
<td>U.K</td>
<td>40,864</td>
<td>1.9%</td>
</tr>
<tr>
<td>France</td>
<td>37,937</td>
<td>1.8%</td>
</tr>
<tr>
<td><strong>South America</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colombia</td>
<td>106,175</td>
<td>5.1%</td>
</tr>
<tr>
<td>Argentina</td>
<td>26,991</td>
<td>1.3%</td>
</tr>
<tr>
<td>Chile</td>
<td>18,784</td>
<td>1.1%</td>
</tr>
<tr>
<td><strong>Total Arrivals</strong></td>
<td>(excluding CA Countries) (2)</td>
<td>2,100,640</td>
</tr>
</tbody>
</table>

(1) % of total arrivals excluding Central American Countries  
(2) The percentage is with respect of total arrivals to  

Over 50 percent of non-Central American arrivals originate from the dominant generating market: the USA. Together with Mexico and Canada, the Northern American Countries account for more than 60 percent of the external demand for the destination.

The relative importance of tourism in the economy of Central American countries is summarized in the following table:

Tourism in the economy of Central American countries  
2000

<table>
<thead>
<tr>
<th>Country</th>
<th>Receipt per Capita US$</th>
<th>Receipt per arrival US$</th>
<th>Percentage of GNP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belice</td>
<td>450</td>
<td>619*</td>
<td>14.2%</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>276</td>
<td>996</td>
<td>7.1</td>
</tr>
<tr>
<td>El Salvador</td>
<td>41</td>
<td>320</td>
<td>1.9</td>
</tr>
<tr>
<td>Guatemala</td>
<td>46</td>
<td>629*</td>
<td>2.7</td>
</tr>
<tr>
<td>Honduras</td>
<td>36</td>
<td>588</td>
<td>4.1</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>23</td>
<td>239</td>
<td>4.8</td>
</tr>
<tr>
<td>Panama</td>
<td>206</td>
<td>1,203</td>
<td>5.7</td>
</tr>
<tr>
<td><strong>Central America</strong></td>
<td>80</td>
<td>67*</td>
<td>4.4%</td>
</tr>
</tbody>
</table>

Source: WTO (most recently available statistics)
2.2.3 Intra-regional tourism

Intra-regional tourism represents 41.9 percent of the arrivals in Central America in 2000. The importance of cross-border traffic between countries such as Costa Rica and Nicaragua, El Salvador and Guatemala or Honduras and Nicaragua, as shown in the following table, owes more to economic ties and exchanges than it does to leisure tourism flows.

<table>
<thead>
<tr>
<th>Central America To:</th>
<th>Costa Rica</th>
<th>El Salvador</th>
<th>Guatemala</th>
<th>Honduras</th>
<th>Nicaragua</th>
<th>Panama</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>From: Costa Rica</td>
<td>303,788</td>
<td>536,299</td>
<td>386,224</td>
<td>152,007</td>
<td>306,857</td>
<td>104,198</td>
<td>1,789,373</td>
</tr>
<tr>
<td>El Salvador</td>
<td>10.7%</td>
<td>75.1%</td>
<td>35.9%</td>
<td>22.6%</td>
<td>7.8%</td>
<td>24.4%</td>
<td></td>
</tr>
<tr>
<td>Guatemala</td>
<td>11.2%</td>
<td>51.0%</td>
<td>26.4%</td>
<td>11.8%</td>
<td>12.0%</td>
<td>22.2%</td>
<td></td>
</tr>
<tr>
<td>Honduras</td>
<td>8.5%</td>
<td>28.3%</td>
<td>13.3%</td>
<td>40.0%</td>
<td>8.4%</td>
<td>20.2%</td>
<td></td>
</tr>
<tr>
<td>Nicaragua</td>
<td>50.5%</td>
<td>13.6%</td>
<td>4.2%</td>
<td>25.6%</td>
<td>12.5%</td>
<td>16.5%</td>
<td></td>
</tr>
<tr>
<td>Panama</td>
<td>19.0%</td>
<td>1.7%</td>
<td>1.7%</td>
<td>3.1%</td>
<td>3.8%</td>
<td>5.0%</td>
<td></td>
</tr>
</tbody>
</table>


*data 1999

2.2.4 Tourism resources

The following inventory of Central America’s tourism resources is based on promotional literature provided by the ministries and institutes of tourism of each country, from private sector chambers of tourism, and on the diagnostics of each country in Central America overseen by CLACDS. The inventory is not meant to be comprehensive, but a sketch of the most visible components of each country’s offering, to develop a sense of what the countries in the region have in common.

2.3 Costa Rica

Costa Rica has the most established and mature tourism industry in the region and has been able to develop high awareness for its position as a destination for nature-related adventure tourism. Costa Rica had a privileged position during the 1980s relative to its neighbors—stability, strong democratic institutions, and eventually a Nobel Peace Prize. Each of these helped spur tourism in Costa Rica relative to its neighbors. However, it is clear that what truly put Costa Rica on the map was its ability to offer tourism products and the support services that must accompany the core attractions.
As a part of a government strategy to diversify non-traditional exports, in 1985, the Law on Tourism Incentives was enacted,\(^2\) with major tax benefits for all companies dealing with in-bound tourism. Under this law, a large number of companies engaging in tourism-related activities (hotels, tour operators, etc.) began to emerge. The significant increase in the country’s tourist supply created by tax incentives, coupled with the fact that many of these companies did a very good job of promoting the nation in major out-going tourist markets, helped develop international tourist interest in Costa Rica.

Another factor that helped develop Costa Rica’s tourism sector in the late 1980s, is the world trend towards environmental conservation and ecological issues gathered new momentum. By then, and by reason of its biological diversity and political stability, Costa Rica had succeeded in attracting such entities as the Organization for Tropical Studies, which gathers 55 internationally renowned universities, the Tropical Agronomic Center for Research and Education (CATIE) and the Inter American Institute of Cooperation for Agriculture (IICA).

For many years, these institutions created first-class research in the country and spread the name of Costa Rica among academicians, environmental groups, and general public interested in the subject, as a very special country by reason of its bio-diversity and commitment to conserving the environment. Also, Costa Rica created an exemplary national park system, which has relatively easy access and is currently covering a large percentage of national territory. All this contributed to position the country as a very attractive destination for those tourists who, for professional or personal reasons, were interested in environmentalist or naturalist issues.

Because of this positioning of Costa Rica as an ecotourist destination, attracting mass tourism to the country has become a dilemma that is creating some tension in the sector. On the one hand, some hospitality professionals believe that the mass inflow of visitors will strain the country’s ecosystem. Others say that if inflow is limited, Costa Rica will remain a minor player in the global marketplace for tourism. Tour operators and big hotel owners and developers are attempting to expand their supply to an increasingly larger number of tourists. In contrast, the institutions responsible for conserving national protected areas, owners of small lodging facilities located in their surroundings, and the more environmentally-sensitive sectors of the population want to prevent tourism from expanding uncontrolled. Following is a review of the core products offered.

### 2.3.1 Nature and protected areas

Costa Rica has 20 national parks, 26 protected areas and additional forests and biological reserves. Overall, an excess of 25 percent of the country’s land area is officially protected. The country is estimated to host five percent of all known life forms and the tourism industry has capitalized on Costa Rica’s extensive conservation efforts. The environmental act of 1995 introduced a clear set of rules and a central structure (SETENA) with strong power to manage environmental procedures and deal with abuses. Interviews with members of the private sector (especially hotel developers)

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\(^2\) This law was subject to major revisions in 1992.
reveal, on the one hand a widespread frustration with the length of time that is now required to get approval for new projects; on the other hand some of the more visible environmental violations go virtually unpunished.

The country has established itself as a destination with a focus on adventure and ecotourism. Tourists’ access to the parks and natural resources is organized efficiently and supervised by knowledgeable guides. Natural parks cover a diverse range of biosystems: cloud and rain forests, flora and fauna (especially birds), marine life (including turtle reserves) and volcanoes.

2.3.2 Beaches and sea-related activities

Manuel Antonio is arguably the most defined beach product in the country: its national park is one of the most heavily visited in the country, and the park helps define for visitors (international and national) the link between nature and leisure. The beaches in the park are not only a source of relaxation and sport, but also a natural attraction worthy of guided tours—with several varieties of monkeys, sloths, exotic birds and lizards on constant display.

Costa Rica’s largest province, Guanacaste, has established itself as a major tourism center on the North Pacific coast, featuring sport fishing, diving, surfing, horseback riding and island cruising which are supported by well-developed tourism infrastructure. While the Caribbean coast is also accessible and offers a wealth of beaches suitable for international tourists, traditional beach tourism (i.e. Caribbean-style) is currently not a main purpose of travel but serves as a compliment to the main activities offered in Costa Rica. The destination is increasingly attracting cruise liners offering ecotourism and educational tours.

