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**THE IMPACT OF THE PEACE PROCESS ON TRADE IN SERVICES:  
THE TOURISM SECTOR IN THE ESCWA REGION,  
CASE-STUDIES OF  
EGYPT, JORDAN, AND THE WEST BANK  
AND GAZA STRIP**



United Nations

## **Preface**

This study has been carried out by the ESCWA Economic Development Issues and Policies Division as part of activity No. 05S533bD501 of the work programme for the biennium 1996-1997. The study is based largely on relevant outputs prepared by two consultants, namely Mr. Abdul Rahman Selim of Egypt and Mr. Riad Al-Khoury of Jordan. To both of them we express our thanks.

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## ABBREVIATIONS

ADR	Average daily rate
ALS	Average length of stay
BOT	Build-operate-transfer
CAPMAS	Central Agency for Public Mobilization and Statistics
EMTO	Europe Mediterranean Tourism Organization
ESCWA	Economic and Social Commission for Western Asia
EU	European Union
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council
GDP	Gross domestic product
GNP	Gross national product
JD	Jordanian dinar
LE	Egyptian pound
MEMTTA	Middle East-Mediterranean Travel and Tourism Association
MENA	Middle East and North Africa
MFN	Most-favoured nation
REDWG	Regional Economic Development Working Group
SEMED	South East Mediterranean Development
TDA	Tourism Development Authority
TEAM	Taba-Eilat-Aqaba-Macro
TRIMs	Trade-Related Investment Measures
UNESCO	United Nations Educational, Scientific and Cultural Organization
WTO	World Trade Organization

The following symbols have been used in the tables throughout the study:

Two dots (..) indicate that data are not available or are not separately reported.

A dash (—) indicates that the amount is nil or negligible.

A hyphen (-) indicates that the item is not applicable.

A slash (/) indicates a school year or a financial year (e.g., 1981/1982). References to “dollars” (\$) indicate United States dollars, unless otherwise stated. Totals may not add up to 100 due to rounding. Bibliographical and other references have, wherever possible, been verified.

## INTRODUCTION

Tourism in the ESCWA region has long been suffering from the prevailing unstable political situation in the region. This situation has hampered the regions' effort to exploit its touristic potential fully. The three countries covered in this study, namely, Egypt, Jordan, and the West Bank and Gaza Strip, offer a wide variety of natural, historical, and cultural attractions of exceptional quality. There are rich varieties of tourist sites in these countries, including religious and historical sites, landscapes, health spas, summer resorts and winter resorts. This variety is usually considered an asset of great importance to attract a wide mixture of tourists. Yet for a number of reasons, addressed in this study, the countries concerned are far from reaping the full advantage of their existing assets.

Tourism is expected to gain from the peace process perhaps more than any other service industry in the region. Peace and stability are synonymous with flourishing tourism. The "Madrid process", initiated in 1991, has as its aim a just, lasting, and comprehensive peace in the region. The subsequent treaties signed between Egypt and Israel, Jordan and Israel, and Israel and West Bank and Gaza strip reinforced the hope for a lasting peace in the region. This process gave the tourist industry in the region generally and in the three countries concerned a real boost. The tourism sector witnessed marked expansion during 1992-1996. All tourism indicators in this period recorded increases. But the optimism did not last long. The violence irrupted in April 1996, the Israeli bombing of the Beirut areas and the terrorist attack in Cairo disrupted this optimism seriously. What often makes the situation worse is that tourists, particularly Americans, pass judgement on the countries concerned by association, i.e. violence that may occur in Lebanon lead tourists to avoid visiting other adjacent countries in the region. It is however expected that with meaningful progress taking place in the peace process tourism in the region and in the countries concerned would stand to gain significantly. Moreover, it is also expected that a unified regional travel and tourism industry could transform the area into a global super-destination. The Holy Land in particular has unique tourism potential, and tourists from affluent countries could, given the right environment, turn this potential into reality. Because of their proximity, the three countries concerned offer joint tourism destinations which are at the same time individual touristic destinations with distinct characteristics.

