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An Analysis of Developments in Tourism Markets in Latin America and Caribbean Region[1]

by

Nicolino Strizzi[2] and Scott Meis[3]

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[1] This paper is part of a series of reports exploring global tourism markets of opportunity. This paper is the first in the series. A second study will deal with tourism opportunities in Asia. Meanwhile, a third study will examine tourism opportunities in Russia and Eastern Europe. As usual, the views, and remaining errors, expressed in this paper are the sole responsibility of the authors and do not necessarily reflect those of any institutions with which they are associated.

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Executive Summary

The Latin America and Caribbean (LAC) region will face numerous challenges and obstacles that, if left unaddressed, will limit its inbound and outbound travel market potential. Slower economic growth, rising income and wealth disparities, growing unemployment, weak economic and tourism infrastructures and worsening environmental degradation will likely reduce the attractiveness of many LAC countries as tourist destinations. Moreover, the erosion of governance and public administration, rising crime and corruption as well as the spread of infectious diseases will raise tourism-related security and health concerns.

If, as seems increasingly likely, LAC economic and export growth decline further in the years ahead, it will lead to weaker regional income and job growth. Lower personal incomes translate into lower consumer buying power and lower demand for such discretionary spending as travel. The numbers of LAC residents travelling to foreign tourist destinations, including Canada, will most likely drop over the next two to five years. In addition, weaker LAC currencies will further discourage outbound travel flows, especially long-haul pleasure travel, in favour of cheaper and closer tourist destinations. Like in past years, LAC outbound travel growth to Canada will remain at a steady, and possibly even slower, pace, rather than at blistering speeds as is widely perceived. Competition to attract new LAC outbound tourists and encourage repeat travellers to Canada will intensify.

An Analysis of Developments in Tourism Markets in Latin America and Caribbean Region

Introduction

The recent Asian and Russian financial crises, the deepening and protracted Japanese economic slump and rising economic volatility in the Latin America and Caribbean[4] (LAC) region have drastically shaken investor confidence in the growth prospects of these areas. But, despite the current investor gloom, opportunities for greater revenue and income growth in these markets still exist. The potential of greater return, however, will come only at higher risk.

The purpose of this paper is to lay the foundation and the framework for assessing tourism markets of opportunity in the LAC region. This, it is hoped, will lead to a better understanding and appreciation of the opportunities and pitfalls facing tourism marketers in this region. More so, this framework will provide private and public sector decision makers with an early warning system to anticipate and avoid rising exposure to risky markets.

This paper briefly examines the extent and economic importance of inbound and outbound tourism to the LAC region. It then assesses the prospect of the LAC region becoming a major tourist generating area and identifies and explores the major pressure points that will constrain the region's tourism growth over the next decade or so. Finally, the paper assesses Canada's ability to capture the region's anticipated growth in outbound tourism.

Economic Importance of Tourism

Inbound Travel Activity

For many LAC countries, international tourism stimulates economic growth, creates jobs, generates badly-needed foreign exchange and raises tax revenues. Table 1 shows that total international tourist arrivals in the LAC region reached 52. 5 million individuals (8.8 per cent of world total) in 1996. At the same time, Table 2 shows that international tourism receipts reached US $33 billion (7.8 per cent of world total). Of the world's 40 top tourist destinations, only two countries were from the LAC region. The World Tourism Organization (WTO) ranked Mexico and Argentina, respectively, as the world's 7th and 29th most popular tourist destinations in 1996 (WTO, 1997).

Meanwhile, three LAC countries ranked in the world's top 40 tourism earners in 1996. Data from the WTO (1997) showed that Mexico earned US $6.9 billion (1.6 per cent of world total) from international tourists in 1996, ranking Mexico as the world's 16th largest earner of international tourism receipts. Likewise, Argentina earned US $4.6 billion (1.1 per cent of world

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[4] For purposes of this study, the ***Latin America and Caribbean*** region comprises: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela.

Table 1: Trends in International Tourist Arrivals and Shares in World Tourist Arrivals

	International tourist arrivals *(thousands of arrivals)*			**Shares in world tourist arrivals** *(%)*		
	1985	**1990**	**1996**	**1985**	**1990**	**1996**
World	***327,853***	***458,331***	***593,638***	***100.0***	***100.0***	***100.0***
Developed economies	***213,145***	***281,760***	***328,222***	***65.0***	***61.5***	***55.3***
Developing economies of which:	***85,730***	***129,848***	***181,937***	***26.1***	***28.3***	***30.6***
Latin America	19,886	27,559	38,177	6.1	6.0	6.4
Caribbean	7,976	11,263	14,352	2.4	2.5	2.4
Africa	8,982	14,029	15,618	2.7	3.1	2.6
Middle East	7,463	8,959	15,256	2.3	2.0	2.6
China	7,133	10,484	22,765	2.2	2.3	3.8
Other Asia	22,331	40,845	60,927	6.8	8.9	10.3
Rest of Europe	11,959	16,709	14,842	3.6	3.6	2.5
Transition economies	***28,978***	***46,723***	***83,479***	***8.8***	***10.2***	***14.1***

Data compiled from World Tourism Organization, Tourism Market Trends, The Americas 1997 Edition, World Tourism Organization, Madrid, Spain (1997), p. 3, 6.

Table 2: Trends in International Tourism Receipts and Shares in World Tourism Receipts

	International tourism receipts *(US$ million)*			**Shares in world tourism receipts** *(%)*		
	1985	1990	1996	1985	1990	1996
World	***117,643***	***266,207***	***422,745***	***100.0***	***100.0***	***100.0***
Developed economies	***80,386***	***190,913***	***270,274***	***68.3***	***71.7***	***63.9***
Developing economies of which:	***34,378***	***70,445***	***128,477***	***29.2***	***26.5***	***30.4***
Latin America	7,480	12,107	19,780	6.4	4.5	4.7
Caribbean	4,978	8,748	13,225	4.2	3.3	3.1
Africa	2,164	4,341	6,036	1.8	1.6	1.4
Middle East	4,803	5,147	8,037	4.1	1.9	1.9
China	1,250	2,218	10,200	1.1	0.8	2.4
Other Asia	10,631	30,010	59,340	9.0	11.3	14.0
Rest of Europe	3,072	7,874	11,859	2.6	3.0	2.8
Transition economies	***2,879***	***4,849***	***23,994***	***2.4***	***1.8***	***5.7***

Data compiled from World Tourism Organization, Tourism Market Trends, The Americas 1997 Edition, World Tourism Organization, Madrid, Spain (1997), p. 7, 11.

total) and Brazil earned US $2.3 billion (0.5 per cent of world total). This ranked Argentina and Brazil, respectively, as the world's 23rd and 40th largest earners of international tourism receipts in 1996. Annexes 1 and 2 illustrate the top 20 tourism destinations and earners in the western hemisphere in 1996.

The LAC's inbound pleasure travel market has strong potential to grow given its abundant natural endowments (including sand, sea and sun), diverse cultures and rich historical heritage. In addition, greater regional economic integration will most likely facilitate increased business travel within and outside the region. The prospect of the creation of a Free Trade Area of the Americas (FTAA) by the year 2005 will support this trend.

Outbound Travel Activity

Since the late 1980s, LAC outbound tourism growth has fluctuated considerably (Annex 3). To a large extent, this reflected the region's uneven and volatile economic performance. Outbound travel growth was particularly strong in 1992 (up 29 per cent) and in 1994 (up 14 per cent). In 1996, LAC outbound travel growth remained fairly stable, generating close to 22 million tourists worldwide (4.2 per cent of the world total), 50.6 per cent above 1988. This represented an average annual increase of roughly 6 per cent over the 1988-1996 period. Meanwhile, international travel expenditures by LAC travellers reached almost U.S. $18 billion in 1996 (4.7 per cent of world tourism expenditures), 122.2 per cent above 1988. This represented an average annual increase of approximately 14 per cent over the 1988-1996 period (Annex 4).

Within the LAC region, a small number of countries account for a very large share of total outbound travel volumes and spending. In 1996, for instance, the top five LAC tourist generating countries accounted for 83 per cent of the region's total outbound travel. Mexico, at 41 per cent, was the region's major outbound generating travel market, with Argentina (18 per cent) at a distant second, followed by Brazil (14 per cent), Chile (5 per cent) and Colombia (5 per cent). In terms of spending on travel abroad, five LAC countries also accounted for 83 per cent of the region's total. Brazilian travellers outspend their regional counterparts in 1996, spending U.S. $5.8 billion (33 per cent of the total), with Mexico (19 per cent) far behind in second place, followed by Argentina (13 per cent), Venezuela (13 per cent) and Colombia (5 per cent).

Growth of LAC outbound tourism, especially outbound leisure travel flows, will continue to be closely associated with current and future economic development. As such, LAC outbound travel volumes and spending patterns will be adversely affected by the growing economic and financial volatility in the LAC region over the next two years or so. More worrisome, however, is that most LAC countries will face substantial political, economic and social challenges that will likely limit their long-run growth and tourism potential.

Factors Affecting Inbound and Outbound Travel

High Inflation

Despite the region's anti-inflation successes, most LAC economies remain highly vulnerable to runaway inflation, with Argentina, Brazil, Jamaica, Mexico, Nicaragua, Peru, Uruguay and

Venezuela, the region's most inflation-prone economies. The average annual rate of inflation in the LAC region, for instance, was nearly 117 per cent during the 1980-1989 period, 438 per cent in 1990, 209 per cent in 1993 and 13 per cent in 1997 (Annex 5). Sharp budgetary subsidy cuts, excess demand for all types of goods, services and skilled labour, strong money expansion, rapid credit growth, chronic infrastructure bottlenecks and corruption will lead to a surge in regional inflation. The prospect of widespread currency devaluations will further fuel inflationary pressures across the LAC region.

