

**ARGENTINA**  
**TOURISM REPORT**

ECONOMIC SECTION

U.S. EMBASSY

BUENOS AIRES

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ARGENTINE TOURISM AS A SOURCE OF GROWTH AND EMPLOYMENT

----- Summary -----

The Argentine tourism industry is recovering due to the return of political stability and a favorable exchange rate. Currently, the sector has once again achieved levels prior to the devaluation in January 2002. Most of the tourism growth is from Latin American neighbors. Meanwhile, tourism from North America and Europe has decreased compared to pre-devaluation levels. The most popular winter destinations are the ski resorts located along the Andes Mountains, while the most popular summer destinations are the beach resorts on the Atlantic coast. The GOA sees tourism as a key engine for growth and employment. To promote tourism, the GOA needs to devote more resources to marketing Argentine destinations, invest more in tourism infrastructure, maintain its current exchange rate policy.

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Recent Developments in Tourism  
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The devaluation in January 2002 had two major effects on tourism in Argentina. First, Argentina became less expensive for foreigners who wanted to travel to Argentina. Second, Argentines found that traveling abroad was more expensive and thus chose to take vacations in Argentina. Argentines have traveled abroad 40 percent less in both numerical and dollar terms in 2002 compared to 2001. These two trends have contributed to economic growth in the form of investment and employment. GOA officials project that the number of foreigners entering Argentina will increase from 3 million to 10 million by 2010.

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Tourists from Abroad: A Closer Look  
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Argentina attracts about 3 million tourists (0.4 percent) out of the 714.6 million tourists that travel internationally each year. This figure seems minuscule compared to the figure for a country such as France, which attracts 10 percent of the global market.

Argentina is experiencing record-breaking growth in the tourism industry. However, the ongoing recovery in tourism only returns the sector to pre-devaluation (December 2001) levels. Total spending by foreign travelers to Argentina fell 40 percent between 1998 and 2002 according to a study by the Institute of Fiscal and Economic Studies (IEFE). (See Table One)

Table One  
Foreign Travel to Argentina

Year	Total Passenger Spending	Total (USD)
1998	10,479,024	3,024,780,121
1999	10,183,231	2,897,935,169
2000	10,272,660	2,903,849,701
2001	10,978,526	2,641,848,709
2002	10,748,964	1,535,123,297

(Source: IDEC-Balance of Payments)

From December 2002 to April 2003, 67 percent of the foreign tourists came from Mercosur countries or Chile, 19 percent came from Europe, 12 percent came from the United States and Canada, and 13 percent came from the rest of the world. The growth in foreign tourism is due to the arrival of visitors from Latin American countries. Travelers from Chile, Columbia, Ecuador and Mexico stand out in that they entered Argentina in greater numbers than prior to the devaluation.

Travelers from Europe and North America entered Argentina in lower numbers compared to before the devaluation. Tourists from the United States, Spain, France, Germany, England, Italy, and Canada have all decreased their travel to Argentina. This trend had a disproportionately negative impact on the Argentine economy because these travelers typically have higher levels of expenditure. Travelers from more affluent countries tend to stay in hotels, rent cars and consume more than those staying elsewhere. For example, those who stayed in campgrounds spent 20.32 pesos per day while those who stayed in hotels spent 67.05 pesos per day in the period from December 2002 to April 2003.

Table Two  
Foreign Arrivals Entering Argentina By Way of Ezeiza  
International Airport from January to May  
(in thousands of passengers)

Country	2000	2001	2002	2003	Percent Variation (00/03)
US	76.5	77.8	49.5	71.2	(6.07)
CHILE	49.9	45.2	50.8	62	24.22

BRASIL	62.5	59.1	40.8	59.5	(4.90)
SPAIN	35.5	32.9	21.5	32.4	(8.53)
ITALY	31.1	27.5	17.9	26.6	(14.68)
PERU	27.6	30.5	17.7	25.1	(9.05)
COLOMBIA	7.9	8.4	6.4	19.4	143.35
FRANCE	16.7	19.7	13.4	16.9	0.91
GERMANY	19.4	18.9	13	16.6	(14.56)
ENGLAND	14.6	16.4	12.9	15.7	7.46
ECUADOR	2.6	2.9	4.2	15.5	505.12
BOLIVIA	14	16.1	10.8	14.9	6.01
MEXICO	10.8	10.1	7.4	14.6	35.34
URUGUAY	11.1	11.1	9.1	6.8	(38.13)
JAPAN	6.7	7.3	4.6	6.1	(8.85)
CANADA	8.2	9.6	5.6	5.9	(28.42)
PARAGUAY	8.9	7.3	6.2	5.4	(38.72)
AUSTRALIA	8.6	7.7	6.6	5.4	(37.35)
VENEZUELA	5.2	5.3	3.5	5.1	(4.11)
SWITZERLAND	6.4	5.3	3.7	4.6	(27.90)
REST	5.8	52.1	34.3	49.8	(14.14)