This study aims to assess the impact of the peace process on the tourism sector in the three countries mentioned which have concluded peace agreements with Israel. The study falls into four parts. Part one provides an overall regional perspective on the impact of the peace process on these markets as one destination. Since the impact of peace on the tourism sector is expected to be further enhanced by other regional and international developments, this part also examines the impact of the Euro-Mediterranean partnership agreements and the liberalization of trade in services under the World Trade Organization (WTO), particularly within the context of the General Agreement on Trade in Services (GATS). The other three parts are case-studies of Egypt, Jordan, and the West Bank and Gaza Strip respectively. The first chapter of each case-study reviews developments in the tourism sector and includes an analysis of the main indicators of the sector and the importance of tourism in the whole economy. The second chapter of each study examines various factors affecting the performance of the tourism sector. The third chapter assesses the impact of the peace process on growth in the tourism sector (including potential growth). The fourth chapter identifies the elements of a strategy to enhance the impact of the peace process on the development of tourism, and the fifth and the final chapter offers conclusions and recommendations; with the recommendations directed mainly at policy makers at the national and regional levels.



**Part One**

**A REGIONAL PERSPECTIVE**

## I. OVERVIEW

Tourism is now seen by many as a sector in which ready and useful cooperation among regional neighbours seems to be a possibility. Appropriately managed, tourism could play a major role in stimulating the regional economy. Tourism has played an increasingly important role in helping to cover balance-of-payments deficits in the three markets reviewed here. However, its net impact during the coming five years may not be as great owing to the fact that large-scale imports are needed to develop the sector. Investment in tourism has been rising and the percentage of the labour force employed in the tourism sector has climbed steadily over the past five years; either directly or indirectly, tourism is expected to create about 10 per cent of the new jobs available during the period 1997-2001.

The significance of this has been grasped by some regional private sector firms, and longer-term prospects for the sector suggest that it will grow in importance. Many more tourists are expected to visit the area to enjoy the unique features it offers. Cooperation in tourism among the Palestinian Authority, Jordan, Egypt and others in the ESCWA region could bring in unprecedented waves of tourists, given the religious, historical and natural sites that these countries/areas and neighbouring countries have to offer.

The positive impact of regional peace on the tourism sector is expected to be further enhanced by other regional and international developments, including the Euro-Mediterranean partnership agreements and the liberalization of trade in services under the new multilateral trade agreements.

### A. THE EURO-MEDITERRANEAN PARTNERSHIP

The Barcelona Conference held in November 1995 laid the foundation for the establishment of a Euro-Mediterranean partnership. The Barcelona Declaration established the guidelines for the partnership, and a work programme was approved for action in three main areas, namely economic and financial affairs, political and security affairs, and social, cultural and humanitarian affairs.

The overall aim of the Euro-Mediterranean partnership is to make the Mediterranean region an area of contact without confrontation. The ESCWA members involved in this process hope that the partnership will lead to or facilitate the following:

- (a) The establishment of a free-trade area to foster commercial relations with European Union (EU) markets;
- (b) Increased investment opportunities, particularly in the tourism sector;
- (c) Multilateral and bilateral cooperation in different fields;
- (d) An enhanced image of Mediterranean ESCWA member countries and areas in Europe;
- (e) The provision of financial and technical aid;
- (f) Better opportunities for improving education and vocational training;
- (g) Increased business activities and thus increased travel, an important segment of tourist traffic;
- (h) The expansion of intraregional travel and tourism activities.