If lower inflation cannot be achieved and sustained, it will lead to higher interest rates and reduced business fixed investments in many LAC countries. That will constrain regional industrial production and undercut export competitiveness. It will also erode the purchasing power of many LAC consumers. Travel costs will be driven up, making saving for vacations extremely difficult. As LAC economies slow, consumption spending on goods and services, including travel, generally bought with discretionary income will be postponed or scaled back. The region's outbound tourism growth will be seriously constrained.

Slower Economic Growth

The LAC region experienced unimpressive economic growth rates during the last 15 years or so (Annex 6). Not surprisingly, growth in real per capita incomes has been lackluster and continues to vary widely, ranging from a low of US $481 annually in Nicaragua to a high of almost US $6,200 annually in Argentina (Annex 7). Unemployment remains a large and growing problem. Clear evidence of the region's mediocre economic performance is reflected in its still generally low socioeconomic indicators, including average savings rates and the human development index[5] (HDI) rankings (Annex 7).

The recent Asian financial turmoil together with the flagging Japanese economy will continue to adversely affect many LAC economies. Weaker Asian demand means that LAC countries will export fewer commodities, especially resource-based products, to Asia. On the other hand, cheaper Asian-made goods, particularly low-wage, labour-intensive, low-technology products, are likely to flood LAC markets and third country export markets. As well, international tourists will increasingly favour cheaper Asian tourist destinations at the expense of LAC tourist destinations. International tourist arrivals and receipts in many LAC countries will likely slow down in the next few years, reflecting global economic uncertainty, weak income growth, intensified competitive pressures and rising job insecurity.

If, as expected, there is another round of Asian currency devaluations, especially the Chinese yuan and Japanese yen, it will force most LAC countries to take similar actions in order to maintain their international price competitiveness and export market shares. That will force faster-than-desired economic and industrial restructuring, even among LAC travel agencies and tour operators.

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[5] According to the United Nations Development Programme(UNDP) (1997, p. 14), the HDI "measures the average achievements in a country in three basic dimensions of human development -- longevity, knowledge and a decent standard of living...the HDI thus contains three variables: life expectancy, educational attainment (adult literacy and combined primary, secondary and tertiary enrolment) and real GDP per capita (in PPP$)". Countries with HDI values of 0.800 and above indicate high human development; HDI values between 0.500 to 0.799 indicate medium human development and; and HDI values below 0.500 indicate low human development.

The recent Russian financial turmoil also threatens to exacerbate economic difficulties in many LAC countries. This largely reflects their similar export structures. In order to boost foreign exchange earnings to service ballooning foreign debts, for instance, it is expected that Russian exporters will increasingly dump commodities, such as minerals, oil, metals, steel, and wood products, on world markets. The combination of global oversupply conditions and weaker global demand means that commodity prices will likely remain flat or decline in the next few years. This poses a serious competitive challenge to major resource producing and exporting economies in the LAC region and elsewhere.

As LAC credit conditions tighten, the region's small and medium-sized enterprises will find it increasingly difficult to raise funds. Interest-rate hikes will force scores of companies into bankruptcy. In addition, many budget-constrained household borrowers will become delinquent on there debt obligations. The region's already fragile financial sector, especially its banking system, will be saddled with more and more non-performing loans and bad debts. This suggests rising debt delinquency and payment problems. A smaller portion of the LAC region's gross domestic product (GDP) will be spent on travel over the next two to five years.

The LAC's growth forecast for 1998 has already been revised downward from 5.5 per cent to between 2.5 per cent and 3 per cent (Velocci, Jr., 1998; Phillips, 1998). As current global financial conditions worsen, there is likely to be a further slowing in most LAC export-oriented economies. This will seriously limit output and job growth, reducing prospects for a quick recovery in regional economic and export activity. Real per capita incomes are not expected to change drastically for the vast majority of LAC residents in the years ahead.

To significantly lift the material well-being of the majority of the region's citizens, LAC countries will need to achieve and sustain growth rates in excess of six per cent (Mann, 1998). Yet, International Monetary Fund (IMF, 1997) statistics show that the region's real gross domestic product (GDP) has never achieved this growth threshold over the last decade and a half. For instance, recent IMF data show that the LAC region grew by an average annual real rate of only 2.2 per cent during the 1980-1989 period (Annex 6). The same data also reveals that growth in the region ranged from 0.7 per cent in 1990 to 3.2 per cent in 1992 to 5.1 per cent in 1994 and to 5.0 per cent in 1997, growth rates that were simply too low to have significant impact on poverty alleviation and employment creation efforts. In contrast, the Asia region grew by an average annual real rate of 7.0 per cent during the 1980-1989 period, 5.6 per cent in 1990, 9.5 per cent in 1992, 9.6 per cent in 1994 and 6.7 per cent in 1997.

There is little clear statistical evidence to suggest that most LAC countries will be able to achieve, let alone sustain, economic growth rates in the range of six per cent in the coming decade. In fact, a recent Inter-American Development Bank (IADB) (1997, p. 32) report noted that "[U]nder present policies, the region's economies can aspire to grow on average at a yearly rate of only 4 percent...[B]ut even with further reforms the region could aspire to annual growth of only 5.5 percent". This will curtail the growth of the region's tourism industry.

Widening Rich-Poor Gap

Recent estimates suggest that in the LAC region, "[T]he poorest 20 percent of the overall population receives only three percent of total income, while at the other extreme the wealthiest

20 percent holds 60 percent, the same proportions as in the early seventies" (IADB 1997, p. 40). Still, another worrying estimate indicates that there could be as many as 150 million people, or around one-third of the region's population, that survive on incomes of less than U.S. $2 daily (Lustig and Deutsch, 1998). One recent press report noted that over one-quarter (26.3 million) of Mexico's total population of 95 million people "live in extreme poverty, up from 24 million only a few months ago, and 17 million four years ago" (Scoffield 1998, p. B1). The deepening global financial turmoil will only compound the region's poverty woes.

Table 3: Middle/Upper-Class Population by Region (Thousands) and Share of Total Population Within Regions[1] (Per cent)

Region	(Thousands)			(Per cent)		
	1990	2000	2010	1990	2000	2010
Africa	28,805	43,245	72,620	4.6	5.3	6.9
South Asia	62,794	118,234	212,609	5.6	8.6	13.3
Far East	213,940	342,920	501,961	11.8	16.8	22.5
Middle East	33,847	46,469	77,202	13.5	14.6	19.6
Latin America	70,301	117,580	200,587	16.0	22.8	34.1
Eastern Europe	211,784	156,285	240,222	60.6	44.3	66.9
Western Europe	295,534	315,383	343,452	77.5	80.2	86.9
North America	234,222	258,279	284,050	84.6	84.5	86.2
World Total	1,153,217	1,400,395	1,934,713	21.9	22.9	27.9

[1] According to Abolfathi (1997, p.12), the middle-class category "generally includes persons in families (i.e., households excluding servants and other household employees) with a average family/household income of more than $12,000-18,000 and less than $125,000 at the 1995 PPP [purchasing power parity] exchange rate... The upper class includes individuals belonging to families with average family/household incomes of more than $125,000 at 1995 PPP exchange rate".

Data compiled from Farid Abolfathi, "Using Middle/Upper-Class Population Data to Assess Global Markets, World Economic Outlook Second Quarter 1997, Volume 1 Global and Regional Overviews, DRI/McGraw-Hill (1997), p. 9-13.

Before the breakout of the Asian and Russian financial problems, it was estimated that there could be as many as 120 million (23 per cent of region total) middle and upper-class people living in the LAC region by the year 2000. Table 3 shows these results. But, if, as seems highly probable, regional per capita incomes and job growth slow, there will likely be fewer numbers of people entering and remaining in the ranks of the region's middle and upper-class income groups in coming years. The reduction or phasing out of most regional subsidy programs for all types of goods and services, including food, fuel and electricity, in conjunction with ongoing deregulation, mass privatization, public sector downsizing and corporate consolidation will further exacerbate already wide and growing gaps between the rich and poor people in most LAC countries. Income and wealth concentrations will accelerate. The region's new democracies will face escalating pressure from its growing and dissatisfied numbers of poorer working people and labour unions. Social and political instability are likely results.

In the coming decade, economic security will remain paramount for the majority of people throughout the LAC region. Many LAC residents will be forced to spend the bulk of their annual incomes on satisfying basic needs, such as food, clothing and housing. Consequently, taking vacations abroad is unlikely to become a top priority for these people anytime soon. Tourism marketers will face tougher competition to capture and retain the region's shrinking long-haul pleasure upper market travellers.

Urban Sprawl

The LAC region is highly urbanized, with over three-quarters of the area's population living in cities (Rojas, 1997). In 1996, only five LAC countries had urban populations of less than one half of their total populations: Guyana (37 per cent), Guatemala (42 per cent), El Salvador (48 per cent), Honduras (49 per cent), and Costa Rica (49 per cent). Limited tourism marketing and advertising resources will increasingly be targeted at the region's fastest-growing cities and markets, in terms of job and personal income growth. These cities include: Buenos Aires, Mexico City, Rio de Janeiro, Sao Paulo, and Santiago. Ongoing urbanization will exacerbate urban political, economic, social and environmental problems in the next two to five years.

In the LAC region, "[A]n estimated 300 million city dwellers generate 225,000 tons of solid waste every day, much of which is discharged into water bodies, open dumps and wetlands, contaminating surface and ground water" (World Bank, no date (a) , p.1). Worse still, under "5% of cities' sewage is treated...Urban air is severely polluted by motor vehicles and uncontrolled industrial emissions" (World Bank, no date (a), p. 1). The combination of population growth, persistent poverty and ongoing urbanization will continue to put extra pressure on the region's supplies of food, water, land, air, energy and environment.

