

Maina Island, Cook Islands

## DESTINATION INFORMATION AT A GLANCE

### POPULATION:

17,900 (2020)\*

### CAPITAL:

Avarua (Rarotonga island—3,000 kilometers (km) northeast of Auckland, 4,700km south of Honolulu).

### OFFICIAL LANGUAGES:

English and Cook Islands Maori / *Reo Maori*

### CLIMATE:

Warm tropical climate. Average temperatures of 26°C in the drier months (April to November) and 30°C in the wetter, humid months (December to March).

### CURRENCY:

New Zealand dollar (NZ\$). Local coins and notes (the Cook Islands dollar, which cannot be exchanged internationally) are also used.

### ENTRY AND VISA REQUIREMENTS:

31-day stay for all visitors with a valid passport and a return ticket. 90-day stay for New Zealanders.

### GEOGRAPHY:

15 islands (12 are inhabited), with a total land area of 240 square km across 2.29 million square km of ocean.

\*Asian Development Bank. 2021. *Key Indicators for Asia and the Pacific* 2021. Manila.

# Cook Islands

PACIFIC TOURISM SECTOR SNAPSHOT | NOVEMBER 2021

## INTRODUCTION

**The Cook Islands is a well-established holiday destination, with travelers drawn to its wide range of activities, stunning beaches, clear waters, and abundant marine life.**

Despite its small size and population, the country's idyllic islands and friendly hospitality underpin a well-established and highly rated tourism offering.

**Tourism is the backbone of the Cook Islands' economy.** The tourism sector makes up an estimated 66% of its gross domestic product (GDP) (Pacific Tourism Organisation [SPTO] 2020). Employment in tourism in 2016 was estimated at 2,386 jobs—about 34% of the country's total workforce (SPTO 2019).

**The Government of the Cook Islands promotes sustainable tourism development.**

The tourism sector has been supported through the impacts of the coronavirus disease (COVID-19) by a comprehensive government package including wage subsidies, grants, and unemployment benefits. Although significant challenges—particularly related to environmental degradation and pollution caused by tourism—will need to be addressed in the long-term, the tourism sector is well-positioned to pick up strongly when international travel resumes.

## TOURISM SECTOR OVERVIEW

Note: this overview compiles key tourism information based on the most recent available data. Due to the impact of COVID-19 on the tourism sector, some of this information has likely changed.

### TRANSPORT AND CONNECTIVITY

Before the COVID-19 pandemic, Rarotonga was connected by direct services to Auckland, Los Angeles, Papeete (Tahiti), and Sydney. These routes were serviced by Air New Zealand, Air Tahiti, Jetstar, and Virgin Australia, with more than two-thirds of all passengers traveling with Air New Zealand. The passenger loading across all carriers was relatively high—up to 77% in peak season and 63% in low season in 2019. During the July to September peak season, direct flights to New Zealand were as frequent as three times a day, and average loadings as high as 83% (Cook Islands Tourism Corporation, unpublished data).

The government underwrites Air New Zealand's weekly flight services connecting Rarotonga with Sydney and Los Angeles. Under the agreement, Air New Zealand is compensated for any shortfall between revenue and total operating costs, including a profit margin. This costs the Government of the Cook Islands an estimated NZ\$12 million per year and is one of the largest items on the national budget. However, recent economic analysis suggests the flights bring in additional yearly revenue of NZ\$25 million (Cook Islands Tourism Corporation, consultations with author, 2020).<sup>1</sup>

Air Rarotonga, the only domestic airline in the Cook Islands, is privately owned. Multiple daily flights connect Rarotonga and Aitutaki, which take only 50 minutes. The airline was in a strong operating position before COVID-19, mainly due to the profitability of flights from Rarotonga to Aitutaki (Government of New Zealand, Ministry of Foreign Affairs and Trade 2020). Airports at Rarotonga and Aitutaki are managed by the Airport Authority Cook Islands, which is 100% government-owned. In addition, seven coral-surfaced airstrips serve the outer islands, which the island governments regulate.

Visitor transport on Rarotonga is easy and plentiful. Rarotonga has a total road network of 295 kilometers, mostly sealed. Two buses circle the island: one travels clockwise and the other anticlockwise. Cars, scooters, and bikes are available for rent, as well as taxis and private shuttle buses.