The EU has already concluded partnership agreements with some North African countries and Israel, and negotiations are being carried out with others, notably Egypt and Jordan. These initiatives are being complemented by major financial transfers from Europe. The new EU strategy in extending economic

assistance is to favour regional as opposed to national projects. One way that the EU partnership will promote regional economic cooperation will be through the provision of European financing for regional infrastructure projects—and the three countries/areas highlighted in the present study are expected to be key beneficiaries. The EU is also supporting regional initiatives such as the Taba-Eilat-Aqaba-Macro (TEAM) project and the South East Mediterranean Development (SEMED) scheme.

The conclusion of Euro-Mediterranean partnership agreements between the EU and individual Mediterranean countries may also constitute a challenge, inasmuch as they could lead to the emergence of a “hub and spokes” system in the Mediterranean region (the EU would be the hub and the individual Mediterranean countries would represent spokes). It would probably be more advantageous for the ESCWA members to work together in negotiations with Europe instead of signing separate national agreements, but the EU favours the present approach.

This engagement at the multilateral and regional level may represent an opportunity for the Mediterranean countries to adopt a common framework of shared rules in a number of areas, particularly as the Euro-Mediterranean accords provide for the enhancement of regional cooperation and the harmonization of laws and standards.

Within this broad setting, attention could be given to customs cooperation, since customs rules and their application often constitute a problem for international tourists visiting the ESCWA region. The individual Euro-Mediterranean agreements provide a possible basis for regional customs cooperation, as they each contain a protocol on the subject.

The Europe Mediterranean Tourism Organization (EMTO) was created within the context of the Euro-Mediterranean partnership initiative. At a meeting in Rabat in September 1996, its establishment was confirmed and its constitution and rules of procedure approved. The Organization is expected to enhance cooperation between its members in all of tourism-related areas and to ensure steady growth in the tourism sector.

## B. THE IMPACT OF THE WORLD TRADE ORGANIZATION

WTO membership will strengthen those ESCWA members that have implemented structural reform programmes employing effective micro-economic policies consistent with the new multilateral rules. These countries will bear short-term transition costs, the magnitude of which will be determined by both the substitution of market opportunities forgone and the pace at which the domestic adjustments needed to conform with commitments made under the WTO Agreement are made.

Egypt is already a member and Jordan has applied to join the WTO, but the accession status of the Palestinian Authority is still controlled by its links with Israel.

### 1. *The Agreement on Trade-Related Investment Measures*

The WTO Agreement on Trade-Related Investment Measures (TRIMs) requires countries to phase out TRIMs that have been identified as being inconsistent with the General Agreement on Tariffs and Trade (GATT) rules and disciplines. In particular, it is suggested that in the area of foreign direct investment members should apply the GATT principles of national treatment (which would give foreign companies the same right as domestic companies to invest in and establish local operations) and most favoured nation (MFN) treatment (which would prevent countries from discriminating among sources of investment).

Measures to attract and regulate foreign investment include fiscal incentives, tax rebates and the provision of some State services on preferential terms. In addition, some countries can impose conditions to encourage investment in areas of national priority. It is important to note that the Agreement is relatively limited in scope. It gives countries transition periods during which TRIMs that are inconsistent with GATT

must be eliminated (the transition period for developing countries is five years). It does not prevent countries from imposing certain restrictions; for instance, countries are allowed to insist that a certain percentage of equity should be held by local investors. Because of the Agreement's limited coverage, it was decided that a review of its provisions would be carried out within five years of its entry into force (that is, before 1 January 2000), and that consideration would be given to the desirability of adding complementary provisions on investment and competition policy. In other words, negotiations on the development of multilateral rules for foreign direct investment may be revived in the future. If such negotiations take place, there will be pressure from developing countries to address the damaging effects of the restrictive business practices and other anti-competitive behaviour of transnational corporations on international trade. The impact of the TRIMs Agreement on the tourism sector in the countries and areas under study should not be too negative; in fact, the prohibitions placed on restrictive business practices should encourage foreign direct investment in the tourism sector. However, the ESCWA members and other developing economies should take care in making longer-term commitments and with the negotiations in general.

