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COMPARATIVE ANALYSIS OF THE DEVELOPMENT OF THE TOURISM SECTOR BETWEEN MEMBERS OF THE ANDEAN COMMUNITY (COLOMBIA, PERU, BOLIVIA AND ECUADOR) DURING 1997-2017

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I. TOPIC

COMPARATIVE ANALYSIS OF THE DEVELOPMENT OF THE TOURISM SECTOR BETWEEN MEMBERS OF THE ANDEAN COMMUNITY (COLOMBIA, PERU, BOLIVIA AND ECUADOR) DURING 1997-2017

II. ABSTRACT

In the 21st Century, Tourism is considered one of the fastest growing industries at a global scale, showing impressive economic results. As a result, Tourism could be seen as a key contributor in applying an alternative model of development for countries whose economies historically have depended on the extraction and commercialization of commodities and natural resources, as is the case of countries which make up the Andean Community. Moreover, meanwhile as Tourism receives positive feedback from its customers, economies are also facing a a situation of imminent change, where consumer behavior has shown a clear tendency to acquiring real life, personal experiences rather than physical or tangible goods, giving way to a revolution known as the Experience Economy, creating the perfect scenario to stimulate tourism-related practices in the region. As a result, the situation must be handled with caution, reason why the following investigation conducts an analysis of the Andean Community as a Regional Bloc, to later understand the Experience Economy and its principles, and finally examine the case of each individual member to reach a conclusion as to whether or not a sustainable tourism industry could be considered an alternative model of development for the economies of these countries.

Keywords: Andean Community, Experiential Economy, Tourism, Gross Domestic Product (GDP), Sustainability

III. RESUMEN

En el siglo XXI, el turismo es contemplado por la Organización Mundial del Turismo (UNWTO) como una de las industrias de crecimiento más rápido a escala mundial, presentando resultados económicos favorables para economías que han desarrollado esta industria. Como resultado, se podría analizar a la industria del turismo como un contribuyente trascendental para aplicar un modelo alternativo de desarrollo en países cuyas economías históricamente han dependido de la extracción y comercialización de recursos naturales y sus derivados, como es el caso de los países que conforman la Comunidad Andina. Mientras el turismo recibe comentarios positivos de sus clientes, las economías también se enfrentan a una situación de cambio inmanente, donde el comportamiento del consumidor ha mostrado una tendencia hacia la adquisición de experiencias en lugar de bienes físicos o tangibles, dando paso a una revolución conocida como la Economía de la Experiencia, creando un escenario adecuado para estimular las prácticas relacionadas con el turismo en la región Andina. Como consecuencia, la situación debe manejarse con precaución, por lo que la siguiente investigación lleva a cabo un análisis en primera instancia de la Comunidad Andina como un Bloque Regional, para comprender la Economía de la Experiencia y sus principios, y examinar el caso individual de cada miembro para alcanzar una conclusión sobre la factibilidad de considerar al turismo sostenible como un contribuyente a un modelo alternativo de desarrollo para las economías de estos países.

Palabras clave: Comunidad Andina, Economía Experimental, Turismo, Producto Interno Bruto (PIB), Sostenibilidad

IV. RIASSUNTO

Nel 21 ° secolo, il turismo è considerato una delle industrie in più rapida crescita su scala globale, mostrando risultati economici impressionanti. Di conseguenza, il turismo potrebbe essere visto come un importante contributo all'applicazione di un modello alternativo di sviluppo per i paesi le cui economie sono storicamente dipese dall'estrazione e dalla commercializzazione di materie prime e risorse naturali, come nel caso dei paesi che compongono la Comunità andina. Inoltre, nel frattempo il turismo riceve feedback positivi dai suoi clienti, anche le economie si trovano ad affrontare una situazione di cambiamento immanente, in cui il comportamento del consumatore ha mostrato una chiara tendenza ad acquisire vita reale, esperienze personali piuttosto che beni fisici o materiali, lasciando il posto a una rivoluzione nota come Economia dell'esperienza, creando lo scenario perfetto per stimolare le pratiche legate al turismo in la Regione. Di conseguenza, la situazione deve essere gestita con cautela, motivo per cui la seguente indagine conduce un'analisi della Comunità andina come blocco regionale, per comprendere in seguito l'economia dell'esperienza e i suoi principi e infine esaminare il caso di ogni singolo membro per raggiungere una conclusione se un'industria del turismo sostenibile possa o meno essere considerata un modello alternativo di sviluppo per le economie di questi paesi.

Parole chiave: Comunità andina, Economia esperienziale, Turismo, Prodotto interno lordo (PIL), Sostenibilità

V. INTRODUCTION

Tourism as it is understood in the 21st century, dates back in time to the Egyptian, Greek and Roman Civilizations, where privileged groups of society had the opportunity to travel in search of amusement, experience and relaxation (Towner & Wall, 1991). In the 18th century, as a response to the Industrial Revolution, and subsequently in the post WWII era, due to socio-economic changes, such as higher levels of income, and also longer paid holidays, improvements in technology and a decline in travel costs, these changes motivated tourists to step out of their comfort zone and analyze the possibility of traveling to new destinations, resulting in unprecedented levels of growth in the tourism industry worldwide.

Consequently, less developed countries (LDCs) saw the opportunity to attract tourists towards unexplored destinations within these countries by investing in and promoting what would later be known as the "Smokeless Industry." In the early 1970's, unlike other activities that relied on extracting natural resources or exporting commodities to generate income for countries, tourism was perceived to be an activity free of contamination and sustainable in time, perhaps a viable alternative towards economic diversification and the generation of income.

This affirmation raised a strong debate as to whether or not the industry should be promoted as an alternative source of income for countries. According to Unesco (n.d.), tourism has had a positive impact on the international economy, representing 10.4% of the world's total GDP ($4218 billion US) and 12 % of trade exports, employing approximately 200 million people directly and 215 million people indirectly. However, without regulations and strict measures, tourism can leave

unrepairable negative impacts, not only environmental, but also cultural and social, causing societies and countries to become dependent on, and in the worst cases, possibly leading to the extinction of certain cultures (Unesco, n.d.).

Theories regarding sustainability and development were created as a response to traditional models that focused mainly on policies of economic-growth, theories still present in contemporary studies. Of these theories, the alternative theory of development was considered to be the foundation of what would later be defined as sustainable development. In 1987, with the help of the publication of the Brundtland Commission Report "Our Common Future," sustainable development was defined as," The capacity humanity has to meet the needs of the present without compromising future generations to meet their own needs." Within this concept lies sustainable tourism, defined by Hu, Liu and Tan (2012) as," establishing a balance between protecting the environment, maintaining cultural integrity, establishing social justice and promoting economic benefits, meeting the needs of the host population in terms of improved living standards both in the short and long term." (Liu et al., 2012).

In Latin America, different countries responded to the boom of tourism by investing in and promoting the industry, working towards achieving a competitive sector that attracts more and more tourists each year. One of the regions that has strived towards developing tourism has been the Andean Community, where its members have chosen different paths to strengthen and improve tourism in their countries. To understand the development of Tourism in countries, it is necessary to compare the tourism indicators within the Andean Community from 1997-2017, while also, identifying trends that help determine the changes in consumer behavior that

encourage consumers to invest in tourism, and to reach a conclusion concerning the development of tourism as part of a sustainable model to generate an alternative source of income and continue with developing the Andean Community's economies.

CHAPTER 1

ANALYSIS OF TOURISM WITHIN THE ANDEAN COMMUNITY OF NATIONS: ROLE OF THE UNWTO

1.1. Creation of the Andean Community of Nations

In this chapter, an overall analysis will be conducted of the Andean Community, in order to comprehend the history, functionality, and progress of the institution, while also aiming to understand the roots of other integration projects in Latin America. Lastly, to comprehend the future of the CAN, it is essential to analyze the relations with other trade blocs, determining the factors that have stopped the institution from completing full integration.

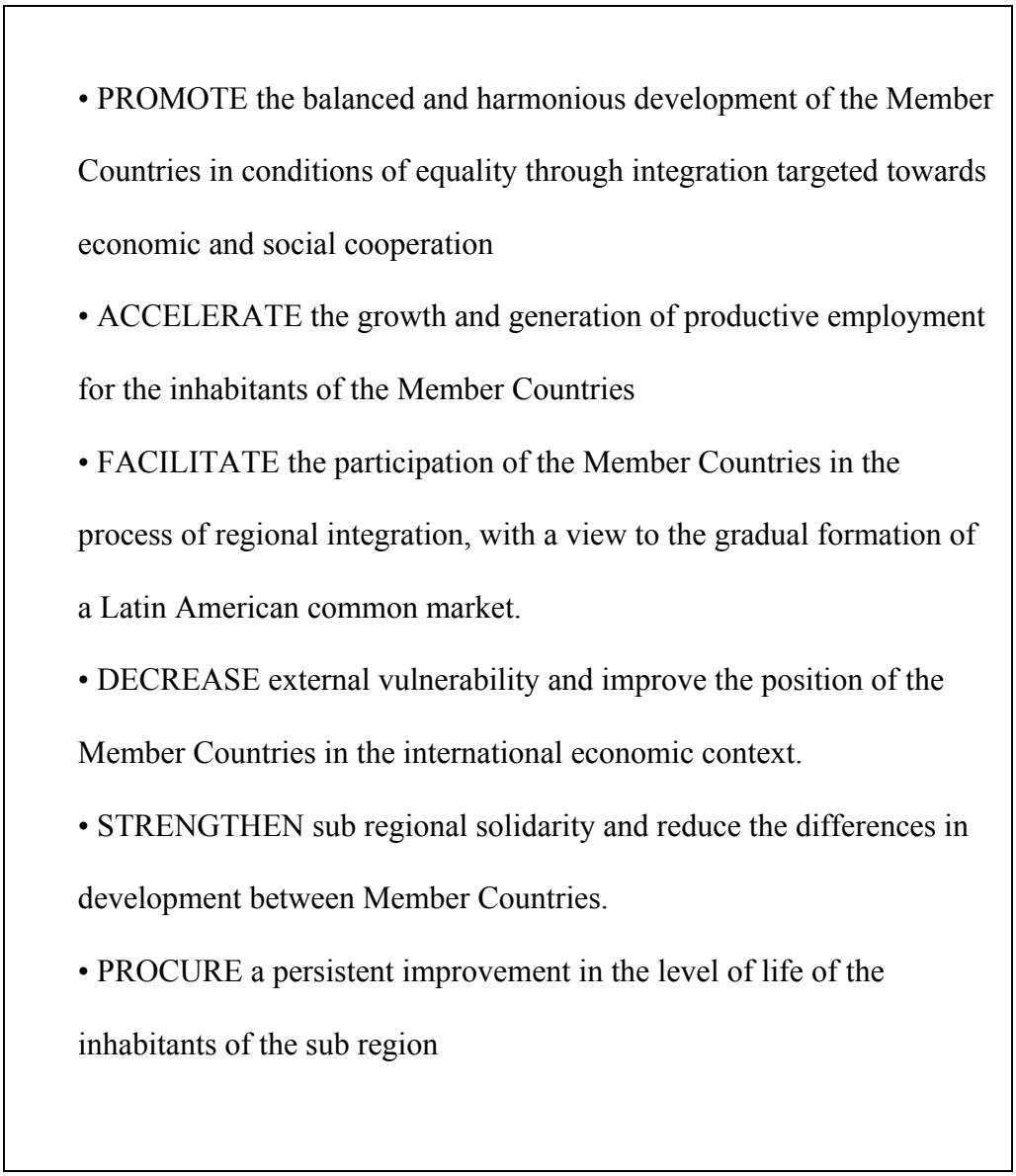
1.1.1. History

The first push towards Latin American integration began on May 26th, 1969 with the signing of the Cartagena Agreement, giving way to the creation of a sub regional organization (CAN, 2016). The agreement created the Andean Pact whose main objective was to constitute a customs union and common market, similar to the European Union; In 1996 with the Protocol of Trujillo, a modification in the name of the agreement changed the name from the Cartagena Agreement to the Andean Community (CAN), name still present in the 21st century (CAN, 2016).

The Andean Community, made up of permanent and independent organisms with authorized legal capacity, is considered to be one of the most advanced organization of South America (Pons, 2008: pg. 11). Currently, the Andean Community is made up of four member states (Bolivia, Colombia, Ecuador and Peru),

five associated countries (Argentina, Brazil, Chile, Paraguay and Uruguay), and an observer country (Spain) (CAN, n.d.). Chile and Venezuela formed part of the original members; however, due to economic and political discrepancies, they decided to withdraw in 1979 and 2006 respectively. The Andean Community has identified six main objectives they focus on:

Figure 1 Objectives of the Andean Community



Source: Andean Community, (n.d.)
Elaborated by: Daniel Martinez, (2019)

These objectives help align the different policies the member states apply within their countries in favor of regional integration. Throughout the years, different policies have been applied within the Andean Community; nevertheless, the goal of working towards South American integration has persisted over any other objective.

Within the Andean Community, a number of institutions have been created to ease the integration process, all falling under the Andean System of Integration, an institution in charge of facilitating the interaction and cooperation between the different bodies of the Andean Community; Bodies such as the Commission of the Andean Community, Latin American Reserve Fund, the Andean Development Corporation, among others, designing proposals directed towards implementing monetary and fiscal policies, the free movement of people, and a customs union, seeking to accelerate economic integration amongst member countries and other trade blocs, incentivize foreign direct investment, and regulate agricultural and economic policies (CAN, n.d.).

Regardless that the Andean Community of Nations is considered to be one of the most advanced sub regional integration process in Latin America, there exist certain barriers that have obstructed the project from reaching its overall objectives. The disparity and inequality between the members, weak intra-sub regional commerce, discrepancy in internal and external policies, minor levels of FDI, and finally, the need to protect personal interests, are all complications that seem to originate from the fear that integration in its final stage will lead to the loss of "national sovereignty," resulting in a halt in the integration process (Jutinico, 2010: pg. 43). In other words, traditional borders are seen as a barrier within the integration

process, from the perspective that member countries are still a bit reluctant to fully open up to the Andean Community, consequently, it seems the members are not serious about reaching an integration process (Cobo, 2008).

1.1.2. "New" Regionalism in Latin America

Before proceeding with an institutional analysis of the Andean Community, when referring to Latin America as a whole, the term "Region" will be used, meanwhile, the smaller group of countries found in Andean territory will be referred to as a "sub-region" (Casas-Gragea, 2006: pg.1). During the 1980's, a phenomenon was identified by scholars that helped explain the integration process in Latin America, and more specifically, within the Andean zone, defining a transition from traditional regionalism towards a post-hegemonic style of regionalism, identifying examples of institutions such as Unasur, ALBA, CELAC and the Andean Community that fall under these characteristics (Riggirozzi & Tussie, 2012: pg.6).

In order to comprehend this phenomenon, Riggirozzi & Tussie (2012) define "New" Regionalism as: period during the 1980's where an alternative response to a structure that maintains power in the hands of hegemonic powers was established, rejecting the use of neo-liberal models and North American-backed projects to intervene in the integration process. In addition, it seeks to fortify the ideals, norms and institutions proper to the region by establishing common goals and values with the objective of strengthening their presence in the international arena. In other words, a scenario that surpasses economic and market based objectives and promotes

practices of solidarity and unity between the different actors that make up the region (Riggirozzi & Tussie, 2012: pg.6).

Regionalism in Latin America is complex because there exist various agreements, both formal and informal, between states which has led at times to overlap and contradict the principal objective that founded the different projects (Birle, 2017: pg. 22). In Latin America, regionalist projects have been marked by seeking the liberalization of markets within the region and an increase in trade competitiveness, however, these projects where based on the principle of not only joining states based on their geographical location, but also on dealing with socio-political factors and economic cooperation as a means of increasing the attractiveness of the region throughout the world. Considering these ideas, the new regionalist model being applied in Latin America has been characterized as eclectic, complex and multifaceted, distinct from the model applied in the European Union (Birle, 2017: pg. 22).

By creating alternative institutional structures that integrate interregional and intraregional projects, with the presence of states, social movements, local and ethnic identities, and other actors of society, the projection of a common goal creates a sense of belonging to the region, easing the promotion of not only economic programs, but also social, political, and cultural programs that protect and strengthen the identity of the region (Filhos, 1999: pg.6). In order to launch these types of projects, states must be determined to turn over a small part of their autonomy in favor of a supranational institution that protects their interests and welfare of their states, action that must be

dealt with carefully, or else can be seen as a threat to the sovereignty of the individual countries.

One of the most significant regionalist projects that have been launched during the 20th century is the Andean Community. Based on the description of "new' regionalism previously mentioned, it is possible to think that perhaps what eased integration in the Andean Community was the idea that The Andean Community was created under the idea of putting forth an integration project funded on two concepts: "Andinity" and common political Background. Prieto (2003) describes "Andinity" as a common past in terms of indigenous and cultural background that these countries share due to their location and geography, dating back to the times of the Pre-Hispanic occupation. Meanwhile, due to the ideals and principles presented by Simon Bolivar of the "Gran Colombia," the ideologies and economic structures that backed this project helped create a background that would pave the way for future relations between countries in the region, understanding Andean countries as "Brother Countries" and "Sister Nations" whose main goal was to collaborate with each other to face any type of difficulty in unity, similar to multilateralism (Prieto, 2003: pg.277).

Independent of the political system of each country, the Andean Community has applied a model that advocates free trade and open markets within these countries, with the objective of promoting economic integration, regional industrial development, and promoting foreign direct investment, model based on south-south cooperation as an alternative continental strategy for growth and social justice (Espinoza & Quiliconi, 2016: pg.28)

1.1.3. Commercial Relations of the CAN

The objectives that were put forth by the Andean Community are considered to be multidimensional, due to the fact that the they not only concern commercial and economic factors, but also social, cultural, and political matters. From the creation of the Andean Community of Nations to present day, a series of changes have occurred in order to promote accessible markets and to improve the Andean productive structure. This being said, it is necessary to first understand the intra sub-regional relations and the structure that is being used to therefore comprehend the commercial relations between the CAN and other trade blocs (Mendoza, 1998: pg. 3).

The Cartagena Agreement in 1969 was the starting point that created the sub-regional integration process, however, it wasn't until the decade of the 1990's when modifications were applied which led to the creation of a Free Trade Area, causing a positive impact in the commercial relations between the members. In addition to the application of common tariff and non tariff measures, matters such as intellectual property, investment, public purchases and quality control norms have been applied to help reach the overall objective, which has led to a debate of the possibility of establishing a social agenda, contemplating sustainable development, foreign policy and security within the region (Cobo, 2008: pg.22). After numerous negotiations, in 1993, a Free Trade Area was established; around the same time, a Common External Tariff was adopted, both measures that would help aspire towards the creation of a customs union, similar to the one applied in the European Union.

The outcome of the Free Trade Area in the Andean Community has resulted in an increase of intra sub-regional commerce, the development of industrial and agro industrial products with high added value and differentiation, aiding in the overall development of different industries within the region. Furthermore, the demand of new goods and services has first off diversified the Andean markets, pushing the members to seek innovate procedures and constant improvement in production processes, generating new opportunities for employment and allowing these processes to be replicated with the products that are exported to other parts of the world.

According to statistics presented by the CAN in 2018, exports estimated to reach USD 119.317 million dollars, showing in increase of 11.4% in comparison to 2017 (Revista Lideres, 2019). When analyzing individual statistics, Colombia's exports to the world increased 13.4%, Bolivia's in 13.3%, Ecuador's in 13% and Peru's in 8.6%, consisting mainly of goods such as: crude petroleum oil, copper and zinc, bituminous coal, fuel oil, natural gas, unroasted coffee and bananas (Revista Lideres, 2019).

On the other hand, the Andean Community of Nations with its vision of extending their commerce to other parts of the world, in 1992 approved the Agreement 322 and later in 2004 the Agreement 598, authorizing Andean members to undergo commercial negotiations with members who are not a part of the CAN, protecting the overall interests of the members and taking into account the following:

"If not possible, for any reason, to negotiate in the Community, the Member Countries will be able to carry out bilateral negotiations with third countries. In this case, the

participating Member Countries shall: a) Preserve the Andean legal system in the relations between the Member Countries of the Andean Community b) Take into account the commercial sensitivities presented by the other Andean partners, in the commercial release offers. c) Maintain an appropriate exchange of information and consultations in the development of negotiations, in a framework of transparency and solidarity (CAN, 2003) ".

Under this premise, the CAN has established negotiations with Latin American commercial blocks, the United States and the European Union. Within Latin America, CAN has negotiated a Free Trade Agreement with the Central American Integration System, establishing a pact with the Northern Triangle, made up of El Salvador, Guatemala and Honduras, and also, reached an agreement with Panama and Mexico. Within South America, Chile, although it decided to withdraw from the Andean Community, has been a fundamental commercial partner in this process, sustaining commercial relations with all the members of the CAN.