### ACCOMMODATION

In 2019, the Cook Islands had more than 800 accommodation providers, ranging from family home stays and backpacker hostels to high-end self-catering villas and luxury hotels. Most are located on Rarotonga. There are eight large hotels (more than 35 rooms), 108 smaller hotels (35 rooms or less), and 690 holiday homes (SPTO 2020 and Cook Islands Tourism Corporation, consultations with author, 2020). Only two properties are considered "full-service resorts," with more than

1 Estimated revenue does not include tourism multiplier effect.

## Box 1: Cook Islands Key Visitor Statistics

### Air Arrivals (2019)

171,606 visitors.

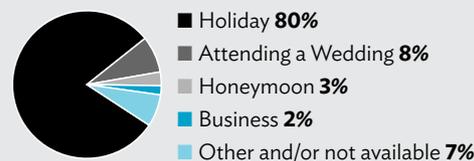
Source: Pacific Tourism Organisation.

### Air Arrivals by Source Country (2019)



Source: Pacific Tourism Organisation.

### Purpose of Visit (2018/2019)



Source: New Zealand Tourism Research Institute. 2019. *Cook Islands Visitor Survey Annual Report July 2018 to June 2019*. Auckland.

### Tourism Receipts (2019)

\$244.2 million.

Source: Pacific Tourism Organisation. 2020. *2019 Annual Review of Visitor Arrivals Report*. Suva. (Estimate).

### Visitor Spend (2018/2019)

NZ\$2,189 per person.

Source: New Zealand Tourism Research Institute. 2019. *Cook Islands Visitor Survey Annual Report July 2018 to June 2019*. Auckland.

### Sea Arrivals

Around 9000 cruise passengers and 120 yacht visitors per year.

Source: Cook Islands Tourism Corporation. Estimates only—official records are not kept.

### Visitor Destinations

98% of air arrivals spend at least one night on Rarotonga, 22% travel to Aitutaki, and 1% travel to Atiu.

Source: New Zealand Tourism Research Institute. 2019. *Cook Islands Visitor Survey Annual Report July 2018 to June 2019*. Auckland.

Source: Pacific Private Sector Development Initiative.

## Box 2: Cook Islands Visitor Arrival Trends

### Air Arrivals (2012–2020)



Source: Pacific Tourism Organisation.

**Air arrivals to the Cook Islands increased 40% from 2012 to 2019 before a sharp drop in 2020 due to the COVID-19 pandemic.** Arrivals are seasonal and at their highest from May to October, and noticeably lower across the summer cyclone season. Visitation has a defined peak in July and August, corresponding with the New Zealand winter. The Cook Islands, for example, received 18,612 visitors in July 2019—more than the country’s total population—but only 7,608 in February of the same year.

Source: Pacific Private Sector Development Initiative.

100 rooms, a kids’ club, and 24-hour reception. There are no internationally branded hotels.

**Annual accommodation occupancy is estimated to average 60%– 80% of capacity.**<sup>2</sup> Accommodation capacity constraints are not uncommon during the July–August high season. There are concerns the Cook Islands lacks high-end accommodation and existing hotel room stock will require refurbishment if the country is to remain competitive with other tourism destinations (Asian Development Bank [ADB] 2015). However, visitors consistently report high satisfaction with the quality and cost of accommodation (New Zealand Tourism Research Institute [NZTRI] 2019a).

### ORGANIZED TOURS

**The Cook Islands has a range of tour options.**<sup>3</sup> Those in Rarotonga include cultural tours, which often involve local food and dance, and nature tours, such as hikes, biking, and 4WD eco-tours. In addition, Rarotonga and Aitutaki offer various marine-based activities such as lagoon cruises, snorkeling, diving, or fishing trips. Local communities in the outer islands also provide day tours, typically a combination of culture, history, nature, and marine activities.

### VISITOR DEMAND AND SATISFACTION

**Daily spend in-country per visitor is increasing.** Visitor spend grew 46% from the 2013/2014 fiscal year (FY)<sup>4</sup> to FY2018/2019 and increased 9% from FY2017/2018 to

FY2018/2019 (NZTRI 2019a). The average spend per visitor in the Cook Islands is now comparable to Solomon Islands and Vanuatu and significantly higher than Niue and Samoa (NZTRI 2019c).

