

The benefits of air policy reform in small island states: air transport service and regulatory developments in the Caribbean/Latin America region

Professor David Warnock-Smith

Socio-economic analyses in the small island states of the Caribbean have shown that air transport provides a critical lifeline for continued access to global markets, tourism and other forms of trade and economic activity. The research showed that the largest welfare gains to the region would be made through a fully liberalised Multilateral Air Service Agreement (MASA). This would enable Caribbean member states to negotiate more liberal and reciprocal bilateral agreements together with larger third party source markets for tourism, namely Canada, the US, Europe and to a lesser extent Latin America.

Additional analyses indicated that while there were good direct air links into the Caribbean region from North American and European source markets, levels of beyond and behind connecting traffic were found to be quite limited, representing some untapped market potential that could lead to further incoming tourism development in the Caribbean region.

The research has informed changes to the air transport policies of CARICOM and individual Caribbean states. In February 2019, Jamaica, Trinidad and Tobago, Barbados, Dominica, Grenada and St Vincent and the Grenadines all signed the revised CARICOM Multilateral Air Services Agreement, which extends full freedoms to all CARICOM community carriers on routes within and between Caribbean Community states.

These air transport policy changes have the potential to unlock significant improvements to incoming tourism, length of stay in the region and related spending, given that tourists will have access to lower air fares on a wider range of air routes and services. Countries such as Jamaica, the Bahamas and Barbados continue to run good trade surpluses in tourism, without which revenues for public services would be reduced. Aviation both directly and indirectly provides a lifeline to the CARICOM economy, enabling incoming tourists to contribute over USD2.5bn to Gross Domestic Product (GDP) and providing over 112,000 jobs.