2.3.3 City

Costa Rica’s urban centers do not figure among the country’s tourism assets. San Jose is a functional urban center with well-developed lodging and meeting facilities. While the city offers attractive museums and cultural centers, it mainly serves as the country’s gateway and as a base from which to visit the surrounding attractions. There is an interest in the industry of transforming the city’s hospitality offering to cater to convention, meetings and incentive travel accommodations.

2.3.4 Other

Plans to expand the destination’s product line, tourism receipts and the visitors’ average length of stay include the development of a network of golf courses. As with the above-mentioned tension related to mass versus ecotourism, golf tourism as a concept has some of Costa Rica’s most nature-oriented entrepreneurs concerned that the plans for
the future are not consistent with the image they have toiled to develop in the last
decade. This question of what type of development is appropriate for the future may be
one of the major themes in the relationship between the current ICT administration and
the private sector.

In addition to golf, whitewater rafting and kayaking are popular attractions because of
the abundant river systems in the Central Valley. There are a number of professional
tour operators, offering single and multi-day packages to appeal to all levels of tourists
seeking adventure.

2.4 El Salvador

El Salvador, one of the smallest countries in the region, has also had one of the most
tumultuous recent histories, and as a result has had the most difficult time rebuilding its
tourism base. In the early 1970’s, El Salvador had one of the most vigorous leisure
tourism industries in the region, but today most of the travel to the country is generated
by business travelers. With the creation of CORSATUR, the focus of tourism
development has shifted from domestic recreation towards international promotion.
During the last year, much of this international promotion has focused on attracting
Central Americans, particularly Guatemalans. There has not in recent years been a
harmonious relationship between the various components of the tourism cluster, in
particular there has been enormous tension between most industry members and the
national airline.

Because the airline focuses on the business traveler as its target market, the leisure
segment of the industry has felt that development of international tourism has been
completely suppressed by high airfares. This topic dominated the attention of all
participants at the National Tourism Congress in October 1997, which provided an
opportunity for national dialogue between leaders of the public sector, the private sector,
and various industry components. The airline’s response to the industry’s criticism at
the Congress was to point out that the country does not have enough developed
products to warrant promotion of leisure tourism, but both the President and the CEO of
the company publicly committed to work with the industry to overcome this problem.
In the year following the Congress, the industry has not been satisfied with the airline’s
actions to fulfill this commitment, and there appears to be a stalemate in the efforts to
bring leisure tourists from other regions by air. As a result, efforts have remained
focused on the opportunities to bring these tourists into the country by car and bus
service from neighboring countries.

2.4.1 Beaches and sea-related activities,

Although the country has a beautiful coastline, El Salvador has not yet received a great
amount of seaside leisure tourism. The Jaltepeque area, located near the capital city
and known as the “Costa del Sol” is considered to be the country’s tourism center
thanks to the combination of well-maintained infrastructure and clean water. La Libertad
department’s seashore attracts price-sensitive domestic tourists. Quality beaches are
available in the Usulután department but remain undeveloped at the moment. Activities such as sport fishing and surfing could be developed further. Other points of interest include Lago de Coatepeque, a volcanic lake with sparkling water surrounded by a mountainous landscape.

2.4.2 Archeology

El Salvador is a member of the Mundo Maya organization. The National Council for Culture and Arts has registered over seven hundred archeological sites. In particular, the following three stand out:

- **Tazumal** is the largest of five Mayan ceremonial centers situated in the northeastern part of the country. The site is estimated to have been occupied from 1200 B.C. until the Spanish conquest in 1540.

- **Campana de San Andrés** is located about 32 kilometers from San Salvador in a valley that has been populated by descendants of Aztec and Mayan civilizations. The main attraction consists of 15 mounds dating back to the 8th century AD.

- **Joya de Cerén**, a ceremonial center abandoned about 14 centuries ago and located 30 kilometers north of San Salvador, was declared a World Heritage site by UNESCO.

Although listed among the most commonly visited tourism attractions in San Salvador, the country’s Mayan ruins are not as widely recognized as those located in neighboring countries. The sites mainly attract domestic visitors.

2.4.3 Nature and protected areas

El Salvador’s landscape is shaped by an unusually large number of volcanoes scattered over a small territory. There are 125 natural zones included in the SISAP’s area protection scheme, which covers about 17 billion hectares or two percent of the national territory. Of those, the following four have been the subject to a decree declaring them to be under “state protection”:

- **Montecristo National Park**, one of few Latin American tropical forest still intact
- **El Imposible National Park**, which hosts unique tree and mammal species
- **El Jocotal Lagoon
- **Santa Clara Park**, which has endangered vegetation and animal sanctuaries

Currently, three national parks are equipped to receive paying visitors: Montecristo, Cerro Verde located at the top of a 6,600-foot mountain and Walter T Deininger, an animal sanctuary.
2.4.4 Handicrafts

El Salvador has developed a strong competency in its production of hand-carved and painted wooden items and textiles, clay works and figurines, basket and hat weaving. Fernando Llort in particular is the crafts leader of the region.

2.5 Guatemala

Guatemala is endowed with a diversity of tourism attractions. While the impact of several decades of conflict, which officially ended in 1996, is still affecting the country’s image as a destination, Guatemala has strong potential for tourism development. Over the last two decades, which began with Guatemala’s position as the dominant tourism destination in the region, the country has traded places with Costa Rica, which had been among the least developed tourism destinations. It may take some time for Guatemala to regain its position, but the scope of its product potential makes it a candidate for the leading position in the region. Tourism resources are grouped around seven main areas as follows:

- Modern and colonial
- The living Highland Maya
- Mayan adventure
- A different Caribbean
- Natural paradise
- Unknown Guatemala
- Pacific Coast

The areas are organized around themes dominated by archeology, the colonial legacy, nature, and culture.

2.5.1 Cities and Colonial Legacy

Guatemala City is Central America’s most populated city and one of the region’s main business centers. Earthquakes have destroyed most of the colonial buildings, but many points of interest still remain such as the Plaza Mayor, El Palacio Nacional and the Metropolitana Cathedral. Tourism and MICE (meetings, incentive, conference and exhibition) infrastructures are well developed. The proximity of sites such as the cities of La Antigua and Quetzaltenango allow the city’s lodging facilities to serve as a base from which to radiate.

The city of La Antigua was restored at the beginning this century. It is now one of the most visited sites and has been declared a Monument of the Americas and a UNESCO World Heritage Site. Antigua’s shops and markets offer a variety of traditional Guatemalan textiles, religious art, pottery, jewelry, antiques and jade. La Antigua Guatemala is the site of the most colorful Easter Week celebrations in the country, perhaps even in the region.
Other important cities include:

- **Chichicastenango**, after Antigua the most important colonial city and an important venue for the display of indigenous markets.
- **Quetzaltenango**, the country's second largest industrial and commercial city, features a rich historical heritage from the Colonial period and the 19th century.
- **Esquipula**, home to the Black Christ, a relic venerated by thousands of pilgrims from all over Guatemala, Mexico and other parts of Central America every year.
- **Castillo de San Felipe Laar**, a fort built by the Spaniards to protect the area against the constant attacks of English pirates.

### 2.5.2 Archeology

A member of the Mundo Maya organization, Guatemala has 28 registered Mayan sites, most of which are located to the North, near the borders of Mexico and Belize. The most spectacular is **Tikal**, one of the largest ancient cities discovered in the Mayan World to date. About 4,000 structures have been identified in an area comprised of only 16 km², the result of almost a thousand years of continuous occupation (800 B.C. to 900 A.D.). Declared a World Cultural Heritage Site by UNESCO, Tikal is also part of the Maya Biosphere Reserve, and offers a rich display of natural wildlife to complement its archeological attractions.

The ancient city of **Quiriguá** flourished between 550 and 850 A.D. The site is located within the confines of the Cerro Azul National Park and is one of the most important in Guatemala. UNESCO declared Quiriguá a World Heritage Site in 1979.

### 2.5.3 Ethnic groups and living culture

The authenticity and diversity of indigenous cultures in Guatemala, as well as the quality of traditional handicrafts are some of the country's strongest tourism assets. There are 28 ethnic communities that co-exist in Guatemala.

