“The Future of Middle East Tourism”

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INTRODUCTION

The travel and tourism industry in the Middle East is estimated to generate more than 65 billion dollars worth of economic activity, making it one of the leading economic sectors after oil. Its contribution to GDP, employment and foreign exchange earnings is expected to grow significantly during the rest of this decade.

According to the World Tourism Organisation, a total of nine of the world’s leading emerging destinations during 1995 to 2003 were located in the Middle East and North Africa region.

Between 1990 and 2001, growth in international tourism in the Middle East was phenomenal, as total tourist arrivals grew from nine to almost 23 million.

TOURISM HIGHLIGHTS

To consider the future of Middle East tourism, we should first examine the current travel trends in the region and worldwide.

Global international tourism saw a three per cent growth in 2002, after a decrease of point five per cent in 2001. The 700 million mark was surpassed, showing an increase of more than 16 million arrivals over the previous record year 2000.

Pressure on prices and a trading down in expenditure, though, meant that international tourism receipts did not increase accordingly, rising by only point three per cent over 2001.

However, decreases in the Americas and Europe were offset by increases in Asia Pacific, the Middle East and Africa. Global receipts for international tourism in 2002 amounted to 474 billion dollars, corresponding to 1.3 billion dollars a day, or around 675 dollars per tourist arrival.

Globally, in terms of source markets, international tourism is still mainly concentrated in the industrialised countries of Europe, the Americas, east Asia and the Pacific. However, with rising levels of disposable income, many emerging economies have shown fast growth in the last decades. Again, the highest increase was recorded in the Middle East, at 11 per cent, and in the Asia Pacific region at eight per cent.

Most international travel takes place within the same region – around four-fifths of the total. In normal circumstances, travel between regions tends to grow at a faster rate than intra-regional travel, but in the last two years, this trend has been reversed.

In 2002, travel to other regions showed no change from the decrease of six per cent in 2001; intra-regional travel, however, grew by three per cent in 2001 and one per cent in 2002.

MIDDLE EAST

International tourism arrivals to the Middle East surpassed the worldwide average in 2002, countering the global trend.

Following a drop of one per cent in 2001, arrivals to the Middle East region grew by nearly 17 per cent last year, to a total of almost 28 million. All major destinations consistently show double-digit increases. The UAE tops the list with a rise of nearly 32 per cent. This is followed by Lebanon at 14, then Bahrain at around 13 per cent, with Egypt and Saudi Arabia both at 12, and Jordan showing an increase of ten per cent.

According to the latest World Tourism Organisation report *Tourism Highlights*, this evolution can, on the one hand, be seen as the result of the substantial investment in tourism infrastructure in the region and, on the other hand, as a reflection of the strong potential of the intra-regional market. It is also significant to note that Saudi Arabia has become an important player, not only as a destination, but also as a source market.

International tourism receipts for the Middle East grew to 13 billion dollars in 2002, corresponding to 470 dollars per tourist arrival, less than the international average of 675 dollars per head.

The Middle East has benefited enormously from the increasing trend for intra-regional travel, both in 2002 and this year. Nearly all Middle East countries reported a huge increase in hotel occupancy this summer, as nationals took advantage of the school holidays to travel with their families.

Egypt received 743,000 arrivals in August, representing a 29.5 per cent increase over the same month last year, and in July, arrivals rose by 26 per cent.

Overall, Lebanon was up by about 20 per cent this summer, while Dubai continues to be often overbooked, particularly during major exhibitions. Other Levant and Gulf countries have similar stories.

Optimism is high for the next season too, as business that cancelled earlier this year is now returning. Jordan and Kuwait are preparing to host major international exhibitions early next year, while Dubai successfully held the IMF/World Bank convention in September, attracting 16,000 delegates and paving the way for more large events.

MAJOR DEVELOPMENTS AND EXISTING MARKET SHARE

The future of Middle East tourism can be determined in part by the number and scope of new projects and developments that will contribute to the travel industry. Countries throughout the region are developing their infrastructure in anticipation of further arrivals, supported by international companies such as hotel chains and other investors.

Current markets and emerging markets are also an indication of future trends. The following overview examines both significant developments and market share for the major regional destinations listed by the World Tourism Organisation.

BAHRAIN

The most talked-about project in Bahrain is the building of the Bahrain Racing Circuit to host the third Grand Prix of the FIA Formula One Championship in April. This race will be the first of its kind in the Middle East and in the desert.