**Visitors report high levels of satisfaction.** More than 90% report being “satisfied” or “very satisfied” with their visit (NZTRI 2019a). The most appealing factors are the beautiful natural environment, the friendliness of Cook Islanders, and the peaceful, relaxing atmosphere. Public infrastructure and value for money tend to be the least favorable attributes. Cook Islanders generally view tourism positively and their friendliness enhances the visitor experience. 93% believe tourism is positive for the country and 90% are eager to share their culture with tourists (NZTRI 2019b).

### TOURISM GOVERNANCE, PLANNING, AND POLICY

**The Government of the Cook Islands acknowledges the importance of tourism and advocates for the sector’s increased growth.** This is emphasized in the country’s National Sustainable Development Plan 2016–2020 which outlines a vision across 16 goals. Tourism is included as a cross-cutting sector and contributes to each goal, particularly economic growth, sustainable energy and transport, and healthy lifestyles. However, the plan does not outline tourism-specific strategies or policies (Government of the Cook Islands 2016). The government is currently working towards a post-2020 sustainable development plan. This is likely to feature tourism, given its importance to the economy.

**The Cook Islands Tourism Corporation (CITC) is responsible for destination development and marketing.** The CITC was created by the Tourism Marketing Corporation Act 1998 (Amendment 2007) and is led by a tourism board, comprised predominantly of industry members, and a chief executive officer. It employs 27 staff based in the Cook Islands, responsible for destination marketing, destination development, finance and administration, and executive services. It also maintains overseas offices in eight source markets. The CITC is partly funded by the Government of New Zealand.

**Four strategic plans guide the Cook Islands’ tourism development.** These include a Destination Development Strategy, an Aviation Investment Strategy, a Diversified Marketing Strategy, and a Tourism Investment Strategy. Prior to the COVID-19 pandemic, plans were underway to combine the four strategies into an overarching tourism development strategy—to be called Turoto 2030. This work is likely to resume when the tourism sector begins to stabilize from the shock of the pandemic.

**Sustainable tourism development is a priority.** The Cook Islands Sustainable Tourism Development Policy Framework, developed by CITC, outlines seven goals to help ensure tourism advances the well-being of resident Cook Islanders.

2 Estimate provided by the Cook Islands Tourism Corporation.

3 The exact number is unknown as tour operators are not regulated.

4 The Cook Islands fiscal year runs from 1 July to 30 June.

### Box 3: Cook Islands Key Attractions

- **Coral reefs and atolls**—Clear waters, abundant marine life, coral gardens, and canyon dives with sharks, rays, and turtles, as well as a declared whale sanctuary.
- **Sandy lagoon beaches**—Exceptional swimming and snorkeling, as well as sea scooters, kite surfing, and body boarding.
- **Fishing**—including fly-fishing, lagoon fishing, spear fishing, and charters for deep-sea fishing beyond the reef.
- **Tropical jungles, waterfalls, and volcanic peaks**—Explored through activities including short forest walks, cycling, scootering, or 4WD eco-tours, and longer hikes such as the cross-island Rarotonga trek, which ends at the Papua waterfall.
- **Cultural shows**—Highlighting local music, song, dance, and food.

Source: Pacific Private Sector Development Initiative.



Yacht anchored in the shallow waters of Suvarrow Atoll, Cook Islands

The goals include protecting the pristine environment, perpetuating Cook Islands' culture, ensuring strong leadership and developing career pathways for Cook Islanders. A series of indicators are measured regularly through visitor, business, and community surveys.

#### **The government deregulated the tourism industry in 1998.**

All tourism licensing and regulation requirements were removed following the establishment of the CITC. Tourism businesses, such as hotels and tour operators, now fall under the general business regulatory framework and are registered like any other enterprise through the Ministry of Justice. This lightens the burden on businesses but also limits the government's control over the nature and direction of tourism growth. The Cook Islands does not have a ministry of tourism. The government

appoints a minister of tourism each term who has discretion over appointments to the CITC Board.