Lake Atitlán combines spectacular settings with three volcanoes towering above its southern shore, rich flora and fauna, as well as traditional indigenous villages. Hotel Atitlán is considered by many to be one of the best in the country, and it is common for Guatemalans to recommend a visit to the region if only to stay at the hotel for its lake views and remarkable gardens. Chichicastenango, often paired with Lake Atitlan on tours, has twice-weekly indigenous markets which are one of the major attractions in the country's product offering.
2.5.4 Nature and protected areas

Guatemala is a land of contrasts, which includes mountainous volcanic areas rising up to 12,000 feet, tropical rain forests, rich plains, rivers, and lakes. The Maya Biosphere is the largest of five protected areas in Guatemala and covers an area of nearly 3.5 million acres. The reserve is divided into five areas organized to protect various ecosystems. The reserve is a refuge for a host of subtropical species, and scientists have identified no less than 350 species of birds in the forests. Coban and Rio Dulce are considered, along with the area of Peten surrounding Tikal, to be promising areas for development of ecotourism resorts and nature-related activities.

2.5.5 Beaches and sea-related activities

Guatemala's pacific coast offers similar features to those of El Salvador. The Caribbean side features the country's largest lake: Lake Izabal (a habitat for alligators, fish and birds) and the Rio Dulce river. This side of the country's coastline has only recently been receiving attention of the private sector tourism developers. There is currently a large project under construction by one of Guatemala City's most prominent hoteliers, which will be a resort hotel and time sharing complex. This should serve as a first step in the country's efforts to develop its beach potential.

2.5.6 Other

Whitewater rafting is popular in the Cahabón, Usumacinta and the Pasión Rivers. Waterfalls, caves and hot springs are also common throughout these regions.

2.6 Honduras

Honduras is known primarily for the Mayan ruins in Copán, the splendor of the coral reefs of its Bay Islands, and to some degree for its protected natural areas. The country has many other attractions to offer, such as clear sand beaches, and living cultures, which have not been exhaustively promoted. Despite its potential, one of the barriers that the country has had for tourism development is the lingering negative image that prevails abroad. Although this negative image is not as strong as that of some its neighbors, it is a direct consequence of armed conflicts and human rights violations, a perception that the military is in control of the nation, as well as the very weak attention that the sector has received by recent governments. The private sector has also not been aggressive in developing the numerous potential destinations in the country, with the exception of the Bay Islands and Copán.
The result has been that Honduras, which has a very broad scope of high quality tourism offerings, has not experienced strong product development or brand awareness. This has translated into one of the smallest arrival rates in the region, and very low ranking of tourism in the national accounting system. Nonetheless, recently the public and private sector have together vigorously embraced a national competitiveness agenda for the tourism sector, encouraged by a new president who has begun to instill confidence in the industry that the government is very serious about tourism development.

One of the presidential actions that has instilled confidence was his transformation of the position of the director of the Honduran Tourism Institute (IHT) into a cabinet-level position, and the appointment of an apolitical individual to fill that position. The current director of IHT, and his predecessor, have both been instrumental in getting the industry focused on improving the competitive standing of the tourism cluster. Numerous commissions have been developing an action agenda that will represent the priorities for the government and private sector in their attempt to guide Honduras to a leadership position in the region. These efforts have also been strongly supported by FIDE, the private sector development corporation, which has recently focused much of its attention on attracting foreign direct investment into the tourism sector of Honduras.

2.6.1 Beaches and sea-related activities

The Bay Islands, which are comprised of the major islands of Roatán, Utila and Guanaja; and the smaller, Elena, Morat, Barbareta and Cayos Cochinos, comprise the most developed seaside resort destination in Honduras. Operators have relied on the protected coral reefs and on the alleged 200 ships lying on the ocean floor, to promote diving operations. The entrepreneurs of the Islands have been among the most creative and aggressive in Central America. They have a sense of solidarity, which has led them to form their own charter air service to bring tourists from North America, and have also created an exceptional reputation among serious divers around the world. Based on the success of the islands, and on their own potential, other tourism sites preparing for development include La Ceiba, Tela Bay, and Trujillo.

2.6.2 Archeology

Honduras is the most southern member of the Mundo Maya organization. Copán, located near the border with Guatemala was one of the most important cities in the ancient world of the Maya. It reached its peak in the Classic Period, flourishing until the 8th century. The ruins are still being excavated and, along with the on-site museum, is one of the country’s most significant attractions. Other pre-hispanic sites include El Puerto (Entrada) and Pulhapanzak near Lake Yojoa.
2.6.3 Cities and Colonial Legacy

Tegucigalpa, originally a 16th-century mining camp surrounded by a ring of mountains, offers various sites of interest which include parks, baroque architecture churches (some influenced by indigenous art) and 18th century neoclassical buildings. Other colonial cities include Trujillo, Omoa and the fortress of San Fernando, Comayagua, Santa Lucía, and Valle de Angeles.

2.6.4 Nature and protected areas

Honduras’s natural reserves include the Plátano River Biosphere Reserve, which is listed as a World Heritage Site. Several are difficult to access due to topography, jungle location or government regulation.

Pico Bonito, located in the Nombre de Dios Mountains, has a view from the top that covers Trujillo Bay, the Yoro Mountains and Punta Sal. The Pico Bonito National Park includes several streams and waterfalls and ecosystems at sea level such as mangroves and coastal wetlands, tropical forests, mountain pine woods and cloud forests at the highest altitude. La Tigra, located in a cloud forest some 7,445-ft. (2,270 mts.) above sea level, features two educational centers created to impart environmental awareness courses to its visitors. Other registered sites include Cuero y Salado, Celaque, Azul Meambar.

2.6.5 Ethnic groups and living culture

The Caribbean Coast hosts a number of Garífuna communities, descendants of African Slaves and Caribbean Indians deported by the British. Their customs and beliefs are still embedded in the communities’ celebrations, music, dances, cuisine and crafts. There is currently some tension within these communities about the attempt to allow private ownership of coastal lands, which would challenge their traditional rights to occupy these areas. If these tensions escalate, the development potential of these coastal areas will be greatly jeopardized.

2.6.6 Handicrafts

Major craft centers include Santa Lucía, Ojojona, Comayagua, Santa Bárbara, Choluteca and Garfuna in communities such as Zambo Creek, Tela, San Juan and Corozal. Valle de Ángeles, a listed tourist zone restored to its original 18th-century splendor, is known for its leather, wood and ceramic articles, baskets, wicker and wood furniture, paintings and dolls.
2.7 Nicaragua

Nicaragua, similar to El Salvador and Guatemala, is in the process of redeveloping its tourism sector after many years under a heavy cloud of political and military turmoil. The current President, when inaugurated, made a public commitment to support tourism development so that it becomes the country’s top source of foreign revenue. Recently there has been a strong movement to enact a tourism investment incentive law, designed to spark both domestic and foreign direct investment in the industry. If passed, and followed by strong regulatory procedures, this may provide the stimulus for product development that has been lacking in the country, and will allow the country to achieve its fair share of the tourism market in the region.

The industry is currently undeveloped, except for a seaside resort hotel and several business hotels in Managua. These hotels account for over 40 percent of the country’s room supply. As a result, Managua’s Intercontinental Hotel, which mainly caters to business visitors, is one of the most expensive facilities in the region. Nicaragua’s Caribbean and Pacific coasts currently lack the necessary infrastructure to accommodate international visitors, though plans are under way for several resort developments on both coasts.

One logical means of speeding the development of tourism (in addition to the investment incentives) would be to take advantage of Costa Rica’s advanced stage of development and encourage Costa Rican entrepreneurs to bring their tourists north across the border at various points, both in the east and the west. This idea had been promoted in 1997, and there had been great enthusiasm (and results) for the idea among both Costa Rican and Nicaraguan entrepreneurs.

However, political squabbles related to travel and security measures on the Rio San Juan led to a dampening of interest, especially after political commentators in Nicaragua began inciting animosity towards the Costa Rican entrepreneurs, accusing them of taking advantage of Nicaragua’s resources without adequately rewarding Nicaragua. Cross-border tensions of this type are probably not strong enough to thwart the regional alliance, but threaten to slow the pace of development if political leaders do not take a stand to end the rancor.

2.7.1 Nature and protected areas

Nicaragua introduced its area protection system for bio-diversity in 1996. There are 71 areas including three national parks (Masaya and Salsaya volcanoes and the Zapatero archipelago), sanctuaries for land and water endangered species, forest and bio-diversity reserves. While Nicaragua’s natural assets offer good potential for educational and adventure tourism, development has been slow due to limited accessibility and supporting infrastructures such as adequate lodging facilities.

Rio San Juan, Lake Nicaragua and its archipelago including Ometepe are currently the most visibly utilized natural assets in the country. The northern and eastern parts of the country has one of the largest virgin rainforests in the hemisphere outside of the
Amazon Basin, though until recently there has been no development except for in the Rio Indio-Maiz Biosphere, where there are several eco-lodges. There is enormous untapped potential for sustainable development in this region.