Recent forest fires in Brazil, Colombia, Guatemala, Honduras, Mexico and Nicaragua, not only worsened the region's air quality problems, they also destroyed over 60,000 square kilometres of forest land (Linden, 1998). Historical sites, national parks and other natural treasures were put at increased risk. This adversely affected efforts to boost the region's tourism business, especially such special-interest travel as eco-tourism.

Safety and Security Threats

Reportedly, there were some 6,000 kidnappings in the LAC region in 1995, making it the world's most abduction-prone region (Bamrud, 1996). Over two-thirds (4,000) of the region's total kidnappings took place in Colombia. The number of kidnappings were also alarmingly high in Brazil (800), Ecuador (200), Venezuela (200), Guatemala (100) and Peru (100). [In 1994, 1,400 kidnappings occurred in Mexico (Macko, 1997)]. More recently, it was reported that Latin America and in particular Colombia continue to record the world's largest numbers of kidnappings (Timmins, 1998). Even more telling, industry security experts estimate that almost one-half of the world's kidnap and ransom insurance covers the LAC region (Bamrud, 1996; Macko, 1997). Should current abduction trends persist, then foreign executives and vacationers will become increasingly vulnerable to serious harm or injury, extortion, robbery and kidnappings.

Criminal activity against foreign visitors in many LAC countries is a growing problem. One recent press report, for example, observed that in Mexico City "an average of 20 tourists are attacked each day in the city...with the most common crimes and thefts in the streets, hotels or taxis" (Stevenson, 1998a, p. A14; Cothran and Cothran, 1998). In many countries in the region, chronic poverty, greater income and wealth concentrations, weak social safety net systems, rising unemployment, rampant drug trafficking, lax legal and regulatory regimes, growing foreign investments and continued demobilization of military and guerilla forces will foster increased tourism-related crime opportunities. The extent and severity of the current international economic and financial crises only supports the trend toward increased numbers of people being kidnapped in the LAC region and elsewhere.

Throughout the LAC region, the further erosion of law and order will also make public administration and governance very hard. National security and public safety will be put at increased risk. Enclave tourism development efforts will be jeopardized [6] (Cothran and Cothran, 1998). Left unaddressed, "adverse publicity about safety or security in any tourism destination will tend to reduce demand for that destination, especially since there are usually plenty of alternatives on offer" (Brayshaw 1995, p. 70). This will reduce the relative long-run competitiveness of many LAC countries as business and leisure travel locations.

As the economic significance of tourism increases in many LAC countries, "the damage which can be caused to the livelihood of millions who depend on it by security-related collapses in demand also rises" (TTA, 1994, p.69). To counter the negative image of high-risk destinations, regional LAC tourism officials will need to undertake stepped-up "actions to fight the fear of crime, and actions to prevent actual crime" (Brayshaw 1995, p. 67). These, inter alia, include: greater law enforcement, closer working relationships with the media, intensified promotional campaigns and increased dissemination of safety literature (Brayshaw 1995). In the current fiscal climate, this will put extra strains on already fragile budgets in many LAC countries.

Public Health Hazards

The World Bank estimates that there could be over 30 million people infected with the human immunodeficiency virus (HIV) globally (World Bank, no date (b)). Of these, 1.6 million (5.3 per cent) of HIV-infected people live in the LAC region. Within the LAC region, it is reckoned that over one half of the countries "have concentrated HIV/AIDs epidemics, meaning that HIV has risen to high levels among those practicing the riskiest behaviours and is set to spread more widely in the rest of the population" (World Bank Group, no date, p. 1). Meanwhile, six LAC countries have "low HIV prevalence whereas Guyana and Haiti have generalized epidemics" (World Bank Group, no date, p. 1).

It is believed that "the high prevalence of HIV among injecting drug users, homosexual and bisexual men and sex workers in Latin America suggest that in many of these countries the virus is poised to spread to the low-risk sexual partners of people who engage in high-risk behavior" (World Bank Group, no date, p. 1). To make matters worse, "[E]pidemiological data suggest that young people (particularly females) aged fifteen to twenty five are the most vulnerable to infection" (World Bank, 1996, p. 1). This has serious implications for the spread and incidence of HIV/AIDs since "[I]t is this group that tends to be highly mobile or involved in tourism or commercial sex industries but are typically the least accessible to government or international HIV/AIDs programs" (World Bank, 1996, p. 1).

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[6] Cothran and Cothran (1998, p. 485) recently noted that "[T]here are risks to both enclave and non-enclave tourism. Enclave developments may face less daily crime but a greater risk of a major terrorist attack on an inviting target, while non-enclave tourism faces a greater danger of day-by-day crime".

Public health officials estimate that in developing countries it costs around (U.S.) $10,000 to $15,000 annually to treat AIDs-victims with triple drug anti-retroviral therapy (Ainsworth, 1998, Gatti, no date; Picard, 1998). Cost estimates of tuberculosis treatments are not readily available for developing countries. For comparison purposes, however, it is estimated that the cost of treating tuberculosis in developed countries is roughly (U.S.) $2,500 to $12,000 per patient and rises to some (U.S.) $25,000 to $300,000 for antibiotic-resistant tuberculosis (Pirages 1996; Jacobs 1997). Chronic poverty, worsening water supplies, poor sanitation facilities, massive urban overcrowding, growing budget and funding problems, weak health care infrastructures and escalating disease treatment costs will hinder regional efforts to detect and treat infectious diseases. That will facilitate the spread and incidence of communicable and highly infectious diseases, including cholera, tuberculosis and HIV/AIDs, regionwide and elsewhere.

In this context, there is a strong possibility that the health of foreign executives and leisure tourists travelling to high-risk LAC areas might be endangered. Prime LAC tourist destinations will suffer negative international media coverage and declining consumer demand. It is widely acknowledged that negative international media coverage "can wipe out several years of growth and development in tourism, and cause a destination to lose several more years of 'trend' growth until either the cause of the disruption is dealt with or tourists' memories fail them" (TTA, 1994, p. 70). That would take a heavy financial toll on the region's already cash-strapped economies.

Inadequate Infrastructures

Decades of civil conflict, massive underinvestment and fiscal adjustment and consolidation have left the region's physical and social infrastructures in very poor condition (Annex 8). Most LAC countries will need to significantly upgrade and modernize their infrastructures to support socioeconomic progress and tourism development. The World Bank estimates that investment in the region's infrastructure, namely power generation sector, transportation networks, water and sanitation systems and telecommunication sector, will need to reach some US $60 billion annually until the year 2005. Many LAC countries will therefore need to borrow tens of billions of dollars from international capital markets.

But, the recent global economic and financial turmoil have made international investors extremely skittish and borrowing very costly. This will delay much-needed infrastructure upgrading and development in many LAC countries and elsewhere. As regional economic and tourism infrastructures further deteriorate, it will reduce the attractiveness of many LAC countries as international tourist destinations. In turn, that will have a negative impact on regional economic and employment growth, further complicating poverty alleviation efforts.

It was recently reported that the rapid rise in car ownership together with inadequate road transportation networks and weak traffic law enforcement would lead to rising health (traffic deaths and injuries) and environmental costs (greenhouse gas emissions) (Gee, 1998, p. A15). A recent study on traffic accidents found that "a country such as Mexico can expect to lose up to 1 per cent of Gross Domestic Product a year through medical costs and lost productivity" (Gee, 1998, p. A15). Again, this will decrease the attractiveness of these countries as tourist destinations.

Equally important, the failure of the region's hotel industry to keep pace with increased tourist demands for modern facilities and conveniences, including first class, middle grade and budget hotels, will constrain tourism development in prime LAC sites (Table 4). Fewer tourist arrivals mean reduced foreign exchange receipts which, in turn, increases the likelihood of further foreign debt accumulation and greater debt servicing burdens. Cash-strapped LAC countries are more likely to become delinquent on their foreign contractual commitments.

Table 4: The Size and Scale of the Hotel Industry Worldwide (1995)

Region	Hotels *(number)*	Rooms *('000)*	Tourism Receipts *(US$ million)*	Employees *('000)*
Africa	*10,769*	*384*	*6,981*	*1,259*
Americas of which:	*87,969*	*4,494*	*100,185*	*4,062*
Caribbean	5,290	165	12,536	278
Central America	1,160	48	1,530	232
South America	14,576	527	10,808	1,284
North America	66,943	3,754	75,313	2,268
Asia Pacific	*37,148*	*1,701*	*77,223*	*2,862*
Middle East	*4,735*	*179*	*7,285*	*455*
Europe	*171,123*	*5,492*	*207,351*	*2,679*
Total	*311,744*	*12,249*	*399,004*	*11,317*

Data compiled from World Tourism Organization, Tourism Market Trends, The Americas 1997 Edition, World Tourism Organization, Madrid, Spain (1997), p. 28.

Aviation Capacity Constraints

In the LAC region, average air travel growth rates are forecasted to reach over 8 per cent in South America and in excess of 5 per cent in Central America during the 1998-2007 period (Boeing Commercial Airplane Group, 1998). Yet, the LAC region still has one of the world's smallest and oldest aircraft fleets, with the average age of the region's aircraft fleet over 18 years and a fleet size of slightly more than 800 airplanes as at mid-1996 (Skapinker, 1996). To put this into perspective, in Brazil, for instance, "there are 1m [million] people for every operating jet; in the US there is one jet for every 50,000" (Dyer, 1998a, p. 7). The cost of air travel will remain well beyond the reach of most ordinary people in many LAC countries. Currently, "air travel in Brazil has reached only 20 per cent of the level in South Korea " (Dyer, 1998a, p. 7). Without sharp air travel cost reductions, the development of regional air passenger and freight traffic will be seriously hampered.