### TOURISM MARKETING

**The Cook Islands has an established international marketing presence and is working to increase high-yield tourism.** It is marketed with the tagline "Love a Little Paradise." The official tourism website provides potential visitors with information on the islands, experiences and activities, and accommodation.<sup>5</sup> There are direct links to accommodation providers and tour operators. Prior to the COVID-19 pandemic, marketing priorities included promoting stories from the outer Cook Islands, building awareness in the cruise and yacht segments, and increasing visitor yield rather than arrival numbers. Private sector operators also advocated for tourism marketing to include attracting longer-stay visitors and remote workers. A target of 170,000 arrivals—on par with 2019—was set for 2020, prior to the COVID-19 pandemic (Cook Islands Tourism Corporation, consultations with author, 2020).

### PRIVATE SECTOR ORGANIZATION

**The private sector leads tourism. Nearly half of the Cook Islands community either works in or owns a tourism business** (NZTRI 2019b). Around 46% of businesses are accommodation providers and 17% are classified as visitor activities or tours (NZTRI 2020). The Cook Islands Tourism Industry Council is the main representative body for the tourism industry, with support from the Chamber of Commerce.

**Tourism industry accreditation is increasing minimum standards.** The Cook Islands Tourism Accreditation and Quality Assurance Program was introduced to improve the quality of tourism products and services, given the industry is unregulated. The scheme is voluntary, but businesses that join enjoy increased promotion via websites, roadshows, and visitor information centers. As part of a new initiative, accredited tourism operators can also apply for Mana Tiaki Eco Certification, which provides an official green assessment and allows compliant businesses to use an eco-certified logo in promotion activities.

### TOURISM SECTOR CHALLENGES AND OPPORTUNITIES

#### TRANSPORT AND CONNECTIVITY

**Poor domestic air connections weigh on the tourism potential of the outer islands.** A single Air Rarotonga Embraer services all of the outer islands. Many flights operate on a charter basis, and all are expensive and infrequent. Inadequate maintenance funding often leaves outer island airstrips in poor condition (ADB 2015) and unsealed runways preclude the use of larger, more efficient aircraft, adding to costs. Inter-island shipping services rarely run to a set schedule, and ships are often old and in poor condition. This means that any tourist wanting to see the country beyond the major islands of Rarotonga and Aitutaki must generally get there on a trans-Pacific yacht or expedition cruise.

<sup>5</sup> www.cookislands.travel

## ACCOMMODATION

**The availability of long-term accommodation is declining as properties are converted into short-term holiday rentals.** Growth of the tourism industry has encouraged many homeowners to rent their properties to tourists via online platforms such as Airbnb. Many Cook Islanders now feel that the availability of long-term accommodation for residents has been impacted by short-term tourism rentals, and that the cost to purchase or rent a property has increased (NZTRI 2019b). A limited amount of accommodation for returning residents or foreign workers adds to the challenge of attracting labor to service the growing tourism industry.

## ENVIRONMENT AND INFRASTRUCTURE

**Tourism is straining the local environment.** Development is occurring in fragile coastal zones and water catchment areas, and growth in visitation is increasing demand for water, sewerage infrastructure, and solid waste disposal. Around half of all Cook Islanders agree the natural environment has been damaged by tourism (NZTRI 2019b). Environmental degradation, if left unmitigated, threatens to damage the country's "clean and green" image.

**Water supply is under pressure from tourism, climate change, and urbanization.** Nearly 100% of the population has access to safely managed drinking water (ADB 2020), but supply is sometimes interrupted. There is no central sewerage system and, outside of Rarotonga and Aitutaki, sewage disposal is limited to septic tanks or poor distribution soakage systems, which risks contaminating the water supply (Government of the Cook Islands 2015). The threat to lagoon waters from untreated sewage effluent is increasing, primarily due to growing tourism numbers (Government of the Cook Islands 2015).

**Despite sustainable planning, uncontrolled tourism development is impacting the local environment.** There is no land zoning in the Cook Islands, and the tourism industry is unregulated. This has enabled tourist hotels and resorts to be built in environmentally sensitive areas, such as the foreshore, wetlands, and sloping properties, without any formal government approval (ADB 2015). Environmental impacts are most significant in the tourist hubs of Rarotonga and Aitutaki and are predicted to increase as economic development continues and the effects of climate change become more pronounced.

**An estimated 1.1 tons of plastic waste enters the Cook Islands' marine environment each day, mostly from uncontained disposal sites or littering** (Pacific Region Infrastructure Facility 2018). Waste collection services are provided on Rarotonga, and while recycling is relatively advanced, incinerators still burn garbage in some urban areas (ADB 2014). On the outer islands, rubbish is dumped in open pits. The country's reefs are generally in good condition, except for those near Rarotonga and Aitutaki's urban areas, where run-off has caused some degradation.

