

Green Industry: Pathways Towards the Industry of the Future

Case Study

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Certification of Sustainable Tourism: the Costa Rican Strategy on Greening the Tourism Industry



The concept of development has evolved from an idea that only takes into account economic growth assessed by the ability to produce goods and services, to a more comprehensive concept, where the conditions of all the members of society are valued as well. The state of the environment and the way resources are used and impacts are managed have become part of important aspects in the development concept. Sustainability is now part of the development concept, in the intention of meeting the needs of the present generations without compromising the ability of future generations to meet their own needs. Although there are many definitions of sustainable development, all are generated under the premise that compatibility between economic growth and environmental protection is possible (Beder 2006). The term sustainability is not only related to environmental issues. Sustainability is a holistic concept that involves the interplay of economic, social and environmental issues. It is necessary to ensure proper distribution of wealth, satisfactory social conditions and rational use of natural resources to generate sustainable economic growth.

The government has a key role in how society is organized and can influence in several ways the decisions made by economic agents. Through the establishment of taxes (Pigou, 1920) or the allocation of property rights (Coase, 1960), economic theory has tried to find solutions to externalities that negatively

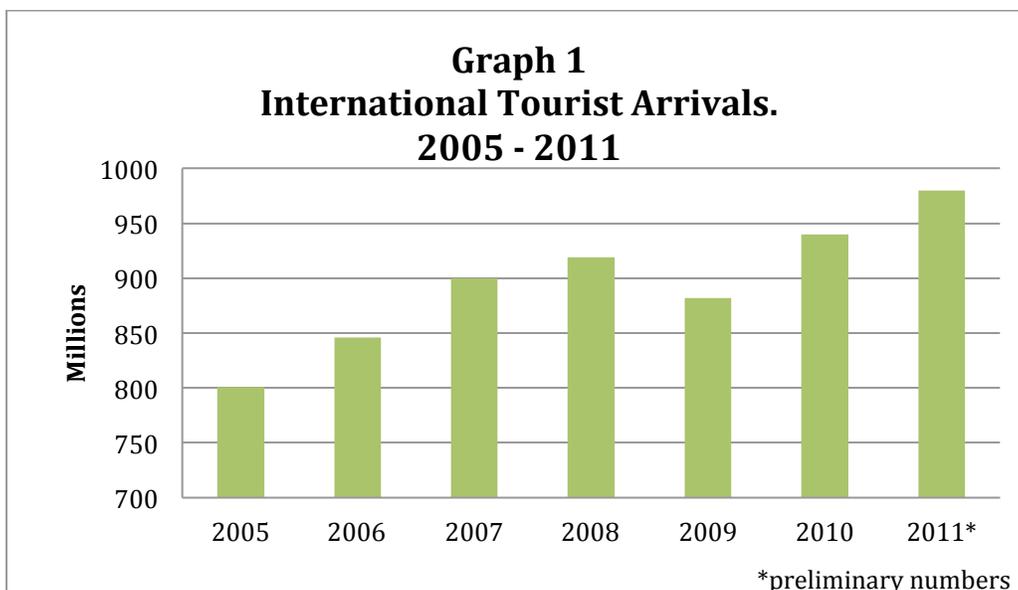
impact society. More recent authors (Aurora, 1996; Toth, 1998; Rivera, 2002; Alberini 2002; Stealman et. Al. 2006; UNIDO, 2011), have studied the implementation of incentives based on public policy instruments to encourage the practice of economic activities that reduce negative social impacts and maximize social benefits generated by such practices. These instruments work through the provision of incentives, for example fiscal incentives, or brand recognitions that differentiate the companies implementing the actions encouraged.

Costa Rica is a small country that has been highlighted for the policies that they have implemented to conserve natural resources. An example of this, is that 25.58% of Costa Rican territory is protected by its legislation through the figure of National Parks and Conservation Areas. This has also increased the potential of the tourism industry, making Costa Rica a very attractive destination worldwide. The growth of tourism in Costa Rica has meant a growth in the supply of accommodation facilities and tourist services. In order to encourage tourism businesses to develop sustainable practices in their production processes, the Government of Costa Rica has been implemented for more than a decade the Certificate for Sustainable Tourism (CST).