2.7.2 Cities and Colonial Legacy

Four cities—Granada, León, Masaya and Chinandega—are listed as National Heritage Sites. Granada, a preserved colonial city is the subject of a request for classification as World Heritage by UNESCO. In the last two years, there has been an aggressive campaign to renovate the city for tourism purposes, and there is now a small but thriving business among bed and breakfasts and small hotels. Granada and Masaya have been the core product offered to tourists in the last several years, and as a result they have developed an orientation towards serving tourist needs. Masaya is a regionally recognized center for hammock production as this cottage industry employs a large percentage of the city’s families. In addition to these cities, 21 museums dedicated to history, architecture, art and paleontology are registered with the National Culture Institute.

2.7.3 Beaches and sea-related activities

Currently there is only one notable seaside resort development—Montelimar. The Pacific coast of Nicaragua has as much potential for development, in terms of attractiveness, as most other parts of the Pacific coast in the region. However, infrastructure is a serious limitation, though the government has committed to provide infrastructure to support sizable investments in tourism development. Beach tourism will almost certainly be a development priority in the near future, both from the perspective of the public sector and the private sector: for many it represents the most obvious exploitable tourism resource. However, without diminishing the beauty or importance of the coastal areas, the beach assets of Nicaragua must be realistically placed within the ranking of the developable tourism assets of the country behind nature and colonial heritage.

2.8 Panama

Panama’s emphasis on tourism development is fairly recent. Combined, the country’s “dollar,” high service-component economy (trade and banking) and its emphasis on activities from the canal and the free-zone, all have caused tourism to assume fairly low priority until very recently. The country, despite its strong potential for leisure tourism development, still mainly caters to business travelers. On the other hand, only Costa Rica and Guatemala have higher arrival rates, and only Costa Rica has higher receipts from tourism. As with most of the countries in the region, development of tourism has been slow due to lingering North American memories of political and military turbulence. The country, however, has been peacefully democratic for nearly a decade, so these perceptions should not linger indefinitely.
Most private sector members also feel that until recently, the leadership of IPAT did not provide strong vision or commitment to get the government’s support on critical development issues. With the privatization of the Canal Zone, which will likely bring with it enormous media coverage on Panama towards the end of 1999, IPAT has played a strong role in facilitating private sector (domestic and foreign) investment in tourism assets.

2.8.1 Nature and protected areas

Panama is said to have the region’s most extensive national park and wildlife refuge system. Fifteen protected areas, including five national parks, are available. They are estimated to cover about 29 percent of the country’s overall area. Panama offers a wide range of tropical landscape and hosts more varieties of plants and species of birds than can be found in all of North America and Europe combined.

Barro Colorado Island, along the Panama Canal is a research station operated by the Smithsonian Institute. Soberania National Park holds a world-record bird count by the Audubon society with over 400 different species. Protected areas also include marine parks, volcanic areas, mountains and cloud forests. La Amistad International, on the border with Costa Rica, includes the largest tract of primary forest. Bocas del Toro has often been compared to the Galapagos Islands, and may provide the country’s best potential for eco-tourism, though access is still quite limited.

2.8.2 Ethnic groups and living culture

Five major Indian groups live in Panama. Because of successive waves of immigration, Panama is now comprised of many different ethnic groups originating from the Spanish in the 16th century followed by Africans, Europeans, Americans and Asians who came later to engineer, build and work on the Canal. This legacy is visible in the country’s music, arts, crafts and in the architectural structure of some of Panama City’s districts. The Kunas of San Blas and the Guaymis who live in the central mountain range are Panama’s best known Indian tribes for their crafts and clothing designs. Panama can claim the distinction of having the only functioning monarchy in the Americas, thanks to its indigenous people.

2.8.3 Beaches and sea-related activities

Panama offers great potential for combined seaside and discovery tourism. Archipelagoes are available on both Caribbean and Pacific coasts. These include the San Blas Islands off the Caribbean coast, home to the Kuna Indians, and Contadora, one of the Pearl Islands in the Pacific. Panama is a renowned destination for sport fishing, which has well-equipped operations and high profile tournaments.
2.8.4 Cities and Colonial Legacy

Panama City is a modern and functional town. It has retained a colonial district, which mixes French, Italian and Spanish influences. There has also been a building boom of top class hotels in the city, which provide a base for travelers both in the city and those who venture outside the city. The ruins of “Old Panama” were sacked by Henry Morgan and destroyed by a fire in the city. Other landmarks include the Casco Viejo, currently enjoying a renaissance; the city of Colón on the Caribbean side, which offers duty-free shopping; and the fortress of Portobelo. David and Boquetes, both in the Chiriqui Province, also offer attractive opportunities for development, the latter possessing one of the best spring-like climates in Central America.

2.8.5 The Canal

The Canal is the country’s most famous landmark. A master plan drawn for the Canal area includes zones for future tourism development. The Canal itself does not presently offer the potential to keep tourists for extended stays, but is a very strong draw for the country. Tourists will come to see the Canal and stay for the country’s various other attractions. Some of those attractions will be in the Canal zone, due to the abundance of protected nature in close proximity to the capital city, but currently those attractions are still in the planning stage.
3. DESTINATION: CENTRAL AMERICA

As the review in the previous section illustrates, there are several features in common among most of the countries of the region. Beyond the obvious challenge of overcoming the images that most North Americans have of the region’s turbulent past, there is also a clear opportunity to consolidate and capitalize on the attractions that are common to the various countries in the region. It is also important to note that Central America is located at the junction of two established and competitive destinations: Mexico and the Caribbean. These two destinations compete for the North-American market and have allocated significant resources to their promotional efforts. The region of Central America competes with both Mexico and the Caribbean, but more to the point, each country in Central America competes with one another for North American market share.

This intra-regional competition is a two-edged sword. On the one hand, competition between two countries in the same market should have the same beneficial effects as competition between two companies in the same market: in particular, that competition spurs innovation and forces each to be creative in their marketing efforts to more effectively reach customers. However, competition is not always the most effective or economically efficient form of relationship, between companies or between tourism destinations. Research has shown\(^3\) that tourism development in particular is a venue in which oftentimes cooperation is more important than competition. This is particularly true when the resources of the two parties are extremely limited. In such a case, and under certain conditions, it is strategic to share resources and cooperate.

With the exception of Costa Rica, the image of Central American destinations in the main tourism-generating countries suffers from a lack of identity. Tourists’ product awareness and familiarity with the remarkable changes that occurred over the last few years is weak. Unfortunately, none of the countries have enough resources to battle this problem individually. Even if they had the resources to overcome their image problems, or if there were no such image problems, there is still the issue of standard marketing and promotion, and here too budgets in each country are limited. Because the countries target similar markets with similar products, it is entirely rational for them to pool at least some of their resources in the pursuit of those markets. This is the rationale for regional integration of the tourism sector.

But the issue is bigger than just pooling marketing resources. The fact is that each country not only has historically battled its neighbors in Central America for North American market share, but they have also each individually been competing against the Mexican and Caribbean destinations. They have, de facto, been competing against these two powerful marketing entities for short haul travelers from North America, but not expending resources to do so effectively. The tourism entrepreneurs in each country know that the competition is Mexico and the Caribbean, but the public sector

responsible for marketing and promotion budgets have not had the resources, or in some cases the will, to assist in this competition. There are logical explanations for this.

First, several of the countries in Central America are members of Mundo Maya, which has been dominated by Mexico. It would not be effective for any one of these member countries to try to compete head to head with Mexico. The same is true to some degree with regard to the Caribbean: some of the countries in Central America have been members of the Caribbean Tourism Organization (CTO), or in other ways had strong affiliation with the Caribbean image. As a result, there has been a form of co-optation. Each country in Central America that has an affiliation with Mundo Maya or the CTO has, to some degree, a conflict of interest with regard to affiliation with an integrated Central American tourism sector: Central America as a regional destination would compete against both Mexico and the Caribbean.

This raises the question of whether Central America as a region would be better off, given the historic affiliation of some of its countries with Mexico and/or the Caribbean, aligning itself with one or both of these entities. For example, Central America and Mexico combined make up what has historically been called Meso America. While that name has some appeal, there are some very clear dangers to Central America as a whole, or any of its individual countries, aligning with Mexico. In terms of market size, both Mexico and the Caribbean dwarf Central America. Mexico has seven times as many hotel rooms as Central America and eight times as many visitors. The Caribbean has more than three times as many hotel rooms as Central America and six times as many visitors. Cancun, the intersection of Mexico and the Caribbean, has on its own more hotel rooms than any of the individual countries of Central America. The region, or any one of its countries would be lost in the bigger picture of either one of these strong entities.