In the LAC region, air travel safety remains a serious concern. A study by the U.S. Flight Safety Foundation on airplane accidents, for example, concluded that during the 1984-1995 period, "airports in Latin America averaged 32 accidents per million landings" (Associated Press, 1998), making it the world's most accident-prone region. In comparison, airports in Africa registered 30 accidents per million landings, followed by Eastern Europe (20), Asia Pacific (18), Middle East

(11), Western Europe (9) and North America (4) (Associated Press, 1996). If current rates of airplane landing accidents persist, it will further undercut public confidence over air safety and lead to reductions in passenger and freight traffic within and outside the LAC region. The region's old aircraft fleet will also heighten domestic and international concern over engine emissions and their contribution to global greenhouse gases and global warming. Environmentalist groups can be expected to intensify their lobbying efforts for stricter emission controls.

Table 5: Air Travel Growth Rates [1]

World Region	1998-2007 (annual growth rate, per cent)
China	8.4
South America	8.1
CIS Region	7.6
Southwest Asia	6.9
Northeast Asia	6.9
Southeast Asia	6.1
Africa	6.0
Central America	5.4
Middle East	5.2
Europe	4.7
Oceania	4.1
North America	3.5
World	5.0

[1] Revenue passenger-kilometres–the number of passengers multiplied by the number of kilometres they fly. Data compiled from Boeing Commercial Airplane Group, 1998 Current Market Outlook, Seattle, Washington, U.S.A., (June 1998), p. 23.

The cost of replacing and expanding the region's aircraft fleet and upgrading airport and air traffic control systems will be immense, with Brazil, Argentina, Mexico and Chile having the region's largest aviation capital requirements. However, the severity of current global financial turmoil strongly suggests that fewer government resources will be devoted to modernising the region's outdated aviation infrastructure. To recapitalize its aviation industry and develop new markets, LAC authorities will continue to aggressively pursue strategic alliances, code sharing or joint service agreements, privatization, industry restructuring and consolidation and foreign investment.

As airline capacity expands in many LAC countries, heightened competition will lead to lower flying costs in the in the short to medium term. This will in turn make air travel more affordable for a larger number of LAC people. Better flight service in terms of flight connections and non-stop flights will also bolster tourism growth to new and old tourist destinations within and outside the region. Longer term, the forces and trends that will largely drive change in the regional aviation industry include: world economic expansion, airline cost developments (labour, capital, land and fuel), airport congestion, airline deregulation, globalization and environmental regulation (ICAO, 1997).

Debt Trap

The latest World Bank data show that foreign debt levels for many LAC countries remain very high despite years of painful structural reforms and debt-restructuring agreements.[7] In 1996, the region's foreign debt level totalled some U.S. $616 billion relative to roughly U.S. $242 billion in 1980, up over 154 per cent (Table 6). Argentina, Brazil, Chile, Colombia, Mexico[8], Peru and Venezuela accounted for about 90 percent (or US $551 billion) of the region's total foreign debt. The balance (US $65 billion) was held by the region's smaller debtor countries. The recent Asian and Russian financial crises and the deepening economic volatility across the LAC region will seriously limit access for heavily indebted LAC countries to international capital markets, thereby raising their borrowing costs.

Since a large portion of LAC country foreign debts is denominated in U.S. dollars (Table 6), the region is heavily exposed to abrupt U.S. interest rate fluctuations and sudden changes in financial market perceptions. In a higher interest rate environment, there is a greater risk of widespread debtor delinquencies and massive financial losses among the region's most heavily dollar-indebted countries. That could potentially destabilize the entire international financial system. U.S. banks would suffer the heaviest financial losses given their current high loan exposure to the region.[9]

Other indicators of the region's foreign debt burden, including debt service ratio, debt to GDP ratio and debt to export ratio, are also close to or well above their internationally considered warning lines (Table 6). As country risk ratios further deteriorate, heavily dollar-indebted LAC countries, particularly Argentina, Brazil, Mexico and Venezuela, could face serious debt-servicing problems in the next one to two years. Sharp currency devaluations will also drive up foreign debt servicing costs. This will squeeze the region's financial and productive sectors of badly-needed resources. The burden of the region's large and growing education, healthcare and pension obligations will put additional pressure on already shaky fiscal balances.

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[7] For a detailed discussion on the foreign debts in Asia Pacific and the LAC region refer to, Nicolino Strizzi and G.S. Kindra, Foreign Debt in Asia Pacific and the Latin American and Caribbean Region: Is There a Cause for Concern?, European Business Review, Volume 98, Number 4, 1998, p. 235-244.

[8] Cleaning up the bad loans of Mexico's near-bankrupt banking system, resulting largely from the 1994 Mexican Peso Crisis, will cost taxpayers around U.S. $60 billion (***Financial Times***, 1998a). One press report noted that many of Mexico's once highly-respected bankers are currently "in prison or in hiding, vilified as rogues who bankrupted financial institutions and left billions in bad debts to be paid by taxpayers - most of whom don't even have bank accounts" (Stevenson, 1998b, p. A10). Meanwhile, another press report recently observed that "[S]witzerland has ordered the confiscation of about $114-million (U.S.) in accounts belonging to the brother of former Mexican president Carlos Salinas de Gortari" (***Associated Press***, 1998, p. A11).

[9] Recent estimates indicate that U.S. banks' exposure in the LAC region reached U.S. $76.4 billion, with Brazil accounting for U.S. $27.2 billion of the total (Beckett, 1998). Meanwhile, "[A] recent survey by Merrill Lynch of 26 of the largest emerging market debt funds found that 20 per cent of their assets were Brazilian" (Dyer, 1998b, p. 8). As well, over 2,000 U.S. firms are currently conducting business in Brazil, with around 405 of the ***Fortune Magazine's*** 500 largest multinational enterprises having subsidiaries in Brazil (Dyer, 1998b).

Table 6: Latin America and Caribbean Countries: Selected Country Risk Ratios (1996)

Country	Foreign Debt Level *(US $billion)*		Debt Service Ratio *(%)*	Debt to GNP Ratio *(%)*	Debt to Exports Ratio *(%)*	Interest to Exports Ratio *(%)*	Foreign Reserves *(US $billion)*	Foreign Reserves to Imports *(months)*	Short-term Debt to Total Foreign Debt Ratio *(%)*	Currency Composition of Long-term Debt *(US $, %)*
	1980	1996								
Argentina	27.2	93.8	44.2	32.3	295.7	18.6	19.7	6.5	13	57.5
Bolivia	2.7	5.2	30.9	80.9	387.9	13.7	1.3	7.8	7.2	35.1
Brazil	72.9	179	41.1	24.5	293.2	17.4	59.7	8.3	19.8	69.2
Chile	12.1	27.4	32.3	37.9	141.3	8.2	15.5	8.2	25.5	45.9
Colombia	6.9	28.9	34.6	35.3	184.8	13	9.7	5.6	20.4	61.9
Costa Rica	2.7	3.5	14.1	38.4	83.4	5.2	1	--	10.8	54.2
Cuba	--[1]	--	--	--	--	--	--	--	--	--
Dominican Rep.	2	4.3	11.4	33.8	110.9	5.1	0.4	0.8	16.1	64.8
Ecuador	6	14.5	22.6	82.1	249	11.5	2	4.2	11	74
El Salvador	0.9	2.9	9.5	27.9	87.3	4.1	1.1	--	20.6	54.7
Guatemala	1.2	3.8	11	24.3	117.8	5	0.9	3	23.7	61.5
Guyana	0.8	1.6	--	245.9	--	--	0.3	--	5.7	59.5
Honduras	1.5	4.5	28.8	111.1	227.2	8.8	0.3	--	9.3	49.4
Jamaica	1.9	4	18	94.3	106.5	6	0.9	--	14.2	47.5
Mexico	57.4	157.1	35.4	48.9	136.4	10.2	19.5	2	19.1	67.8
Nicaragua	1.7	5.9	24.2	354.6	649.6	9.6	0.2	1.5	13.1	60.1
Panama	3	7	10.7	86.6	78.6	5.5	0.9	1.1	23.6	85.7
Paraguay	1	2.1	5.5	22.4	49.2	2.4	0.9	3.8	34.7	34.8
Peru	9.4	29.2	35.4	49.1	352.4	20.6	11	10.9	22.1	48
Uruguay	1.7	5.9	15.6	32.8	138.5	8.6	1.9	4.9	28.1	61.3
Venezuela	29.3	35.3	16.8	53.7	131.8	8	16	10.6	8.2	70.2
TOTAL	242.3	615.9					163.2			
Critical debt ratio thresholds			20	85	150-200	12		3	25	

[1] (-) refers to data not available.
Data compiled from the World Bank, Global Development Finance 1998 Country Tables. The World Bank, Washington D.C. (March 1998).

Resource-based LAC exporters, especially of copper, oil and farm products, will be most susceptible to declining commodity prices. These countries will therefore experience lower foreign exchange earnings, decreasing government revenues and swelling current account deficits. For instance, it is estimated that "[C]ommodities account for 60 per cent of Chile's exports and oil for 40 per cent of the Mexican government's revenue" (Chote and Dombey 1998, p. 17). This, in conjunction with global overcapacity, sluggish world demand, rising world interest rates, massive financial restructuring, mounting non-performing bank loans, growing fiscal pressures and declining aid flows will further weaken the ability and willingness of heavy LAC debtors to fully service their foreign debt obligations as contracted.