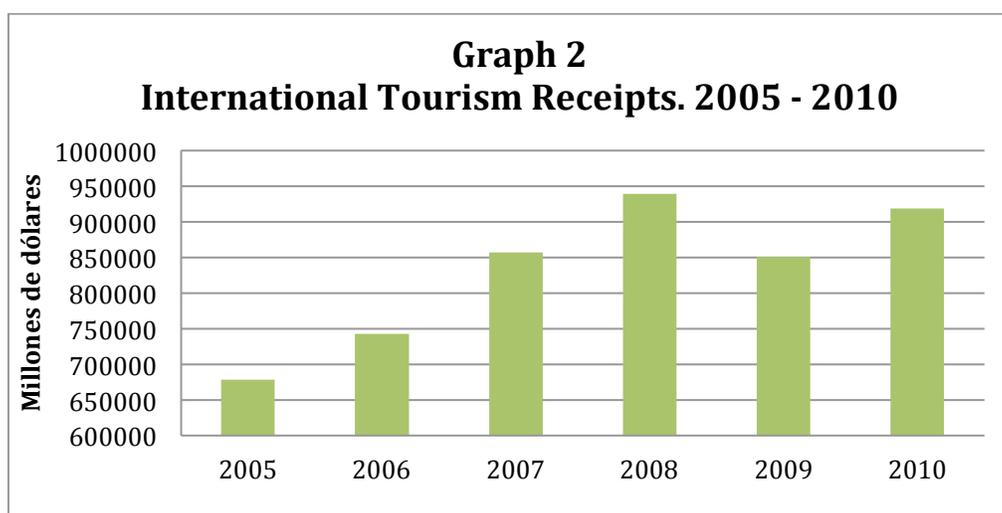
This case study is dedicated to understand the importance of sustainable tourism in the economy, and how the CST Program has empowered and guided the development of the Costa Rican tourism industry.

World Tourism Market

World tourism market is measured by the quantity of tourists that traveled during a determined period, and by the sum of money used in the monetary transactions realized during the travels of those tourists. International statistics are moderate in annual intervals and in terms of international tourist arrivals and international tourism receipts.



Graph 1. Source: own processing based on data of the WTO (2010a and 2012).



Graph 1. Source: own processing based on data of the WTO (2010b y 2011a).

According to the numbers of the UNWTO World Tourism Barometer, from 2005 to 2008, a sustained growth in the arrivals of international tourists is observed at a worldwide level. The growth of this variable decelerates in 2008 and undergoes a relapse in 2009, motivated by the world economic crisis. In the last two years, a recovery in the movement of tourists is observed that has allowed surpassing the levels observed in 2008.

The behavior of the variable of international tourism receipts has characteristics similar to variable of tourist arrivals, for the period between 2005 and 2010.

Nevertheless, by 2010 the economic transactions of the international tourism market haven't recovered to the levels reached before the economic crisis.

Analyzing these statistics in real terms, considering exchange fluctuations and inflation, is observed that international tourism increased 5%, compared to 6.5% of amount increased in tourist arrivals worldwide. This indicates that there is a direct relation between both variables, but considering that during the period of recovery the arrivals grow at greater speed than the receipts.

The recovery of the international tourism industry has been led by the emerging economies, which have compensated the slow performance of the most mature markets in Europe and North America. Travel decisions have been affected by the austerity policies adopted by some European countries. This has motivated markets to focus on attracting new tourists, especially those in emerging economies. Moreover, tourism markets in the countries of Asia and Latin America have experienced a rapid growth in tourism, despite the global recession. Also the governments of these countries have been promoting tourism by stimulating the local market of tourism services and benefiting key destinations in their territories (World Economic Forum, 2011).

It is estimated that by 2020, the number of international tourists would reach 1600 million people. It is important to mention that the data is referred only to international tourists and doesn't include people traveling as tourists internally in their countries. Adding both figures, the statistics rise dramatically to the point of triple and even quadruple (WTO, 2009).

Tourism-related economic activities account for 5% of global Gross Domestic Product and generate 8% of total employment. The tourism industry is valued at a trillion dollars a year and collects 30% of world exports of commercial services and 6% of total exports, ranking fourth among export products, after fuels, chemicals and automotive products. In over 150 countries, tourism is among the

top five export items, while for 60 countries is the main. It is also the most important source of foreign exchange for one-third of developing countries and half of the least developed countries (UNEP, 2011).