It is also fair to say that the assets and images of these three entities are quite different. While Central America has the advantage of a diversity of attractions, its strongest image is related to nature. Mexico has even more diversity of attractions than Central America, which raises the possibility that the Isthmus would just become an additional province among the others offered by Mexico—at best a short extension of a longer visit to Mexico. Its image is also dominated by Cancun. While Cancun is a tremendous success story about tourism development in many ways, its image is quite different from the image that Central America has developed and wants to project. It has catered heavily to the mass tourism segment, which is a lower budget (i.e. lower economic value to the country) group strongly controlled by powerful tour wholesalers and resort corporations, whose interest in dollar expatriation is typically greater than their interest in the economic development of the host country.

The Caribbean poses its own challenges to Central America. To some degree, the same concerns that exist relative to Mexico apply to the Caribbean—especially in certain intensively developed locations, such as the Dominican Republic, Cuba, and Jamaica. These concerns notwithstanding, the region is well-perceived as having numerous beautiful sun and sand destinations. However, there is not a great deal of diversity in the offering—for example not a great deal of natural or historical attractions—as there is in Central America. If Central America were to become an extension of the Caribbean product offering, this would likely help improve the Caribbean image more than it would bolster the position of the Central American nations. Of course having visitors for short extension stays is better than not having
them at all, but if the alternative is to develop independently, Central American entrepreneurs would be better off in the long run doing so.

The history of strategic alliances has shown that when one of the parties to the alliance is stronger than the other(s), the alliance is dominated by, and overwhelmingly favorable to, the stronger party. If Central America, or any of its countries, were to jointly promote itself with Mexico or the Caribbean, the chances are that Central American tourism businesses would be in a weaker position, and potentially even swallowed by these larger and stronger entities. For this reason, the focus here is on what the countries of Central America should do together, as an independent region, to capitalize on global tourism market opportunities.

What follows in this document is a strategic framework for positioning the region, and strategy implies identification not only of the opportunities, but of threats as well. In this regard, the framework presented here implicitly represents a guide for how Central America as a region will compete against its principal rivals. Before going to the marketing issues, the proposed institutional framework for this competition will be discussed. The region will need an organization that is responsible for the strategic management of tourism development. This is the Central American Tourism Organization.

### 3.1 Central American Tourism Organization

In order to develop the regional tourism promotion strategy in detail and execute the required actions, a regionally-focused tourism institution must take the responsibility. In recent years, the central entity of tourism in the region has been the Central American Tourism Council (CCT), comprised of all the ministers and/or directors of the institutes of tourism of the region. The CCT was created under the umbrella of the Central American Integration System (SICA). In order to work as its executive unit, under the same scheme was created the Central American Tourism Integration Secretariat (SITCA), based in Managua, Nicaragua. Nevertheless, recent changes in the structure of the Central American Integration System have determined that SITCA should be unified with SICA in San Salvador, El Salvador, becoming the Tourism Unit of SICA. A proposal has been made to create a superceding new entity: the Central American Tourism Organization (OCAT). This institution would be a development agency, with duties such as marketing, product development, research and analysis, and human resources development. This would leave the Tourism Unit of SICA with only public policy related duties, such as: air policy, land ownership, territory ordainment, fiscal policy and incentives, immigration policy, transportation policy (ground and water), national security, health and sanitation, environment and culture, and regional law consistency. Both institutions (OCAT and the Tourism Unit of SICA) would work in parallel to achieve the governments’ general objectives for sustainable tourism development.

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4 This was accomplished in September, 1998.
3.1.1 OCAT’s Specific Objectives

With the purpose of delivering to the members of the OCAT all the necessary services to pursue sustainable tourism development in the region, the following objectives have been considered for the new organization:

?? Develop and promote the travel industry both within the region and in its principal markets.
?? To provide members with the opportunity to market their products in the most effective way possible in the international markets.
?? To assist the members in the process of optimizing the impact of the marketing efforts in the international markets.
?? To deliver publicity, promotion and information services in order to position the region into the world class set of tourism destinations.
?? To develop professional services in market research, tourism development advisory services, legislation analysis, benchmarking, etc.

3.1.2 OCAT’s structure and membership

Four bodies will be in charge of the organization: The Ministerial Council; the Council of Directors; The Executive Directorship and the Advisory Committee. Membership is possible for the following entities:

?? The Minister, State Secretary, Director General, President of the Corporation or any other top-ranked Government Tourism Official from each one of the country members of SICA. These people will comprise the Ministerial Council of CATO.
?? The presidents of the private tourism chambers and of professional associations from the member countries of SICA. These people will form the Council of Directors of the institution.
?? The tourism service-providing companies related to lodging, transportation, food and beverages, recreational centers, tour operators and travel agencies from the region, which will be considered as “Allied Members” of the organization.
?? The not-for-profit organizations, development agencies and similar, which will be considered as “Affiliate members.”

3.1.3 OCAT’s Financing Sources

?? The equity of OCAT will be comprised of:
?? Founding capital from each of the members,
?? Resources from international cooperation agencies,
?? Revenues from professional services rendered,
?? Any other donations including inheritances and legacies that the organization may accept.
??
Each member country will give an annual fee to the Organization, based on the number of tourist arrivals per year, as follows:

<table>
<thead>
<tr>
<th>Visitors Range</th>
<th>Fee (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>From 0 to 200 thousand visitors</td>
<td>20,000</td>
</tr>
<tr>
<td>From 201 thousand to 400 thousand visitors</td>
<td>30,000</td>
</tr>
<tr>
<td>From 401 thousand to 600 thousand visitors</td>
<td>40,000</td>
</tr>
<tr>
<td>From 601 thousand to 800 thousand visitors</td>
<td>50,000</td>
</tr>
<tr>
<td>From 801 thousand to 1 million visitors</td>
<td>60,000</td>
</tr>
<tr>
<td>More than 1 million visitors</td>
<td>70,000</td>
</tr>
</tbody>
</table>

While these public funds are modest, and do not allow OCAT the size of funding truly needed to compete in international markets, they represent the seed money of the organization. The revenues from private organization membership are what will be required in the medium to long term to fund regional promotion campaigns. In the short term, until this funding exists, the seed capital will allow OCAT to develop campaigns that will depend on individual countries to co-promote. The proposal for the creation of OCAT is probably the most important development to date in the regional alliance for tourism development. Its conception intelligently was benchmarked against the best regional tourism development agency in the world—the Caribbean Tourism Organization. Following through on the creation and operation of OCAT is clearly the most important step to be taken for the regional alliance to achieve its objectives.

### 3.2 North American Wholesalers Survey Results

In early 1998, INCAE surveyed virtually all of the major tour wholesalers and travel agents in the United States and Canada. These findings helped to determine what the market-makers think about the region’s assets, its image, and its future. Briefly, the results showed: that nature is the core asset of the region; a strong interest in the creation of a professional regional tourism agency; the need for an investment in promotion to improve the lingering negative image; the need for more cross-border circuits; the need to improve infrastructure and human resources. The survey and its results are available as a separate document. Here we present some of the most significant results found:

- Costa Rica is offered the most in 16 of the 19 categories of products offered in these packages, followed by Belize.
- The average length of stay is very similar in all countries—close to 7 days. It is lower only in El Salvador and Nicaragua, with 6 and 5 days respectively.
- The average price of a package to Costa Rica is twice the price of a package to Nicaragua. The average price of a package ranges from $614 to $1,294.
- 97% of the wholesalers believe that destinations in the Americas are the most direct competition to Central America: 72% say it is Mexico, 67% say it is the Caribbean, and 39% say it is South America.
- Comparing Central America to other destinations in the world in terms of price: 42% of the wholesalers say that lodging is less expensive, and 44% think that inbound services have similar prices.
There was not a definite trend showing that wholesalers believed that transportation was more or less expensive within Central America. However, more wholesalers believe air and road transportation is more expensive, while sea transportation is perceived as cheaper.

Comparing Central America to other destinations in terms of quality: 58% of the wholesalers believe roads are worse in Central America, and 47% believe communications are similar in quality. 44% believe inbound services are similar, but also believe that airports have lower quality. Also, 36% believed that lodging facilities are of lower quality in the studied region.

Wholesalers have a positive perception of Central American attractions: 44% think natural parks are superior, and 31% think animal reserves are better.

47% think archeological sites are better, but 39% believed Central American historic sites and cities do not have anything distinctive to offer relative to other historic destinations. Museums, ethnic settlements, and markets are also perceived undifferentiated.

More than 40% of the wholesalers believe that Central American birds, small animals and plants are better than in other destinations.

Beach resorts, snorkeling, scuba diving, sailing and golf in Central America are perceived as having lower quality in Central America compared to other destinations.

Only 53% of the wholesalers offer packages that go between Central American countries. More than half of these selected packages have offers that go from Belize to Costa Rica, and from Belize to Guatemala. 42% of these packages go from Belize to Honduras, from Costa Rica to Belize, and from Honduras to Belize.