Another commercial partner has been United States, one of the main business partners of the members of CAN, that after various years of negotiations and lack of comprehension, decided to negotiate directly with each member of the CAN rather than as block. Although historically not as representative economically to the CAN as the United States, the European Union in the 21st century has become a fundamental ally to the Andean Community, increasing its influence in matters of commerce and cooperation (Fernandez, 2009: pg. 194) Furthermore, negotiations between CAN and other sub regional blocks, such as Mercosur and Unasur have caused an overlap of

existing agreements and new agreements, creating a mix up in the ambit of integration within the region (Fernandez, 2009: pg. 194).

In conclusion, considering that the Andean Community of Nations is the oldest sub-regional integration project in Latin America, achieving 50 years of existence in 2019, it has had to overcome adversities such as the withdrawal of Chile and Venezuela from the organism, political instability in the region, and humanitarian and economic crisis, scenarios that have demonstrated the willingness of its members to continue working on achieving its main objective. The first objective of creating a Free Trade Area has been accomplished; however, due to unilateral decisions and personal interests of the member states, whom at times restrict commerce by applying tariffs or simply dishonoring what was agreed on, has caused different occasions to put the integration process on hold. Also, it must be stated that due to the different levels of development that each member of the Andean Community possesses, some members have benefited more than others, unfair to the members that are not in the capacity to compete. Therefore, before reaching a more complex level of integration and assuring its sustainability in time, its members must deal with these constant barriers that have stagnated the overall process and in the worst case scenario lead to the collapse of the process.

1.2. Tourism in the Andean Community

According to the Andean Strategic Agenda, established by the Trujillo Protocol in 1996, it identifies twelve thematic axes that the integration process must work on, determining tourism as one of the axes (Ministry of Foreign Affairs, 2019).

Consequently, the following section studies the development of the tourism industry within the CAN, while also briefly analyzing tourism statistics from 1997 to 2017, and lastly, highlights the importance of a specific form of tourism that throughout the years has presented an alternative to mass tourism for tourists all over the world.

1.2.1. Development of Tourism in the Andean Community

In the second half of the 20th century, with the publication of the Brundtland Report and the United Nations Conference on Trade and Development (UNCTAD), it was stated that sustainable tourism is one of the principal factors that contribute to the economy of developing countries (Unctad, 2017). Parallel to these publications, the Andean Community declared tourism as a topic of concern for the region, understanding that the industry generates income and attracts investments, creates new jobs, and also, helps integrate small companies and local communities into the economy (Catalano, 2013: pg. 206), while also playing an indispensable role in the development of productive sectors and communities in the sub region (SICE, n.d.).

Although it may seem that the Tourism industry began developing within the Andean Community towards the end of the 20th century, evidence shows that as early as of 1971, with Agreement 036 that created the Tourism Council, that permitted ministers and tourism officials to negotiate treaties regarding free crossing of borders for automobiles registered in the member countries, homogenization of aerial and terrestrial intraregional transport, joint investments in border areas, and other areas that were implemented to promote tourism in the region (Jaramillo, 1999).

Consequently, in 1982 with the signing of Agreement 171, the Andean Program of Development and Tourism Integration was established with the objective of not only reaffirming the position of its members regarding tourism measures, but also, to analyze tourism supply and demand, activities of travel agencies and the tasks of tourism operators and intermediaries. The agreement was later abolished and transformed into Agreement 463, creating the Andean Committee of Authorities of Tourism (CAATUR), defining the organisms' objectives as the following:

Figure 2 Objectives of the CAATUR

a) Promote intra sub-regional, border and sub-regional tourism

b) To encourage tourism to be an element of education and promotion of the Andean Community

c) Promote the creation of citizen awareness about the economic and social importance of tourism for the development of the Sub region, as well as the quality of the services that must be provided to tourists

d) Contribute to the improvement and diversification of the sub-regional tourism offer

e) Promote the technical and administrative improvement of the human resources linked to the tourism sector of each Member Country

f) Promote the conservation, recovery and sustainable use of natural and cultural resources linked to tourism

g) Promote the development of the tourism offer in a sustainable manner in the Sub region

h) Promote the facilitation of tourist flows in the Sub region

i) Eliminate the restrictions and obstacles to the services and providers of tourist services and promote the coordination of the necessary norms for the conformation of the Andean common market of tourism j) To foster the conditions to facilitate the use of technologies that tend to improve the competitiveness of tourism service providers in the Sub region

Source: SICE, (n.d.)
Elaborated by: Daniel Martinez

As can be noted, efforts have been made to strengthen and promote the Tourism Industry in the Andean Community, efforts which also helped reach Agreement 498, establishing the 24th of may as the official day of Andean Tourism, Agreement 503, determining that national identification documents are the only requirement for a tourist to travel between the four countries of the CAN, and lastly, Agreement 768, which created the Satellite Accounts Project for Tourism, created to define a a single methodological process to gather and interpret statistics for the satellite tourism account, vital step in unifying statistical information in order to be more precise when presenting overall indicators of the industry and possible recommendations for the different actors that form a part of the industry, and as a result improve overall tourism in the CAN (SICE, n.d).

Moreover, tourism in the Andean Community has taken positive steps towards promoting tourist destinations at an international scale, such as Andean Cities like Quito, Cuenca, Cusco, Arequipa or Sucre, rescuing destinations that towards the end of the 20th century seemed to have been forgotten (Larrea, 2019). Also, by branding tourist destinations such as Galapagos, Machupichu, Cartagena, and Potosi, Andean countries are reinforcing their image internationally to improve their competitiveness

with other popular tourist destinations. Nevertheless, analyzing the tourism industry from the point of view of a sub-regional bloc, it is still underdeveloped, meaning that a lot still has to be done in order to present the Andean Region to the world.

1.2.2. Tourism Industry in Numbers

Throughout the years, Tourism has made a strong impact on the CAN's members, influencing both directly and indirectly in the generation of income, creation of jobs and other socioeconomic factors. During the 20th century, problems arose concerning the different methodological processes that were used to gather statistical information, causing there to be inconsistencies in the information presented by the members of the Andean Community. As an effort to resolve this problem, the CAN presented a program that harmonized definitions, units, methods and nomenclatures in order to facilitate the gathering and interpreting of information, measure foreign trade levels, national accounts, balance of payments, GDP and remittances, creating the Community Statistical Programs run by the Andean Committee of Statistics (CAN, 2018).

With the objective of understanding the fluctuations of tourism in the Andean Community, an analysis will be conducted of the development of the industry during the period of 1997 to 2017, considering that all of the information presented is backed by the Community Statistical Program, therefore it is viable to the investigation. Moreover, the analysis will consider intra sub regional tourism and also tourism with the rest of the world, two different factors needed to reach a conclusion regarding the promotion of tourism within the Andean Community.

For comprehension purposes, three concepts that will be used throughout the following analysis: Inbound Tourism, defined by the World Tourism Organization (UNWTO) as: the activities of a non-resident visitor within the country of reference on an inbound tourism trip; Outbound Tourism, defined by the (UNWTO) as: the activities of a resident visitor outside the country of reference, either as part of an outbound tourism trip or as part of a domestic tourism trip; and lastly Domestic Tourism, defined by the (UNWTO): the activities of a resident visitor within the country of reference, either as part of a domestic tourism trip or part of an outbound tourism trip (WTO, n.d.).

The Andean Community, consisting of Bolivia, Colombia, Ecuador and Peru, covers about 3.8 million kilometers and in 2018 consisted of about 109 million inhabitants with a GDP of USD 1.296.108 million dollars, a significant market in Latin America. According to the publication of the Andean Community titled" Tourism Satellite Account of the Member Countries of the Andean Community" published in 2011, the Tourism sector in 1998 represented about 2.7% of the total Andean Economy, meanwhile in 2007 increased slightly to 2.9%. During 2007, the country where tourism was most representative was Ecuador (5.2%), followed by Bolivia (3.7%), Peru (3.7%) and Colombia (2.0%). The study also highlights the importance that domestic tourism plays in the economies of the Andean Community, generating in 2007 approximately three times the amount compared to inbound tourism. In the case of Bolivia, it represented one and a half more than inbound tourism, in Colombia three and a half, in Ecuador four and a half and in Peru twice the amount (CAN, 2011: pg. 13).

On the other hand, in the "Annual Tourism Report 2003-2012" also presented by the Andean Community, the report divides the content into different sections, Inbound Tourism and Outbound Tourism. The statistics for inbound tourism show an increase in the international arrival of tourists from 2.949 million arrivals that generated about USD 2.453 million dollars in 2003, to 7.105 million arrivals that generated USD 6.556 million dollars in 2012 (CAN, 2013). Of all the tourists that arrived in 2012, 47% derived from countries in the American continent not a part of the CAN, 16% from European countries, 18% from members of the Andean Community, 1% from Asia and the remaining percentage consisted of other countries scattered throughout the world, the preferential method of arrival was by Air 58%, Land 31%, Water 1% and the remaining 10% not being specified. Also, there was in increase in intra sub regional travel, registering 757 thousand tourists in 2003 to 1.271 thousand tourists in 2012, with Ecuador receiving the most tourists (492 thousand), followed by Peru (412 thousand), Colombia (199 thousand), and Bolivia (168 thousand).

Outbound Tourism in the CAN on the other hand, increased approximately 8% annually from 2003 to 2012, reaching in 2012 about 7.5 million departures representing about USD 5.112 million dollars in outbound tourism expenditure, showing in an increase in the values registered in the economies of the CAN members. Furthermore, outbound tourism within the Andean Community grew from 758 million tourist departures in 2003 to 1.271 million tourist departures in 2012, prominently from Colombia (506 million), Peru (355 million), Ecuador (294 million) and Bolivia (116 million). Lastly, in 2012, the Tourism Balance that analyzes the

income generated from inbound tourism versus the expenditure of outbound tourism, presented a positive balance of USD 1.453 million dollars, emphasizing the importance of tourism for the Andean Community.

Although the Andean Community reached an agreement on publishing content as a block rather than individually, the last report published of the Tourism Industry by the CAN was in 2013, leaving a period from 2013 to 2018 with no information officially published by the different institutions, resulting necessary to resort to the individual information published by each member of the Andean Community, statistics that will be studied later on in this investigation.

1.2.3. Community Based Tourism in the Andean Community

The overall development of the Tourism Industry towards the end of the 20th century and beginning of 21st century has shown spectacular growth, which has led to the implementation of social strategies that seek the well being of the different actors involved in the industry and also the progression of it. The results of the different policies and agreements concerning Tourism has caused authors to define it as the largest global industry in the 21st century (Fletcher, 2011: pg.443).

Although tourism growth generated positive results for the industry, numerous criticisms emerged regarding the environmental, socio-economic and cultural impact of the industry. According to Laurie Miller (2018), Tourism, when not regulated and controlled, can turn into overtourism, situation where the number of tourists that

arrive to a certain destination make it unsustainable, causing negative affects on the destination. Similarly, it has been criticized for generating income only for a small sector of the society, meanwhile, the rest of the population hardly ever have the opportunity to benefit from these results. Lastly, due to modernization and commercialization, it may also occur that tourism tends to push tourists to explore typical tourist destinations, rather than experience small communities and ancestral cultures that are unfamiliar to traditional tourists and at times even inaccessible, a scenario that may put in risk the existence of cultures and lifestyles that have subsisted for thousands of years.

Therefore, alternative tourism was created as a response to mass tourism models that face economic, environmental, cultural and social difficulties (Loizos Christou 2012:1). Alternative tourism is based on finding a balance between the generation of income from conventional tourism, while also seeking to diminish the possible negative effects that can originate from this practice in a specific destination. One of the most recognized forms of alternative tourism is Community-based tourism (CBT), known for promoting a bottom-up approach of tourism where the community owns and controls the tourism process, understanding that they are the ones who fully understand the functionality, challenges, difficulties and potential that the community or sector has to offer, presenting an alternative form of development and promoting social justice through tourism (Giampiccoli & Saayman, 2014:1673), rather than leaving their future in the hands of corporations who apply globalized, unjust and unsustainable forms of mass tourism (Pulido & López, 2011:268).

The effects of mass tourism previously mentioned not only targeted developed countries, they also affected developing countries, as was the case of the members of the Andean Community. During the 1970's, vulnerable groups, indigenous communities, cooperatives, families of farmers and native communities decided to organize themselves and launch CBT projects, as they were seen to be be essential for the development and sustainability of their cultures. CBT projects encourage an interaction between inhabitants of communities and tourists, creating a unique opportunity to understand different cultures and experience first hand traditions of the destination (Pachamama, 2015).

In the report published by Alba Sud in 2015 titled "Rural Community-based Tourism: Latin American Catalogue," focused on presenting the different alternatives of CBT that Latin America has to offer, studies show that the communities formally began offering CBT packages in the early 2000's; In the case of Bolivia in 2005 with the establishment of The Tusoco Network. On the other hand, in 2001 with the foundation of Union of Peasant and Indigenous Organizations of Cotacachi, Ecuador registered its first CBT operator. In 2001, Peru also launched Pachamama Alternative Tourism, a Peruvian agency created by the Peruvian Artisans Interregional Central Association, Latin American Marketing Network, and 14 artisan groups, promoting the same principals as the other CBT projects in the Andean Community. Colombia on the other hand, is the only country not mentioned in the report, perhaps due to the fact that CBT projects are still in their pilot stage, stated by TourCert, who in 2017 replicated a successful CBT project launched in Ecuador to Colombia and Peru.

An aspect that has aided in the establishment of CBT projects is the role of NGO's, aiding not only in the finance, but also in the management, marketing, instruction, and organization of these institutions to make these projects self sufficient, resilient, and sustainable (Alba Sud, 2015). With the aid of the United States Secretary of State, the World Environmental Center, and other official institutions, in 2016 the First Latin American Community Based Tourism meeting was held in Colombia, where topics such as local development, social innovation, productivity, entrepreneurship and collaborative networks where discussed in support of sustainable development in Latin-American territory (UNWTO, n.d.).

While statistics show positive feedback for CBT projects in the Andean Community, certain factors have led to the inefficiency and in the worst case even the failure of the different projects. According to Mitchell and Muckosy (2008), two factors stand out: The first, poor market access, where development agencies and tourism giants have full control over the market, pushing the smaller projects out of the market, and second, due to poor governance, where authorities decide to intervene due to the lack of experience the communities may have in managerial aspects, striving to fulfil their proper interests rather than those of the community.

In brief, records show that a series of agreements have been made regarding tourism in the Andean Community, perhaps agreeing on creating a Satellite Account for tourism being the most remarkable agreement reached. However, once again, due to discrepancies and the lack of reaching agreements by the member states, each state has used different strategies and policies to promote tourism. This can be reflected with the statistics presented by the institution, where inbound intraregional tourism

represents only 18% of all tourism income, meaning that the policies implemented are not capturing and stimulating the attention of the Andean Population. Also, since the last report of the Andean Community concerning tourism was published in 2013, there is a gap of information from 2013 to 2018, which lead to question the seriousness of previous agreements reach by the members involved. Lastly, the implementation of Community Based Tourism projects in the Andean Community, although they do not have any relation with institutions of Andean Community, have promoted the Andean Region in a unique and innovative way, integrating small communities and vulnerable groups to the industry.

1.3. Role of the World Tourism Organization in the Andean Community

The following section seeks to understand the historical role of World Tourism Organization and the influence that the organization has had on the development of tourism, identifying the policies applied and the impact that these have had within the Andean Community, while also understand the relation between the UNWTO and Agenda 2030, highlighting the importance tourism plays on each of the seventeen Sustainable Development Goals, studying the progress of the agenda on the members of the Andean Community by reviewing publications of Voluntary National Reviews.

1.3.1. World Tourism Organization

In the present day, The World Tourism Organization (UNWTO) is the leading organization in the tourism industry. The UNWTO, previously known as the International Union of Official Travel Organizations (IUOTO), was created in 1975 and appointed special agency of the United Nations in 2003, created with the objective of promoting responsible, sustainable and accessible tourism all over the world (UNWTO, n.d.).

The role of the agency focuses not only on promoting tourism as a driver of economic growth, inclusive development and eco-conscious sustainability, but also, plays the role of a consulter, publishing information concerning leadership and support to the industry in favor of developing and spreading knowledge of the different tourism policies being applied worldwide. With the establishment of the Global Code of Ethics for Tourism, the institution faces the task of minimizing possible negative effects resulting from tourism in order to maximize socio-economic contribution (UNWTO, n.d.).

In 2019, the UNWTO is present in six continents and consists of one hundred fifty-eight member countries, six associate members and more than five hundred affiliate members, comprising the private sector, academia, tourism associations and local tourism authorities. The organization is made up of different governing bodies, such as the General Assembly, Executive Council, Secretariat, Regional Commissions and Committees, in charge of carrying out functions that preserve the sustainability of the organism (UNWTO, n.d.). Twenty-two sessions have been held by the General

Assembly, with the next session intended to be held in Saint Petersburg, Russia on September 2019 (UNWTO, n.d.). On the other hand, the Executive Council, has had one hundred ten sessions, with the latest being held in Baku – Azerbaijan on June 2019 (UNWTO, n.d.).

The UNTWO's areas of work are the following: Sustainable Development of Tourism, Ethics and Social Responsibility, Technical Cooperation and Services, Statistics and Tourism Satellite Accounts, Education and Training, Market Trends, Resilience of Tourism Development, Competitiveness and Destination Management and Quality (UNWTO, n.d.). By generating market knowledge, stimulating tourism education and training, promoting competitive and sustainable tourism policies and instruments, it seeks to engage all the actors of society in projects at both a state and regional level. For informative purposes, the UNWTO has issued more than 1300 electronic publications, emphasizing indicators such as the World Tourism Barometer, Tourism Highlights and the Yearbook and Compendium of Tourism Statistics (UNWTO, n.d.).

1.3.2. Impact of the UNWTO in the Andean Community

The UNWTO has been present in the Andean Community since 1975, year when the four member of the CAN decided to also form part of the organization as member states. The impact of the UNWTO in Latin America is threefold: First, at a continental level, establishing invitations for members to assist summits held by the UNWTO's Regional Commission for the Americas. Second, at a regional or sub regional level, establishing relations between the UNWTO and the Andean

Community. Lastly, at an individual level, forming relations with each member of the Andean Community and the diverse actors of their societies.

The UNWTO's involvement in the Andean Community can be analyzed using a general to specific approach, considering the Regional Department for the Americas as a starting point. According to the UNWTO (n.d.), the goal of the Regional Department is to ensure its members' benefit from the transfer of technology developed by regional practices and also enhance the quality and efficiency of development assistance. Also, through Technical Cooperation programs and Sectorial support missions, either long or short term oriented, they look to provide technical assistance to tourism actors to gather know-how in the preparation and application of tourism policies and the measurement of the impact these policies have on the member states, presenting recommendations and annual reports that detail the situation the tourism industry is facing. The Regional Department for the Americas has held around sixty-four international meetings, specialized in treating different topics and establishing regional agendas for the tourism industry in the Americas. The last publication dates to 2018 titled," Tourism and the Sustainable Development Goals – Good Practices in the Americas," offering case studies and recommendations that contribute to the link between sustainable tourism and the achievement of the SDGs, highlighting the importance of a common multi-stakeholder approach to promote sustainable growth in the tourism sector (UNWTO, n.d.).

At a regional level however, little has been achieved between the UNWTO and the CAN, subscribing in 2006 a memorandum of understanding in the field of Technical Cooperation and Development of Tourism in the region. The objective of

the memorandum was to determine tourism as a crucial factor in the struggle towards the reduction of poverty and economic development for the economies in the Andean region (CAN, 2006), while also promote the expansion of intra-sub regional tourism and the consolidation of favorable conditions for the creation of new products and new tourist destinations. Additionally, it supports inbound tourism by creating open sky policies that permit an amplification of tourist routes and improve conditions of connectivity and prices. Lastly, the memorandum stated the adoption of a Tourism Satellite Account in the Andean Community in order to standardize and quantify the effects of tourism on the Andean Economies (CAN, 2006). Inconsistencies and the lack of and unity in the CAN has led its members to apply policies individually within their countries, rather than reaching an overall consensus and presenting an integrated plan concerning the future of tourism in the Andean Community.

The UNWTO has applied several strategies to reach their overall mission, in the case of the Andean Community, all of the member's form part of the UNWTO, nevertheless, each member has taken different routes to promote tourism and its different activities in their territories. This being said, the country that has been the most representative in the UNWTO is Colombia, being the only member of the CAN to host a General Assembly meeting in two occasions, the seventeenth session in 2007 at Cartagena de Indias and the twenty second in Medellin in 2017, and also, hosting the Executive Council meeting's in five separate occasions, the most recent being in 2015. Ecuador has also held international meetings, hosting the seventy-eighth Executive Council meeting in 2006, while also organizing seminars and congresses on topics such as Ethics and Tourism. Ecuador on the other hand, only registers two official affiliate members. Peru and Bolivia are the only two countries that have not

yet hosted an international meeting, the first registering seven official affiliate members and the latter registering one. It should be noted that Peru was appointed chairman of the Committee on Tourism and Competitiveness during the period 2015-2019 (UNWTO, 2017).