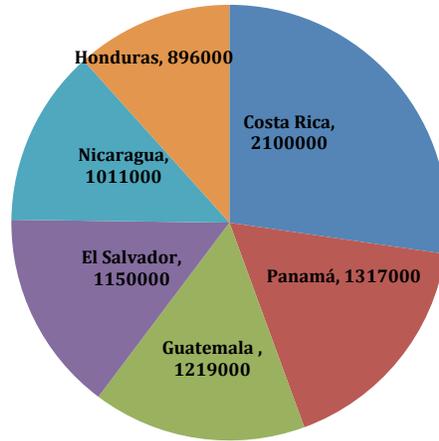
According to studies from the UK Department for International Development, tourism generates jobs with wages sufficient to lift families out of poverty and is one of the few opportunities to generate income that exists in some in rural areas (Altés, (2006).

Equally important is the investment in sustainable tourism, in order to create practices that ensure high quality services and contribute to the preservation of the environment. A large percentage of tourists, especially Europeans, lead market demands for greener tourism services, which promotes not only economic growth but also social and environmental development (UNEP, 2011).

Central American Tourism Market

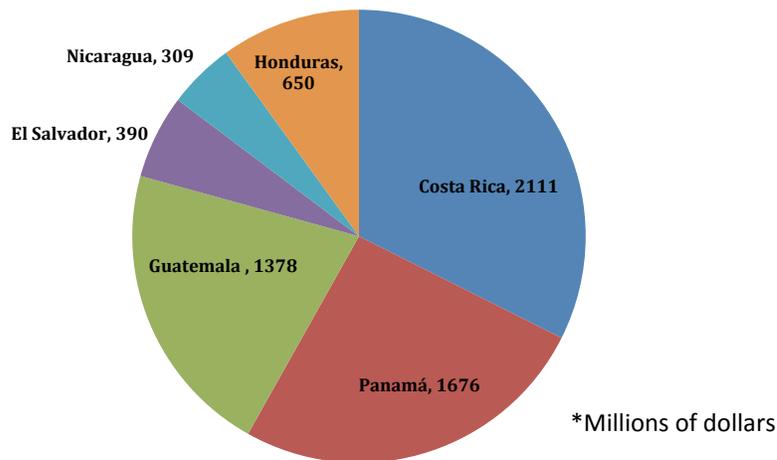
In Central America, tourism growth has occurred with greater strength from the year 2000, as countries started to be better prepared to meet the needs of the tourism market (Zúñiga, 2012). According to the data from the World Tourism Organization, in 2010 there were 7.693 million international tourist arrivals to the Central American countries. On the other hand, the region recorded a total of 6.514 billion dollars from international tourism revenue. Costa Rica is ranked as the top tourist destination of the region, accumulating 25% of international tourist arrivals and 32% of international tourism receipts.

Graph 3
International Tourists Arrivals to Central American Countries. 2010



Graph 2. Source: own processing based on data of the WTO (2011b).

Graph 4
International Tourism Receipts in Central American Countries. 2010*



Graph 4. Source: own processing based on data of the WTO (2011b).

Central American countries have five categories persecuted by international tourists: nature, archeology, colonial cities, diving and living cultures. This is

complemented by their tropical and their geographical location, which makes it a popular destination for many North and South American tourists. Also, in recent decades has greatly increased tourist arrivals coming from Europe and Asia. (Inman, et. Al, 1999).

Table 1				
Tourism Economy in Central America. 2010				
	GDP		Employment	
Country	Millions of dollars	%	Millions of dollars	%
Costa Rica	4154	14,0%	272	13,7%
Panama	3515	13,7%	200	13,2%
Guatemala	2904	7,7%	316	6,6%
El Salvador	1573	7,1%	146	6,2%
Honduras	1482	9,6%	208	2,8%
Nicaragua	459	7,2%	127	5,8%

Table 1. Source: own processing based on data of the World Economic Forum (2011)

Tourism economy considers the direct impacts of the tourism industry, as well as indirect contributions from other economic actors in the value chain, such as input suppliers for the tourism industry and transport services within the local economy. The chart above reflects the importance of tourism to the Central American economies, taking into account their contribution to GDP and employment in the countries in 2010. Costa Rica appears to the forefront accounting for 14% of GDP and 13.7% of the jobs created in the country, both figures related to the tourism economy (World Economic Forum, 2011).

