TOURISM INDUSTRY IN LATIN AMERICA: ANOTHER BLOW TO LOCAL ECONOMIES AND SPANISH BUSINESSES

The bad news continues for Latin America, especially for some economies. Tourism, one of the most important economic engines across the region is beginning to collapse over the COVID-19 pandemic. Cuba has closed its doors for 30 days, and major hotel chains have just announced the gradual closure of their establishments in Mexico. The tourism industry in Latin America is basically on its knees.

The hospitality industry, highly dependent on air travel which was also brought down by the pandemic and border closures, is a key source of income for Brazil, Mexico, Argentina, Colombia, Ecuador, Chile, the Dominican Republic and Cuba. **Currently, Brazil is the most affected country in the region by the coronavirus outbreak, along with Chile, Ecuador, Peru, Mexico and Panama.**

RIU Hotels, for example, has announced the progressive closure of hotels in **Mexico** after measures to stop the pandemic were introduced. Sadly, it won't be the last hotel chain in the country to do so.

The chain has 20 hotels in Mexico with over 10,000 employees. In the country, there are 100,000 hotel rooms with 60% belonging to Spanish firms such as Grupo Piñero (Bahía Príncipe), Iberostar, Meliá, Barceló, Oasis, Palladium, Occidental, BlueBay, Princess, Catalonia, H10, Sirenis, HM and RIU. 300 hotels throughout the national territory were already closed.

Mexico, the most visited country in Latin America and seventh in the world, where the industry accounts for 8.7% of GDP and employs 2.3 million people. The Ministry of Tourism (Sectur) expected a total of 46.2 million foreign tourists to leave an economic profit of $ 26.7 billion in Mexico. According to the Anahuac Center for Tourism Research and Competitiveness (Cicotur), the fall in tourism GDP will reach between -3.0 and -5.0%, which represents between 1,400 and 4,000 million dollars.

Cuba, where most of the hotel establishments belong to various Spanish groups, has also made the decision of closing off the country for 30 days, effectively halting tourism activities which are its greatest source of income. As a result, some 40,000 tourists still remain on the island locked in the hotels. Airlines such as Sunwing, Air Canada, West Jet and Air Transat have announced that they suspend their flights between Cuba and Canada, which is the largest market for the island. Tourism is mostly in the hands of Spanish hotel companies, accounting for 75% of the investment in the country: Meliá (with 27 establishments and 13,000 rooms), NH Hotels and Barceló Hotels lead in the country along with Iberostar, RIU, Globalia-Be Live, Blue Bay, H10 and Hotusa, making up 90% of the hotel offer. Meanwhile, Air Europa and Iberia airlines offer air travel to Cuba as part of the process of integration.

In the **Dominican Republic**, another country largely dominated by Spanish hotel businesses, the situation has also become difficult. Tourism has represented 7.8% of GDP. According to official data, the sector contributes 24.4% of the foreign currency of the Dominican economy, making it one of the main reasons for the stability of the exchange rate. Last year, the tourism revenues reached US $ 7,468.1 million (the country received more than 7.5 million visitors by air and cruises). This result reflects a 1.2% drop (US $ 92.6 million less) compared to 2018.

According to the Hotel and Tourism Association, most hotels have had to cease operations due to the closure of borders, predicting that it will take 8 to 12 weeks to reopen. Tourism, as in Cuba, is the economic engine in the Dominican Republic, and President Danilo Medina has announced a tax amnesty program for the industry. There are 18 Spanish hotels operating in the Dominican Republic: Meliá, RIU, Barceló, Iberostar, Globalia-Be Live, Bahía Príncipe, NH, Paladium, Catalonia, H10, Fiesta, Piñero, BlueBay, Majestic, Sirenis, Occidental and Martinon.

The tourism industry in Latin America has reported million-dollar losses from Peru to the Caribbean reeling from air travel and visit restrictions, internal measures taken to fight off the pandemic, and the on-going cancellations. Many companies fear million-dollar losses in the coming months. According to the UNWTO, in 2018, almost 114 million international tourists traveled to Latin America, adding 97 billion dollars to the economy. The latest UNWTO World Tourism Barometer noted that global tourism grew in 2019 more than the international economy by 4%, and a similar improvement was expected in 2020 until the pandemic was announced. The Caribbean registered a 4.9% growth in visits, and 2.2% in Central America, while South America went down 3.1%.

Argentina, **Colombia** and **Peru**, three key markets, have already placed restrictions on major tourist hotspots, even for nationals. Peru, which welcomed more than 4 million visitors in 2018, has declared a national state emergency and closed Machu Picchu for 15 days. In Colombia, which has slowly made tourism its new engine, President Iván Duque announced a nationwide lockdown, closing its borders to foreigners and prohibiting the docking of cruise ships in its ports. Avianca, a major Colombian airline, has suspended international flights until May. In **Ecuador**, the tourism industry foresees losses of at least 540 million dollars. In **Panama**, the government prohibited all international flights, effectively halting Copa Airlines, which will temporarily suspend operations. Chile has also closed its borders in the hopes of slowing the spread.

In general terms, the situation for Latin America, which had only begun to regain growth, is alarming. The IMF already forecasts a recession in 2020 due to a crisis that will particularly impact the services, oil and transport industries, and points out that, in the Caribbean, the crisis will be devastating for tourism. The Economic Commission for Latin America and the Caribbean (ECLAC) predicts that the Gross Domestic Product of Latin America, which only grew 0.1% in 2019, will fall 1.8% this year (revising its 1.3% growth forecast) due to the pandemic, which could lead to a 10% increase in unemployment and 35 million more impoverished people. **Moody’s Corporation warns of a worse recession than in 2009 in the region for several sectors, most notably tourism and foreign trade.** Crédit Suisse and Goldman Sachs say the virus will push big economies into recession due to the slowdown in trade and the collapse of tourism. They forecast a 1.2% contraction and believe that Mexico will suffer the most severe recession among all. The International Air Transport Association (IATA) has asked the governments of Latin America for urgent financial help for airlines.

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