1.3.3. Connection between Agenda 2030 and UNWTO: Impact in the CAN

Reaching a Global compromise towards defining universal goals that integrate all sectors of society towards sustainable development, at an economic, social and environmental level, has been a constant struggle for the global community since 1992, with the adoption of Agenda 21 in the Earth Summit and the creation of the Millennium Development Goals (MDGs). These goals would later serve as the backbone for the establishment of the 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDGs) that outline a framework to eradicate poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030 (Tourism for SDGs, n.d.). In effort to reach these goals, the UNWTO created a platform titled "Tourism for SDGs" emphasizing the contribution of tourism, both directly and indirectly to all the goals (Tourism for SDGs, n.d.).

According to the UNWTO, there exists a link between the development of tourism and the impact this industry can have on the SDGs, example provided below:

Figure 3 Impact of Tourism in the achievement of SDGs



SDGs	Impact of Tourism
Goal 1: No Poverty	Tourism provides income through job creation at local and community levels.
Goal 2: Zero Hunger	Tourism can spur sustainable agriculture by promoting the production and supplies to hotels
Goal 3: Good Health & Well-Being	Tax income generated from tourism can be reinvested in health care and services
Goal 4: Quality Education	Tourism has the potential to promote inclusiveness
Goal 5: Gender Equality	Tourism can empower women, particularly through the provision of direct jobs and income-generation
Goal 6: Clean Water & Sanitation	Tourism investment requirement for providing utilities can play a critical role in achieving water access and security
Goal 7: Affordable & Clean Energy	As an energy intensive sector, tourism can accelerate the shift towards increased renewable energy shares
Goal 8: Decent Work & Economic Growth	Tourism, as services trade, is one of the top four export earners globally
Goal 9: Industry, Innovation & Infrastructure	Tourism development relies on good public and private infrastructure
Goal 10: Reduced Inequalities	Tourism can be a powerful tool for community development and reducing inequalities if it engages local populations and all key stakeholders in its development.
Goal 11: Sustainable Cities & Communities	Tourism can advance urban infrastructure and accessibility, promote regeneration and preserve cultural and natural heritage, assets on which tourism depends.
Goal 12: Responsible Consumption & Production	The tourism sector needs to adopt sustainable consumption and production (SCP) modes
Goal 13: Climate Action	Tourism contributes to and is affected by climate change.
Goal 14: Life Below Water	Coastal and maritime tourism rely on healthy marine ecosystems.

Goal 15: Life on Land	Rich biodiversity and natural heritage are often the main reasons why tourists visit a destination.
Goal 16: Peace & Justice	As tourism unites people of diverse cultural backgrounds, the sector can foster multicultural and inter-faith tolerance and understanding, laying the foundation for more peaceful societies.
Goal 17: Partnerships for the Goals	Due to its cross-sectorial nature, tourism has the ability to strengthen private/public partnerships

Source: Tourism for SDGs, n.d.
Elaborated by: Daniel Martinez (2019)

Considering the members of the Andean Community also as members of the United Nations, they have adopted different strategies in order to achieve the SDGs by 2030. Contemplating that the global agenda for 2030 is bold and ambitious, the United Nations General Assembly in cooperation with the Economic and Social Council, created the High-level Political Forum on Sustainable Development (HLPF), organization that recommends countries to present Voluntary National Reviews (VRMs), whose objective is to measure and follow up on the progress of the policies being applied at a national and sub-national level, to later serve as evidence to be presented at annual meetings (UN, n.d.). The HLPF, although it is an official organization of the United Nations, does not have the capacity of establishing legally binding relations, therefore, it's recommendations and proposals are left to the different states to decide whether to be applied or not.

In this sense, each member of the CAN has chosen a particular process towards accepting and integrating the 2030 Agenda into there overall action plan, applying the topic to their own reality. According to the Voluntary National Reviews

Database (Sustainable Development Knowledge Platform, n.d.), Colombia has presented VNRs in two occasions (2016 and 2018), Ecuador has presented a VNR in 2018, and Peru has presented a VNR in 2017, leaving Bolivia to be the only member not to present a VNR till present day. Although the presentation of these reports are completely voluntary, they help depict the advancement of reaching the SDGs and the Agenda 2030 in these countries, and more so, the role that tourism has played in this constant battle, reason why the presentation of these documents should be stressed.

In summary, the UNWTO was created as an intergovernmental institution to promote tourism, inclusiveness and environmentally social practices in the different branches of tourism; In the Andean Community, from a sub regional bloc perspective, only a memorandum of understanding has been reached to promote tourism in the region, the real advance has happened individually at a state level. Meanwhile, a form of measuring the advance of tourism development in the Andean Community is through the application of Agenda 2030, understanding that tourism has the capacity of tackling all the SDGs individually. As was noted, although the members of the Andean Community agreed to the conditions of the UNWTO, the information it presents is not legally binding, therefore, the applicability of policies depends on the willingness and cooperation of the parts involved, leaving it up each members to determine whether the measures presented by the UNWTO are accord with their individual governmental plans.

CHAPTER 2

NEW CONSUMER BEHAVIOR: TOURISM AS AN EXPERIENCE

2.1. Analysis of Consumer behavior

The objective of the following chapter is to analyze the evolution of consumer behavior by studying different segments of the population and their behavior, defining new trends and tendencies that characterize certain generations to define effective mechanisms and tools to capture the attention of these potential clients.

2.1.1. Evolution of Consumer Behavior

The study of Consumer Behavior begins around the mid 20th century, becoming an essential area in the field of Marketing. Consumer behavior is a multidisciplinary study, integrating concepts mainly from psychology, but also sociology, anthropology, economics, and other subjects, to help comprehend and understand the consumers point of view regarding purchasing and consumption. Various definitions have been given to the concept of Consumer Behavior, anyhow, for the purpose of this investigation, the definition of Kotler and Keller (2006) seems the most adequate: "Consumer behavior is the study of how individuals, groups and organizations select, buy, use and dispose of goods, services, ideas, or experiences to satisfy their needs and wants. "

According to Lawson (2010), consumer behavior in the 20th century faced three different periods, starting in the 1950's and lasting approximately 20 years, where research was primarily based on segmentation, giving the importance to topics relating psychographics, lifestyles, social class and family habits. Subsequently, and coinciding the previous period, with the contributions of authors such as Howard and

Rogers (1963), focusing on the early development of consumer based decision models, while also, integrating an attitude approach to consumer research from psychology theories. This period was identified with the contributions of authors such as Fishbein's and Rosenberg, strengthening the importance of general models whose objective was the analysis of human behavior in consumer research (Lawson, 2010: pg. 264). Lastly, the third period of the evolution of consumer behavior began towards the end of the 20th century, focusing less on cognitive research, and giving more importance to the irrational side of human behavior, such as analyzing affects and emotions intervene when faced with the either consuming or purchasing a product or service. Furthermore, with the creation of journals whose objective is to transmit new findings in consumer behavior topics, such as Consumer Research, Consumer Behavior, Consumer Psychology, Customer Behavior, and more recently Consumption, Markets and Culture, the topic has been constantly updating information that has been discovered, reinforcing and giving more relevance to the subject within the field of Marketing (Lawson, 2010: pg. 263).

On the other hand, Zaichkowsky (1991) presents a slightly different point of view regarding the evolution of consumer behavior. With the end of mass marketing occurring around the 1930's, marketers understood that in order to succeed, a variation had to occur from producing what they believed was needed to actually producing what consumers demanded. A clear example was the case of Henry Ford before WWII, giving the consumer the opportunity to purchase an automobile in any color as long as it was black. With the market becoming more competitive and consumers more demanding, Ford decided to introduce different models with alternative characteristics to the society that responded to their needs and demands.

With this being said, according to Zaichkowsky these changes marked a precedent in what would later be known as consumer behavior.

After the 1940's, each decade represented a slight change in the concept of consumer behavior, the 1940's was a decade where economic paradigms were predominant, understanding the consumer as a rational human being who based his/her decisions on conscious economic calculation seeking to achieve the most utility or satisfaction based on preferences and purchasing power (Zaichkowsky, 1991: pg. 51). This situation assumed that consumers where fully aware of the different alternatives that where available in the marketplace, and also, that consumers had the capacity to rank, in a rational form, the alternatives they had based on their preferences. The economic paradigm that was applied in the 1940's seemed to leave a lot of answers unquestioned, reason why in the 1950's, with the help of the first psychologists, analysts considered the consumer as an irrational and impulsive decision maker.

By incorporating concepts of personality and motivation theory from authors like Freud and Maslow, it was understood that the consumer was vulnerable to internal and external influences, variables that economic models did not have the capacity to analyze (Zaichkowsky, 1991: pg. 52). These two decades are considered the pillars of the study of consumer behavior, paving the way for studies that contemplated the consumers as either cognitive, irrational, emotional, normative, etc. depending on the theoretical bases that the analyst applies, creating a debate that revolves around the predominant field in the study of consumer behavior.

2.1.2. Latest Trends in Consumer Behavior

With the era of the Industrial Revolution coming to an end towards the end of the 20th century, the slow transition towards the information era begins, accompanied by changes in social, economic, environmental, academic, etc. aspects. The diffusion of the internet and the World Wide Web restructured the way societies and human beings interact, offering people the possibility to have access to unlimited information in real time. In addition to the use of the internet, cellphones, new software and other innovative applications that are linked to the internet have forced companies to apply new strategies that can respond to the changes that consumers are undergoing. With constant change and innovation occurring, identifying a profile for consumers, and also defining habits and behaviors has become a fundamental task for researchers in the 21st century (Torr, 2003: pg. 12).

Considering that it is difficult to establish an overall profile of a modern consumer due to the different characteristics that each person possesses, it is imperative to analyze consumer behavior by breaking it down into groups or categories defined by generations. In this sense, the present investigation provides an analysis of three influential generations, highlighting characteristics such as personalities, values, attitudes and experiences that are proper to each generation which help predict their behavior when faced with a taking a decision, reason why a thorough analysis of these generations is necessary in this part of the investigation. Moreover, when identifying characteristics of a generation or cohort, researchers believe that certain events such as economic, political, or social, that occur during pre-adult years at an overall scale, will shape their values, beliefs, expectations and

behaviors, remaining constant and almost unmodifiable throughout the lives of those that are categorized in a certain generation.

With this being said, the first generation that will be analyzed is the Generation known as "Baby Boomers," categorized by people who were born between 1946 and 1964. Baby boomers have been defined as being educated, traditional, workaholic, loyal, and optimistic, molded by a post-war atmosphere. Perhaps the most interesting characteristic is that baby boomers were known for having a buy now, pay later mentality which was backed up by the long work hours that were invested in their jobs. When referring to technology and innovation, this generation grew up with the constant advancements that were going on in these fields. Lastly, what concerned them the most was their health and wellness, both aspects that were taken into consideration when retirement knocked on their door (Nichols & Smith, 2015: pg. 39).

On the other hand, following the generation of Baby Boomers, Generation X members fall into the category of those born between 1965 and 1980, known for their autonomy, self reliance and creativity when it comes to devising practical solutions to typical problems. Unlike the previous cohort, Generation X members are defined as being balanced, entrepreneurial and informal, but at the same time much more cautious and conservative when it comes to economic factors, defining as one of their main objectives saving and allocating capital gains to face the future. Lastly, Generation X has been known for being price conscious and extremely demanding when it comes to products and services, seeking products that achieve a certain task,

relying on different sources of information, mostly interacting with other customers in order to take a well informed decision (Nichols & Smith, 2015: pg. 40).

Finally, Generation Y are considered those who were born between 1981 and 2000. While Generation Y have a lot of characteristics in common with Generation X, such as being considered independent and autonomous, they are considered to be the first global generation, using the internet and other platforms to interact with other parts of the world whenever it is needed. Relying mainly on gadgets and other technological devices to come up with new solutions to existing problems, they are a generation considered to be a very consumerist generation, having the advantage that with the Internet unlimited information is available in real time, becoming a very demanding and competitive generation who base their decisions on experiences, not only on price and quality of products or services, characteristics that would serve as a precedent for what would later be known as a consumer 2.0 (Nichols & Smith, 2015: pg. 41).

2.1.3. Platforms and Consumer 2.0

With the invention of the Internet and other forms of innovative technology, there has been a change in the trends and behaviors of modern consumers, therefore resulting in a change in interaction between international marketing and the interaction that companies face with their potential consumers, changes that demanded new strategies to comprehend modern consumers or consumers 2.0 (Baoko & Sharma, 2012: pg. 348). Baoko and Sharma (2012) define Consumer 2.0 as consumers who are more technologically savvy, connected, globalized, informed, and

also social. Consumer 2.0 considers consumers to spend most of their time on the internet, seeking fast and efficient websites that respond to their needs, use their cellphones and other devices to shop online, registering their thoughts and experiences on online platforms that can be accessed from different parts of the world. In other words, consumers 2.0 look for experiences when purchasing a product or navigating through different platforms, taking into consideration the experience as a precedent before taking any other decision.

Responding to the new changes occurring in consumer behavior, companies have identified E-communication as a tool and also the area where the majority of companies are investing resources in the 21st century, defined by Hackley (2011) as all types of marketing communication tools which engage the electronic media, especially Internet, mobile devices or digital television. With the increase of internet advertising sales constantly increasing at a global scale, it is evident that companies have decided to reach their potential customers through new means. According to a study conducted by Pricewaterhousecoopers (PwC) in the United States, one of the largest markets in the world, Internet Advertising generated approximately 49.5$ billion dollars in the year 2018, based on three drivers: An improvement in the agility in digital advertising and mobile commerce driving mobile advertising. It is clear that the study conducted only focuses on the North American market, but it is a pattern that is being replicated at an international level.

Focusing on the characteristics of modern consumers, different types of platforms and applications that use the Internet have been created to respond to preferences of consumers. Websites and different applications that fit into the

categories of social media or e-commerce, or a mix between the two, known as social commerce, are essential to marketers when trying to comprehend consumer behavior. As a response to this phenomenon, companies have decided to apply different types of online marketing tools, such as Search Engine Optimization, Pay-per-click advertisement, Viral marketing, Article marketing, Affiliate marketing and Social media marketing to target more effectively their consumer audience. Additionally, with the use of methods such as collecting massive amounts of online data, re-targeted marketing, and the use of Artificial Intelligence, companies direct their concentration on consumer habits, keeping up to date with the changes that are occurring in this field.

2.2. Creating Customer Value

As a response to the changes in consumer behavior, companies needed to find a way to respond to the demands and requirements of new customers. This gave way to the creation of theories focused on creating customer value, highlighting the importance of creating a bond with customers through experiences. To back up this information, examples of companies who use these strategies will be analyzed to understand the circumstances under which these type of strategies have succeeded.

2.2.1. Evolution of Customer Value founded on Experiences

Towards the end of the 20th Century, a modification in Economic History was occurring, merging from typical economies who offered goods and services, to

economies that founded their activity on Experiences. Diverse factors helped introduce this modern concept to the marketplace, starting by the acceptance of people to this new concept, embracing the fact that a change was required in the economic landscape. As a result, and with the acknowledgment of the idea that consumers valued experiences more than goods and services, this gave way to the promotion of new value creating strategies. Consequently, and perhaps the most deciding factor that permitted the idea of an experiential economy to be accepted was the turning point where executives, managers and other leaders realized that the experience market was intact, deciding to explore and respond to the demands this sector had to offer as a way of differentiating themselves from the rest of the competition.

Before explaining the fundaments of the Experiential Economy, it is imperative to understand the different events that led up to the shift in the global economy. It is difficult to determine the exact point where the Experiential Industry began to be accepted by consumers and society as a whole, however, Pine and Gilmore (2013) believe that the concept was first acknowledged around the end of the 20th century. According to these authors, economic history has evolved as following: First, economies based on Commodities, dating back to agrarian times where the extraction and commercialization of fungible, undifferentiated products stimulated economies. Consequently, during the period of industrial revolution, standardized tangible products where being manufactured and mass produced at a rate humans had never seen before, adopting the name of Goods. At the end of the 21th century, once again there would occur a shift towards a new type of sector within the Economy, taking into consideration that customers where searching for products not only based on price and quality, they demanded individualized products or services that linked

the customer with the company and as a result created an experience that lasted throughout the life of the consumer.

According to Pine and Gilmore (2013), if the global economy depends merely on goods and services, this will lead to economic austerity and stagnation. As an alternative, they highlight the importance of promoting and working towards the Experience Economy to generate new economic input, diversify and increase GDP, and mainly, create new jobs that can stimulate the Economy. In order to achieve a functional economy based on Experiences, it is imperative to understand consumers and their behaviors to respond adequately to their needs. When offering a product or service, authenticity will be a decisive factor for customers to determine what economic offering they will opt for.

Furthermore, understanding the fact that economies all over the world are facing customers with scarce attention, time and money, the formula falls back to customization and individualization of a product or service by fully an individual's habits, customs, needs, and desires to create a lasting relation between the parts. To assure sustainability of the Experience Economy, authors highlight the importance of charging a fee in order to be able to access a certain type of experience, considering that sufficient studies and analysis have been conducted to back up customer's demand.

2.2.2. Creating Customer Value Theories

There exist various theories and authors who establish certain parameters regarding methods or strategies that companies and businesses can apply in order to create customer value, however, having observed that consumers in the 21st century focus mainly on the experience that a product or service can provide, the investigation will concentrate on authors who promote experiences as a way of creating customer value.

One of the many authors who make reference to creating customer value is Sunil Gupta, highlighting the importance of businesses and companies in understanding consumer habits, preferences, and demands when creating customer value. Sunil Gupta (2014) defines value as: "Value is generally defined as the difference between what a customer pays for a product or service and the bundle of benefits she receives. There are four ways in which customers derive value from a product or service: economic value, functional value, experiential value, and social value." Regardless of the type of market that a company is looking to tap into, managers must understand that their organizations success will rely on the understanding and feedback of their customers, a fundamental step within the process of creating customer value.

After analyzing the different ways of creating customer value, the one with the most impact on modern consumers is experiential value, understood as: intangible psychological and emotional value that can be derived from brands or great service (Gupta, 2014). Organizations tend to create experiential values by four different ways:

Branding, Design, Customer Experience and Customer Service, and Emotional Benefits a product or service can offer.

One of the most frequently applied by companies is branding through which they can transmit to their customer's characteristics such as quality, image, and prestige, a strategy that implies creating psychological value for the consumer. Another strategy that is used by companies to create experiential value is through the design of a product, investing in the creation of unique designs that stand out and differentiate their products from others than can be found in the market. In order for companies to increase their target audience, they target areas of customer service and customer experience, investing internally in training employees to offer the best customer service, processes that have shown positive results in the overall evaluations of these companies. Companies and organizations tend to exploit the previously mentioned strategies but often forget about creating emotional benefits for their customers, that is to say identifying and building an emotional bond that links the customers to their products or services, creating long-term customers who are loyal and reliable, a task that competitors will unlikely be able to imitate.

2.2.3. Companies who focus on providing Experiences

Realizing the importance of providing an experience rather than a tangible good or service has been the first step that companies have identified, therefore, determining that it is a matter that must be dealt with strategically. Consequently, the importance relies on offering customers a unique experience at the different touch points, or spaces where interactions occur between the business and the consumer,

resulting in positive feedback, loyalty, and fidelity from the customer's standpoint. The different strategies that have been applied depend mostly on the sector within which a company finds itself in, whether it's the health, tourism, retail, entertainment, etc., based on the fact that the profiles of the consumers will vary depending on what the person is looking for.

One of the many strategies that have been applied to provide a positive experience by different companies relies on strengthening the customer service area or department to ensure a quick response to customer's feedback. According to a survey conducted by ICMI in 2016, within the retail industry, the most influential companies that have been known for providing excellent customer service are Zappos, Nordstorm, Amazon and REI, with a loyal customer service team as a common denominator in these companies. Meanwhile, in the traveling industry, companies such as Southwest Airlines and Jetblue have identified the importance of social customer support, using different platforms that are available to customers 24/7 to keep up to date with their customer's stories and constant requirements that demand improvements within the companies.

The different channels that used to apply these strategies vary from mobile apps, social media platforms, email support, and 24/7 phone support accessible, giving very positive feedback from their customers. Companies such as Apple and Disney, considered to have been the first companies to comprehend the importance of providing an experience to customers, define their customers as a crucial variable to their success, and therefore, go beyond their way to make sure customers are presented with an experience that will mark their life, creating a bond between the two

parts. In the case of Disney, identifying customers by their names has been a strategy to personalize their attention, while Apple, with its one on one in store attention help its customers receive the assistance they need, exemplary attention that has created a bond between the company and its users.

On the other hand, with the help of internet and the accessibility that companies have to new markets all over the world, an expansion strategy that is being used focuses on maintaining a standard product or service, while at the same time analyzing and accepting the different characteristics of a certain market, known as going 'glocal.' The essence of the strategy is set on offering a product internationally, by combining local branding and experiences that take into consideration culture and local lifestyles as a way of personalizing and presenting a product or service in terms that are natural to the customer. The product or service being offered normally does not vary geographically, but the positioning, communication and marketing strategies do vary depending on the particularities of the potential market, a unique task that must be dealt with carefully (KPMG, 2018: pg. 58).