Tourism in Costa Rica

Tourism has become one of the most dynamic productive activities of the Costa Rican economy. This country is one of the best examples of a popular tourist destination, thanks to its political stability and its national park system that covers about 20% of the territory (Rivera, 2004). The performance of this industry has contributed to the growth of the country and generated more welfare to Costa Ricans.

Table 2 Costa Rican Tourism Arrivals, Exports and GDP. 2003 - 2010								
Variable	Year							
	2003	2004	2005	2006	2007	2008	2009	2010
International tourist arrivals	1237948	1452926	1679051	1725261	1979789	2089174	1922579	2099829
Tourism GDP (millions of dollars)	1225,6	1390,3	1599	1634,7	1942,2	2186,7	1822,7	1977,1
Costa Rican Total Exports (millions of dollars)	6102,2	6301,5	7026,4	8207,3	9352,7	9503,7	8783,7	9340,5
Costa Rican GDP (millions of dollars)	17517,7	18595,6	19961	22528,7	26267,3	29847,7	29241,1	35789,4
Tourism/GDP rate (%)	7,0%	7,5%	8,0%	7,3%	7,4%	7,3%	6,2%	5,5%
Tourism/exports rates (%)	20,1%	22,1%	22,8%	19,9%	20,8%	23,0%	20,8%	21,1%

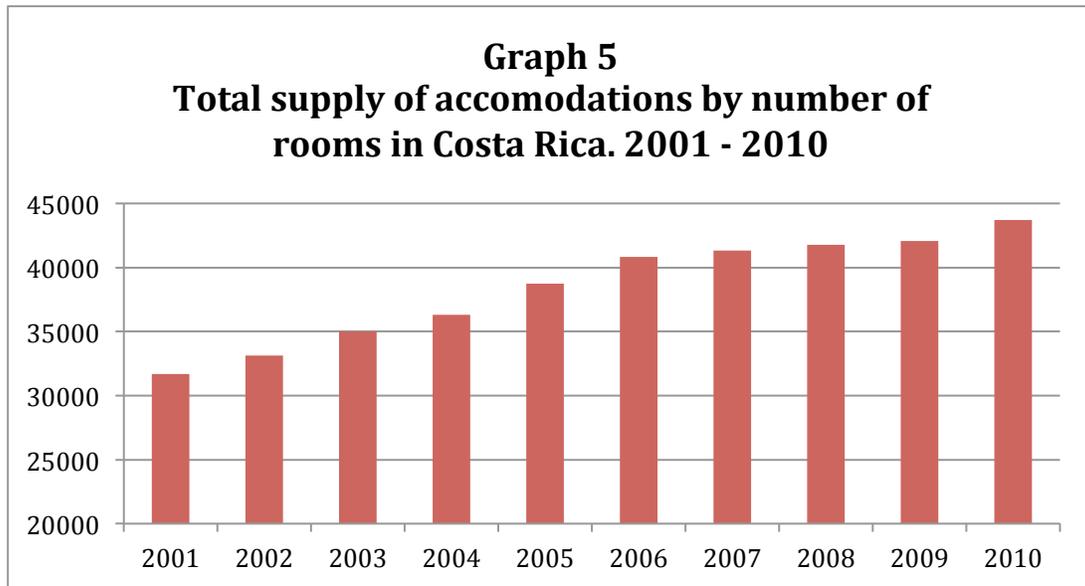
Table 2. Source: own processing based on data of the Department of Statistics of the Costarrican Tourism Institute (2011)

In 2010 Costa Rica generated a total of 1.98 billion dollars through its tourism industry, which corresponded to 5.5% of its GDP and 21% of its national exports. In that year, the country received 2099829 international tourists. As a source of foreign exchange, tourism doubled what coffee and banana generated in the same year, two of the most traditional products to Costa Rica.