Recent press reports suggest that Brazil will likely receive an IMF-bailout package that could total between (U.S.) $30 billion to $50 billion (***Financial Times***, 1998b; ***Economist***, 1998). [10] Multibillion dollar rescue packages for Brazil from the World Bank and the IADB are also in the offing (Bloomberg, 1998).[11] The IMF, the World Bank and the IADB recently granted Argentina U.S. $5.7 billion to cover the country's near-term funding requirements (Warn, 1998; McKenna, 1998). Meanwhile, talks are currently underway between Ecuador and the IMF, the World Bank and the IADB for financial assistance which could total around U.S. $1.2 billion (Newsome, 1998). Further, Bolivia recently received loan repayment relief of some U.S. $760 million from the IMF and the World Bank (Bowen, 1998). The possibility of another round of even more costly IMF-led multibillion financial bailouts for heavily-indebted LAC countries should not be ruled out given that tens of billions of dollars in foreign debts will be maturing in the next one to two years.[12] Capital demand by already financially-troubled LAC countries will be enormous in the coming years.

Indeed, international rescue packages will temporarily alleviate recipients' rising funding requirements and payments problems. The downside, however, is that these multibillion dollar bailouts will contribute to further foreign debt buildup and greater debt-servicing costs, exacerbating concerns over moral hazard problems.[13] In the absence of additional debt relief, greater foreign aid and new lending, it can be increasingly expected that cash-strapped LAC countries will resort to non-debt-creating finance mechanisms, such as barter and countertrade, to

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[10] Brazil's foreign exchange reserves declined by some U.S. $25 billion between August 1998 and October 1998, largely attributed to massive capital flight to safety and rising fears of an imminent devaluation of the Brazilian currency (Dyer, 1998c). Colombia was the first LAC country to devalue its currency (September 2, 1998) and was followed shortly thereafter by Ecuador (September 14, 1998). The immediate concern is that Brazil and Venezuela will also be forced to devalue their currencies given rising financial and economic pressures. It is estimated that Brazil represents around 45 per cent of the LAC region's GDP and a "loss of confidence in Brazil would prompt a sharp downturn in countries from Argentina to Mexico" (Dyer, 1998b, p. 8).

[11] It was recently reported that "[A]s of the end of June [1998], Brazil's private sector owed a whopping $140-billion (U.S.) overseas, the most by far of any country in the developing world. Of that, $32-billion is due in less than a year, while $108-billion matures in more than a year. The overseas debt of Brazil's public sector stood at $86-billion in June" (Fritsch and Murray, 1998, p. B7). Equally disturbing, Argentina "faces debt amortisations totalling [U.S.] $11.5bn [billion] next year..."(Warn, 1998, p. 3).

[12] Since 1997, the IMF has arranged country rescue packages worth some U.S. $140 billion: Indonesia (U.S. $43 billion), Russia (U.S. $22 billion), South Korea (U.S. $58 billion) and Thailand (U.S. $17 billion). The IMF bailout packages arranged for Mexico and Argentina after the Mexico Peso Crisis in 1994 reached U.S. $50 billion (Mexico) and U.S. $7 billion (Argentina). The United States recently approved additional funds for the IMF totalling U.S. $18 billion (McKenna, 1998; Knox, 1998).

[13] It is widely regarded that "[M]oral hazard arises whenever an insured party, by virtue of being insured, fails to take precautions to prevent the event being insured against. In financial markets, moral hazard can arise if investors or bank depositors believe that the government will bail them out if their investments (or the bank) fail. They have less incentive to monitor the firms or banks to ensure that these institutions make prudent decisions. In particular, they lend more than they would in the absence of the government guarantee" (Marshall, 1998, p. 17).

conserve limited foreign exchange reserves and overcome external financing constraints (Strizzi et.al., 1997).

Investor Perceptions

The LAC region is increasingly being perceived as a very risky place to do business. This is clearly reflected in the region's mediocre and low credit rating rankings (Annex 9). In a recent survey conducted by ***Institutional Investor***, which ranked 136 countries, most international bankers viewed many LAC countries as very risky (Shapiro, 1998). Of the LAC countries, Chile was seen as the most creditworthy country (25th position out of the 136 countries surveyed). At the same time, Colombia (49), Mexico (50), Uruguay (51), Argentina (58), Panama (61) and Brazil (62) received low to average credit rating rankings. Meanwhile, Ecuador (94), Honduras (104), Cuba (122) and Nicaragua (123), were seen as some of the survey's least creditworthy countries. Other surveys on country creditworthiness conducted by ***Euromoney*** (1998) and ***Standard & Poor's*** (1998) show similar findings. The deepening regional economic volatility will continue to negatively influence investor's perceptions of the region's risk profile.

It is anticipated that most LAC countries will stay the course on economic reforms, including privatization, deregulation and greater market access, over the next two to five years. It is also expected that the speed and magnitude of the region's economic reforms will remain the principal focus of heated policy debates in many countries in the region, possibly leading to a slowing of the reform process. Without international pressure from the IMF, the World Bank and the United States, there is a strong possibility that there would be waning support for deeper fiscal, administrative, financial and institutional reforms among the LAC region's business and political leadership. This, it is feared, would lead to major policy flip flops in many LAC countries especially against the backdrop of mounting current and future political, economic and social pressures.

In the longer term, a stronger commitment for greater transparency and accountability, independent legal and regulatory institutions and government and leadership changes will improve investor risk perceptions. This will bolster country creditworthiness and lower borrowing costs for many LAC countries on international capital markets.

Political Fragility

LAC democracies will remain fragile and extremely susceptible to rising political, economic and social pressures. A failure to provide improved living standards and redress chronic unemployment and massive income and wealth differences, for instance, will result in reduced public support for continued macroeconomic stabilization and deeper structural reforms. This will most likely stall the region's transition process.

Similarly, ongoing leftist guerrilla insurgencies, lingering hostilities with indigenous people (Chiapas state), long-standing border and territorial disputes (Ecuador and Peru), inadequate land reform, ongoing abuses by paramilitary forces and politically-motivated violence (Colombia) will likely intensify investor uncertainty and macroeconomic volatility. This poses a serious threat to the legitimacy and credibility of many of the region's fledgling democracies. A return to populistauthoritarian governments in many of the region's poorest and most vulnerable countries should not be ruled out.

Conclusion

The above analysis shows that there is little, if any, concrete statistical evidence to support the belief that the LAC region will become a major tourism market of opportunity and in particular a growth centre for outbound long-haul tourism. While we agree that the LAC's inbound travel market has potential to grow, we are less optimistic about the region's outbound travel flows, excluding business travel. The benefits of years of structural adjustment, economic growth, lower inflation, mass privatization and increased foreign investment have not been evenly distributed. In many countries in the region, economic development is uneven and poverty remains a chronic problem. Worsening income and wealth disparities will limit growth in LAC travel volumes and spending. Price-sensitive LAC travellers will increasingly favour cheaper and closer tourist destinations.

Poor infrastructures, environmental degradation and rising public health hazards will reduce the attractiveness of many LAC countries as tourist destinations. At the same time, the erosion of governance and public administration, rising crime and corruption and weak legal and enforcement regimes will raise tourism-related security and health concerns. Security-conscious travellers are more likely to postpone or curb their travel plans to high-risk LAC destinations. Indeed, "[T]he perceptions held by potential visitors about a destination will have an important influence upon the viability of the area as a tourism region" (Brayshaw 1995, p. 66).

Canadian Implications

In 1997, according to provisional WTO estimates, Canada attracted some 17.6 million international tourists (2.9 per cent of the world total), an increase of 1.6 percentage points from the year before. This ranked Canada as the world's 9th most attractive tourist destination, up from its 10th place showing in 1996. Meanwhile, Canada earned over U.S. $8.9 billion (2 per cent of the world total) in 1997 from international tourists, excluding transport, 0.7 per cent above 1996. This ranked Canada as the world's 11th largest earner of international tourism receipts, the same as the final ranking recorded in 1996.

Despite its overall success in attracting international tourists, Canada has made limited inroads in capturing LAC tourist arrivals and receipts[14]. Table 7 and Table 8 show that the total number of LAC tourists to Canada and their total spending during the 1990-1997 period remained relatively small. For instance, Table 7 shows that tourist arrivals from the LAC region reached 327,000 in 1997, 25.3 per cent above 1990, representing an average annual growth of roughly 3.2 per cent over the 1990-1997 period. As a percentage of Canada's total visitors, the LAC region accounted for just 1.7 per cent in 1990 and almost 1.9 per cent in 1997. On the other hand, spending in Canada by LAC visitors increased from almost $224 million (almost 3.8 per cent of the total) in 1990 to around $391 million (4.0 per cent of the total) in 1997.

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[14] Coopers & Lybrand Consulting provides detailed assessments of the Argentine (1996) and Brazilian (1997) outbound pleasure travel markets.