## *2. The General Agreement on Trade in Services*

Multilateral disciplines relating to trade in services are contained in the General Agreement on Trade in Services and are to be implemented under the umbrella of the WTO. This Agreement establishes a multilateral framework for rules governing cross-border trade and investment in services and represents a first step towards the liberalization of trade in services and the elimination of barriers.

Changes in the specifics of the Agreement will be negotiated in the coming years, particularly in the areas of air transport services, specific market access and national treatment as they relate to the selling and marketing of air transport services and to computer reservation system services. The GATS specifically excludes measures affecting traffic rights and services directly related to the exercise of traffic rights, and it also acknowledges the precedence of existing bilateral aviation agreements. The impact of the GATS on Egypt's and Jordan's existing and the West Bank's and Gaza Strip's nascent air transport sectors is thus expected to be minimal. Since all three have fairly liberal policies in the area of tourism-related services, their tourism sectors as a whole should not have much difficulty with the GATS. For example, GATS can provide for free market access for tourists into and out of a country, to refrain from imposing new restrictions on the foreign ownership or operation of tourism-related businesses. The impact of these specific commitments on the tourism sectors of the three countries/areas under study is likely to be relatively small initially, though there is some uncertainty with regard to their longer-term effects. It should be mentioned that the GATS contains concessions for developing countries, including those in the ESCWA region.

Some ESCWA member countries that have joined the WTO have made specific commitments to open their markets to foreign services suppliers. Such commitments reflect the comparative advantage of these countries in tourism as well as their need for the transfer of transport technology and know-how. Noticeable gains in efficiency can be achieved by those ESCWA member countries willing to provide increased access to their service markets. Since measures to safeguard the balance of payments may be taken, commitment to the GATS represents only a limited risk to countries (such as Egypt and Jordan) that are involved in implementing policy reforms.

All WTO members must abide by the provisions of all WTO multilateral agreements, including the GATS. Under the GATS, foreign service suppliers are entitled to receive national treatment; in other words, they are allowed full access to domestic markets and are treated the same as domestic suppliers. For tourism and travel-related businesses, this translates into the following:

- (a) Tour operators, hotel enterprises and other tourism and travel-related companies from one country will be able to set up operations in other countries;
- (b) Franchising, management contracts, technical service agreements, licensing and patents in the hotel sector will be facilitated;

(c) Foreign companies will be able to sell their services under the same terms and conditions as domestic companies and suppliers. Such treatment will also make foreign companies eligible for a Government's domestic incentives and benefits;

(d) Non-national firms will be able to base staff in a foreign country with no restrictions;

(e) Non-national firms will be allowed to effect international transfers and payments for current transactions without restrictions.

For the three countries/areas under study, quantifiable barriers to trade in services do not exist at the same level as they do for trade in goods. Trade in services is regulated by domestic laws and rules and by licensing that can have indirect and incidental effects on domestic and foreign tourism service suppliers. Transparency in these laws and regulations can enhance investment, and the removal of the distortions on entry, operation and exit in sectors involved in services trade can enhance competition and open up business. For the ESCWA members and other developing economies, the key service sectors in which enhanced competition is especially important include those encompassing skilled-labour-intensive activities such as tourism. For this reason, commitments made by the developing country members of the GATT/WTO have focused on tourism.

The members' schedules of commitments are specified on a sector-by-sector basis, and most agree not to impose new restrictions that discriminate against foreign service suppliers. Countries with existing controls generally maintain them but agree to impose no new measures, and countries with no restrictions generally agree not to institute controls. For the ESCWA members and other developing countries the freeze on new discriminatory restrictions is particularly important, since the development of new service industries that might be related to tourism is tied to significant levels of liberalization in the national schedules.

Within the air transport services category, specific market access and national treatment provisions are to be negotiated for the selling and marketing of air transport services and for computer reservation system services. As previously mentioned, measures affecting traffic rights and services directly related to the exercise of traffic rights are excluded, and the precedence of existing bilateral aviation agreements is acknowledged. The GATS provides the ESCWA members and other developing countries with substantial scope to limit the sectoral coverage of offers included in the schedules of commitments.