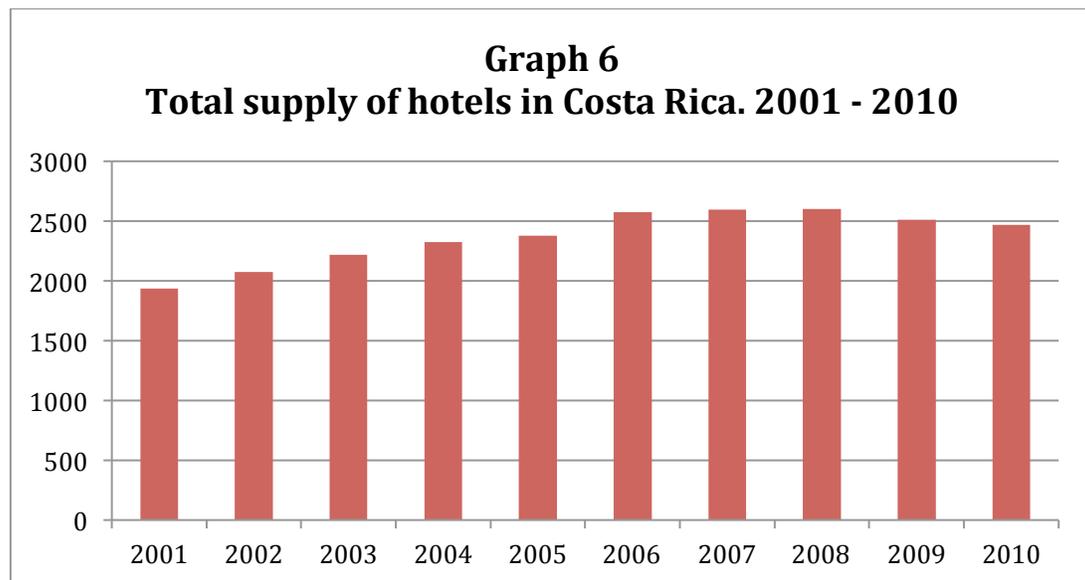
There is an increase in tourism receipts and tourist arrivals for the period between 2003 and 2010, with an average annual growth of 7.7% and 8.2%. For the same period, exports increased an average of 6.5%, while GDP grew 11%. The growth of the tourism income variable was interrupted only in 2009, when there was a drop of 16% over the previous year. Arrivals fell only 8% for the same year. The growth path was resumed in 2010 with a percentage change of 8.5% on the revenue side and 9.2% in tourist's arrivals. This behavior is consistent with the performance of this variable for the rest of the world, as noted in previous sections.

United States is the country that sends the most visitors to Costa Rica, with more than 830,000, representing 40% of all tourists who visited the country in 2010. After the United States, Canada and Nicaragua follows as the main source of tourists, with around 427,000 and 120,000 visitors, respectively. The months of

December, January, February, July and November are the most important in terms of tourist arrivals to Costa Rica (ICT, 2011).



Graph 3. Source: own processing based on data of the Department of Statistics of the Costarrican Tourism Institute (2011).



Graph 4. Source: own processing based on data of the Department of Statistics of the Costarrican Tourism Institute (2011).

As for the supply of accommodation, in 2010 the country had 43,715 available rooms distributed between 2468 hosting companies. Interestingly, even though the room supply has continued to grow steadily in the period between 2001 and 2010, with average growth of 6.5%, the supply of hotels has presented a

downward trend from 2008. Since that year, the number of hotels has decreased in 131 hotels.

The tourism market in Costa Rica is highly dynamic and diverse, combining high quality beach and mountain hotels, at a biological, climatic, geographical and scenic variety, making the country an excellent tourist destination. For this attributes, Costa Rican territory ranked first in Latin America in the "Country Brand Index 2011 - 2012", which evaluates the perception of tourists and business people on topics such as tourism, quality of life, values, business climate, heritage and culture (Future Brand, 2011).

Costa Rica is ranked 44 in the World and 2nd in Latin America in the Tourism Competitiveness Index developed by the World Economic Forum (2011). This privileged position is primarily due to its performance in the management of its natural resources, which ranks the country in sixth place worldwide in this area of analysis considering the existence a high percentage of protected areas and wildlife diversity.