Table 7: Visitors to Canada from Latin, Central and South America and the Caribbean ('000)[1]

Country	1990	1991	1992	1993	1994	1995	1996	1997
Central America	*10*	*10*	*10*	*10*	*12*	*11*	*12*	*12*
Mexico	*64*	*65*	*65*	*74*	*81*	*63*	*81*	*96*
Caribbean	*94*	*87*	*87*	*84*	*84*	*92*	*98*	*97*
West Indies	43	38	37	38	37	45	48	46
Bermuda	11	12	13	12	13	14	15	16
Jamaica	23	22	23	22	20	18	19	18
Trinidad & Tobago	17	15	14	13	14	14	15	16
South America	*93*	*95*	*76*	*79*	*87*	*108*	*126*	*122*
Argentina	24	24	16	18	19	21	24	23
Brazil	33	33	26	26	31	41	55	56
Colombia	6	5	5	6	7	8	10	10
Guyana	20	23	17	17	19	24	26	24
Venezuela	10	11	11	12	12	14	11	10
Total LAC Visitors	*261*	*257*	*238*	*247*	*264*	*274*	*317*	*327*
Total Visitors All Countries	*15210*	*14912*	*14741*	*15105*	*15972*	*16932*	*17285*	*17636*
% of Total Visitors to Canada	*1.72*	*1.72*	*1.61*	*1.64*	*1.65*	*1.62*	*1.83*	*1.85*

[1] One or more nights person trips; data for 1990-1997 period compiled from Statistics Canada, International Travel Survey: Overseas Residents and International Travel Survey: U.S.A. Residents , (various years) Ottawa, Canada.

Table 8: Spending in Canada from Latin, Central and South America and the Caribbean (thousands of $ CDN)[1]

Country	1990	1991	1992	1993	1994	1995	1996	1997
Central America	*7,117*	*6,724*	*5,762*	*8,765*	*9,398*	*8,536*	*10,228*	*11,145*
Mexico	*47,409*	*52,080*	*57,563*	*65,187*	*81,529*	*66,205*	*79,558*	*90,454*
Caribbean	*68,473*	*70,678*	*60,767*	*61,553*	*68,301*	*84,615*	*99,035*	*116,036*
West Indies	33,239	39,386	27,927	28,783	31,811	45,366	56,557	71,127
Bermuda	10,067	9,285	9,869	11,251	13,275	13,414	15,423	17,808
Jamaica	12,841	11,261	15,019	15,255	14,009	13,799	15,061	15,558
Trinidad & Tobago	12,326	10,747	7,952	6,265	9,207	12,036	11,994	11,542
South America	*100,764*	*104,146*	*84,507*	*85,099*	*95,671*	*123,861*	*157,110*	*173,288*
Argentina	25,999	29,054	22,376	18,085	20,949	21,422	22,255	21,735
Brazil	35,923	30,687	27,548	30,155	32,136	47,761	74,939	96,741
Colombia	6,610	6,026	6,396	7,866	9,433	9,060	19,024	8,966
Guyana	22,715	28,063	17,406	16,335	21,259	31,916	31,794	34,887
Venezuela	9,517	10,317	10,780	12,658	11,893	13,701	9,099	10,959
Total LAC Spending	*223,763*	*233,628*	*208,599*	*220,604*	*254,899*	*283,217*	*345,931*	*390,923*
Total All Countries	*5,947,000*	*6,132,000*	*6,289,000*	*6,940,000*	*7,742,000*	*8,837,000*	*9,670,000*	*9,870,734*
% of Total Spending in Canada	*3.76*	*3.81*	*3.32*	*3.18*	*3.29*	*3.21*	*3.58*	*4.00*

[1] One or more nights person trips; data for 1990-1997 compiled from Statistics Canada, International Travel Survey: Overseas Residents and International Travel Survey: U.S.A. Residents - 1997, (various years), Ottawa, Canada.

A closer look at the overnight travel figures from the LAC region to Canada reveals that the major purpose for travel is pleasure (Table 9). Of the 340,000 trips made by LAC residents to Canada in 1997, other pleasure, which includes recreation or holiday, accounted for 157,000 trips (46 per cent), followed by 90,000 trips (27 per cent) for visiting friends or relatives in Canada. Business travel accounted for slightly more than one-fifth (70,000) of the total LAC trips to Canada, largely reflecting the small current economic relationship between Canada and the LAC region. Other purposes, at 24,000 (7 per cent), comprised the smallest share of total LAC trips to Canada.

Table 9: Visitors to Canada by Purpose of Trip from Latin, Central and South America and the Caribbean[1] in 1997 ('000)

Area of residence	Business, convention and employment	Visiting friends or relatives	Other pleasure, recreation or holiday	Other	Total
Central America	4 (5.7)	4 (4.4)	5 (3.2)	--	12 (3.5)
Bermuda and Caribbean	17 (24.3)	32 (35.6)	38 (24.2)	10 (41.7)	97 (28.5)
South America	24 (34.3)	29 (32.2)	60 (38.2)	9 (37.5)	122 (35.9)
Mexico/St. Pierre & Miquelon[2]	25 (35.7)	25 (27.8)	54 (34.4)	5 (20.8)	109 (32.1)
Total LAC visitors	70 (100)	90 (100)	157 (100)	24 (100)	340 (100)
% of total LAC visitors to Canada[2]	20.6	26.5	46.2	7.1	100

[1] Person trips by residents of countries other than the United States entering Canada and staying one or more nights, by selected trip characteristics and purpose of trip; percentages in brackets
[2] In this table, one or more nights person trips includes: Mexico (95,600 visitors), St. Pierre & Miquelon (12,200 visitors) and Greenland (1,300 visitors).
[3]Exceeds 100 due to rounding.

Data compiled from Statistics Canada, Touriscope International Travel, Catalogue No. 66-201-XPBI, Ministry of Industry, Ottawa, Canada, forthcoming.

If, as anticipated, the LAC region experiences slower economic and export growth in coming years, it will lead to weaker regional income and job growth. Lower personal incomes translate into lower consumer buying power and lower demand for such discretionary spending as travel. A decrease in real disposable income will result in fewer international visits as LAC residents curtail discretionary spending. As regional income and wealth differences worsen, a large and growing number of LAC people will not be able to afford international travel. Given that economic security will remain a major concern for most LAC residents, the volume of long-haul pleasure travellers will likely decrease. In addition, weaker LAC currencies will encourage LAC residents, including middle-class individuals, to take fewer visits to international tourist destinations in favour of cheaper and closer tourist destinations.

The most recent Team Canada mission to the LAC region resulted in $10 million in tourism agreements. This is an encouraging step in the right direction in building interest and awareness, especially among high income LAC travellers, of Canadian tourism products and in Canada as a preferred tourist destination. Even so, on the basis of the above analysis, there seems to be little, if any, statistical evidence to suggest that the LAC region will become the next strategic market of revenue and investment opportunities as is widely perceived. Instead, the region's tourism growth will most likely remain at a similar, and possibly even slower, pace as in previous years. Competition to attract new LAC outbound tourists and encourage repeat travellers to Canada will get tougher.

Due to rapidly-changing world economic conditions and stiffer competition, Canada is facing increasing difficulty in sustaining growth from new international markets of opportunity. In addition, both Canada and the United States are slow growth, mature travel markets. Consequently, these countries will not experience long-term tourism growth in the five to ten per cent range. The combination of a competitive Canadian dollar and steady economic growth will likely produce slightly higher than average growth rates for our travel goods and services over the next decade. Still, it is important to remember that even very small percentage changes on a very large base will generate large fluctuations in tourist volume and yield numbers.

Canada's tourism industry will continue to be heavily dependent on domestic travel. In 1997, for instance, spending of Canadian and non-resident visitors on goods and services reached 43.9 billion (Statistics Canada, 1998). Over 70 per cent ($31.2 billion) of industry receipts were derived from domestic travellers, with the rest being international travellers (Statistics Canada, 1998). Of these, around three quarters came from the United States. Growth in international travel arrivals will continue to largely come from the United States, especially given continued financial and economic instability in most emerging economies, as well as slower economic growth and persistent structural unemployment in most other mature industrialized countries, such as Japan and Germany.

In Canada, almost three-quarters of fluctuations in travel receipts are explained by the Canadian business cycle. A recent report prepared for the Canadian Tourism Commission, for instance, found that "[M]ost of the cyclical variation in tourism demand in Canada and the supply of total tourism commodities can be explained by the cyclical variation in the overall Canadian economy; 73% and 86% of the cyclical variation in tourism demand in Canada and in the supply of tourism commodities can be statistically explained by the cyclical variation in Canadian GDP" (Wilton, 1998, p. 5). This means that Canada's tourism industry is relatively protected from the direct effects of potentially destabilizing external economic and financial shocks, including the most recent Asian and Russian financial meltdowns and the deepening economic volatility in the LAC region.

Annex

Annex 1: Top Twenty Tourism Destinations in the Americas
International tourist arrivals (excluding same-day visitors, thousands of arrivals) - 1996

Rank 1985	Rank 1990	Rank 1996	Country	Arrivals ('000) 1996	% change 1996/95	% of total 1996
1	1	1	United States	44,791	3.4	39.0
3	2	2	Mexico	21,428	6.3	18.7
2	3	3	Canada	17,386	2.9	15.2
6	4	4	Argentina	4,286	4.5	3.7
5	5	5	Puerto Rico	3,065	-2.1	2.7
4	9	6	Brazil	2,210	11.0	1.9
8	8	7	Uruguay	2,152	4.2	1.9
10	7	8	Dominican Republic	1,815	4.0	1.6
7	6	9	Bahamas	1,669	4.4	1.5
9	10	10	Chile	1,450	-5.8	1.3
12	12	10	Colombia	1,450	3.6	1.3
11	11	11	Jamaica	1,162	14.0	1.0
24	23	12	Cuba	999	34.6	0.9
21	17	13	Costa Rica	781	-0.5	0.7
26	19	14	Aruba	641	3.6	0.6
22	22	15	Guadeloupe	625	-2.3	0.5
19	14	16	Venezuela	621	4.0	0.5
23	15	17	Guatemala	520	-7.6	0.5
18	24	18	Peru	515	7.5	0.4
24	21	19	Ecuador	500	13.6	0.4
28	25	20	Martinique	492	7.7	0.4
			Total 1-20	108,558	4.1	94.6
			Total Americas	114,706	3.9	100.0

Table reproduced from World Tourism Organization, Tourism Market Trends, The Americas 1997 Edition, World Tourism Organization, Madrid, Spain (1997), p. 49.