Different companies are seeking methods to provide a more personal experience to its target customers, however, it seems the online streaming platform, Netflix, has found a solution based on customer experience. According to KPMG (2018), Netflix operates in approximately 190 with about 125 million memberships, each member with their own unique preferences. When the company started, the majority of the material they offered was in English and the remaining was local content, with a ratio of approximately 80/20. Identifying this as one of their main barriers, they decided to apply translation techniques, such as dubbing and subtitling,

to serve a broader audience. In addition, they increased the local content that could be found on the platform, at times working with local producers to help the audience feel identified with the content, therefore, having a bigger impact on its members and creating an experience that will last for a long time. The market in which Netflix finds itself is very competitive, facing giants such as Amazon, Sky and other online streaming platforms, reason why they apply techniques such as advanced hyper-personalization and interactive technology (KPMG, 2018: pg. 60).

2.3. Tourism understood as an experience

Within the Experience Economy, tourism can play a fundamental role offering a lasting experience for their customers. Tourism, as any other sector of the economy, must be developed with caution, assuring its sustainability in the future. Different authors have presented alternatives to develop tourism in a sustainable matter, creating indicators and tools to measure the advance of the industry.

2.3.1. Tourism theories

In 1987 with the publication of the Brundtland Commission Report "Our Common Future" and with the World Conference on Environment and Sustainable Development from Rio de Janeiro in 1992, sustainability and development turned into a topic of importance within the national agenda of each country. In the early 1970's, tourism was perceived to be an activity free of contamination and sustainable in time, therefore, a viable alternative towards economic diversification and the generation of

income, believed to be a positive alternative and better option towards sustainable development and a possible "Smokeless Industry" (Berno & Brecker, 2001).
Due to the complexity of the Tourism Industry that integrates various fields of study and at the same time is questioned if it falls under its own field of study, a debate appeared regarding the theoretical framework to apply, that incorporates quantitative and qualitative indicators to present an integral study of the sector. The alternative was to incorporate existing theories depending on the topic to be analyzed, resulting in studies, publications and journals where two ideologies are identified: Mainstream and conventional models, understanding development based economic growth and 'trickle down' theory, while on the other hand, alternative and reformist models, eco-conscious and protective of the future of the environment and planet. For the purpose of this investigation, only the latter will be studied.

Within the Reformist Theoretical Models, the concept of Sustainable Development planted by the Bruntland Commission Report, defined as: "The capacity humanity has to meet the needs of the present without compromising future generations to meet their own needs," unlocked a door for new theoretical frameworks to be created. Prayas (2004) state that the reformist perspective, although they disagree with topics like the lack of concern of environmental and equity factors that conventional models obviate, and therefore, support the perspective of the World Commission on Environment and Development (WCED) also known as the Brundtland Commission, that diagnose four critical factors that have led to an environmental crisis: Economic Growth, Economic crisis, Survival and Poverty, establishing an inverse correlation between environmental degradation and economic development, where an increase in the first results in the decrease of the latter, having

a severe affect on the poor in developing and developed countries (Prayas, 2004: pg. 12).

According to the report, the answer depends on targeting variables like: Reviving Growth and Changing the Quality of Growth, Meeting Basic Human Needs, ensuring a Sustainable Level of Population, Conserving and Enhancing Resources, Reorienting Technology and Managing Risk Merging Environment and Economics in Decision Making, all strategies that will focused on the designing of future policies, that restructure "institutional and legal ambits." Throughout the report, the alarming rate at which the environment is being harmed is constantly repeated, giving way for the development of responsible and sustainable tourism.

Within the Experience Economy, there exist different sectors that stand out in comparison to other sectors, one of the most representative being the Tourism Sector. Different research methodologies have been created, with an increase of material regarding sustainable tourism in the beginning of the 21st century. According to Lu and Nepal (2008), tourism is a resource-intensive industry, therefore, its future is defined by its sustainability over time at local and global scales. Sustainable tourism seems to be a very attractive topic of debate. Individuals, stakeholders and social groups interpret tend to define sustainability as: a "balance" or "wise" use of resources, based on four principals: the idea of holistic planning and strategy-making, the importance of preserving ecological processes, the need to protect both human heritage and biodiversity and development based on the idea that productivity can be sustained over the long term for future generations, focused on minimizing environmental and cultural impacts, while optimizing visitor satisfaction and

maximizing long term economic growth for the region where tourism is developed (Bramwell & Lane, 1993; Lane, 1994). With the diffusion of the Journal of Sustainable Tourism since 1993, the industry is constantly refreshing the material it offers to the world, touching topics like nature-based tourism, cultural/heritage tourism, ecotourism and alternative tourism, of importance to the debates that arise within the industry.

2.3.2. Tourism indicators

With tourism becoming a major player in the world economy, conferences such as the Bruntland Commission Report in 1987 and the Rio conference in 1992 established the first guidelines that would delineate the future of Tourism, directing their focus to sustainability in tourism and management techniques suitable to deal with the industry. In order to have an idea of the development and performance of the tourism industry, institutions have come up with numerous indicators, both quantitative and qualitative, that paint a clear picture of the industry. Official and non official indicators have been created, leaving it up to the different actors to determine which indicators to use when publishing official information of the topic, leading sometimes to distortions in development of Tourism. Consequently, in order to be as objective as possible, this investigation will analyze the guidelines presented by the World Tourism Organization (WTO).

The World Tourism Organization (WTO), a fundamental player in International Tourism, use indicators to measure: internal changes in tourism's structures, external factors that affect the industry, and mainly, any factor that has

caused an impact on tourism. While indicators are useful to measure any changes, they can also be used to prevent any future scenario that puts in danger the sustainability and future of the industry. These indicators are used at a national level, regional level, commercial level, and at an individual level. The most representative indicators for the WTO are: Early warning indicators, stresses on the eco-system, measures of the current state of industry, measures of the impact of tourism development on the biophysical and socio-economic environments, measures of management effort, measures of management effect, results or performance, varying from quantitative and qualitative measures to assure an integral approach to the topic (WTO, 2004: pg. 11).

Another institution that the Andean Community relies on to establish tourism indicators is the OECD. In 2013, in the article "Indicators for Measuring Competitiveness in Tourism OECD," established certain guidelines that support decision making in the Tourism Industry, identifying guidelines as tools to permit economies to become more competitive, attract more residents and non residents to visit, and regain new sources of economic growth, while maintaining a balance within the resources being used and sustainability in the industry. The article posted establishes the following core indicators: Tourism Direct Gross Domestic Product, Inbound tourism revenues per visitor by source market, Exports of tourism services, Labor productivity in tourism services, Purchasing Power Parity (PPPs) and tourism prices, Country entry visa requirements, Natural resources, Cultural and creative resources, Visitor satisfaction, and lastly, National Tourism Action Plan. In addition to these indicators, OECD incorporate supplementary indicators and future

development indicators to complement the information that can was previously determined.

2.3.3. Impact of Millennials on the Tourism Industry

Within the first decade of the 21st century, a shift has occurred with the demographic triangle in terms of retiring generations and new generations who now make up a major part of the economically active population. The outcome has led to a decrease in studies conducted on baby boomers, and therefore, an increase in studies focusing their attention to millenials and young consumers, a very particular and unique population. Millenials have been known for designating very little on purchasing material goods, and rather prefer to invest in life experiences, getting to know new cultures, and personal experiences that will transform their lives, resulting in a very lucrative segment in the tourism and traveling market. The task relies on understanding his/her travel needs in order to offer an experience that lives up to their standards.

Studies have identified millenials as being a key driver in the tourism industry, accounting for the following statistics: In the year 2015, when asked about the importance of travelling, more than 60% defined traveling as an important part of their lives, averaging about 5-6 trips per year. In the same year, approximately 23 % of tourists of all tourists where between the ages of 16-29, estimating to reach around 29 million international travelers around the world with the spending capacity of about $200 billion dollars. Moreover, in a study conducted by Insights in 2017, 80%

of millenials showed a preference towards exploring international locations rather than local destinations.

As was previously mentioned, before millenials indulge in any type of activity, in this case referring to traveling and tourism, they look for opportunities to fully interact with the locals and their customs, engaging in rich cultural, artistic, natural and gastronomical experiences that set themselves apart from conventional tourism. Studies show that when millenials embark on a trip, the majority of the times is with previous planning, the idea coming from social media publications and recommendations from close ones, a reason why establishing a pattern has been a unique task for companies and businesses to achieve. However, in 2018, different studies place certain countries and cities within the top 10 most visited sites by millenials.

Furthermore, in order to complete the profile of a millennial tourist, an understanding in what activities millenials are looking for when traveling is indispensable. According to a study conducted by Topdeck Travel's in 2018, of a total of 31,811 between the ages of 18 to 34, 86% looked for an opportunity to immerse and interact with new cultures, opting for adventure tours and guided trips that reveal local treasures. Subsequently, 67% and 66% stated that they travel for gastronomical purposes and to meet new friends, understanding that the best way to immerse in a new culture is through its typical foods, turning into a spot to interact with new people coming from unique backgrounds. Lastly, two more activities where identified, celebrating or partying (44%) and shopping (25%), still something that must be done, however, with very little importance in the itinerary of a millennial tourist.

CHAPTER 3

3. ANALYSIS OF THE DEVELOPMENT OF TOURISM INDICATORS

The following section seeks to analyze the individual development of tourism in the countries of the CAN, concentrating on the legal framework that safeguards the tourism industry, the contribution of tourism to their economies and lastly, create a profile of the tourists that can be found in each country to later understand the characteristics and behavior of the tourists. The gathering of this information will be used later on to reach a conclusion regarding the use of tourism as a viable option for economies and development of these countries.

3.1 Legal Background

Due to the particularities of each country, tourism and its overall development can be interpreted depending on their reality and interests, resulting difficult to present a universal definition of tourism. However, there does exist a common denominator in this equation, this being the legal framework each country applies to hold together their tourism industry, used as an instrument to comprehend the norms that apply to tourism and tourism related matters. For facilitation purposes, the investigation will study the latest tourism laws and plans that are currently in force.

All four countries have defined tourism as a state priority, either including tourism in their magna carta or was published as an official government document. Each country has its own law that regulates tourism related practices, and also,

identifies a national plan to promote and developed tourism in their country; The characteristics of these plans will vary depending on the country being analyzed.

3.1.1 Bolivia

Bolivia, or the Plurinational State of Bolivia, has applied different measures to protect, support, and stimulate tourism in the country. Tourism is classified in Bolivia's Magna Carta, "Bolivia: Constitución Política del Estado de 2009," approved by referendum on the 25th of January 2009 and currently in force, stating the following: In chapter three, section four in article 337, defines tourism as: "Tourism is a strategic economic activity that must be developed in a sustainable manner, that takes into account the richness of cultures and respect for the environment" and also mentions, "The State will promote and protect community tourism with the objective of benefiting the urban and rural communities, and the nations and native indigenous peoples where this activity is developed."

Although tourism can be found codified in the constitution of Bolivia, the State in collaboration with the Plurinational Legislative Assembly, went a step further and decreed the "General Law of Tourism "Bolivia Awaits You" 25th of September 2012. The new General Law of Tourism highlights the objectives, rights and obligations, general norms, institutional framework, among other points, that are used to understand, apply and regulate tourism activity in the country (Lexivox, n.d.).

Under the new general law of tourism, article 15 titled "National Plan of Tourism" stands out, which defines the Ministry of Culture and Tourism, as the

competent tourism authority, in coordination with the autonomous territorial entities, in charge of elaborating and implementing the National Plan of Tourism, o regulate, promote, disseminate, and create a tourism culture that protects the different tourist destinations.

As a result, the Ministry of Culture and Tourism published in April 2015 the "National Tourism Plan (PLANTUR) 2015-2020 – Tourism Agenda for 2025, Constructing the Future of Bolivia" beginning with a description of the importance of tourism as a strategic sector in confronting socioeconomic factors and the reduction of poverty, while also emphasizing the rich culture, gastronomy, natural landscapes and diversity that underline Bolivia's immense tourism potential (PLANTUR, 2015).

The PLANTUR 2025 is defined as a management guide that contains policies, strategies and programs that were created with the involvement of the different actors in the national tourism sector, instrument that will be used as a reference point to measure tourism development in order to benefit the entire Bolivian population and take firm steps towards reducing poverty (PLANTUR, 2015). Finally, to fully develop the industry, it states that Bolivia has gradually invested in projects such as, airport improvement, terrestrial connectivity, telecommunication coverage, modernization of infrastructure and the proposal of international events to position Bolivia in the international context.

3.1.2. Colombia

Colombia on the other hand, briefly makes reference to tourism in its constitution, but rather preferred to design a law titled "Ley General de Turismo de 1996" prepared by the Ministry of Commerce, Industry and Tourism of Colombia and later ratified by Colombia's Congress (MinCIT, 1996). The law highlights the importance of tourism for development of the country and the different actors of society, defining the compromise and also establishing the guidelines and principles to follow in the tourism industry. Although it was created in 1996, few modifications have been made to the original document, however, it is still the official document that regulates tourism activity in the country. Within the document, it mentions institutions such as the Ministry of Economic Development, in charge of formulating government policies regarding tourism and carrying out activities in accord with the interests of the regions and entities (MinCIT, 1996).

To enhance tourism activity, the document underlines decentralization and regional harmony as a means of integrating public, private, and international actors into this process, launching technical assistance and assessorial programs to train departments, districts, municipalities, and indigenous territories in tourism related material (MinCIT, 1996). To assure accessibility to tourism for everyone, the document includes a section titled," Turismo de Interés Social" defined as a public service promoted by the state with the objective of offering cultural, recreational, sports, and leisure programs and activities for people with limited economic resources. It also includes a section for seniors, pensioners and handicapped, requiring

tourism entities to design, promote and develop programs targeted towards this segment of society (MinCIT, 1996).

To stimulate tourism in the country, the document states that 50% of the Value Added Tax will be returned to the tourist based on the purchases taxed within the national territory. Also, in order to assure sustainability, improve competitiveness and promote tourism, a parafiscal contribution for the promotion of tourism was created, managed by hotel and lodging establishments, travel agencies and tourism restaurants, that is designated to the Tourism Promotion Fund (MinCIT, 1996). It also assigns the Ministry of Economic Development and the Committee of Tourism Promotion Fund as the entities in charge of designing, marketing and promoting policies to present the country as a tourist destination both internally and externally.

In order to carry out the above mentioned goals, the document underlines the importance of outlining and designing an integral plan that would serve as a guideline for the development of tourism, creating the "Plan Sectorial de Turismo," or Sectorial Tourism Plan. The Sectorial Plan 2014-2018: Tourism for the Construction of Peace begins with an overall description of the global tourism industry, and then is applied to Colombia's reality, defining concepts such as peace, equality and education as positive results that can be achieved through tourism, vital results that will impact social, economic, cultural and environmental development. Colombia's Tourism Sectorial Plan is committed to working with the guidelines of sustainable tourism promoted by the World Tourism Organization and the Millennium Development Goals (MinCIT, 2016)

The Sectorial Plan, promoted by the Ministry of Commerce, Industry and Tourism, coordinated the development of four strategic objectives, containing 56 concrete actions, summarizing Colombia's compromise of developing, improving, examining and formulating new proposals for its tourism industry (MinCIT, 2016). An example of a strategy applied focuses on strengthening a culture of tourism in the country with programs that promote tourism and sustainable practices, integrating the different sectors of society in this process to improve tourism competitiveness. Colombia's main goal however, is to use tourism as a means of promoting Colombia as a territory of peace, that rejects any type of violence and sends a positive message of overcoming past adversity and using tourism as a new life project (MinCIT, 2016).

3.1.3. Ecuador

Ecuador does not include tourism in its constitution, but declared Tourism in the year 2002 as a state priority for the development of the country. Consequently, decided to launch the "Ley de Turismo," or Tourism Law, created with the purpose of determining the legal framework that will regulate, promote, and develop the tourism sector (Lexis, 2014). The law is divided into areas such as generalizations, tourism activities, protected areas, protection of tourism customers, among other areas, that explain the operation of the tourism sector. According to this law, the Ministry of Tourism is the institution in charge of governing the tourism industry in Ecuador (Lexis, 2014). The law also identifies beneficial scenarios for a natural or legal person resulting from tourism, such as tax exonerations on imports or domain transfers, repayment of value added tax on purchases made by foreign tourists while staying in

Ecuador, and also, access to credit lines offered by financial institutions for tourism related projects approved by the Ministry of Tourism.

Ecuador, decided to launch in 2007 the "PLANDETUR 2020", a 13-year Strategic Plan of Sustainable Tourism Development for Ecuador projected towards 2020 (Tourism & Leisure, 2007), put forth by the Ministry of Tourism and the company Tourism & Leisure Advisory Services (T&L). The plan seeks the coordinated participation of the different actors in the tourism industry, defining its vision as: Being recognized as as a leader in sustainable development in the Andean Region and consolidate success of tourism activity in Ecuador by applying a decentralized, effective and efficient public management model. To do so, it establishes the following objectives:

Figure 4 Objectives of PLANDETUR 2020

1. Generate a guiding process that coordinates public, private and community efforts for the development of sustainable tourism, seeking to improve levels of poverty, equality, sustainability, competitiveness and decentralized management
2. Taking advantage of Ecuador's unique elements as Comparative Advantages, establish the proper conditions for sustainable tourism to become a dynamic axis of Ecuadorian Economy in order to improve the quality of life of its population and respond to tourism demand
3. Incorporate sustainable tourism into State policy and national planning to promote integral development and promote public and private investment.

Source: PLANDETUR 2020 (2007)
Elaborated by: Daniel Martinez (2019)

In addition to these objectives, the plan reaffirms Ecuador's comprise with international declarations, such as the Rio Declaration on Environment and Development and the United Nations Millennium Development Goals, recognizing the impact that sustainable tourism has on the achievement of these goals. The strategies proposed for accomplishing these objectives vary between creating alliances between the public, private and communitarian sectors, decentralization, educating and training, internal and external promotion of tourist destinations, and strengthening of national to develop tourism in Ecuador. According to Suarez (n.d.), the execution of PLANDETUR 2020 does not seek to increase massively the number of international visitors, but rather focuses its actions on qualitative improvements that allow the country to capture a greater benefit per tourist and also properly manage its natural and cultural heritage.

3.1.4. Peru

Peru, mentions in its constitution of 1993 that tourism activity is a responsibility of the government and local authorities, and also, is an area that must developed and regulated along with other sectors (OAS, 1993: pg.62). In 2009, the Congress of the Republic decided to approve and put into force the "Ley General de Turismo" or General Law of Tourism, whose objective is to promote, execute, and oversee the sustainable development of tourism activity at a national, regional and local level, considering the participation of all the actors associated with the industry (Mincetur, 2009). The General Law of Tourism begins declaring tourism as a topic of national interest, considering its politics as a state priority. The law is based on the

following principles: Sustainable Development, Inclusion, No Discrimination, Promoting Private Investment, Competitiveness, Quality, and Identity, principles that must be safeguarded in order to continue developing the industry.

The document assigns the Ministry of Foreign Trade and Tourism as the institution in charge of tourism matter, and also, in charge of approving and updating the National Strategic Plan of Tourism. To enhance tourism development, the Advisory Committee of Tourism was created to collaborate with the private sector and present an integrated vision of the tourism sector (Mincetur, 2009). The law continues on regarding matters such as a national inventory of tourism resources, tourism development priority zones, touristic service providers, tourist protection, tourism culture, social tourism, human resources, and even includes a section dedicated towards the prevention against infant and adolescent sexual exploitation in the scope of tourism.

Within the General Law of Tourism, the government created the National Strategic Plan of Tourism (PENTUR), used as a tool for planning and overseeing the development of the tourism sector with a long term orientation. The original strategic plan was created to cover period 2008-2018, however, due to ministerial resolution No. 231, the strategic plan changed its overall objective to work towards the constant development of tourism projected towards the year 2025. The tourism plan is divided into three sectors: Overall context of the tourism sector, public policies supporting tourism related practices, and the update of the PENTUR.

The objective of the plan is to consolidate Peru as a competitive, sustainable, and safe, autonomous destination (Pentur, 2016). The model deals with four pillars: Diversification and consolidation of markets, diversification and consolidation of the supply, tourism facilitation, and institutionalism of the sector. The tourism plan defines three specific periods, 2018, 2021, 2025, to evaluate and monitor the overall performance of the industry; and also establishes 75 lines of action, 7 general indicators and 34 specific indicators to contribute to the evaluation of the industry, identifying the areas where improvements have been made and also the areas still in need of development (Pentur, 2016).

In summary, the members of the Andean Community have taken an important step in normalizing tourism related matters, highlighting the importance of the matter and defining a clear path that will be used to develop the industry. Although each country has defined different tourism plans, the objectives are mostly common and in constant update, a matter that must be taken into consideration due to the fact that the industry is constantly evolving. Lastly, it is essential that these plans be linked to other macro plans, such as the SDG's of United Nations or the TTCI Report presented by the World Economic Forum, assuring that these plans meet international standards.