More than half of the packages offered from Belize to Costa Rica offer natural attractions, bird watching, animals, plants and beach resorts.

47% of the packages that go from Belize to Honduras, and 53% of the ones that go from Belize to Guatemala, offer archeological sites as the main attraction.

66% of the wholesalers believe the proximity to North America and the biological diversity found in one region along with the complimentary attractions are the major strengths of Central America.

More than half of the wholesalers believe the natural attractions of the region and the past and present culture are the other major strengths.

78% of the wholesalers believe the main weakness of Central America are tourism services, including high airfares to and within the region, overpriced hotels, and lack of professionalism among service personnel.

44% of the wholesalers think that Central America has a poor marketing strategy, considering aspects like promotion, and perceptions of the market.

14% believe that crime and violence is a major weakness.

### 3.3 Positioning

Based on the profile of the region’s tourism assets, on the desire to achieve a socially and environmentally balanced (or sustainable) development and on the trends characterizing current tourism demand, Central America is in a better position to become a niche-market rather than a mass-tourism destination. Accordingly a segmentation targeting special-interest tourists is the strategy best suited to build an image that would grant the region a competitive advantage.
The prime assets identified hereafter form the core tourism product lines offered by the Central American destinations, and therefore the focus of the region’s differentiation and communication strategy:

- environment and nature conservation;
- archeology, pre-colombian history;
- ethnic groups and live culture; and
- urban architecture and Colonial heritage;

A second set of attractions enhance the quality of both the destination and the visitors' experience. Because of competition from better-established destinations, lack of adequate infrastructure or lack of strong characteristics for differentiation, these attractions are currently not salient attributes in the decision to choose Central America as a destination. They are important secondary attributes. These include:

- beach resorts;
- city entertainment and night life;
- museums and cultural centers;
- golf courses.
4. Core Product Lines

4.1 Environment and Nature Conservation

Ecotourism, an all-encompassing concept covering tourism demand for the visit of unmanaged natural landscapes, fauna and flora in its unspoiled native environment, live culture and spectacular natural phenomenon (volcanoes, animal nesting or migration, etc.) is considered to be the fastest growing market worldwide. The versatility of the concept makes it difficult to measure precisely. Its popularity, however, points to a definitely identifiable trend: a switch of demand away from “passive” resort-based vacations, which characterized the development of mass-tourism since the seventies. “Themed” travels centered around special-interest activities such as discovery and adventures, sports, and education are increasingly popular. In addition, the experience is increasingly not valued based on isolated attributes or activities but integrates all the components of the stay such as the conformity of the lodging facilities and management practices with environmental guidelines.

The diversity of Central America climate, topography and eco-systems offers unmatched environment and nature-based activities including:

- guided tours of natural reserves and parks;
- special-interest tours:
  - bird and wildlife observation;
  - marine and coral life;
  - plants and ecosystems discovery;
- educational tours on conservation management and efforts;
- “soft” adventure tourism:
  - hiking, camping circuits;
  - flora and wildlife picture hunting;
  - white water rafting;
  - river and sea canoeing;
  - island-hopping.
- recreational sports
  - surfing and windsurfing;
  - scuba diving;
  - sport fishing;

4.2 Archeology, Pre-Colombian History

The pre-columbian vestiges are among the most visible trademarks of Central America. Although confined to the northern countries (Guatemala, Belize, Honduras and El Salvador), they should, along with ecotourism, serve as a starting point for a familiarization with the region’s resources. The marketing strategy of the Mayan legacies
is, to a larger extent, efficiently handled by the Mundo Maya organization which groups five Mexican provinces and the four Central American countries cited hereabove.

### 4.3 Ethnic Groups and Live Culture

Live culture enhances the visitors’ perception of discovering a country’s uniqueness and coming in touch with its genuine heritage and tradition. It is therefore a strong element of differentiation between competing destinations. Live culture fits the “sustainable development” framework, by involving the communities in the running of tourism activities and by creating new revenue opportunities for local producers. While being one of the region’s most striking features, Live culture and its related activities (markets and crafts, traditional celebrations, villages and habitat, farming and customs) are the least structured and accessible attractions.

Over time, significant interest and value-added and could be obtained through:

- Safe and well-organized traditional and craft markets including:
  - Guided tours and explanations on the background of the products displayed,
  - Increased showmanship through on-site demonstration of manufacturing methods and handicraft skills
- Tours of traditional villages.

The later, as shown in various South-East Asian or pacific destinations, may have a potentially disruptive effects on the economic and social organization of local communities. This is particularly true when tourism takes over as the main source of income, drawing people away from traditional production such as agriculture, and turning villages into living museums.

Adventure tourism activities combining various exploration or wildlife-related themes with experiencing, to some extent, the living conditions of the local communities (generally by consuming locally grown or prepared products) are considered an integral part of an Ecotourism experience and are less subject to the side-effects described previously.

### 4.4 Urban Architecture and Colonial Heritage

Along with its pre-colombian legacy, the region’s colonial heritage form an integral part of the countries’ history. Preserved urban centers such as Antigua or Granada, especially when they integrate cultural elements (ethnic groups, festive or religious celebrations, museums and cultural centers) represent strong tourism assets which contribute to differentiate and position Central America as a competitive destination.
4.4.1 Complementary Product

For competitive reasons, beach resorts and, in general, gateway cities are not considered main attractions. They are, however, critical support factors which will condition satisfaction and the rate of return to the destination. Meetings, convention and conferences activities and resorts have the potential to develop as stand-alone products in the longer term.

4.4.2 Potential Strategy

Central America has the opportunity to establish itself as a multi-activity destination with the following specific strengths: unspoiled natural assets, archeology, anthropology and historical heritage.
5. TOURISM DEVELOPMENT ISSUES

This section reviews the issues raised by diverging interpretations of the concept of “sustainability” when referring to tourism activities.

5.1 The Sustainable Tourism Paradox

Increasing environmental awareness has highlighted the potential negative effects of tourism development on both the ecological and social equilibrium of the destination countries. Recreational tourism, especially the outdoor and adventure-oriented travel activities which is progressively dominating the industry in Central America, relies on continued access to a high quality natural resource base. These resources are vulnerable to pollution, physical alteration and degradation from unmanaged overcrowding and poor construction planning. However, the intense educational process the general public is currently subject to on environmental matters is at the very root of the rapidly increasing demand for “Ecotourism” experiences and special-interest activities in pristine natural settings. Continued attractiveness of the local environment conditions, therefore, the survival (or sustainability) of these tourism activities which, paradoxically, may threaten them.

5.2 Sustainable: conflicting interpretations

Recognizing this, the notion of sustainable tourism development tries to reconcile concerns for the environment with desirable macro-economic benefits derived from tourism activities which, themselves, strongly depend on the development plans of private investors and operators. The cornerstone of sustainable tourism is the promotion of environmentally responsible behavior by all parties involved in defining, promoting, selling and consuming Ecotourism products. While the concept seems easy to understand, its weakness lies in the vagueness of its definition. Stakeholders in tourism and environment issues include parties with conflicting interests, namely:

- conservationist or natural resource management groups (NGOs, State or local conservation agencies);
- tourism investors and operators; and
- the executive and legislative bodies of the destination countries;

Natural resource management groups are generally concerned with ecosystem integrity, bio-diversity and the potential irreversibility of damages resulting from commercial exploitation. They generally advocate land management policies that severely restrict or ban tourism activities and development, and refer to “Sustainability” as the ability to maintain or grow the natural asset.
Tourism operators, on the other hand, claim that reserves and parks were created for the enjoyment of the community, that promotional efforts and visitations increase public awareness of the beauty and diversity of the natural assets and support for conservation efforts. Private investors, however, bear the significant economic risks involved in catering to the tourists’ needs. Most types of tourism-related developments are generally capital-intensive. They are characterized by long planning and development time, cumbersome approval process, high finance and operating cost, and in the case of Ecotourism, higher construction costs to render facilities “eco-friendly” by adding such features as disposal and recycling facilities offered by public infrastructures in an urban environment. The lodging industry, in particular, face specific hurdles bet summarized in an article titled “Environmental Management as an Indicator of Business Responsibility in Central America” (Lawrence Pratt 1997) published by the Latin American Center for Competitive Development at INCAE. It highlights select factors impeding business responsibility and sense of self-interest on environmental issues in Central America:

- general economic instability leading to limited availability of long term outlook and financing for investments;
- high short-term interest rates (two to five years-15 to 40 percent in real terms);
- tariffs on imported technology (20 to 100 percent);
- lending policies, particularly in the national banks, considering pollution prevention and control equipment “non-productive assets” and therefore assessed an interest rate “surcharge” of several percentage points;
- closely held companies preventing concerns from disparate interest from being addressed while institutional investors have been extremely influential in improving the environmental performances of US and European firms;
- information (and one may add business and community-oriented education programs) is scarce;

In addition, extensive efforts and time are required to reach and develop target-markets. As a result, the tourism operators’ view of “Sustainability” is shaped by the need to generate sufficient profit for adequate return on both work and capital invested in order to survive. Size maximization within the constraints defined by anticipated market demand, investment capabilities or by regulation is a critical determinant of the viability of the operation and the main source of conflict with natural resource managers.