**The Cook Islands is highly vulnerable to disasters triggered by natural hazards.** Major cyclones have caused substantial economic damage and loss of life. A large proportion of

accommodation in Rarotonga is built on the foreshore and therefore exposed to cyclone risk (ADB 2019). There is a growing need for improved infrastructure, such as power, water, and sewerage, to meet tourism demands and mitigate environmental impacts.

## VISITOR DEMAND

**Increasing visitor yield, as opposed to visitor numbers, is preferred.** A 2019 assessment of the Cook Islands' tourism industry advised it is facing significant capacity constraints. Continued increases in visitor numbers—if not supported by an increase in beds or greater visitor spread across the year—could reduce the destination's international competitiveness (Government of the Cook Islands, Ministry of Finance and Economic Management 2019). According to the Cook Islands Business Survey, operators' preference for more visitors decreased significantly between 2015 and 2019 (NZTRI 2019d). More than half of the Cook Islands community now support the imposition of a visitor environment tax (NZTRI 2019b).

## SECTOR ORGANIZATION

**The membership and representation of private sector organizations is limited.** Despite the important role played by the Cook Islands Tourism Industry Council and the Cook Islands Chamber of Commerce, financial sustainability is a challenge for both organizations. Some smaller businesses, such as holiday homeowners and tour operators, do not perceive sufficient value in paid membership when the industry is booming, yet have come to depend on the advocacy and on-the-ground assistance of both organizations during the COVID-19 outbreak.

## ECONOMY, POLITICS, AND GOVERNMENT

**There is limited foreign investment in the Cook Islands' tourism sector.** The country's largest hotel—Edgewater Resort—is owned by second-generation foreign investors. Although most of the major hotels are, in fact, owned by local residents or ethnic Cook Islands Maori born or living abroad, there is a perception that business in the country is overly controlled by foreign enterprises. This is a sensitive issue. However, there is currently a lack of data on foreign investment in the Cook Islands and its importance to the economy (ADB 2015). Yet, about 70% of the country's people believe foreign ownership in tourism businesses is excessive and in need of restrictions (NZTRI 2019b).

**Fees and commissions reduce the profitability of Cook Islands tourism businesses.** Under the Cook Islands Fair Trading Act of 2008, local businesses are not legally able to charge a credit card surcharge. As bookings via online travel agents provide no mechanism to add an administration charge, local providers must absorb credit card fees themselves. This cost is in addition to the commissions charged by online agents such as booking.com—which can be up to 25%. The Cook Islands also has an ongoing issue with tax collection from short-stay rentals—often owned by Cook Islanders residing in New Zealand—which can create an uneven playing field with

## Box 4: Impact of COVID-19 on the Cook Islands' Tourism Sector

**The Cook Islands closed its borders on 21 March 2020.** In April 2020, the Government of the Cook Islands declared the nation free of the coronavirus disease (COVID-19) (Asian Development Bank [ADB] 2020b) and it remained COVID free as of the end of July 2021 (World Health Organization n.d.). From June 2020, citizens and permanent residents were allowed to return, subject to a strict 14-day quarantine (Government of the Cook Islands, Ministry of Finance and Economic Management 2020). A “travel bubble” (quarantine-free travel) between the Cook Islands and New Zealand commenced in May 2021 (Radio New Zealand 2021). In response to the pandemic, the Government of the Cook Islands launched the Cook Islands Promise, which involves a commitment between hosts and guests to safely reopen the islands to tourism (Cook Islands Tourism Corporation n.d.). Vaccination rates in the Cook Islands are high. The Ministry of Health reported that 95.7% and 90.2% of the eligible population had received first and second doses respectively by late June 2021 (ADB 2021a).

**The closure of international borders forced the Cook Islands hospitality sector into a complete shutdown.** Arrivals for March to June 2020 dropped almost 90% from the same period in 2019 (ADB 2020b) and the country's total arrivals for 2020 were just 25,073—or 15% of the number in 2019. (Pacific Tourism Organisation 2021). Gross domestic product (GDP) fell by 5.9% in the 2020 financial year, with a further fall of 26% projected for the 2021 financial year, followed by 7.1% growth in 2022 (ADB 2021b). In June 2020, job losses were estimated at 1,556, or 20.9% of the working population (ADB 2020b). The figure was expected to rise to 37% if government stimulus expired before international travel resumed (ADB 2020a).