The impact of the GATS on the three countries/areas under study is expected to be small. The General and specific obligations contained in the Agreement effectively allow them to maintain a significant amount of regulatory discretion over the procedures excluded from the schedules.

Egypt, Jordan, and the West Bank and Gaza Strip all have fairly liberal policies with regard to tourism and related services. Each has provisions for unbound limitations on market access from cross-border supplies and does not limit tourism abroad. Under the circumstances, some thought should be given to the adoption of regulations allowing international travellers to take unlimited funds abroad (restrictions have applied in the past). The three countries/areas under study should also agree not to impose new restrictions on foreign travel or on the foreign ownership or operation of tourism-related businesses (such restrictions presently exist but are relatively light). Hotel licences should be issued in a transparent manner and according to economic requirements based on such criteria as market needs, environmental impact, and the location of different categories of hotels.

The impact of these specific commitments on Egypt, Jordan, and the West Bank and Gaza Strip is likely to be relatively small initially; however, there is considerable uncertainty surrounding their medium- and long-term effects. There are three reasons for this uncertainty. First, the GATS imposes few limitations on national policy in general, and the ESCWA members, as developing economies, have substantial scope to limit the sectoral coverage of their offers. Second, the scope of potential areas for dispute between member countries appears substantial given the range of new issues addressed by the GATS. Interpretations of

member country schedules through the panel process are likely to help determine the interpretation of the rules of the Agreement; these interpretations may directly or indirectly affect Egypt's, Jordan's and the West Bank's and Gaza Strip's commitments on trade in services. Finally, the GATS will continue to be negotiated, with the possibility of more favourable terms being granted when a country becomes a member.

## **II. EGYPT, JORDAN AND THE WEST BANK AND GAZA STRIP AS A JOINT REGIONAL DESTINATION**

Egypt, Jordan, and the West Bank and Gaza Strip were something of a joint destination before 1948, mainly for pilgrims and a small number of travellers seeking adventure. After the creation of Israel, regional tourism was subject to various shocks as a result of war and political instability. The launching of the Middle East peace process in 1991 gave the tourist industries in these three countries/areas a boost; however, there have been some setbacks caused by the renewal of political violence in the area. Although Egypt features enough attractions to support a self-contained tourism industry, Jordan and the West Bank and Gaza Strip have not yet become established as autonomous destinations; so far, whether separately or together, they have remained "transit" destinations, mainly owing to the lack of an adequate tourist infrastructure, innovative project concepts and joint marketing and to the prevailing political situation. More effort must be expended to develop and market the Holy Land destination on the basis of its own merits. An integrated tourism plan for marketing this destination abroad is required, with greater emphasis placed on the promotion of lesser-known tourism sites. Circulating greater quantities and higher-quality marketing materials (video clips, television documentaries, leaflets and guidebooks) abroad would partially satisfy the private sector's demands for bolder and more effective promotional material.

The present political situation is having a particularly negative effect on the tourism industry, which is viewed by non-Arabs from more of a regional than a country perspective. There is already great uncertainty about the security situation in the Middle East as a whole; closer integration into a regional destination will mean that outbreaks of violence or related problems in one country or area will have a negative effect on the whole region. There are myriad "smaller" problems—cumbersome visa regulations, unprofessional customs and security personnel, and a multitude of other barriers—which must be addressed and resolved before a true regional tourism market can emerge. These issues are by no means trivial, and the failure to resolve them reflects a lack of commitment to the promotion of regional tourism. The situation is particularly problematic for tourists from countries within the region.