Annex 2: Top Twenty Tourism Earners in the Americas
International tourism receipts (excluding transport, US$ million) - 1996

Rank 1985	Rank 1990	Rank 1996	Country	Receipts (US$ million) 1996	% change 1996/95	% of total 1996
1	1	1	United States	64,373	5.3	60.6
2	2	2	Canada	8,813	10.0	8.3
3	3	3	Mexico	6,894	11.8	6.5
5	4	4	Argentina	4,572	6.2	4.3
4	5	5	Brazil	2,273	8.4	2.1
7	6	6	Puerto Rico	1,898	3.8	1.8
11	8	7	Dominican Republic	1,747	8.9	1.6
6	7	8	Bahamas	1,378	2.4	1.3
24	21	9	Cuba	1,350	22.7	1.3
10	9	10	Jamaica	1,128	5.5	1.1
22	11	11	Chile	889	-1.2	0.8
14	15	12	Colombia	864	1.5	0.8
9	12	13	Venezuela	846	4.3	0.8
8	10	14	US Virgin Islands	811	-1.2	0.8
13	13	15	Barbados	712	4.7	0.7
23	19	16	Costa Rica	654	-0.9	0.6
15	23	17	Uruguay	599	-2.0	0.6
21	16	18	Aruba	572	10.6	0.5
17	20	19	Peru	535	2.9	0.5
12	14	20	Bermuda	505	3.5	0.5
			Total 1-20	101,413	6.2	95.5
			Total Americas	106,191	6.0	100.0

Table reproduced from World Tourism Organization, Tourism Market Trends, The Americas 1997 Edition, World Tourism Organization, Madrid, Spain (1997), p. 51.

Annex 3: Outbound Travel Volumes for Selected Latin American and Caribbean Countries ('000)

Country	1988	1989	1990	1991	1992	1993	1994	1995	1996
Argentina	2,241	2,443	2,504	3,180	4,000	4,400	4,440	3,550	3,900
Bolivia	117	201	242	229	239	243	248	249	269
Brazil	955	1,070	1,188	1,307	1,314	1,400	2,100	2,600	2,943
Chile	700	773	768	739	809	842	981	1,070	1,092
Colombia	785	682	781	814	699	690	949	1,000	1,073
Costa Rica	157	176	191	189	239	260	268	273	283
Cuba	13	14	12	--	61	64	61	58	55
Dominican Rep.	--	--	--	137	148	152	165	168	175
Ecuador	156	172	181	198	216	235	270	271	279
El Salvador	470	462	525	495	526	330	259	348	350
Guatemala	236	264	289	291	319	329	322	348	333
Guyana	--	--	--	--	--	--	--	--	--
Honduras	155	170	196	189	201	172	137	149	162
Jamaica	--	--	--	--	--	--	--	--	--
Mexico	7,965	7,317	7,357	7,713	11,226	10,185	12,029	8,450	9,001
Nicaragua	--	148	173	189	181	226	256	255	282
Panama	148	135	151	160	174	172	180	185	188
Paraguay	--	--	--	--	264	334	300	427	418
Peru	193	234	329	377	381	466	502	508	510
Uruguay	--	--	--	--	--	--	--	--	--
Venezuela	197	282	309	425	451	477	463	534	511
LAC Region	14,488	14,543	15,196	16,632	21,448	20,977	23,930	20,443	21,824
World Total	344,507	388,515	389,971	401,882	429,341	451,448	480,144	500,583	518,393
% of World Total	4.2	3.7	3.9	4.1	5.0	4.7	5.0	4.1	4.2

[1] Data compiled from the World Tourism Organization.
[2] (--) refers to data not available.

Annex 4: Expenditure on Travel Abroad by Selected Latin American and Caribbean Countries

Country	1988	1989	1990	1991	1992	1993	1994	1995	1996
Argentina	975	1,014	1,171	1,739	2,212	2,446	2,575	2,067	2,340
Bolivia	63	106	130	129	135	137	140	152	162
Brazil	1,084	751	1,559	1,224	1,332	1,892	2,931	3,412	5,825
Chile	442	396	426	446	530	559	536	774	806
Colombia	538	494	454	509	641	644	763	829	856
Costa Rica	72	114	148	149	223	267	300	321	335
Cuba	--	--	--	--	--	--	--	--	--
Dominican Rep.	127	136	144	154	164	128	154	186	203
Ecuador	167	169	175	177	178	190	203	235	219
El Salvador	75	104	61	57	58	61	70	72	75
Guatemala	109	126	100	67	103	116	161	174	167
Guyana	--	--	--	--	14	18	23	21	22
Honduras	37	38	38	37	38	55	57	57	60
Jamaica	112	114	114	71	87	82	81	148	159
Mexico	3,202	4,248	5,519	5,812	6,107	5,562	5,338	3,171	3,387
Nicaragua	2	1	15	28	30	31	30	40	60
Panama	88	86	99	109	120	123	123	128	136
Paraguay	59	75	103	118	135	138	177	235	221
Peru	222	263	295	263	255	269	266	297	351
Uruguay	139	167	111	100	104	129	234	236	192
Venezuela	509	628	1,023	1,227	1,428	2,083	1,973	1,865	2,251
LAC Region	8,022	9,030	11,685	12,416	13,894	14,930	16,135	14,420	17,827
World Total	187,814	202,493	248,970	248,682	283,527	278,511	312,118	356,617	379,132
% of World Total	4.3	4.5	4.7	5.0	5.0	5.4	5.2	4.0	4.7

[1] US $ million, excludes international transport. Data compiled from the World Tourism Organization.
[2] (--) refers to data not available.

Annex 5: Consumer Prices for Selected Latin American and Caribbean Countries (Annual per cent change)

Country	Average 1980-1989	1990	1991	1992	1993	1994	1995	1996	1997
Argentina	318.9	2,314.7	171.7	24.9	10.6	4.2	3.4	0.2	0.8
Bolivia	230.2	17.1	21.4	12.1	8.5	7.9	10.2	12.4	4.7
Brazil	237.3	2,740.0	414.8	991.4	2,111.4	2,166.2	59.7	15.5	6.0
Chile	21.2	26.0	21.8	15.4	12.7	11.4	8.2	7.4	6.2
Colombia	23.3	29.1	30.4	27.0	22.4	22.8	20.9	20.8	18.5
Costa Rica	25.5	19.0	28.7	21.8	9.8	13.5	23.2	17.6	13.3
Cuba	--	--	--	--	--	--	--	--	--
Dominican Rep.	21.7	50.5	47.1	4.3	5.3	8.3	12.5	5.4	8.4
Ecuador	32.1	48.4	48.8	54.6	45.0	27.3	23.0	24.4	30.6
El Salvador	18.4	24.0	14.4	11.2	18.5	10.6	10.1	9.8	5.5
Guatemala	12.5	41.0	35.1	10.2	13.4	12.5	8.4	11.0	9.4
Guyana	26.2	63.6	101.5	28.2	11.7	13.6	12.3	7.1	3.6
Honduras	7.2	21.2	26.0	9.1	10.7	22.5	18.5	8.3	5.0
Jamaica	16.9	24.8	68.6	57.5	24.5	31.7	21.7	21.5	9.8
Mexico	65.1	26.7	22.7	15.5	9.8	7.0	35.0	34.4	20.6
Nicaragua	380.0	3,127.5	7,755.3	40.5	20.4	7.7	11.2	6.8	5.7
Panama	2.9	0.5	0.8	1.6	1.0	1.3	0.8	2.3	-0.5
Paraguay	20.3	38.1	24.2	15.2	18.2	20.5	13.4	9.8	8.3
Peru	193.6	7,481.6	409.5	73.5	48.6	23.7	11.1	11.5	8.6
Uruguay	56.5	112.5	101.8	68.5	54.2	44.7	42.2	28.3	19.8
Venezuela	21.5	40.7	34.2	31.4	38.1	60.8	59.9	99.9	50.0
LAC Region	116.7	438.3	129.1	151.4	208.8	210.2	35.9	22.3	13.1

[1] Data compiled from the International Monetary Fund, World Economic Outlook May 1998, International Monetary Fund, Washington D.C. 1998, p. 162.
[2] (--) refers to data not available.