3.2. Tourism Sector Competitiveness Indicators

There exist various tools that can be used to measure the development of tourism within a country, one of the most integral is the Travel & Tourism Competitiveness Index (TTCI), a biannual report published by the World Economic

Forum that measures the indicators and policies that promote sustainable development of the Travel & Tourism Sector.

The Travel & Tourism Competitiveness Index (TTCI) works with official government institutions to gather and present reliable information; The report is made up of 14 pillars, 4 sub indexes and approximately 90 indicators, varying between contribution to GDP, levels of FDI and tourism infrastructure, security, among others areas, that will receive a score between 1 and 7 (World Economic Forum, n.d.). Typically, around 130 to 140 countries participate in the investigation, depending on the edition being presented. The organization has published seven editions, with the latest report published in 2017, titled "The Travel & Tourism Competitiveness Report 2017: Paving the Way for a More Sustainable & Inclusive Future," intended to analyze the set of factors and policies that enable the sustainable development of the Travel & Tourism (T&T) sector within a country, that in turn, will contribute to the overall development and competitiveness of a country.

The TTCI Index presents an integral approach to understand the development of the tourism industry, reason why it will be applied to measure the advance of the Andean Community's members, results that will later be used to reach a conclusion regarding tourism as an key contributor to the economies of each country. The analysis will contemplate information from the first report published in 2007 to the latest report published in 2017, first pairing and analyzing Colombia and Peru, and later analyzing Bolivia and Ecuador.

Figure 5 The Travel and Tourism Competitiveness Index 2017 Ranking: Countries of the Andean Community

Country	Ranking	Score
Bolivia	99	3.34
Colombia	62	3.8
Ecuador	57	3.91
Peru	51	4.04

Source: World Economic Forum, TTCI Report (2017)
Elaborated by: Daniel Martinez (2019)

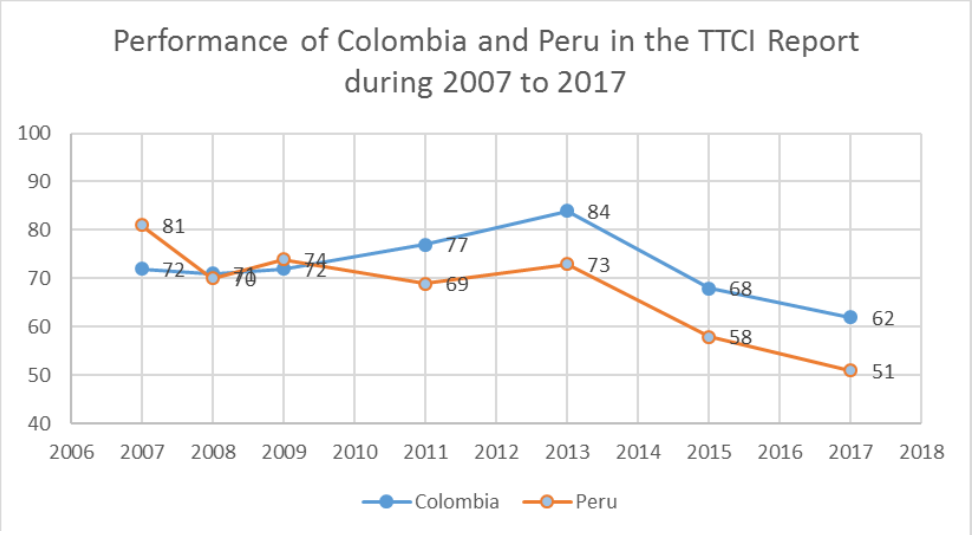
3.2.1. Analysis of the performance of Colombia and Peru's Tourism Indicators

Colombia and Peru have participated in the seven editions of the TTCI Report, documenting a variation in their performance and overall development. To begin, Colombia went from occupying spot 72 of 124 countries in 2007, with an overall score of 3.96, to occupying spot 62 of 136 countries, with an overall score of 3.83. Colombia's performance in the TTCI index has been unstable, maintaining the same spot until 2011, then dropping to spot 84 in 2013, to finally recovering and reaching spot 62, registering its best performance so far in 2017 (World Economic Forum, 2017).

Peru's performance during this period must be seen as an example for the members of the Andean Community to strive towards, understanding that Peru was the country of the Andean Region that best ranked in the 2017 TTCI Index, and is also currently the best positioned country of the Andean Community. Peru's constant effort in improving its tourism industry can be noted by occupying spot 81 of 124

with a score of 3.9 in 2007, to occupying spot 51 of 136 countries with a score of 4.0, an outstanding achievement that has transformed Peru into a reference for tourism activity in the Andean Community.

Graph 1 Performance of Colombia and Peru in the TTCI Report 2007-2017



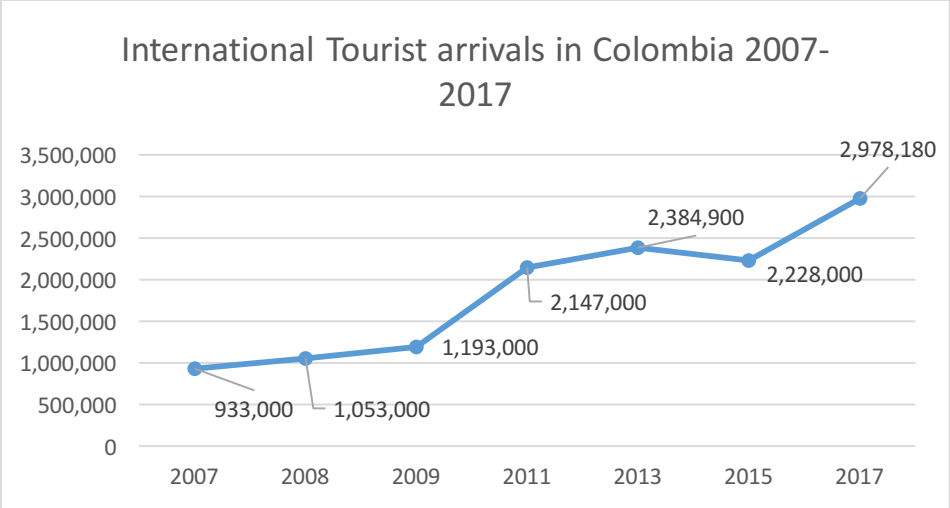
Source: World Economic Forum, TTCI Report (2017)
Elaborated by Daniel Martinez (2019)

3.2.1.1. Identification of Tourism trends and its potential contribution to the Economy of Colombia and Peru

In order to identify trends and understand the overall evolution of Tourism in Colombia and Peru, the investigation will analyze the TTCI Reports from 2007 to 2017, considering the number of international tourist arrivals, the income generated from these tourists, the percentage tourism represents in the GDP of these countries, the amount of jobs its account for and the percentage tourism represents in the labor markets of these countries.

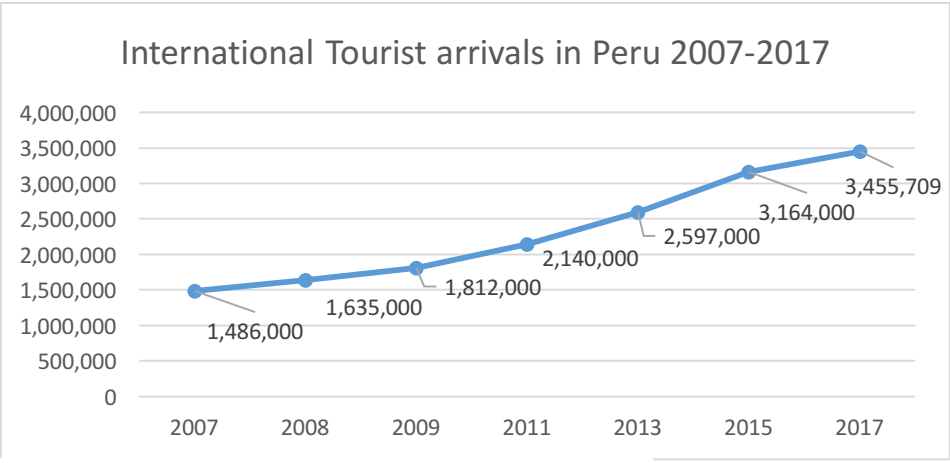
First off, the number of international arrivals that Colombia and Peru registered show a positive trend, for Colombia registering close to 3 million tourists and Peru surpassing the amount of 3 million tourists. In a ten-year lapse, the amount of tourists that entered both countries surpassed 2 million tourists, maintaining a constant and steady increase of tourists in the countries. To maintain these results, policies should be applied to assure at least the same amount of tourists travel to Colombia and Peru, making tourism a sustainable sector for these countries.

Graph 2 International Tourist Arrivals in Colombia 2007-2017



Source: TTCI Report (2017)
Elaborated by: Daniel Martinez (2019)

Graph 3 International Tourist Arrivals in Peru 2007-2017



Source: TTCI Report (2017)
Elaborated by: Daniel Martinez (2019)

The positive trend seen in the number of international arrivals in Colombia and Peru also impact positively in the account of international tourism receipts; For Colombia, the amount generated from tourism increased constantly in about 3 million USD during this period, meanwhile, for Peru, the amount generated from tourism increased in 4 million USD, showing a strong spike from 2015 to 2017. The amount generated from tourism helps stimulates tourism activity in the country, attracting more tourists and investors to this particular sector.

Graph 4 Colombia's International Tourism Inbound Receipts in Million USD 2007-2017



Source: TTCI Report (2017)
Elaborated by: Daniel Martinez (2019)

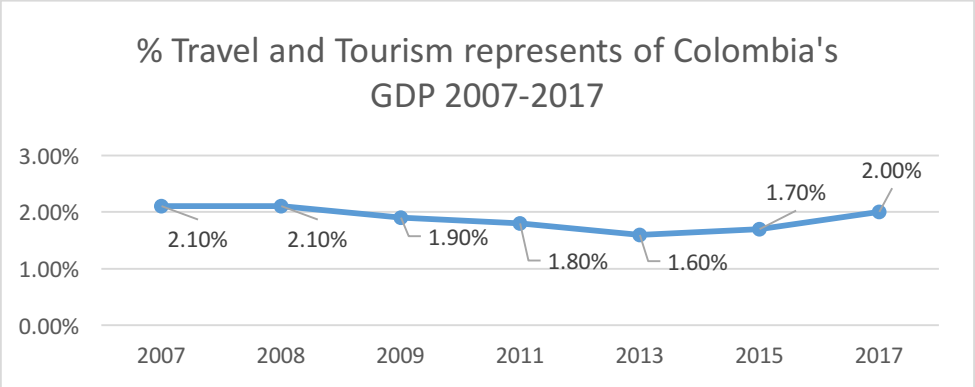
Graph 5 Peru's International Tourism Inbound Receipts in Million USD 2007-2017



Source: TTCI Report (2017)
Elaborated by: Daniel Martinez (2019)

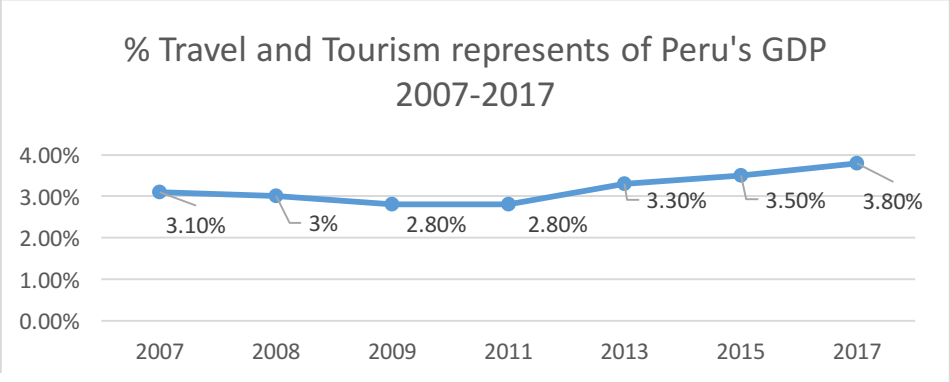
Although tourism shows positive indicators for Colombia and Peru, the percentage it represents of the GDP in these countries is minor. For Colombia, the value oscillates between 1.8% and 2.0%, a minimum amount if compared to the rest of Colombia's GDP. The case of Peru is slightly more positive, representing on average between 3% and 3.8%, however, these values still prove that the economies of these countries depend strongly on other sources of income, reason why the economies of these countries can not depend entirely on tourism.

Graph 6 % Travel and Tourism represents of Colombia's GDP 2007-2017



Source: TTCI Report (2017)
Elaborated by: Daniel Martinez (2019)

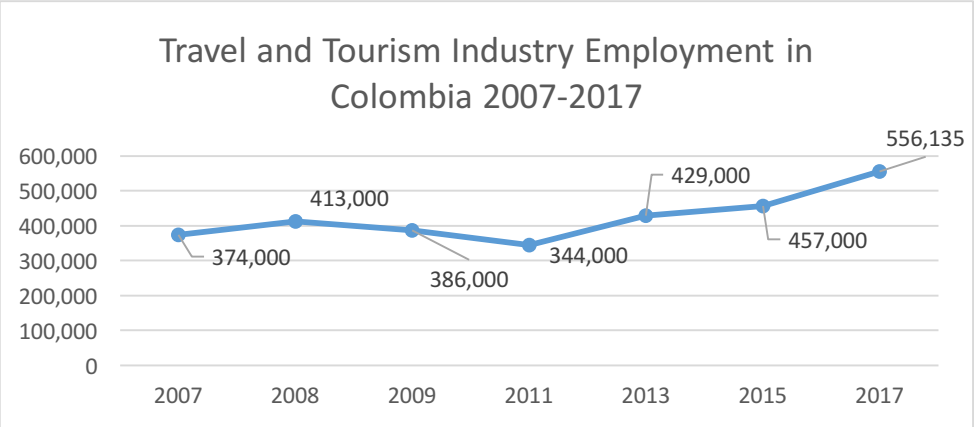
Graph 7 % Travel and Tourism represents of Peru's GDP 2007-2017



Source: TTCI Report (2017)
Elaborated by: Daniel Martinez (2019)

When reviewing statistics regarding the amount of jobs the tourism industry accounts for, once again, there exists a positive trend in the creation of new jobs. In Colombia for instance, although they received less international tourists than Peru in 2017, the tourism industry employed 556,135 people, as a pose to Peru's tourism industry that employed about 390,655 people. Tourism in Colombia increased about 180,000 jobs since 2007, meanwhile, in Peru the number of jobs in the sector increased in about 80,000. As tourism continues to develop, the amount of people it employees will also increase, a favorable situation for the population that is economically active.

Graph 8 Travel and Tourism Industry Employment in Colombia 2007-2017



Source: TTCI Report (2017)
Elaborated by: Daniel Martinez (2019)

Graph 9 Travel and Tourism Industry Employment in Peru 2007-2017



Source: TTCI Report (2017)
Elaborated by: Daniel Martinez (2019)

Lastly, in the case of Colombia and Peru, tourism represents between 2% and 3% of all its labor market. The case of Colombia shows an irregular trend in tourism employment, reaching its lowest percentage (1.7%) in 2011, recovering in the following year and reaching its highest point in 2017, representing 2.5% of Colombia's labor market. Peru on the other hand, shows a negative trend in the percentage tourism represents of the total labor market, reducing constantly from 3% in 2007 to 2.5% in 2017, reason why there should exist more incentives to attract the public and private sector to invest in and create more jobs for the tourism industry.

Graph 10 % Travel & Tourism represents in Colombia's Labor Market 2007-2017



Source: TTCI Report (2017)
Elaborated by: Daniel Martinez (2019)

Graph 11 % Travel and Tourism represents in Peru's Labor Market 2007-2017



Source: TTCI Report (2017)
Elaborated by: Daniel Martinez (2019)

In addition to the overall economic tourism indicators, the TTCI Report defines areas where countries have competitive advantages and also areas that lack development. In the case of Colombia, the positive feedback of tourists in 2017 was based on Colombia's cultural resources, natural resources and international openness. Meanwhile, areas such as ground transportation, business environment and security, where considered negative factors that need to be dealt with in order for Colombia to continue with the development of its travel and tourism industry (World Economic Forum, 2017: pg.130).

Unlike Colombia, Peru's tourism industry in 2017 stood out due to areas such as Safety and Security, ICT Readiness, and Tourist Service Infrastructure. Regardless of the overall improvement of the industry, areas such as air transport infrastructure and ground and port infrastructure are areas in which Peru has not yet been able to significantly improve throughout the ten-year lapse (World Economic Forum, 2017: pg.274).

The main economic benefits from tourism related practices can be traced in the levels of FDI, the contribution to public revenue and the generation of employment and business opportunities, vital factors in the building and developing of a prosperous tourism industry (Webster & Ivanov, 2014).

Colombia for instance, throughout the 20th century, faced internal conflicts and high levels of insecurity, crucial factors that led to the reduction of tourists arriving to the country, and therefore, contracted its tourism industry. However, Leslie

(1996) affirms that the ceasefire treaty reached in the late 1990's, not only resulted in an increase of tourist arrivals, but also increased the levels of investment of both public infrastructure and tourist attractions, returning confidence to its potential tourists and investors. To further increase levels of investment and develop the tourism industry, in 1984 the mixed funds for tourism promotion were created, allocating more resources towards tourism and increasing the incentives and fiscal benefits for foreign and national investment (Sanchez, 2018: pg. 429).

According to a study published by Procolombia in 2016 titled, "Statistics of Foreign Direct Investment in Colombia," in the year 1997, FDI reached about 5.564 million USD, meanwhile, in 2016 it equaled 4.568 million USD. As evidence shows, it becomes difficult to establish a trend in the evolution of FDI in Colombia, showing strong levels of FDI in 2015, but also having negative years where FDI equaled 1,800 million USD.

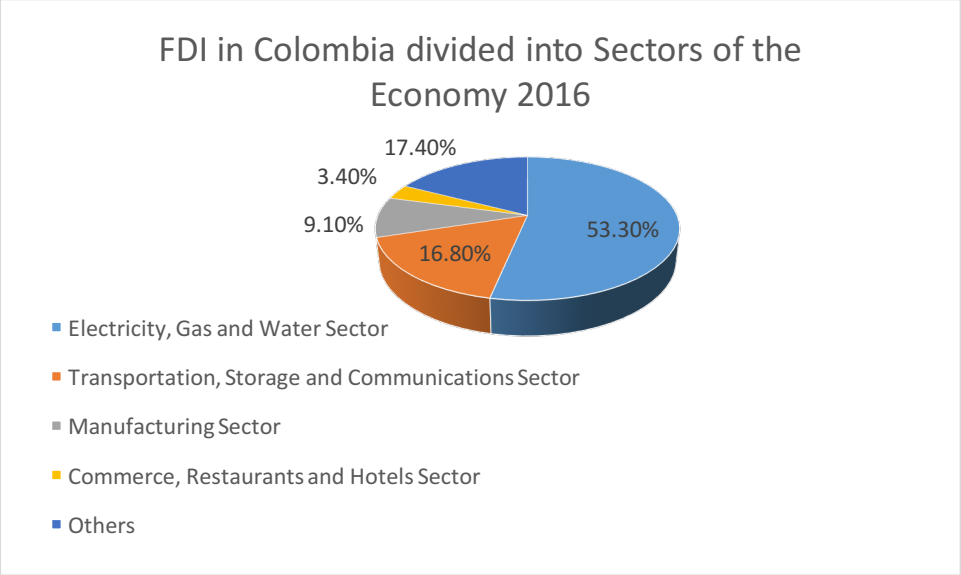
Graph 12 Foreign Direct Investment in Colombia 1997-2017



Source: Procolombia, 2016
Elaborated by: Daniel Martinez

However, in Colombia, a trend can be established in the sectors that most attract FDI, historically those regarding natural resources. In 2016, the sector of Commerce, Restaurants and Hotels, where tourism matters usually fall under, represented about 3.4% of the total FDI. The best year for the sector of Commerce, Restaurants and Hotels was in 2015, where 1.858 million USD where injected into the Colombian Market (Procolombia, 2016). As can be identified below, FDI mostly went towards traditional sector. During the same year, investors came predominantly from Canada (43%), Holland (9%), and United States (6%) (Procolombia, 2016).