Given the importance that the Costa Rican tourism industry has given to environmental issues, the country ranks 25 in the world in terms of environmental sustainability, an area where the country continues to improve annually. Costa Rica also has a relatively well-developed tourism infrastructure, that locates the country at the 39 place in this regard, with a strong presence of car rental companies and numerous rooms available in hotels. However, Costa Rica is less competitive in areas of health and hygiene, 74th, and on the issue of land transport infrastructure, ranked 93, mainly in terms of roads and ports, since the internal transport is a tricky issue (World Economic Forum, 2011).

The country has innovated in the conservation of the environment and the promotion of ecological tourism. Its great system of National Parks and Protected Areas has allowed the attraction, not only for tourists but also of

international organizations related to scientific and environmental conservation issues. (Inman, et. al. 2002).

The achievements of Costa Rica in terms of environmental conservation is reflected by its position in the Yale's Environmental Performance Index, where appears ranked fifth of the World for 2012. This index evaluates countries according to issues of environmental health, pollution, biodiversity, forest, fisheries, agriculture and climate change. The main factor that enables the high performance for Costa Rica lies in the area of forests (Yale, 2012).

The country is not trying to reach mass tourism, but is more interested in specialized high quality tourism. Overall, medical, services and adventures tourism have taken off. These variants have brought further currencies, are diversifying the domestic tourism market and are creating more jobs (Inman, et. al., 1998).

Clearly, the success of Costa Rica in the field of tourism is achieved thanks to its National Protected Areas System, which covers 26% of its territory, and to the great interest that generates a country with at least half a million of species in a geography of 51,100 square km (4.5% of global biodiversity), in a space that represents only 0.03% of the Earth's surface. (ICT, 2012B)

Costa Rica has positioned itself in the world market as a "green" destination. This profile has generated a demand for facilities, plant services, activities and initiatives that promote a sustainable lifestyle, both for tourists and nationals. In these circumstances, rural community tourism, ecotourism, agro-tourism, educational tourism, among others, have become very important for the domestic market.

Certification of Sustainable Tourism

The Certification of Sustainable Tourism is a voluntary compliance program of the Costa Rican Tourism Institute, which seeks to categorize and certify tourism companies that reach a model of sustainability, defined by a set of criteria established in a standard. This tool allows companies to improve their sustainability performance, identifying potential impacts in social, environmental and economic issues and evaluating opportunities to improve their business performance.

This initiative was created as a public policy based on incentives to cope with the increasing environmental problems related to the tourism boom: pollution of rivers and beaches, deforestation and wetland destruction. The CST was designed to alleviate these problems by certifying and monitoring the adoption of environmental practices in addition to those established by law (de Leon & Rivera, 2005).

To evaluate the sustainability position of a hotel, the standard analyses the company in four areas, which are divided into descriptors. Each descriptor represents sources of negative or positive impacts of the operation of the company. Descriptors integrate a set of specific questions, by which sustainability conditions are evaluated to measure the performance of the companies. The measurement instrument corresponds to a questionnaire that, in the case of lodging establishments, contains 153 questions spread over 20 descriptors and 4 areas.

The CST Program began in 1998 with the certification of accommodation facilities. Then it expanded to also certify tour operators, car rental agencies and, soon, theme parks. To date, 243 Costa Rican tourism companies are certified with the CST.

More than a decade since its creation, CST has become a consolidated program, which has international recognition of the World Tourism Organization, and has been studied in a series of investigations of different disciplines nationwide and internationally.

The CST is a brand that differentiates Costa Rica as a sustainable tourist destination. This not only affects the marketing policies of the country, but also controls the use of the concept of sustainable tourism for enterprises. The program also provides an opportunity for tourism businesses to have a distinguishing feature that generates more competitiveness to their products and promotes efficiency in the internal use of resources. In addition, the CST provides greater reliability to tourists about the product they are consuming (ICT, 2012).

The last question of the discussion forums of group B in the Green Industry Course was if energy efficiency always pays? I think that the question could also be that if sustainability always pays... this seems to be the case with the CST Program in Costa Rica. Even though there's still a lack of research that quantifies the impacts this policy, evidence shows that the country has obtained a positive payment from its implementation.

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