Annex 6: Real Gross Domestic Product Growth for Selected Latin American and Caribbean Countries (Annual per cent change)

Country	Average 1980-1989	1990	1991	1992	1993	1994	1995	1996	1997
Argentina	-1.0	-1.3	10.5	10.3	6.3	8.5	-4.6	4.2	8.4
Bolivia	-0.2	4.6	5.3	1.6	4.1	4.6	3.9	3.5	4.3
Brazil	2.8	-4.3	1.0	-0.5	4.9	5.9	4.2	2.8	3.0
Chile	3.4	3.3	7.3	11.0	6.3	4.2	8.5	7.2	6.6
Colombia	3.4	4.3	2.0	4.0	5.4	5.8	5.7	2.0	3.2
Costa Rica	2.5	3.6	2.2	7.3	6.0	4.5	2.4	-0.6	3.2
Cuba	--	--	--	--	--	--	--	--	--
Dominican Rep.	3.6	-5.8	1.0	8.0	3.0	4.3	4.8	7.3	8.2
Ecuador	2.3	3.0	5.0	3.6	2.0	4.4	2.3	2.0	3.3
El Salvador	-1.2	4.9	3.6	7.4	7.4	6.0	6.3	2.5	3.7
Guatemala	0.9	3.1	3.7	4.8	3.9	4.0	4.9	3.0	4.1
Guyana	-2.1	-2.5	6.1	7.8	8.2	8.6	5.0	7.9	6.1
Honduras	2.5	0.1	3.3	5.6	6.0	-1.5	4.5	4.5	4.5
Jamaica	2.2	4.1	0.8	1.8	1.0	1.0	--	-1.4	-2.0
Mexico	2.5	5.1	4.2	3.6	2.0	4.5	-6.2	5.2	7.0
Nicaragua	-0.9	-0.1	-0.2	0.4	-0.2	3.3	4.2	4.5	4.5
Panama	1.8	8.1	9.4	8.2	5.5	2.9	1.8	2.5	3.7
Paraguay	3.7	3.1	2.5	1.8	4.1	3.1	4.7	1.3	3.5
Peru	--	-3.2	2.9	-1.8	6.4	13.1	7.2	2.6	7.5
Uruguay	1.0	0.9	3.2	7.9	2.9	6.4	-1.9	4.9	6.0
Venezuela	0.1	6.5	9.7	6.1	0.3	-2.4	3.7	-0.4	5.1
LAC Region	2.2	0.7	3.8	3.2	3.9	5.1	1.2	3.5	5.0

[1] Data compiled from the International Monetary Fund, World Economic Outlook May 1998. International Monetary Fund, Washington D.C. 1998, p. 154.
[2] (--) refers to data not available.

Annex 7: Major Socioeconomic Indicators for Selected Latin American and Caribbean Countries (1996)[1]

Country	Real GDP *(US$ billion)*	Real GDP Per Capita *(US$ per person)*	Gross Domestic Investment[2] *(% of GDP)*	Gross Domestic Savings *(% of GDP)*	Merchandise Exports *(US$ billion, FOB)*	Merchandise Imports *(US$ billion, FOB)*	Current Account Balance *(US$ billion)*	Population *(million)*	Urban Population *(% of Total)*	Human Development Index Value *(HDI, 1994)*
Argentina	214.6	6,191	20	18	23.8	22.2	-4	34.7	88	0.884 (36)[3]
Bolivia	7	916	15	8	1.1	1.4	-0.5	7.6	59.7	0.589 (113)
Brazil	493	3,007	21	22	47.7	53.3	-24.8	164	80.9	0.783 (68)
Chile	49.7	3,440	27	28	15.4	16.5	-2.9	14.5	87.8	0.891 (30)
Colombia	61.7	1,730	20	15	10.7	12.8	-4.8	35.7	76	0.848 (51)
Costa Rica	7.2	2,054	28	23	2.6	3.1	-0.1	3.5	49.3	0.889 (33)
Cuba	-[4]	-	-	-	-	--	-	--	--	0.723 (86)
Dominican Rep.	7.9	978	20	16	0.8	3.2	-0.03	8.1	65.5	0.718 (87)
Ecuador	15.9	1,355	21	23	4.9	3.5	0.3	11.7	61.6	0.775 (72)
El Salvador	7.4	1,257	19	4	1.8	3	-0.2	5.9	48.4	0.592 (112)
Guatemala	10	916	17	8	2	3	-0.4	10.9	41.8	0.572 (117)
Guyana	0.6	748	-	-	0.6	0.6	-0.07	0.8	36.5	0.649 (104)
Honduras	3.8	648	26	14	1.6	1.7	-0.1	5.8	48.6	0.575 (116)
Jamaica	4.3	1,668	22	19	1.4	2.6	-0.2	2.6	61.4	0.736 (83)
Mexico	272.4	2,953	23	18	96	89.5	-1.8	92.3	75.5	0.853 (50)
Nicaragua	2.1	481	18	-9	0.6	1	-0.4	4.3	74.1	0.530 (127)
Panama	7.1	2,641	25	23	5.6	6.2	0.1	2.7	55.3	0.864 (45)
Paraguay	7.4	1,471	23	14	2.7	4.1	-0.7	5	51.4	0.706 (94)
Peru	50.1	2,060	24	20	5.9	7.9	-3.6	24.3	69.8	0.717 (89)
Uruguay	10.4	3,258	13	12	2.4	3.1	-0.3	3.2	86.6	0.883 (37)
Venezuela	69	3,143	13	22	22.8	10.6	7.4	21.9	96.1	0.861 (47)

[1] Data are preliminary estimates. Data from The Inter-American Development Bank, Latin America After a Decade of Reforms: Economic and Social Progress 1997 Report. The Johns Hopkins University Press, Baltimore, Maryland (September 1997), Part Four Statistical Appendix. FOB refers to free on board.
[2] Data from United Nations Development Programme (UNDP), Human Development Report 1997, Oxford University Press, New York (1997), p. 200-201.
[3] Number in ( ) refers to global rank; 175 countries ranked; ibid., p. 147-148.
[4] (--) refers to data not available.

Annex 8: Latin America and Caribbean Countries: Selected Infrastructure Indicators

Country	Population with Access to[1]			Main Telephone Lines[4] *(per 100 people)*	Radios[4] *(per 1000 people)*	Televisions[4] *(per 100 people)*	Power[5] *(Households with Electricity)*	Paved Roads in Good Condition[6]
	Health Services[2] *(%)*	Safe Water[3] *(%)*	Sanitation[3] *(%)*					
Argentina	71	71	68	14.1	673	32	87	35
Bolivia	67	55	55	3.5	670	14	33	21
Brazil	--[7]	87	83	7.4	393	25	79	30
Chile	97	85	83	11	345	25	85	42
Colombia	60	87	63	9.2	178	22	79	42
Costa Rica	80	92	97	13	260	22	97	22
Cuba	98	93	66	3.2	347	19	--	--
Dominican Rep.	80	76	78	7.9	173	9	37	52
Ecuador	88	71	48	5.9	327	13	47	53
El Salvador	40	55	81	4.4	443	23	34	--
Guatemala	34	62	60	2.4	68	5	37	7
Guyana	--	--	--	5.3	491	4	--	--
Honduras	64	65	75	2.4	408	8	25	50
Jamaica	90	86	89	10	436	30	49	10
Mexico	78	83	50	9.3	256	19	75	85
Nicaragua	83	58	60	2	262	15	41	--
Panama	80	83	88	11.1	227	17	66	36
Paraguay	63	35	62	3.1	172	7	--	--
Peru	75	71	57	3.3	255	10	90	24
Uruguay	82	75	61	18.4	606	52	81	26
Venezuela	--	79	59	10.8	443	18	89	40

[1] Data compiled from United Nations Development Programme (UNDP), Human Development Report 1996, Oxford University Press, New York (1996), p. 144-145.
[2] 1985-95 period, ibid, p. 144-145.
[3] 1990-95 period, ibid, p. 144-145.
[4] Data compiled from United Nations Development Programme (UNDP), Human Development Report 1997, Oxford University Press, New York (1997), p. 184-185 and 194-195.
[5] 1984 figures; % of total households. The World Bank, World Development Report 1994: Infrastructure for Development, Oxford University Press, New York (1994), p. 224-225.
[6] 1988 figures; % of paved roads. Ibid; p. 224-225.
[7] (--) Refers to data not available.

Annex 9: Selected Latin America and Caribbean Countries - Investor Credit Ratings

	Institutional Investor Credit Rating		Euromoney Risk Ranking		Standard & Poor's Foreign Currency-denominated Debt	
Country	**Country credit rating**	**Global rank (Sept. 1998)**	**Country creditworthiness ranking**	**Global rank (Sept. 1998)**	**Long-term rating**	**Short-term rating**
Argentina	41.8	58	44.61	49	--	--
Bolivia	27	89	33.43	76	BB-	B
Brazil	38.1	62	35.48	73	BB-	B
Chile	62	25	59.35	37	A-	A-1
Colombia	46.2	49	45.66	46	BBB-	A-3
Costa Rica	36.4	67	37.97	66	BB	B
Cuba	12.5	122	14.76	150	--	--
Dominican Rep.	26.4	91	36.33	71	B+	B
Ecuador	26.1	94	28.36	87	--	--
El Salvador	28.7	86	34.13	74	BB	B
Guatemala	26.6	90	30.47	79	--	--
Guyana	--	--	32.13	77	--	--
Honduras	20.1	104	25.41	102	--	--
Jamaica	29.1	84	37.93	67	--	--
Mexico	45.4	50	44.99	47	BB	B
Nicaragua	12.4	123	20.8	118	--	--
Panama	38.1	61	47.92	44	BB+	B
Paraguay	32.7	74	28.55	86	BB-	--
Peru	34.6	70	39.18	62	BB	B
Uruguay	45.2	51	44.49	50	BBB-	A-3
Venezuela	36.1	69	29.58	81	B+	B
Global average rating	41.2					

[1] (–) refers to data not available.
[2] 136 countries ranked in ***Institutional Investor*** Credit Rating survey; credit ratings close to zero depict countries with the highest likelihood of default. One hundred and eighty countries ranked in the ***Euromoney*** Risk Ranking survey; the closer the score is to 100 the higher the creditworthiness. Under ***Standard & Poor's*** credit rating system, bonds rated between AAA to BBB- are deemed as investment grade while those bonds rated from BB+ to C- are speculative grade.

Data compiled from Harvey D. Shapiro, "A High-Level Stall", ***Institutional Investor: Domestic Edition***, (September 1998), p. 133-135; ***Euromoney***, "How the Mighty Are Falling", (September 1998), http://www.euromoney.com/contents/...ey/em.98/em.98.09/em.98.09.17.html and ***Standard & Poor's***, "Sovereign List", Canadian Focus, The McGraw-Hill Companies, Inc., New York (October 1998), p. 53-54.

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