Graph 13 FDI in Colombia divided into Sectors of the Economy 2016

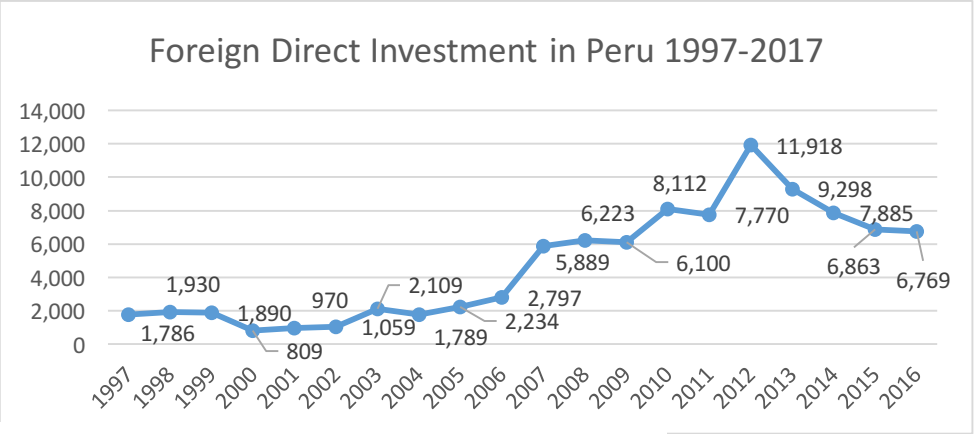


Source: Procolombia, 2016
Elaborated by: Daniel Martinez

Meanwhile, according to a study published by ProInversion (n.d.) titled, "Statistics of Foreign Investment," in the year 1997, FDI in Peru equaled about 1.786 million USD, meanwhile, in 2016 it equaled 6,769 million USD. FDI in Peru does not compare to the amounts registered in Colombia, averaging between 2 million USD

until 2007. After this year, FDI begins to increase, reaching its peak in 2012, to later drop in the years following 2012.

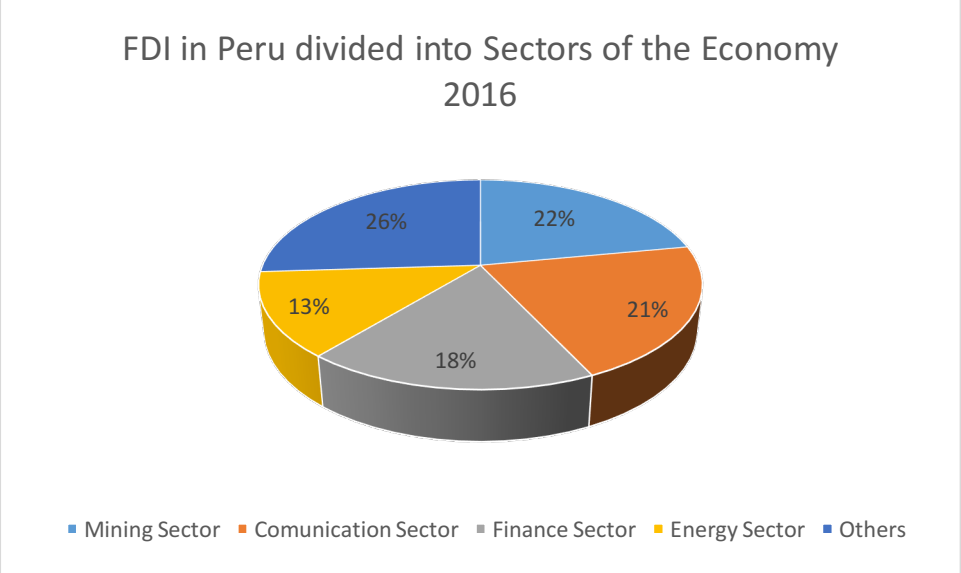
Graph 14 Foreign Direct Investment in Peru 1997-2017



Source: TTCI Report (2017)
Elaborated by: Daniel Martinez (2019)

According to the Touristic Observatory of Peru, based on information from Proinversion, Foreign Direct Investment in Peru's Tourism Industry registered the following values: In 1997, FDI in tourism registered about 36.000 million USD, and in 2010, increased to 64.000 million USD. During this time, FDI in tourism presented an average annual growth rate of 9.73%, value that reflects and responds to the overall growth of Peru's Tourism Industry (OTP, n.d.). In Peru, its main investors come from Spain (18%), United Kingdom (17%), Chile (13%), United States (12%), among other countries. Regardless of these facts, evidence shows that traditionally FDI in Peru is directed towards sectors that handle natural resources and other commodities, allocating very little to its tourism industry.

Graph 15 FDI in Peru divided into Sectors of the Economy 2016



Source: Proinversion (2017)
Elaborated by: Daniel Martinez (2019)

Lastly, to complete the analysis, it is necessary to study the development of the tourism infrastructure each country offers, understanding this area as a pillar for a successful sustainable tourism industry capable of responding to the requirements of both national and international tourists.

In Colombia, investments in the tourism infrastructure can be identified through associations or strategic alliances between hotel chains and national companies. With the goal of encouraging international presence and stimulating investment in the sector, the Government granted a preferential income tax rate of 9% for 20 years in the provision of hotel services (accommodation, food and all other basic services and / or complementary) in new hotels built entirely in municipalities of up to 200,000 inhabitants before December 31, 2026 (Procolombia, 2018). Likewise, Procolombia (2018) states that from 2003 to 2017, the incentive created by

the Colombian Government created a turning point in hotel infrastructure, going from an absence of hotel investment to a stimulated licensed construction, increasing by more than 45,500 new hotel rooms and more than 1,400 new hotels in the main cities of the country allowing a greater diversification and development of the sector.

According to Montoya & Gaitan (2013), new FDI tendencies have transformed mainly into management and franchise activities, rather than investing directly into and promoting companies. During 2017, prestigious hotel chains arrived in the country with different brands and categories, opening 20 new hotels that helped improved tourism infrastructure and also position the country as a reference for business and tourism. Currently, Colombia has more than 15 international hotel chains in more than 10 cities, with the presence of brands such as Best Western, Hilton, Hyatt, Marriott, Sonesta, Atton, City Express, Accor, IHG, NH Hoteles, among others. Between 2017 and 2020, 58 new hotels are expected to open, providing more than ten thousand rooms, according to reports of the Hotel and Tourism Association of Colombia (Cotelco) and ProColombia calculations.

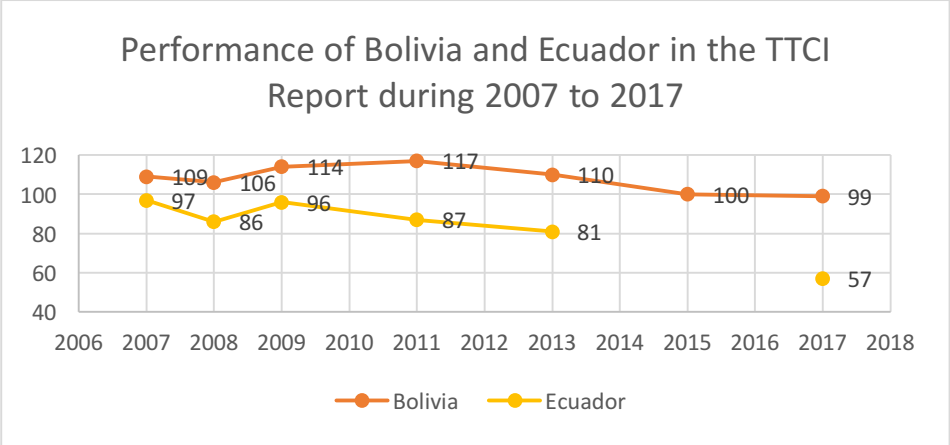
Regardless of the fact that historically Peru has been one of the most visited tourist destinations in the Andean Region, receiving more than 4 million tourists in 2017, its tourism infrastructure is still considered underdeveloped. For instance, its International Airport, Jorge Chavez, the main entry point for tourists, in the last years has been operating at double of its maximum capacity, reason why amplification projects have been a topic of debate (Portaltourismo, 2019). As a reference point, in 2012, Peru registered around 7,200, with an average occupancy rate of 25.68% (OTP, n.d.). The quality of accommodation services for tourists who visit Peru, has been

characterized in recent years by the arrival of recognized international hotel chains, such as the following: Accor, Decameron, Hilton, Orient Express, QP Hotels & Resorts Westin, among others (Proinversion, n.d.). For many years, tourism infrastructure was seen as the Achilles heel of Peru's Tourism Industry, for this reason, in the first trimester of 2017, Mincetur (Ministry of Foreign Commerce and Tourism) announced an investment of 93.4 million Peruvian Sols concentrated on infrastructure and tourism services, presenting 23 new projects such as: creating checkpoints, lookouts, resting areas, and restoring tourist spaces throughout the country to provide an improved and enhanced experience to all its tourists, and this way keep on attracting old and new tourists to the country.

3.2.2. Analysis of the performance of Bolivia and Ecuador's Tourism Indicators

Since the first edition of the TTCI published by the World Economic Forum in 2007, Bolivia has participated in all of the editions published. In a ten-year lapse, Bolivia has shown minimum positive results in the overall ranking of the index, occupying spot 109 of 124 countries with a score of 3.46 in 2007, to occupying spot 99 of 136 countries with a score of 3.34 in 2017. In contrast, Ecuador is the only member of the Andean Community not to form part of all the editions of the TTCI Reports published by the World Economic Forum, in this case absenting in the 2015 edition due to insufficient data. Ecuador advanced from spot 97 of 124 in 2007, with an overall score of 3.6, to spot 57 of 136 countries in 2017, with an overall score of 3.9 (World Economic Forum, 2017), registering its best year so far and becoming the second best ranked country of the Andean Community in the 2017 TTCI Report.

Graph 16 Performance of Bolivia and Ecuador in the TTCI Report



Source: World Economic Forum, TTCI Report (2017)
Elaborated by Daniel Martinez (2019)

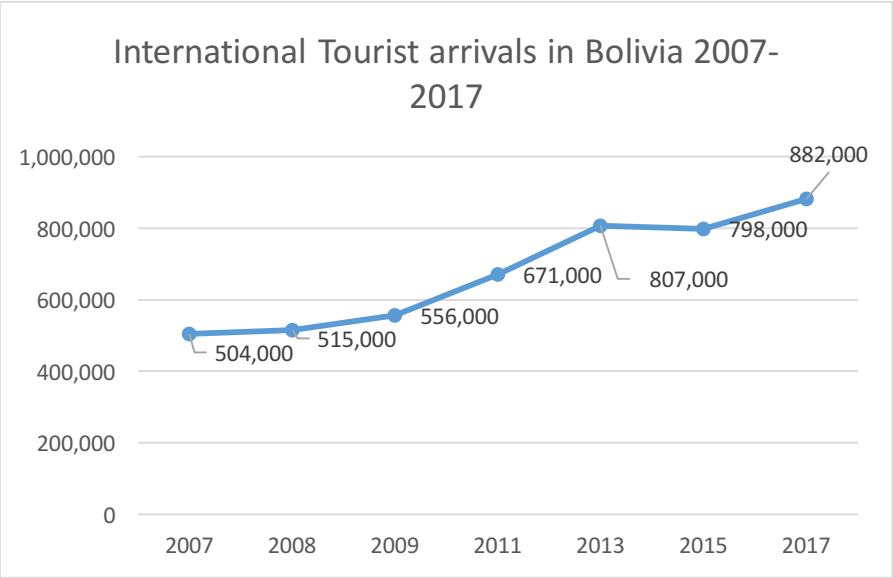
3.2.2.1. Identification of Tourism trends and its potential contribution to the Economy of Bolivia and Ecuador

In order to have a better understanding of the evolution of the tourism industry in Bolivia and Ecuador, the investigation will rely on the different variables of the TTCI Report. To be more precise, the variables that will be taken into consideration are the following: number of international tourist arrivals, the income generated from these tourists, the percentage tourism represents in the GDP of these countries, the amount of jobs its account for and the percentage tourism represents in the labor markets of these countries.

Firstly, due to the fact that Ecuador did not participate in this edition of the 2015 TTCI Report, no information will be presented for Ecuador in this period. Having cleared this up, the number of international tourists that arrived in Bolivia increased steadily from 504,000 tourists in 2007 to 882,000 tourists in 2017, although

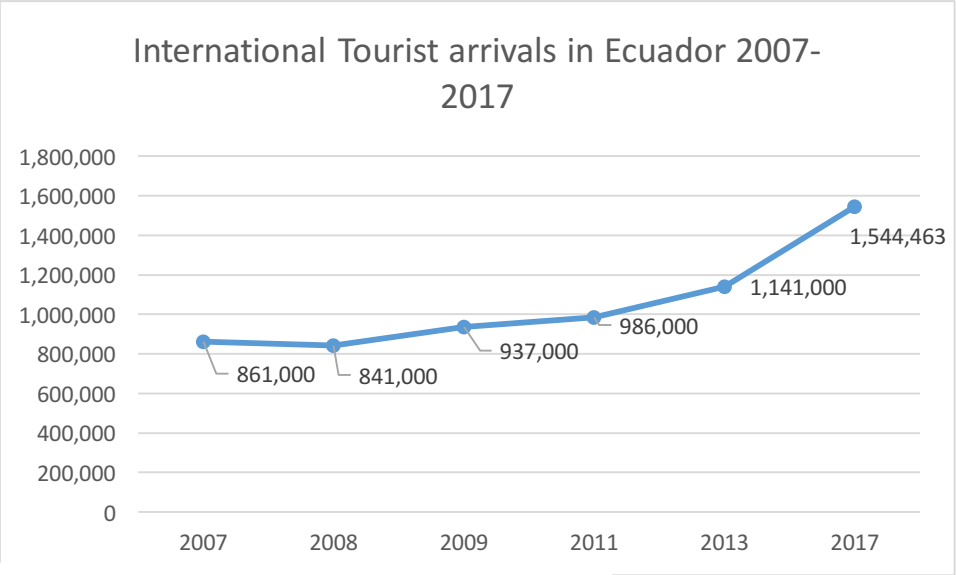
the number is not breathtaking, there does exist a positive trend. Ecuador's activity in this variable shows more favorable results, increasing from 861,000 international tourist arrivals in 2007 to 1,544,000 in 2017, establishing a progressive trend that has aided in surpassing 1 million international tourist arrivals. The number of arrivals in Bolivia and Ecuador within a ten-year period does not compare to Colombia and Peru, however, it does reflect a constant and steady increase of tourists. Consequently, the main objective of this countries should be, in the worst case scenario, maintain the same number of tourist arrivals, and continue applying measures to increase the amount of tourists, strengthening tourism and its sustainability in the future.

Graph 17 International Tourist arrivals in Bolivia 2007-2017



Source: World Economic Forum, TTCI Report (2017)
Elaborated by Daniel Martinez (2019)

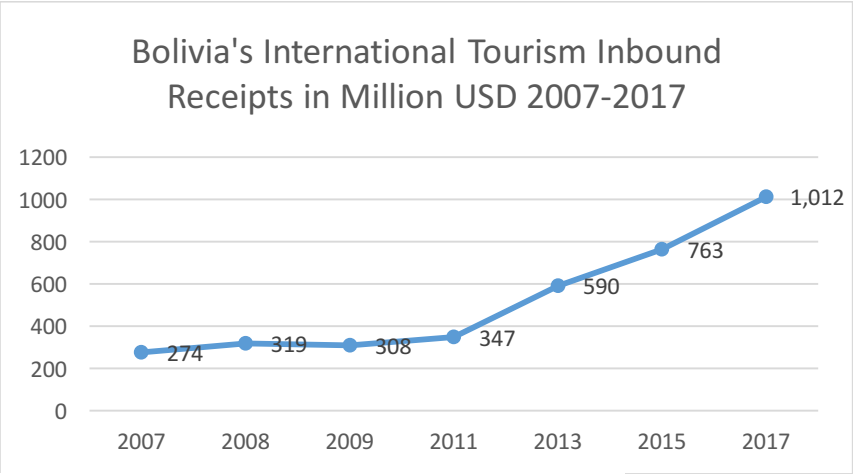
Graph 18 International Tourist arrivals in Ecuador 2007-2017



Source: World Economic Forum, TTCI Report (2017)
Elaborated by Daniel Martinez (2019)

Due to the increase of international tourist arrivals in Bolivia and Ecuador, there was also an increase in the amount of international tourism receipts. Evidence shows a positive trend for both countries, the difference being that the increase in tourism receipts for Bolivia was constant till 2011, afterwards there was a strong spike in the account, registering positive results for Bolivia. The behavior for Ecuador is perhaps a bit more constant, showing a steady increase, not considering the gap due to lack of information in 2015. These positive indicators can be presented by both countries as a form of positing their countries in the international context, attracting more tourists and investors to this particular sector.

Graph 19 Bolivia's International Tourism Inbound Receipts in Million USD 2007-2017



Source: World Economic Forum, TTCI Report (2017)
Elaborated by Daniel Martinez (2019)

Graph 20 Ecuador's International Tourism Inbound Receipts in Million USD 2007-2017

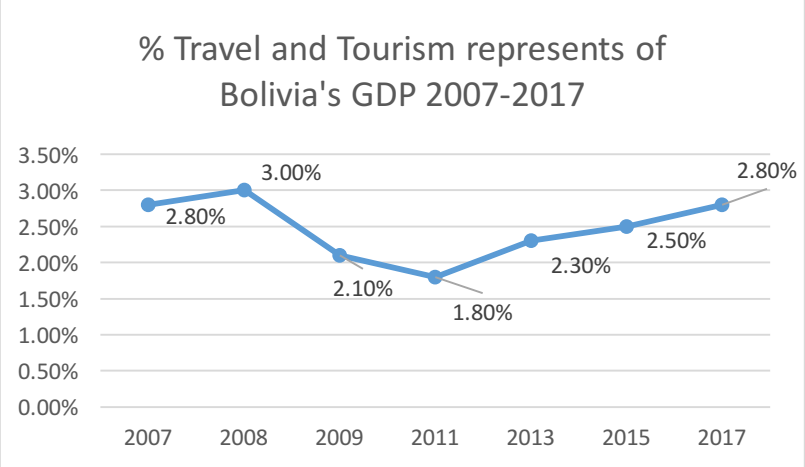


Source: World Economic Forum, TTCI Report (2017)
Elaborated by Daniel Martinez (2019)

While tourism results are positive for both countries, the percentage it represents of their GDP is minuscule, and as a result, becomes difficult to consider the opportunity of an economy that relies fundamentally on tourism. For Bolivia, tourism represented between 2% and 2.5% of its GDP, meanwhile for Ecuador, it represented

between 1.9% and 2.1%, a factor that must be analyzed in order to apply measures to increase the impact of tourism while decreasing the impact of other sectors.

Graph 21 % Travel and Tourism represents of Bolivia's GDP 2007-2017



Source: World Economic Forum, TTCI Report (2017)
Elaborated by Daniel Martinez (2019)

Graph 22% Travel and Tourism represents of Ecuador's GDP 2007-2017

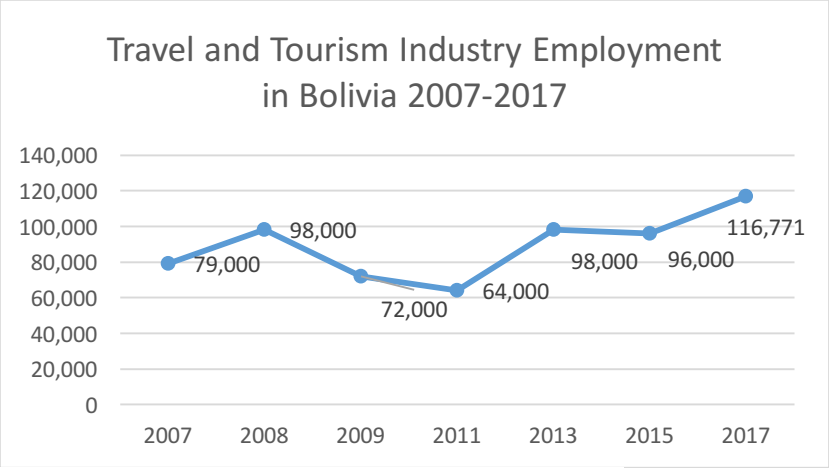


Source: World Economic Forum, TTCI Report (2017)
Elaborated by Daniel Martinez (2019)

Statistics regarding the amount of jobs the tourism industry accounts for in Bolivia and Ecuador demonstrate an increase in both countries. For Bolivia, its results

are a bit more irrational, and do not follow a specific trend, however, they do show an increase of about 30,000 overall, employing approximately 116,000 people in 2017. The results of Ecuador make it easier to define a trend, increasing on average about 10,000 jobs per year, employing about 146,000 people in 2017.

Graph 23 Travel and Tourism Industry Employment in Bolivia 2007-2017



Source: World Economic Forum, TTCI Report (2017)
Elaborated by Daniel Martinez (2019)

Graph 24 Travel and Tourism Industry Employment in Ecuador 2007-2017



Source: World Economic Forum, TTCI Report (2017)
Elaborated by Daniel Martinez (2019)

Finally, in the case of Bolivia and Ecuador, tourism represents on average about 2% and 3% of their labor market. Tourism in Bolivia represented 2.4% in 2017, employing a small percentage of the labor market, but offering the opportunity for its employees to form part of a sector that is expanding. Tourism in Ecuador on the other hand, represents less percentage of the labor market than Bolivia, but has maintained a fairly steady behavior, increasing in a small percentage, a factor that helps conclude that tourism in Ecuador has established itself and found a place within the Ecuadorian market.