TOTAL        482.4 471.2        339.9 479.5        (0.05)  
 (Source: Indec)

The provinces located in the border regions have benefited from the influx of foreign tourists from neighboring countries. The data above underestimates the arrival of South American tourists because it only takes into account entries through the International Ezeiza Airport. Travelers from Chile, Bolivia, Paraguay, Brazil and Uruguay often enter Argentina by land. Border tourism increased 60 percent and hotel occupation increased 70 percent in the first two months of 2003, compared to the same period in 2002.

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 Winter Tourism  
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The Argentine Tourism Office reported a record winter vacation season for June to September 2003 with a 15 percent increase compared to a year ago. Tourists from Brazil, Peru, Chile, Australia, and France traveled to Argentina to enjoy the winter snow. Argentines from Rosario, Cordoba, Mendoza and Buenos Aires traveled to popular domestic destinations for winter vacation. Ski resorts in Bariloche and San Martin de los Andes hosted 20 percent more tourists than last year. Las Leñas in Mendoza and Chapelco in

Neuquen had an average occupancy rate of 95 percent. Cordoba attracted 300,000 tourists, Salta attracted 100,000 tourists, Bariloche attracted 80,000 tourists and Ushuaia attracted 7,300 tourists. A total of 7.35 million tourists traveled throughout Argentina during the winter season.

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#### Summer Tourism

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Summer tourist activity increased 42.1 percent from December 2002 to January 2003. A total of 8 million tourists spent USD 2.2 billion in Argentina in the 2003 summer period. Argentine tourists increased their spending 92.9 percent and stayed 6 days on average, compared to 3 days last season. This increase in domestic tourism generated 232,000 jobs in the hotel and restaurant sector. The top austral summer tourist destinations included the Atlantic coast, Cordoba, Guleguaychu, Mendoza, San Carlos de Bariloche, and Salta.

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#### Dual Pricing

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Tourists visiting Argentina will find two sets of prices with foreign tourists frequently paying higher prices than Argentine tourists. For example, Aerolineas Argentinas gives a 30 percent discount to Argentines. Foreigners pay (USD 212) while Argentines pay 475 pesos (USD 170) for a trip to Las Cataratas that includes hotel and airplane expenses. Argentine businesses also frequently charge different prices to foreigners. For example, a foreign tourist can be charged US 80 while an Argentine citizen is charged 80 pesos for a hotel room, a markup of almost 300 percent for foreign tourists.

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#### New Tourism Minister

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Former Santa Cruz Province Under Secretary of Tourism Enrique Meyer replaced Germán Luis Pérez as Tourism Minister on August 21. According to leading newspaper Clarin, Meyer stated that the GOA must play a role in forming tourism policy. He explained that the GOA will develop policy relating to infrastructure in the interior, air transportation, and capitalization of the industry. He stated that the relationship between the GOA and the private

sector will not change. He said the goal is to achieve sustainable tourism by reinforcing the promotion of tourism and providing better services to the tourist.

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The Benefits of Tourism  
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The GOA is convinced that tourism will generate income and create many of the new jobs so urgently needed in Argentina. According to former Secretary of Tourism Germán Luis Pérez, "Tourism will significantly contribute in overcoming, once and for all, the extreme crisis bearing down on the Argentine society as a whole." GOA officials have expressed a desire to see the tourism industry double from the current 7 percent of GDP to 14 percent. An increase in tourism not only helps those who work in areas such as travel agencies, hotels, car rental agencies and airline companies but also local industries such as shopping centers, restaurants, and entertainment. Tourism also creates employment in remote areas of the country, which frequently do not have many alternate sources of development.

A number of conditions need to exist for tourism to continue to grow. Argentina's tourism marketing efforts need to be targeted to neighboring countries and key markets in North America and Europe. There also needs to be an adequately funded effort to increase the quantity and quality of tourism-related infrastructure. Finally, the GOA will need to maintain its current exchange rate policy, which greatly favors exports, import substitution and tourism.