**In April 2021, 93% of businesses surveyed reported a negative impact due to the pandemic.** 90% reported a decline in revenue. It could be anticipated the figures for tourism businesses would be higher. Despite this, 78% of Cook Islands businesses surveyed were confident they would survive the crisis (Pacific Trade Invest 2021). The success of the travel bubble with New Zealand, which has brought in more visitors than predicted, has encouraged the government to consider opening its borders to Australia. An outbreak of COVID-19 in Fiji, which began in April 2021, puts the Cook

Islands in an unusually favourable position to attract tourists. The Cook Islands is looking at the feasibility of underwriting flights from Australia. However, Australia's repeated COVID-19 outbreaks will need to be considered.

**In 2020, the Government of the Cook Islands established a three-phase economic response plan.** The first round of NZ\$61 million—12.2% of GDP—was designed to meet immediate needs with wage subsidies, cash grants for businesses, and unemployment benefits. The second round of NZ\$76 million continued the support measures but also aimed to kick-start growth, with a view to gradually reopening borders, while the third phase is focusing on transforming the economy to meet the challenges of the future (Government of the Cook Islands, Ministry of Finance and Economic Management n.d.).

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Source: Pacific Private Sector Development Initiative.

local Cook Islander properties. High interest rates charged by banks add to the challenges for local businesses and constrict development of the local industry.

**Data collection—particularly environmental indicators and economic impact measures—could be strengthened.** The CITC conducts regular surveys among visitors, businesses, and the community, which provide a valuable information base for sustainable tourism indicators. However, a recent study found there was limited measurement of environmental impacts, such as changes in land cover, water usage, or waste management

(IDEAA Group 2020). Additionally, the Government of the Cook Islands does not use a consistent methodology to measure the economic impacts of tourism, which results in varying indicators of its contribution to GDP (IDEAA Group 2020).

## LAND ACCESS AND DEVELOPMENT

**Land ownership constraints are an impediment to tourism investment.** Almost all land (99%) in the Cook Islands is subject to customary title (ADB 2015). Tourism growth has led to increased demand for land, and more people trying to achieve

land rights. This has caused fragmentation of title, under which hundreds of people have rights to small blocks of land, making the agglomeration of development sites extremely difficult.

## EMPLOYMENT AND TRAINING

### **Labor supply is an ongoing challenge for the private sector.**

Depopulation has been an issue in the Cook Islands since the 1970s. More than 80,000 ethnic Cook Islanders now live in New Zealand (Government of New Zealand, Ministry of Foreign Affairs and Trade n.d.) and at least 22,000 live in Australia (Government of Australia, Department of Foreign Affairs and Trade n.d.), leaving a population of less than 18,000 to support more than 170,000 tourists per annum. Nearly three-quarters of Cook Islands businesses have difficulty finding suitable staff (NZTRI 2019d).

### **Tourism careers are not aspirational for Cook Islanders.**

Tourism is not taught at high school, and tertiary education in tourism is only available remotely through the University of the South Pacific. Waiting on tables and working in hotels are perceived by many as lower-level careers. Only high-profile tourism opportunities, such as becoming a pilot or starting a business, tend to be viewed favorably.

**The Cook Islands experiences significant emigration.** Cook Islanders have open access to work, study, and reside in New Zealand, and it is an ongoing challenge to keep people—particularly the young—from emigrating. It has also driven up the cost of labor relative to other Pacific nations. The availability of well-paid jobs attracts foreign workers—predominantly from Fiji, Indonesia, and the Philippines—who are increasingly relied upon to service the tourism sector.

**Private sector operators often find it difficult to access foreign labor.** Work permits can be hard to obtain, and conditions governing employment and entitlements are not always transparent. At the same time, concerns have been raised about employers' treatment of foreign workers while in-country (ADB 2015). A dependency on imported labor also creates challenges during crises. For example, the COVID-19 pandemic left large segments of the foreign employee population jobless but unable

to return home. Once borders reopen and workers are able to leave, there is concern that they may decide not to return.

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