The executive and legislative bodies of the destination countries ultimately conditions the success of a nature-oriented tourism. The ability of the legal framework guiding nature conservation, investment environment, access to the country and to the natural resources, to reconcile seemingly incompatible views will determine whether a sustainable tourism activity is possible or not.

5.3 Basis for Sustainability

Central to the notion of sustainability is the recognition of the fact that all parties have a vested interest in environmental conservation and that Ecotourism is a natural resource-dependent industry. Demand for nature-based and environmentally-friendly travels and activities is growing rapidly and is expected, or in some cases, has started to shape the profile of tourism activities, especially in Central America. The emergence of some form
of ratings classifying countries and destination based on environmental standards is highly likely. The criteria will likely be primarily influenced by the quality of the resource base, by the perceived conservation efforts and by the compliance of tourism-support facilities with sound environmental practices. The adoption of such practices will therefore be demand-led and will necessarily be fully integrated in the competitive and promotional strategies of both the operators and the destination countries. The International Hotels Environment Initiative launched in 1992 and adopted in the operating manuals of several major hotel chains included the following specific areas of action:

- Energy conservation and alternate sources;
- Water conservation, treatment and recycling, low-flow bathroom systems;
- Waste reduction and recycling, redefinition of purchasing methods to reduce non-reusable or polluting packaging and tableware;
- Effective management of surplus food (generally through community action);
- Reevaluation of environmentally polluting cleaning agents, detergent, swimming pool, landscaping and maintenance products; and
- Staff awareness and training programs;

Experiences conducted in Australia show that the impact of regulations on preservation, although significant, is limited by its reactive nature. Negative impacts of tourism is invariably associated with poor planning and failure to evaluate impacts at the outset of the development process and lack of synchronization. In most instances, the fact that resource managers have limited information on visitor trends and motivation and do not consider increased visitation in their resource allocation or access plans compound the problem.

Another factor is poor or non-existent communication between tourism providers and resource managers. Instances where coordination between tourism operators and resource managers led to a proactive approach to access and circuit management have proved successful in establishing respect for tourism ethics guidelines, the implementation of environmentally acceptable resource presentation programs and improved financial conditions derived from increased room nights and visitations. The issue raised by this approach is the natural resource manager’s ability or willingness to allocate investment funds to reorganizing access and circulation flows and designing contained presentation areas for visitors.

### 5.4 Costa Rica’s Certificate for Sustainable Tourism

Analyzing the tourism trends in Costa Rica for the last five to ten years, the ICT recognized three evident trends (Lizano, 1998). The first trend is a change occurring in worldwide tourism due to new driving forces in the north. The WTO estimates that non-dominant tourism (which includes all the new forms of tourism that are not sun and beach) will grow at a rate of 25% to 30% annually, while traditional tourism will grow at a rate of 2% to 4% annually. The second trend the ICT recognized is that tourism in Costa Rica in the last ten years has been mostly ecotourism. “All tourist attractions in Costa Rica are based on natural resources”, and ICT surveys found out that more than 70% of tourists that come to Costa Rica are interested in non-dominant tourism (Lizano, 1998). Moreover, Costa Rica’s tourism infrastructure is mostly ecotouristic: 80% of
Costa Rican hotels have less than 40 rooms. The third evident trend in Costa Rica in the last ten years is the emergence of “greenwashers”, businesses that --without being ecotouristic-- take advantage of Costa Rica’s ecotouristic image and use it as a marketing tool.

Recognizing these three trends in Costa Rica’s tourism, the ICT knows that it is in the best interest of Costa Rica, being a mainly ecotouristic destination, to maintain its position in the nature tourism market because of the wonderful growth perspectives the ecotourism segment has. The ICT also realized that greenwashers, not being ecotouristic but claiming to be so, lower the quality of Costa Rica’s ecotourism and could eventually damage Costa Rica’s good reputation as a nature tourism destination.

From this analysis, the ICT recognized that tourism has economic and conservation elements that need to be in balance, and are not in balance at the time in Costa Rica. Today, there is much more interest and activity in the economic aspects of tourism, while the conservation aspects, which include the maintenance of the natural resources, culture and society, have been forgotten. The ICT claims that the imbalance of the economic and conservation elements of tourism is the main problem of Costa Rica’s tourism. It is the reason why greenwashers claim to be ecotouristic only to increase their rent capture, without doing any conservation activity.

The ICT envisioned a program with the main objective of balancing the economic and environmental elements of tourism in Costa Rica: “[i]t is time to change the tourism tide to a more integral one, namely, sustainable tourism” (CST,2). The ICT defines sustainable tourism as “the balanced interaction of three basic factors within the tourism industry: 1- Proper stewardship of our natural and cultural resources; 2- Improvement of the quality of life of the local communities; and 3- Economic success, that can contribute to other programs of national development” (CST,2).

To reach such vision, the ICT is currently implementing the Certification for Sustainable Tourism program (known also CST), with the main objective of turning the concept of sustainability into something real, practical and necessary in the context of a country’s tourism competitiveness. The program aims at “improving the way in which the natural and social resources are utilized, to motivate the active participation of the local communities, and to support the competitiveness of the business sector” (CST,2).

The CST program categorizes and certifies each tourism company according to the level of impact it has on sustainability. Four fundamental aspects of sustainability are evaluated through a questionnaire:

1- Physical-biological parameters, evaluates the interaction between the company and its surrounding habitat;
2- Infrastructure and services, evaluates the management policies and the operational systems within the company and infrastructure
3- External clients, evaluates the interaction of the company with its clients terms of how much it allows and invites the client to be an active contributor to the company’s policies on sustainability;
4- Socio-economic environment, evaluates the interaction of the company with the local communities and the population in general” (CST,3).

The performance on each field will be graded on a percentage basis. The tourism companies are classified into five sustainability bands, granted by using the lowest
percentage achieved in the four fields evaluated. The following table shows the five sustainability bands and the corresponding percentage of fulfillment needed to obtain each band.

<table>
<thead>
<tr>
<th>Certification on Sustainable Tourism</th>
<th>Sustainability Bands</th>
</tr>
</thead>
<tbody>
<tr>
<td>% fulfillment</td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>20%</td>
</tr>
<tr>
<td>1</td>
<td>20% - 39%</td>
</tr>
<tr>
<td>2</td>
<td>40% - 59%</td>
</tr>
<tr>
<td>3</td>
<td>60% - 79%</td>
</tr>
<tr>
<td>4</td>
<td>80% - 94%</td>
</tr>
<tr>
<td>5</td>
<td>more than 94%</td>
</tr>
</tbody>
</table>

In terms of sustainability, the degree of fulfillment represented by each band should be concomitant with the different aspects mentioned. For example, to achieve a band 3 category, it is necessary to complete at least with 60% of the established conditions for the four areas evaluated. Using the lowest percentage of fulfillment in the four levels gives incentives for equal development in the four sustainability aspects. After the evaluation and classification, the tourism company will be given a sticker with the logo and level of band achieved.

The ICT plans to have private companies doing the questionnaires, while a committee of four specialist in each of the four aspects will audit the results of the classifications. Moreover, this ICT committee will be monitored by a higher committee formed by people form the ICT and other governmental and non governmental institutions.

The planning of the CST program took three years, and its implementation is already started. The CST program is voluntary so that only interested businesses will join, and its efforts are not ruined by businesses that --because of the mandatory requirement-- cheat the authorities. Eventually, the ICT knows that being on the CST program will be necessary to compete.

The program was designed for all types of companies in the tourism industry, but the first stage will include only lodging companies. Even though, the CST program has not been officially launched yet, by December of 1997, 100 hotels were already inscribed, 31 were visited and 9 were categorized. By the end of 1998 ICT officials expect to have completed 80% of the initial round of categorizations completed.

The CST program was conceived by Costa Rican officials for the Costa Rican context, but it also has enormous implications for the Central American tourism sector. The CST is a new way to differentiate Central American tourism industry with respect to its competitors. “Undoubtedly, this will enhance the country’s image as an authentic destination for naturalist tourists, thus increasing considerably the competitiveness of our national [and regional] tourism product” (CST, 5). It also directly attacks “greenwashers” by providing reliable information on the firms that are really making progress in producing sustainable tourism. Moreover, the CST motivates tourism executives to improve their use of company resources, promoting savings and their efficient utilization. Finally, the CST program will increase the demand, and therefore
the development and production of goods and services by firms with a sustainable orientation. This will strengthen an industrial sector that operates within parameters of sustainability. Tourism will lead the way into making a more sustainable Central American economy.