Formula One is expected to attract over 350 million TV viewers, 1,200 members of the media and about 100,000 visitors. It will put Bahrain on the map internationally, greatly boosting its image and paving the way for future arrivals. Such is the demand for hotel rooms, that Bahrain is nearly fully booked already, so neighbouring countries are benefiting from the overspill.

DUBAI

In 2002, Dubai received 30 per cent more international visitors than in 2001, compared to the overall increase of three per cent in international tourist arrivals to other destinations worldwide.

International visitor figures are expected to reach 15 million by 2010, up from 4.7 million in 2002. To create the necessary additional capacity, billions of dollars are being invested in tourism projects by both the private and public sectors.

EGYPT

Egypt will always be famous for its pyramids and other archaeological sites. However, the country is aware that visitors often want more than historical heritage while on holiday, and so is diversifying its products, by focusing on sports tourism and diving, among other initiatives.

Egypt was the first country to submit its proposal to host the 2010 FIFA World Cup. The World Cup is the biggest sporting event in the world, watched by more people than any other event.

The Egyptian government is supporting the bid with a financial commitment of over $1.5 billion.

Egypt's Red Sea is among the top diving sites in the world. As a result, massive development is taking place along the coast line. In addition to the established resorts of Hurghada and Sharm El Sheikh, new areas include El Gouna, Taba Heights, Marsa Alam and the nearby Port Ghalib resort area.

Marsa Alam International Airport is currently designed to handle two million passengers a year, but this can be increased to three million when necessary.

The nearby Port Ghalib resort covers seven million square metres. It has a marina with more than 400 berths, while several hotels and apartment buildings are opening in the resort area over the next two years.

JORDAN

Responding to the recent trend of intra-regional travel, the Jordan Tourism Board is opening an office in Dubai to cater to the Gulf market. The office will include a call centre, and provide information for trade, media and consumers. More such offices are being planned throughout the region.

Almost 70 per cent of visitors to Jordan in the first six months of this year were from Arab countries. The European market share in the same period was around ten per cent, while arrivals from the US represented 5.6 per cent of the total share, up by seven per cent over 2002.

From the Middle East, the Gulf market was the strongest, with 81 per cent of the total number of arrivals for the first half of this year. Saudi Arabia was the biggest Gulf source with 64 per cent.

Other notable increases included Lebanon, Tunisia and Algeria.

The main inbound markets from Europe this year were the UK, Germany, France, Russia and Italy. Emerging markets include Bulgaria, Hungary and Yugoslavia.

LEBANON

According to all indications, by the end of 2003, Lebanon will have received over one million tourists for the first time in nearly twenty years. In the country's tourism history, this milestone has only been achieved twice before, in 1972 and 1974.

In a complete turnaround, Lebanon's national carrier Middle East Airlines will end the year with an estimated operating profit of $15 million.

By October this year, 2.4 million passengers had travelled through Beirut International Airport, a 12 per cent increase compared to the corresponding period in 2001. The implementation of an open skies policy has greatly contributed to this increase, and has attracted 17 new airlines to the country in less than a year.

International hotel chains have realised the potential of Lebanon and those that do not already have a presence there are rushing to manage new properties.

Most hotels in Beirut are already nearly fully booked for the Christmas and New Year period, revealing that the local market, which traditionally books last minute, is starting to book in advance, at least in some countries.

A number of large-scale projects are planned in Lebanon, with much of the investment coming from within the region. Arab investments in Lebanon increased by 189 per cent in 2002, compared to the previous year.

Around 650 million dollars has been injected into the country by Middle Eastern investors, 85 per cent of which is being directed towards the service sector. Saudi Arabia is contributing 350 million dollars, seconded by the UAE, at $195 million. Kuwait is providing $100 million and Syria $9.5 million.

SAUDI ARABIA

In 2002, Saudi Arabia received 7.8 million international tourist arrivals and generated 57 million domestic trips. Most tourism to Saudi is, at present, religious tourism, with pilgrims from all over the world converging on Mecca and Madina for Haj and Umrah.

In a major step towards developing Saudi's growing tourism industry, the Supreme Commission for Tourism was launched in 2000. Earlier this year, the commission unveiled a 20-year plan for tourism, which addresses issues such as economic diversification, creating new job opportunities and conserving the country's cultural heritage.