Graph 25 % Travel and Tourism represents in Bolivia's Labor Market



Source: World Economic Forum, TTCI Report (2017)
Elaborated by Daniel Martinez (2019)

Graph 26 % Travel and Tourism represents in Ecuador's Labor Market 2007-2017



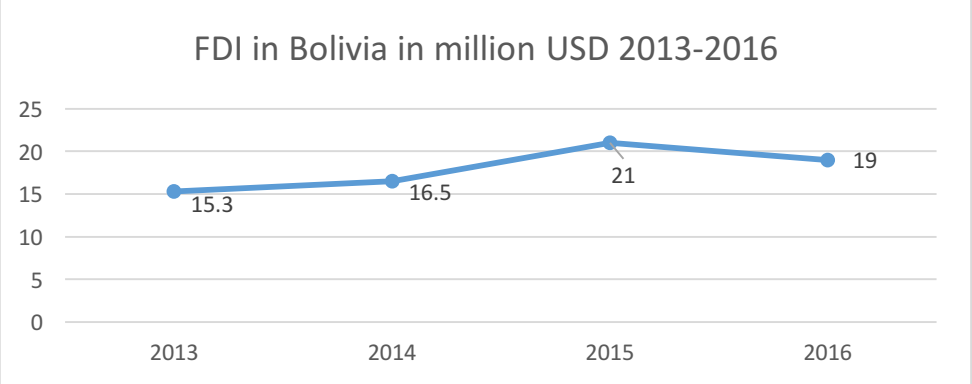
Source: World Economic Forum, TTCI Report (2017)
Elaborated by Daniel Martinez (2019)

Furthermore, in order to complement the analysis of the tourism indicators, the TTCI Report defines areas where countries stand out and also areas in need of assistance in order to improve and develop their tourism industry, insight that should be used by countries reinforce or improve specific areas. In 2017, Safety and Security and also Health and Hygiene, where defined as strong points for Bolivia's tourism industry (World Economic Forum, 2017: pg.104). Meanwhile, Ecuador's overall improvements where centered on high levels of Safety and Security, Health and Hygiene, and Natural Resources (World Economic Forum, 2017: pg.148). Nevertheless, areas like ground and air infrastructure, tourist service infrastructure and business environment have constrained Bolivia and Ecuador from full developing their tourism industry and improving their overall score in the TTCI Index (World Economic Forum, 2017: pg.104).

Throughout the years, a variable that has played a vital role in the development of the tourism industry and the TTCI Report has been Foreign Direct Investment (FDI). Marvell (n.d.) defines FDI as: The flow of capital from a foreign country invested in assets such as land, businesses or the construction of new facilities in a host country, creating a long term relationship between the parties involved. FDI has been a topic of debate for many years, however, Lazo (2009) stated that in 2008 tourism was the fifth most important economic activity in attracting foreign currency, having a positive impact on the financial, communication, transportation, crafts, and entertainment sectors, becoming a significant stimulant for the economy.

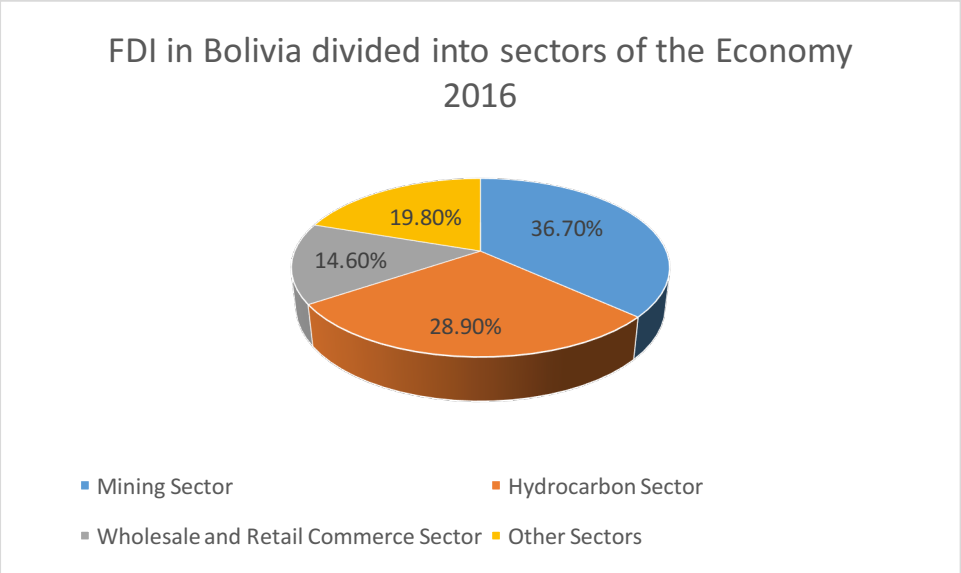
This being said, in the case of Bolivia, its National Institute of Statistics registers the impact of FDI on tourism, analyzing principally the restaurant and hotels accounts because the majority of tourism related matters are registered in these accounts. In 2009, the "Reporte de Saldos y Flujos del Capital Privado Extranjero en Bolivia," report that contains an analysis of Net Foreign Direct Investment in Bolivia from 2000 to 2009, states that the value of FDI in tourism during this period averaged about 0.3% of all FDI (BCB, 2009: pg.14), From 2013 to 2016, FDI reached 19 million USD in 2016, however, statistics show that about 80% of FDI, came mainly from mainly coming from investors in the United States (23%), Spain (21%), Brazil (14%) and United Kingdom (10%), allocating their investments towards working with natural resources and primary goods, rather than in investing in the tourism industry. (BCB, 2009: pg.14).

Graph 27 FDI in Bolivia in million USD 2013-2016



Source: Reporte de Saldos y Flujos del Capital Privado Extranjero en Bolivia (2009)
Elaborated by Daniel Martinez (2019)

Graph 28 FDI in Bolivia divided into sectors of the Economy 2016

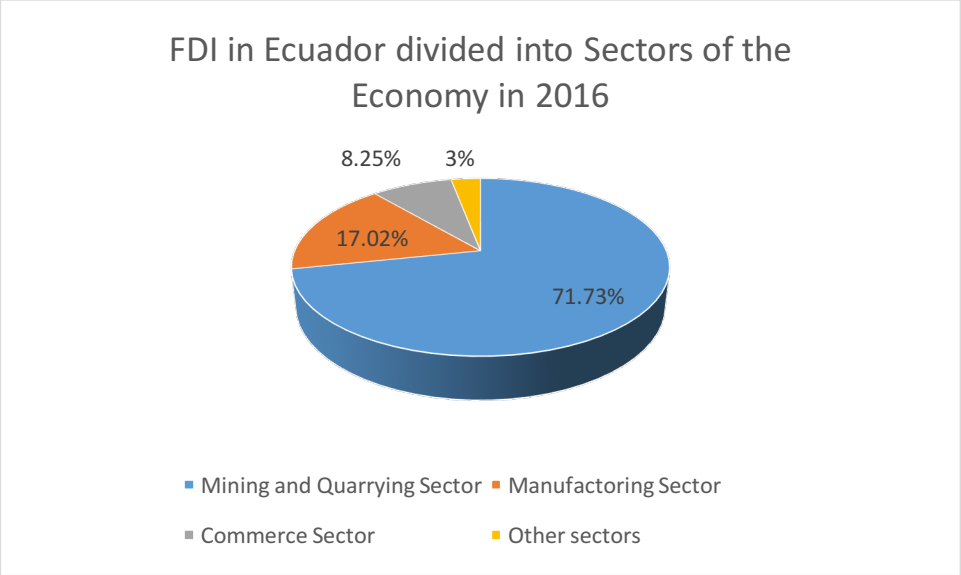


Source: Reporte de Saldos y Flujos del Capital Privado Extranjero en Bolivia (2009)
Elaborated by Daniel Martinez (2019)

FDI in Ecuador has behaved in a similar way to FDI in Bolivia. In the year 2000, FDI reached approximately 12.5 million USD, and in 2009 it reached about 20 million USD. Throughout this period, FDI averaged about 15 million USD (Tobar,

2012: pg.5). Furthermore, from 2010 to 2017, Ecuador became a more attractive destination for FDI in the region, increasing its values of FDI to 16.5 million USD in 2010, and in 2017, it equaled about 61.2 million USD (Palacios, 2018). It must be stated that FDI was still destined towards primary sectors, targeting the extraction and manufacturing of natural resources to be more specific. The main investors interested in Ecuador where: Mexico (23%), Canada (17%), China (16%), Spain (11%) and United States (8%) (Tobar, 2012: pg.4).

Graph 29 FDI in Ecuador divided into Sectors of the Economy in 2016



Source: Tobar, P. (2012)
Elaborated by Daniel Martinez (2019)

As can be noted, the tourism industry in Ecuador receives minimum FDI, mainly due to factors that investors analyze before venturing into new projects such as: Legal stability and investment attraction incentives, political stability, Doing Business Environment, time needed to begin operations, country risk, among others, are factors that must be improved to reinforce Ecuador's position as an investment

destination (Chavez, 2015: pg.42). In other words, Ecuador needs to develop mechanisms and programs that encourage investment in the sector, thus enabling the diversification of the tourism offer and the consolidation of destinations. In 2015, the Ministry of Tourism announced the creation of 30 tourism projects, with an investment estimated at 1.600 million USD, financed by both national and foreign capitals (Ministry of Tourism, 2015).

Lastly, to complete the analysis, it is fundamental to study the development of the tourism infrastructure each country offers, understanding this area as a foundation for a successful sustainable tourism industry that will be able to respond to the requirements of both national and international tourists, and although a tourist destination may be full of culture and unique natural sites, a lack of accommodation infrastructure can become an obstacle for successful tourism development. Adebayo and Iweka (2014) define tourism infrastructure as the physical elements that are designed and built to accommodate visitors, including roads, railways, and airports, that make a tourist destination accessible. In addition, infrastructure includes health care systems, services, and public services. The importance of tourism infrastructure relies on connectivity, factor that can increase the efficiency of production and distribution of tourism services, and, in cases such as remote destinations, can increase the supply of tourism services. It is indispensable to develop transport infrastructure in order for tourists to be able to reach some principal tourist destinations (Ilić & Jovanović, 2016: pg.288).

In Bolivia's case, UDAPE (2005) states that an increase in inbound and domestic tourism in response to the demand of adequate conditions to receive tourists,

has led to the proliferation of hotel infrastructure in its main cities. On the other hand, UDAPE (2005) states that Bolivia's road infrastructure and transport show signs of precariousness and scarcity, not being able to fully cover routes that extend to tourist attractions.

Meanwhile, from 1997 to 2004, its hotel capacity went from 605 establishments, to 951 establishments, showing an average increase of 8% annually, divided into the categories of Hotels (37.65%), Aparthotels (2.27%), Residentials (24.45%), Lodging (34.48%), and Inns (1.23%). The use of hotel infrastructure shows in general an average of 29.2% of room utilization, mostly in the city of La Paz. From 2006 to 2015, there was in 52% in hotels, registering 285 hotels in 2015; Aparthotels also increased from 18 in 2006 to 23 in 2015; Residentials saw an increase from 270 in 2006 to 404 in 2015; Lodging establishments increased from 521 in 2006 to 611 in 2015 (UDAPE, 2015: pg.10). Lastly, in 2006 Guest Houses became an alternative, offering a more personal experience for the visitor, increased from 16 establishments in 2006 to 50 in 2015, showing an impressive increase of 213% (UDAPE, 2015: pg.10), reflecting the preference tourists have towards a more real life and personal experience with Bolivian society.

For Ecuador on the other hand, there does not exist an exact register of all establishments that offer lodging services to tourists, however, in 2017 the Ministry of Tourism calculated there to be 3,658 establishments in the country with approximately 74,000 rooms available for tourists. The majority of establishments where hostels (2,059), followed by hotels (880) and inns (508), also, smaller types of establishments like resorts, lodges, guesthouses and tourist farms offered an

alternative experience to tourists who seek a more personal and close up understanding of the culture (Ministry of Tourism, 2017). As can be noted, tourism infrastructure is still a weak point for Ecuador, therefore, it is necessary to work on the foundation of a long-term policy that stimulates and attracts the presence of international hotel chains or management groups to invest in Ecuador. Currently, measures such as incentives in the Production Code and meetings held by Tourism Officials to promote joint actions between the public and private sectors are being held in order to improve the investment and development of the tourism sector.

In conclusion, the TTCI Index shows a positive trend in the development of the tourism industry in the countries of the Andean Community. In the TTCI Report of 2017, the median score was 3.68, a score that three members of the Andean Community surpassed: Peru, presenting the best results, scoring a 4 out of 7, followed by Ecuador scoring 3.9 out of 7 and Colombia scoring a 3.8 out of 7. The only member of the Andean Community not to surpass or match the median score was Bolivia, scoring 3.34 out of 7. Regardless of this small setback, each country has without a doubt improved its tourism industry in a ten-year period, a positive result that reflects optimism in the industry. Although the current indicators for tourism are not enough to consider the sector as a solid potential contributor to the economies of the countries in the Andean Community, the trends and slow improvement of these results depict a positive future for tourism in the Andean Community, a factor that must be used to the advantage of the members to create a sustainable, competitive and prosperous tourism industry.

In addition, according to the data found, FDI is crucial for the development of tourism in each country, not only injecting economic resources into the industry, but also know-how, technical, managerial and innovative skills that refresh and update the the different tourism industries. However, this is not the case of Latin America; this can be backed up by the report published by the Economic Commission for Latin America and the Caribbean (ECLAC) in 2018 titled, "Foreign Direct Investment in Latin America and the Caribbean moves away from natural resources," where it states that between 2005 and 2017, approximately 70% of FDI investment was directed towards natural resources, manufacturing and communication, the remaining 30% was invested in other sectors, such as the service sector where tourism is located (ECLAC, 2018), which is the case of Bolivia (Plurinational State of), Colombia, Ecuador, and Peru. The report also shows a significant decrease in levels of FDI, in part due to the decline in commodity prices, which began in 2012 and has affected FDI inflows since then (ECLAC, 2015: pg. 10). FDI in tourism accounts in most cases for no more than 2%, reason why it is the perfect moment to present incentives to attract investors towards the tourism sector and begin to move away from sectors that involve natural resources.

3.3 Identification of a profile of tourists found in the countries of the CAN

In order to present alternatives to develop the tourism industry in the countries of the Andean Community, the establishment of a general profile of all the tourists that can be found in each country is needed, understanding the characteristics and behavior of these tourists to propose strategies that strengthen the industry, while also attract new tourists to these destinations. As a result, an individual analysis will be

conducted of the tourists to later identify trends or inconsistencies in tourism activity that will be used to reach a conclusion regarding tourism behavior.

Qirici (2011) states that management of tourism will be ineffective if there is no proper understanding of the relation between tourism consumers and their decision making regarding the consumption of tourism products. In other words, what must be conducted is a profiling of the tourists in a country, defined as the gathering of information about the tourist relating to his country, culture, language and other habits and preferences to better understand the person and as a result make his/her time in the country more comfortable and welcoming, a task that must be done particularly with foreigner tourists. This will not only make tourism sustainable, but will also help in developing products according to market needs and the distinctive features of consumers and their preferences, resulting indispensable to establish an effective channels of communication with potential visitors to reach them and use this information for planning and deciding areas of development, marketing strategies for tourism products and services, and lastly, can be used to comprehend guest-host relationships and tourism impacts (Barnawal, 2018).

3.3.1 Bolivia

Bolivia's tourism demand is divided into two categories: Foreign tourists and national tourists that travel within Bolivia, a factor that has led to an 80% growth of the tourism sector from 2008 to 2016. According to the World Bank Group, in 2000 Bolivia received 355.000 tourists, meanwhile, in 2017 it received 1.134.000 tourists, showing a positive result for the its tourism industry (World Bank Group, n.d.).

Moreover, during the period of 2000 to 2013, the number of national tourists entering lodging establishments nearly doubled, from 774.989 in 2000 to 1.495.596 in 2013 (UDAPE, 2015). Normally, national tourists travel mainly from the states of La Paz, Santa Cruz and Cochabamba. Throughout 2014, 3.1 million national tourists where accounted for, with their trips lasting on average 19 days, mainly carrying out trips on weekends. The main reason for traveling is for leisure or vacation purposes, while also, for visiting family or friends, with the majority choosing the house of family or friends for accommodation purposes. The main expense for these tourists goes towards paying for accommodation, food and drink. The main months that receive the most national tourists are December, January, June and July (UDAPE, 2015).

Furthermore, from 2008 to 2016, the amount generated by foreign tourists went from approximately 387.887 thousand USD in 2008 to 818.103 thousand USD in 2016, with Chileans spending the most, followed by Argentinians (123.750 thousand USD), Brazilians (110.523 thousand USD) and North Americans (107.199 thousand USD) (INE, 2017). Consequently, these travelers are mainly coming from the following bordering countries: Argentina, Peru, Chile and Brazil, followed by North Americans. From the European continent on the other hand, the majority of tourists arrive from Spain, France and Germany, with the Spaniards remaining the most number of days in the country. Of all the foreign tourists, around 96% organize their trips independently, for leisure or vacation purposes, with their infrastructure of choice being hotels, hostels, or family homes for accommodation purposes (ICEX, 2018). The biggest expense for tourists when traveling to Bolivia is on food and

drinks. The types of tourism Bolivia offers and are most popular are adventure tourism and communitarian/sustainable tourism. Also, other types of tourism can be classified into the following categories: Cultural, rural, health, gastronomic and spiritual (ICEX, 2018). As for the mechanisms used by travelers for the acquisition of tourist services, it is worth mentioning the rapid growth that the reservation channel has experienced through the internet, with the majority reserving their trips with a month or two of anticipation.

Evidence shows that Bolivia's tourism industry has shown a positive increase, although mainly from domestic tourism rather than from inbound tourism, therefore meaning that the policies being applied are focusing their attention internally rather than externally, which can also lead to understand why its tourism infrastructure is still underdeveloped and still cannot the needs and requirements foreign tourists demand. Also, the fact that the most companies offer similar services in Bolivia has unleashed a price competition between these companies, resulting in a tourism supply that cannot evolve from a backpacker type supply. Outside the main cities, hostels with basic installations are typically the infrastructure Bolivia has to offer, for which using Airbnb and other digital platforms has resulted efficient target the youth segment of the population (ICEX, 2018).

3.3.2 Colombia

In 2012, the Ministry of Commerce, Industry and Tourism in collaboration with the Colombian Tourism Promotion Fund published the "International Investigation of Markets for the American Region," defining a demographic profile of

the tourists that visit Colombia. According to the report, the major part of travelers are young adults between the ages of 26 and 35, mostly professional men living outside their paternal home, with a steady income that gives them complete autonomy and independence in their decision making abilities (Fontur, 2012). However, travel agencies and international wholesalers, normally target their products to reach couples and family groups, reason why individual travelers prefer to organize their trips independently, without resorting to these agencies. As a result, this is seen as an opportunity to target a fairly new and untapped market segment, reason why new strategies should be aimed towards attracting and responding to the needs of this type of individual traveler (Fontur, 2012).

During the period of 2000 to 2017, Colombia increased its number of international arrivals from 675.000 to 4.113.000, showing a massive increase in the number of tourist arrivals and also becoming the member of the Andean Community that received the most amount of arrivals (World Bank Group, n.d.). Of these arrivals, the United States is the country that sends the most tourists to Colombia, accounting for 18.5%, followed by the European Union (16.4%), and countries of the Mercosur (14.5%) (Directorioturistico, 2014). Within this period, the main motivation for traveling to Colombia was for leisure and pleasure vacations (43%), to visit family and friends (38%), and for business purposes (19%). The main reasons why tourists decided to travel to Colombia was mainly due to its geography, landscapes and climate (66%), followed by its gastronomy (13%) and for adventure and nature tourism (Fontur, 2012).

When concerning tourists that arrive in groups, 17% of tourists traveling as a couple come from Canada, Uruguay and Argentina, meanwhile 26% of tourists traveling as a group of maximum three people come mainly from the United States, Brazil and El Salvador, and lastly, 19% of tourists traveling with their family come from Costa Rica, Mexico, Ecuador and Panama (Fontur, 2012). Interestingly, of all the tourists that arrived in Colombia, 16% of travelers indicated that they already knew Colombia, reason why they did not need to inform themselves before embarking on the trip, on the other hand, the remaining 84% reflect the growth of new tourists to the country. During this time, tourist packages where purchased mainly though travel agencies (82%), but they were also faced with the case of tourists who did not arrive with an established package and decided to plan their trip on their own. An astonishing 98% of tourists used accommodation and lodging services in Colombia, meaning that even when their motivation is to visit family and friends, they still demand hotel services; Of this ratio, 61% spend the night in a single destination and 39% in several. The cities where they mainly spend the night are: Bogotá, Cartagena, San Andrés and Santa Marta (Fontur, 2012).

A decisive factor when determining a tourist destination is the approximation of the amount of money that will be spent during the time in a certain location. On average, tourists coming from the Americas stay 6 nights 7 days, spending on average about 976 USD per person (Fontur, 2012). The tourists who spend the least normally come from Central America, and those who spend the most come from Uruguay. Tourism expenditure can also be divided into two categories: Tourism activities which account for 70% and other expenses that account for the remaining 30%. Further breaking down the expenses, they represent the following: Accommodation

(25%), Food and Drinks (23%), activities (19%), purchases and souvenirs (17%) and internal transport (16%). The activities Colombia has to offer vary from visits to museums, parks, shopping, and gastronomy (Fontur, 2012).