The CST, if fully implemented region-wide, will help to balance the economic and environmental aspects of tourism in the region. Moreover, the certificate will lower the information costs between tourists and ecotourism hotels and attractions in Central America. In the future, tourists can check the band of sustainability a hotel has and decide if it satisfies them before arriving to Central America. Therefore, their expectations of ecotourism be satisfied: if they choose a level 1 hotel, they know that it will not be as ecological as if they had chosen a level 5 hotel, but it is certainly more ecological than if they had chosen an unclassified hotel. Ecotourists, thanks to the CST program, can be sure of their tourism choices in the future, and will have a smaller probability of being disappointed.
6. DESTINATION CENTRAL AMERICA: MARKETING STRATEGY

6.1 Introduction

Although Central America is a recognizable political and economic entity, this awareness does not extend to the tourism sector. The approach adopted hereafter assumes that the countries covered in this report seek to establish a global destination and a market identity modeled after such entities as Europe or the Caribbean.

Global destinations generally encompass groups of countries which offer either quasi-homogeneous products within a limited geographical area (the Caribbean, the Alps, the Mediterranean and North-European capitals) or diverse but easily accessible activities through convenient and affordable transportation systems (Europe, North America, Southern Europe’s capitals). Most existing global destinations were formed informally. Their success owes more to the concepts summarized in their identity (the Caribbean: white sand beaches, the Alps: trendy ski resorts, Europe: urban tourism) than to a definite marketing strategy. Inter-regional marketing organizations were later formed to reinforce cooperation and consumers’ awareness (CTO, various Alpine organizations).

Unlike other global destinations “Destination Central America” does not benefit from a pre-established identity and would therefore be to build one increase brand awareness on the region’s main tourism generating market: North America and, in particular, the USA and Europe.

6.1.1 Destination Central America’s identity

Nature is the most recognizable feature of the destination, and differentiates Central America from its potential competitor and is at the center of the promotional campaigns carried-out by the member countries. The region’s identity should convey the image of a new destination with diverse and pristine natural assets, offer a sense of adventure and discovery. A distinctive image could be built around the novelty factor and the appeal of pioneering a destination.

6.1.2 Strategic Approach

A tourism marketing and promotion programs usually rely on the following components:
- product and image definition;
- advertising and media plan;
- information kits, videos and direct mailing to tour operators;
participation in trade shows and travel marts;
education/familiarization trips for tour operators, travel agents, travel writers and press;
sales support and information structure in charge of:
  - public and press relations, event organization;
  - monitoring of market trends and competition;
  - information dissemination, Web site, 1-800 and faxback numbers;
  - technical assistance to home operators (link to tour operators, market segments diversification, product customization and development);
  - in some instances: a reservation system.

While the implementation of a marketing plan for destination Central America is likely to enhance the region’s exposure, superimposing a new promotion and information structure on top of the existing ones already financed or subcontracted by the member countries may turn-out to be redundant. Our interviews with tourism professionals also pointed-out to the fact that a common primary objective of the member countries is to consolidate their North American market share. In this context, other Central American destinations were included among the competitors. Advocating a unification of the sales and promotion structures or budgets is, therefore, unrealistic at the moment.

The main strategic issue faced by OCAT is to decide the extent of its involvement in the marketing process and whether to implement its own marketing and sales program or to merge it into the plans carried-out by the various countries. Our recommendations are included in the following sections.

6.2 Advertising

In the short term, we recommend:

- defining of a recognizable “Destination Central America” name, logo and theme line to be inserted in the promotion literature of the member countries;

- a rapid build-up of destination Central America’s image and consumer brand awareness by launching an aggressive advertising campaign centered around the region’s identity, the various product lines (environment and nature conservation; archeology, pre-colombian history; ethnic groups and live culture; and urban architecture and Colonial heritage) and the names of the member countries,

- designing sales kits and coordinating their distribution to tour operators and travel agents with the information material of each member country.

For the sake of efficiency and to avoid resource dispersion, the advertising campaign should initially target the region’s priority market: North American and be aimed at:

- the general public
- select niche-market ,
  - soft adventurers (ecotourists, hikers, bikers)
special interest segments (wildlife conservationists, scuba divers, sport fishermen, history/architecture/archeology enthusiasts, tourism professionals (travel agents, meetings & convention planners))

The general public is reached through ads and travel documentaries on network television (CNN, TLC, USA, A&E) and inserts in general-purpose travel magazines. Niche markets and tourism professionals are covered through specialized publications such as Audubon, National Geographic, Outside magazine, Archeology, Skin Diving. A list of select specialized publications and of the costs of a typical insert are presented as an exhibit to this document.

The second phase is to focus on product development and standard convergence.

6.3 Product development

Consolidating the notion of a global destination assumes that “Destination Central America” offers conveniently accessible cross-border attractions and circuits with minimum disruptions at the borders.

Mapping-out “product corridors” allowing visitors to pursue a specific interest of multiple activities along circuits spanning several countries would help establish the tangibility of an Central America tourism entity. Such corridors could be established around various themes such as:

- nature and wildlife observation;
- colonial cities and live culture;
- sport fishing, scuba diving,

The definition of each corridor should be the subject of a project involving private operators (travel agents, tour and hotel operators, attraction and natural resources managers). The end result is to serve as a tool for professionals to define a menu of potential packaged tours and circuits of various length and customized to the needs of specific-interest groups or to serve as a guide for individual visitors.

Although the subject developments are expected to enlarge the region’s market base, and attract previously untapped tourist prospects, this development may face many hurdles:

- resistance from professional organizations and operators who may fear that their share of the clients’ stay will be reduced;
- administrative difficulties at the borders may discourage both tourists and operators;

We anticipate the need for OCAT to not only be the driving force behind cross border product development but also assume the role of a coordinating entity between public and private interests as well as between the relevant national institutions.
6.4 Standard convergence

Because of disparities in the development stage of the various countries’ industries, visitors may experience wide fluctuations in the quality of the facilities and equipment used along the circuits. Disappointment with a particular occurrence may end-up affecting the image of the overall destination. The harmonization of the product classification systems, especially those involving hotel and restaurant facilities is to become increasingly necessary. It will allow visitors throughout the region to build reasonably accurate expectations for the places they choose to patronize, and operators to refer to a region-wide benchmark for evaluating their facilities.

The CST, as mentioned above, is a classification system which takes into account the compliance of tourism facilities with objective and sound environmental standards. The incorporation of these guidelines in a region-wide classification system is not only congruent with the nature-friendly image of “Destination Central America,” but would also provide a tool around which to build a powerful and competitive commercial argument.

6.5 Market Development

To be effective, the advertising effort has to be sustained over time and expanded to new target markets such as Europe. At the time of this study we were not aware of the existence of a recurrent source of financing for OCAT’s promotional effort. A mechanism will have to be devised, promotion revenues derived from increased tourism activities through roomnight taxes and other fees levied on visitor will directly benefit the member countries.

6.6 Sales support structure

We do not recommend superimposing an additional sales support structure on top of those currently implemented by the member countries. OCAT would be more effective by focusing on:

?? increasing the visibility of Destination Central America through well targeted advertising;
?? coordinating with the member countries’ individual promotional and marketing plan to maximize synergy and avoid the multiplication of potentially conflicting messages,
?? initially, relying on the structures currently run by the member countries to monitor feedback and inquiries, distribute information kits, organize common public-relation events, trade-show appearances, educational seminars and familiarization trips for Destination Central America.
While a progressive integration of the sales and information structures and of the promotion budgets makes economic sense and would drastically increase the advertising purchasing power of a Central American tourism entity, it should be viewed as a long term goal achievable once the identity of the global destination is established.

6.7 Technical and institutional development

Finally, areas where CATO could potentially take a strong lead and generate high value-added include the following: facilitating cooperation between tourism and resource managers; becoming a source of expertise for tourism and environmental matters and acting as an advisory agency for legislators and governments of various Central American countries; establishing region-wide guidelines for proper construction regulations, sound tourism business practices, tourism and environment-oriented educational programs.

Although such programs do not constitute direct promotion efforts per se, they would help reconcile the concerns of all parties involved in tourism and conservation, build the foundations of the region’s competitiveness on the “green” tourism market, contribute to the “sustainability” of eco-tourism activities and ultimately provide strong rationale and arguments for the positioning and marketing of “Destination Central America.”