The Supreme Commission has also established the National Project for Tourism HR Development, which aims to create up to 2.3 million job openings for Saudis over the next 20 years. Currently, ten per cent of Saudi nationals work in the tourism industry, which has an estimated total of 900,000 jobs. Under the project, this percentage should rise significantly.

SYRIA

Syria's ministry of tourism is working on a new "vision" to cultivate the tourism industry. Elections for Syria's first chamber of tourism were held in October. The chamber of Damascus is the first of six such chambers, based in key geographical locations. Members will represent all sectors of the industry.

To promote further arrivals, visa regulations have been slightly relaxed: tourists can now arrange for a visa through their local travel agent, which can be collected, free of charge, on arrival in Syria. Crossing procedures at the Syrian-Lebanese border have also been eased to encourage intra-regional travel.

In another sign of progress, a law has been drafted for a classification system for travel agencies. The system will establish whether an agent is a tour operator, ticketing office, or Haj and Umrah organiser. The law will also substantially raise the cost of a travel agency licence from $200 to $10,000.

To encourage investment, new tourism projects are now exempt from all taxes during construction and for the first seven years of operation. In the eighth year, taxes will be reduced by 50 per cent.

CHANGING MARKET TRENDS

While all these advances are taking place, it is important for tourism authorities and the private sector to keep an eye on shifting market trends and adapt accordingly. A number of changing market trends have been identified over the past few months, based on travel data from this year.

While there are continuing concerns over safety and security, it is clear that people are growing more accustomed to living in an unsafe world. Tourism demand has bounced back much more quickly after recent terrorist attacks. This may be partly due to the contingency plans now in place by many tourism boards and/or governments.

The Middle East still suffers from negative representation in the international media. This can be at least partly redressed through marketing campaigns and familiarisation trips for both the press and travel agents and tour operators.

Worldwide, people continue to take shorter and more frequent trips, but long-haul travel demand is expected to recover in 2004. Nevertheless, some markets will continue to favour domestic and intra-regional travel for some time to come.

The growth in demand for low-cost airlines has been unprecedented, particularly in Europe. This trend is likely to continue unabated as new carriers emerge in different regions of the world and as people continue their search for good value. The Middle East has picked up on this trend. Only this year, three economy carriers were launched in the region and more are set to follow.

Another growing trend is that tourists are increasingly looking for an experience, such as the opportunity to carry out a particular activity, rather than selecting a specific destination. This means that national tourist offices and destination management organisations will need to be more creative in their marketing and promotional campaigns.

Demand for authentic experiences, including local culture and closeness to nature, continues to increase, especially among older age groups. Also of growing importance are wellness and educational programmes, which allow people to broaden their knowledge while on holiday.

As the average level of education increases, the hybrid consumer is emerging – one who looks to combine five-star deluxe accommodation with a low-cost flight, or opt for a fast-food dinner one evening and an expensive meal the next.

CONCLUSION – THE FUTURE OF MIDDLE EAST TOURISM

In conclusion, the future of tourism looks bright. IATA passenger forecasts suggest that growth in international scheduled airline traffic will take off from when it was disrupted after September 11. Current expectations are that traffic will increase by nearly five per cent a year between 2003 and 2007, with the average annual growth for 2004 and 2005 reaching around seven per cent.

As the negative impacts of September 11 and more recent events, including war with Iraq, are gradually overcome by most countries in the Middle East, growth is expected to pick up in 2004. Barring any major political upheaval, the region is likely to resume growth at the average seen between 1995 and 2000, which was the highest in all the World Tourism Organisation regions. During that period, arrivals to the Middle East grew at an annual rate of 9.5 per cent a year – five points above the world average.

This forecast is supported by the increasing importance governments in the region are placing on tourism as a job and wealth creator, and as a viable platform for economic diversification. The growth of the sector is expected to spawn a large number of projects worth more than $10 billion over the next six years, to expand hotel capacity and build resorts and facilities, as well as to develop the infrastructure needed to serve these projects.

Optimism in the Middle East tourism industry is clear from the ambitious targets that have been set for arrival figures in the next decade. If the region maintains the momentum started in 2002, when tourism arrivals rose by 17 per cent, there is every reason why it should achieve these targets, reaping the rewards of careful planning, strategic investment and targeted marketing campaigns.