3.3.3. Ecuador

According to the online platform "Ecuador es Mio," a webpage launched by the Ministry of Tourism of Ecuador, the evolution of the number of international arrivals in Ecuador has increased substantially from 2000 to 2017: In the year 2000, about 630,000 tourists arrived in Ecuador, coming mainly from Colombia (31%), United States (22%), and Peru (14%) (MINTUR, 2019). Throughout a seventeen-year period, the most representative year in terms of international arrivals for Ecuador was in 2017, where a total of 1.608,473 people entered the country. In 2017 however, the provenance of the arrivals changed, with Colombian arrivals decreasing to 21%, and a rather strong influence of Venezuelan arrivals representing 18%, followed by United States arrivals representing 15%, Peru 9%, and Spain 4% (MINTUR, 2019). It must be clarified that the Venezuelan Human Mobility Report of 2018 states that Venezuelan and Colombian citizens decide to travel abroad, in this case to Ecuador due to internal conflicts and socioeconomic hardships their countries face, reason why although they represent a significant percentage of the international population (CPAL, 2018: pg. 9), they do not generate the most income for Ecuador. Of all the arrivals, 62 % of them are between the ages of 20 to 49, and 24% are between the ages of 50 and above. The months with the most amount of international arrivals are during June, July and August, and also, the month of December has seen an increase in the amount of international arrivals (MINTUR, 2019).

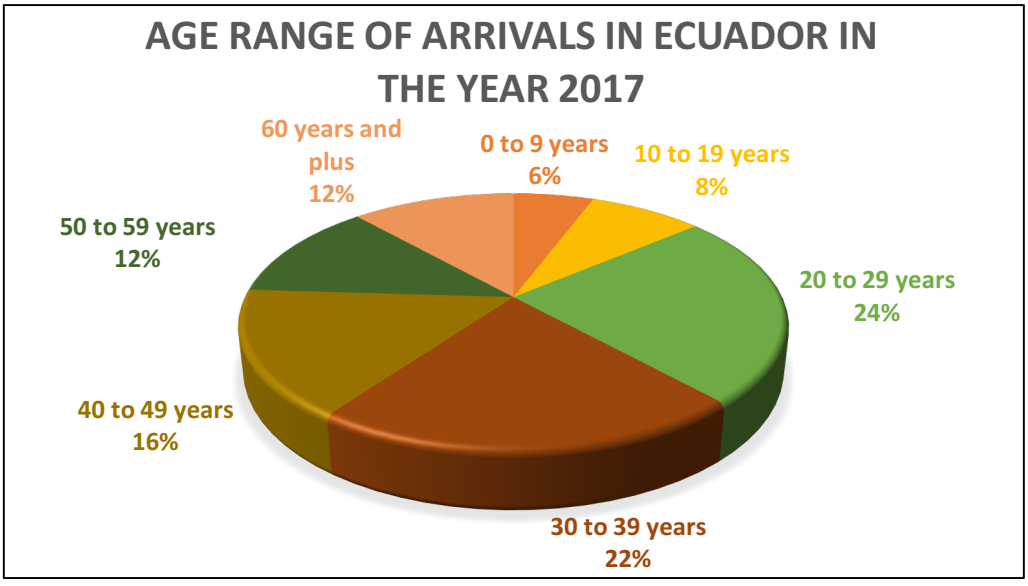
In addition to this information, the Ministry of Tourism also published in 2018 the" Perfiles de Turismo Internacional 2017," a document that describes Ecuador's tourists using more than 20 variables that allow us to better understand their behavior, consumption habits and preferences when choosing a destination and acquiring tourist products. The data has been collected using international databases, national administrative records and surveys. The document begins informing that in 2017, the number of international arrivals increases 6.1% compared to 2016. Ecuador's direct competitors within the region are Colombia, Costa Rica and Peru. Of the different tourists arriving in Ecuador, the ones who generated the most for the country were United States tourists, approximately 399.1 million USD, followed by Colombians 210.2 million USD and Venezuelans 118.3 million USD. International tourists in Ecuador are on average around the age of 36, masculine, single, with a college degree.

Their main motives for travelling mainly are: Vacation, leisure and relaxation (56.9%), Visit Family or Friends (18%), Business (17.1%), Education (3%), and other motives. The activities they choose to do when staying in the country are categorized as following: Cultural Tourism (58.9%), Ecotourism (20.8%), Sun and Beach Tourism (15.9%) and Adventure Tourism (3.2%). Of all the tourists, 39.3% plan their trips within a month or less, and only 18.7% use tourism packages, the remaining percentage does not acquire these packages. Additionally, 44% of tourists were informed by the internet and 32.7% where informed by friends or family, meanwhile, only 1.8% were informed by promotional campaigns and television ads. Social media and other online applications play a fundamental role in determining Ecuador as a

tourist destination, 55.3% used Facebook and 39.4% relied on Trip Advisor to book their trips.

When it comes to accommodation, 75.1% preferred to stay in Hotels and 20.6% preferred staying with family or friends. When asked what category of hotel tourists preferred to stay in, 49.7% preferred 4 or 5 star hotels, 31.6% preferred 3 star hostels or hotels, and 18.6% preferred 1 or 2 star hostels or hotels. On average, each tourist stayed approximately 8 days. During their time spent in Ecuador, 59.6% spend on average less than 1000 USD, 24.9% spend between 1000 USD and 1999 USD, and lastly, 15.5% spend more than 2000 USD. Although tourists 55 years or older are not the majority arriving in the country, they spend on average 456 USD more than other age ranges (MINTUR, 2018: pg.20).

Graph 30 Age range of arrivals in Ecuador in the year 2017



Source: Ministry of Tourism of Ecuador, 2019
Elaborated by: Daniel Martinez

3.3.4. Peru

When comparing the evolution of the tourism industry in the countries of the Andean Community, Peru has shown a constant increase in the number of tourist arrivals from 1997 to 2017. The World Bank states that in 1997, around 640.000 tourists arrived in Peru, meanwhile, in 2017, approximately 4.032.000 tourists arrived in the country, an astonishing growth that has led to Peru being a main tourist destination within the Andean Community and in all of South America.

To further understand the characteristics of the international tourists arriving in Peru, the Commission of Promotion for Exports and Tourism of Peru, an institution that forms part of the Ministry of Foreign Trade and Tourism, published the "Profile of Foreign Tourists 2017," document that contains information on socio-demographic, planning, activities and other areas of the overall trip tourists undergo in Peru. In 2017, 31% of the tourists arriving in Peru came from Chile, followed by the United States (15), Ecuador (6%) and Argentina (5). Regarding gender, 63% of tourists where males and 37% where females, 54% between the ages of 25 to 44. Of this total, 44% where married or cohabiting and 43% where single; 56% declared not having kids and 22% had kids between under the ages of 14. Also, 43% had a college degree, followed by a 16% that had finished Secondary Education and 15% with a technical background; 17% where executives, 13% students, 8% engineers, among other professions. Regarding family income, information shows that 30% earn less than 20,000 USD, 22% between 20,000 USD and 39,000 USD, and 17% earn 100,000$ and above.

When it comes to planning for their trip, 46% of tourist's acquire their tickets for this trip between one or four months in advance, and 39% do so with less than a month. Only 26% decided to acquire tourist packages, the remaining 74% decided to travel on their own means. When it comes to purchasing packages, 54% relied on physical travel agencies, and 24% decided to use the internet to purchase their tourism packages. In addition, some tourists relied on the internet to purchase international airline tickets, accommodation services, internal transport services, among other services.

The main entry point for international tourists to arrive in Peru was through the city of Lima with a 62% and the southern city of Tacna with a 25% of tourists deciding to enter through this point. 73% of tourists say to only be visiting Peru, meanwhile, 27% had in mind visiting Peru and also other countries. The motives for visiting Peru vary, however, 66% choose the country for Vacations, Leisure and Relaxation, 14% to visit family and friends and 13% for business purposes. During their time in Peru, 29% stayed between 1 to 3 nights, 29% between 4 to 7 nights and 22% stayed between 8 to 14 nights, also, 54% where first time visitors while 46% where returning visitors. On average, during the time spent in Peru, 42% of tourists spent less than 500 USD, 23% spent between 500 USD and 1000 USD, and 15% between 1000 USD to 1500 USD; considering tourists spent on average 10 days, the average amount spent during this time was 945 USD. The types of accommodation preferred by tourists where: 33% preferred 3 star hotels or hostels, 29% preferred 1 or 2 star hotels and hostels, and 25% preferred 4 or 5 star hotels.

Lastly, the type of activities Peru offers its tourist vary depending on the preferences of the tourists, however, they can be categorized as the following: Culture related activities, perhaps the most solicited, followed by Nature Tourism, then Adventure Tourism and finally Sun and Beach Tourism. The internet was identified by 69% of tourists to be the most influential source when deciding on a tourist destination, followed by friend recommendations with a 27% and recommendation by family members with a 12%. Interestingly, 60% of tourists preferred not to partake in entertainment activates, such as attending night clubs, casinos or shopping malls, but rather favored a real-life personal experience with the culture and lifestyles that Peru has to offer.

In summary, the number of international arrivals in all the countries have shown an increase from 1997 to 2017, Colombia and Peru having seen a drastic increase, receiving more than 4 million tourists in 2017, meanwhile, Bolivia and Ecuador received a little more than 1 million tourists during the same year. In addition, evidence also shows that the majority of international tourists arriving in the Andean region are mainly from external countries, such as Chile, United States, Spain, Argentina, rather than from members of the Andean Community, a factor that can be summed up by a lack of tourism policies that promote and attract Andean tourists to travel within the Andean Region, leaving a market of approximately 110 million people completely intact. Lastly, evidence shows that even though each member of the Andean Community offers unique tourism packages, the overall profile of tourists is similar in each country, creating an ultra-competitive industry that seeks to attract as many visitors as possible to their country, resulting in a constant struggle between the members of the Andean Community to present the best

offers to potential tourist clients, rather than joining forces to present a more attractive overall tourism industry where all the members can benefit simultaneously from the development of the industry and also turn the Andean Region into a principal tourist destination.

VI. ANALYSIS

The main objective of the investigation was to conduct a comparative analysis of the development of the tourism sector between members of the Andean Community from 1997-2017. In order to understand and interpret the information gathered, the investigation was divided into three sections, the main findings being the following:

The Andean Community, created in May 26th, 1969, is considered to be the oldest regional integration project in Latin America, created and developed to support an integral, balanced, and autonomous development working towards South American integration. The integration project set forth by the Andean Community is known for having overlapping agreements between members, both formal and informal, disparity and inequality between the members, weak intra-sub regional commerce, and discrepancy in internal and external policies.

In addition, the need to protect individual interests has prohibited full integration to occur between the members, perhaps originating from the fear that integration in its final stage will lead to the lose of "national sovereignty and autonomy, ¨ causing members to reach out to new institutions in the region such as ALBA, CELAC and the Pacific Alliance to treat different matters, as a pose to relying on the Andean Communities for possible solutions.

As early as 1971, the CAN defined Tourism as a key contributor to the integration project, creating of a series of new plans that demonstrated collective

efforts in improving tourism within the Andean Community. Although various projects have been launched to promote tourism, the industry is still considered underdeveloped, representing between 3% and 4% of all the income the Andean Community generates.

According to The Tourism Satellite Account, the last report published by the CAN of the Tourism Industry was in 2013, leaving a period from 2013 to 2017 with no official information being published, showing inattention by the members of the Andean Community. In the last report, taking 2012 as a reference point, only 18% of the tourists arriving in the Andean Community came from countries in the Andean Community, the remaining tourists came predominantly from countries of the American and European Continent, evidence that shows tourism within the Andean Community is not being fully stimulated, therefore, not achieving one of the Andean Communities main objectives.

In the Andean Countries, different types of tourism are offered, however, Community Based Tourism (CBT) has shown to be the most demanded by tourists in the 21st century, encouraging an interaction between members of communities and tourists, creating a unique opportunity to understand different cultures and experience first hand traditions and cultures of each destination. This type of Tourism practice has been backed by the World Tourism Organization (UNWTO), a fundamental player in the development of tourism in the Andean Community.

The increase in launching Community Based Tourism projects also responds to new behaviors and trends consumers adopt, trends that must be analyzed in order to

apply effective measures that cater and respond to the needs of consumers. Authors like Kotler and Keller (2006) define consumer behavior as the following: "Consumer behavior is the study of how individuals, groups and organizations select, buy, use and dispose of goods, services, ideas, or experiences to satisfy their needs and wants. ¨ Factors such as the end of the Industrial Revolution and a slow transition towards the information Era, followed by the diffusion of the internet and the World Wide Web, restructured the way societies and human beings interact, making the identification of a consumer profile an essential task for researchers in the 21st century.

In order to ease the investigation, it is necessary to divide consumers into groups or generations, and in this case, mainly targeting Generation Y or Millennials. This generation is labeled as a consumerist generation, known for having significant purchasing power, with access to unlimited information in real time via the internet, turning into a very demanding and competitive generation. Also, Generation Y is known for designating very little on purchasing material goods, and rather prefer to invest in life experiences, seeking personal experiences that will transform their lives, resulting in a lucrative segment for the tourism and traveling market. Studies have identified millennials as being a key driver in the tourism industry, accounting for the following statistics:

In the year 2015, more than 60% defined traveling as an essential part of their life's, averaging about 5-6 trips per year. In the same year, approximately 23 % of tourists of all tourists where between the ages of 16-29, estimating to reach around 29 million international travelers around the world with the spending capacity of about $200 billion dollars. Moreover, in a study conducted by Insights in 2017,

80% of millennials showed a preference towards exploring international locations rather than local destinations. This information shows a positive trend for tourism, and therefore, should be a fundamental segment to consider when attracting tourists to Andean Communities.

These consumers are also known as Consumer 2.0, a term that was adopted around the year 2007, that defined consumers in the 21st century as people who are technologically savvy, connected, globalized, and informed, who spend most of their time on the internet, seeking fast and efficient websites that respond to their need; They rely on their cellphones and other devices to shop online, valuing the overall experience throughout the purchasing process more than the price or characteristics of a product or service. Responding to consumers needs, companies are relying on online strategies such as Search Engine Optimization, Pay-per-click advertisement, Viral marketing, and Social media marketing to target more effectively their consumer audience, specifically targeting Millennials or Generation Y.

These modifications in consumer behavior and changes in the way companies interact with their customers respond to an evolution from typical economies who offered goods and services, to economies that base their activity on Experiences, known as Experiential Economy. Factors to consider when offering a product or service in the experience economy are: Authenticity, customers with limited attention, time and money, resorting to customization and individualization methods in order create a lasting relation between the parts based on individual's habits, customs, needs, and desires. By conducting sufficient studies and analysis that target customer's behavior, companies may reduce the possibility of losing their customer

base, focusing sustainability on experiences, and therefore, reinforcing the concept of the Experience Economy.

Within the Experience Economy, Tourism, and more precisely, Sustainable Tourism, plays a fundamental role, focused on minimizing environmental and cultural impact, while optimizing visitor satisfaction and maximizing long term economic growth for the region where tourism is developed. To measure the development of the industry, the Bruntland Commission Report in 1987 and the Rio conference in 1992 established the first guidelines that would delineate the future of Tourism, which would later be used by the World Tourism Organization (WTO) to define different areas of investigation.

Lastly, to establish trends and understand the individual development of Tourism in the countries of the Andean Community, the period of 1997-2017 was selected as a period of analysis. During this period, Members of the Andean Community have applied legal framework and defined different tourism plans, with medium and long term objectives, to regulate and normalize tourism related matters. For the tourism industry of each country to achieve international standards, reports such as the Tourism and Travel Competitiveness (TTCI) Report presented by the World Economic Forum help present an objective analysis from an external source.

According to the TTCI Report, the overall progress of the members of the Andean Community has been positive, showing an increase in the number of tourist arrivals, generation of income, creation of jobs and the overall position of the countries in this Report. All the countries of the Andean Community, except Bolivia,

scored over the median score in the 2017 edition. Areas such as Safety and Security, Tourism Infrastructure, Air and Ground Transport Infrastructure and Business Environment where common areas that have lacked improvement in all the countries, constraining them from bettering their overall positions in the TTCI Index.

Another determinant factor in the development of tourism according to the TTCI Report is Foreign Direct Investment, and in the case of the Andean Countries, most FDI is targeted towards the most productive sectors of the Economy, such as Mining, Communications, and Energy, rather than destining FDI towards tourism. The price drop in commodities has caused companies to remove their investments from these countries, creating an opportunity for these countries to promote a shift in investment towards tourism rather than the other traditional sectors of the Economy.

Evidence shows that the profile of tourists that travel in the countries of the Andean Community are alike, such as the age of tourists, the motive for traveling, the amount of time spent in the country, among other characteristics, making Tourism an ultra competitive industry in terms of attracting the most tourists to a destination. Also, statistics show that domestic tourism is the most representative income generator for these countries, reason why each country should present projects that stimulate a touristic culture to motivate national tourists to travel within their country, working from internally to later launch projects that attract international tourists to these countries. All of these projects should have long term objectives that truly transform the industry, as a pose to short term objectives that seek immediate results.

Returning to the hypothesis of the investigation, evidence shows that the Tourism Industry in the countries of the Andean Community does not have the capacity to contribute substantially to these economies, representing on average around 3% of their GDP's, therefore, can not be considered as a sector that can aid in transitioning from economies historically dependent on the exports of commodities and natural resources to economies dependent on Tourism, as is the case of the economies of the Andean Community. However, the positive trend that Tourism presents, not only at global scale, but in each country of the Andean Community, depicts a positive future for tourism in the Andean Community, a factor that must be used to the advantage of the members to create a sustainable, competitive and prosperous tourism industry.

VII. CONCLUSIONS

- The Andean Community is considered the oldest organization in the South America, however, throughout all these years, due to different barriers has partially achieved its overall goal of improving and promoting commercial relations between its members. This has caused the institution to find itself in a position of uncertainty and ambiguity regarding its future, and must be dealt with before continuing with any other project. Otherwise, worst case scenario, something similar could occur to what happened to the Union of South American Nations (UNASUR), unable to continue with the integration project promoted and resulting in the termination of the institution.

- Taking 2012 as a reference point, only 18% of the tourists arriving in the Andean Community came from countries in the Andean Community, the remaining tourists came predominantly from countries of the North American and the European Continent, evidence that shows tourism within the Andean Community is not being fully stimulated.

- Considering statistics that state that Generation Y or millenials, are estimated to reach around 29 million international travelers in the world with the spending capacity of about $200 billion dollars, and also, approximately 23% of tourists of all tourists were between the ages of 16-29, of whom 60% defined traveling as an important part of their life's, turn this demographic segment to a key driver for the development of Tourism the tourism industry in the Andean Community.

- According to the TTCI Report of 2017, an increase in the number of tourist arrivals, generation of income, creation of jobs and the overall position of the countries in this Report, demonstrate a positive outcome in the overall progress of the members of the Andean Community, however, areas such as Safety and Security, Tourism Infrastructure, Air and Ground Transport Infrastructure and Business Environment are barriers that these countries have not been able to overcome.

- Similar results where found when analyzing characteristics of tourists that arrive in the Andean Countries, such as the age of tourists, the motive for traveling, the amount of time spent in the country, among other characteristics. Also, Statistics show that domestic tourism is the most representative income generator for countries of the Andean Community, reason why each country should launch and emphasize projects that stimulate an internal touristic culture, encouraging national tourists to travel within their country, to later launch projects that attract international tourists to these destinations.

VIII. RECOMMENDATIONS

- Due to the stagnation in the integration process, before continuing with the project of the Andean Community, the members of the organization should meet to discuss the overall structure, goals and future of the institution, establishing mechanisms to fully develop and strengthen the role of the Andean Community in the international context

- To diversify and expand the tourists traveling within the Andean Community, the institution should establish preferential rates and design campaigns in order to increase intra sub regional tourism in the Andean Community. Also, they should reach out to new potential customers coming from continents such as Africa, Asia, and Australia, huge potential markets for Andean Tourism

- The Andean countries should define specific programs to attract Millennial tourists to travel and invest in their countries, highlighting the opportunity to experience Community Based Tourism, an alternative and unique tourism project that can be found all over the Andean Territory

- The TTCI Report can be used a distinctive tool to measure the development of Tourism in the countries of the CAN, therefore, the results should be analyzed by the different authorities for countries to register and record their advances, but more importantly, should emphasize and target areas still in need of improvement to define solutions and incorporate them into the tourism plans of each country

- Due to the similarity in the characteristics of tourist who arrive in the Andean Countries, and the competitiveness of the Tourism industry in each country, the CAN needs to present the Andean Community as a region to the international community, stimulating tourists to travel throughout the region, as a pose to targeting a particular country within the territory, improving the overall results of tourism within the region as a whole. Also, by emphasizing the importance that domestic tourism plays in each country, a touristic culture will be formed to improve and sustain tourism activity within the Andean Community.

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