### III. REGIONAL MEASURES TO ENHANCE THE IMPACT OF THE PEACE PROCESS

#### A. THE REGIONAL ECONOMIC DEVELOPMENT WORKING GROUP

The Regional Economic Development Working Group (REDWG) was formed to foster the process of economic cooperation attendant on the peace process. In 1994, REDWG, which operates under the guidance of the EU, decided that for economic cooperation to become effectively operational, the four core parties (Egypt, Israel, Jordan and the Palestinian Authority) had to take over. It was recognized that such cooperation, could not be imposed from outside but must have roots within the region and must respond to the needs and priorities of the parties themselves. In June 1994, a decision was made to set up the REDWG Monitoring Committee, through which the core parties agreed to tackle common economic challenges in a coordinated manner; promote regional trade and investment; cooperate to develop infrastructure; and encourage the free flow of people, goods, services, capital and information.

Improving the capacity and efficiency of the region's transport systems would greatly facilitate tourism. On a subregional level, the four core parties of REDWG are attempting to cooperate in the development of the transport sector, the economic justification being that there are substantial potential benefits for all concerned. It should be noted that concerns in this area are not limited solely to the provision or upgrading of the physical infrastructure; political and other relations between Israel and the Arab world as well as (though to a lesser extent) intra-Arab relations (such as Jordanian-Palestinian economic links) have a major impact on transport issues as well.

REDWG activities have suffered as a result of the current difficulties in the peace process. The success of the Working Group's efforts is contingent upon continued forward movement towards a just, lasting and comprehensive peace. The political stalemate and ongoing tensions negatively affected the performance of REDWG in the second half of 1996 and in 1997; many aspects of the regional infrastructure proposed under REDWG and presented at the Middle East and North Africa (MENA) conferences are frozen or are moving very slowly. For example, the REDWG "fast track" transport projects (many of which are crucial to enhancing regional tourism) are not being implemented with any great speed. The deadline for these projects—originally the year 2000—will have to be extended for another five years.

#### B. THE MIDDLE EAST-MEDITERRANEAN TRAVEL AND TOURISM ASSOCIATION

The MENA Economic Summit held in Casablanca in 1994 assigned top priority to the establishment of a regional tourism mechanism. At the Amman Economic Summit in 1995, the Middle East-Mediterranean Travel and Tourism Association (MEMTTA) was created when Cyprus, Egypt, Jordan, Morocco, the Palestinian Authority, Tunisia and Turkey signed its charter. Guided by the REDWG Monitoring Committee, the primary mission of MEMTTA is to increase travel to and within the Middle East-Mediterranean destination and to develop the travel and tourism industry serving the region (see box below). MEMTTA is a new kind of public/private partnership that unites governments and the private sector in a common effort to facilitate visits across borders. Governments constitute the MEMTTA policy-making body, while the private sector manages the organization's activities. A private sector executive council decides the budget and work plan of MEMTTA and a board of government executives approves it. MEMTTA is a global body, and its membership will include organizations located throughout the world that are engaged in moving travelers to the Middle East-Mediterranean region. MEMTTA was the first regional economic body to result from the regional peace process. A committee of public and private organizing members is already at work preparing the foundations for a cooperative regional tourism development strategy. Recommendations will be made within this strategy regarding the Association's future course. Owing to the slow pace of the peace process, MEMTTA has done little over the past year or so, and continued difficulties between Israel and its neighbours is likely to limit its activities even further.



### C. REGIONAL PHYSICAL PLANNING FOR TRANSPORT AND TOURISM: THE JORDAN RIFT VALLEY

The Jordan Rift Valley has been targeted for integrated development in the areas of transport and tourism. Throughout the last phases of the 1994 peace treaty negotiations, teams of American experts in such areas as civil aviation and tourism met with Jordanian and Israeli experts to explore promising areas for cooperation, tourism and regional transport were identified as areas of special significance. At the MENA Economic Summit in Casablanca in 1994 and the Amman Economic Summit in 1995, public and private sector entrepreneurs were given the opportunity to submit proposals and programmes for the development of this area. In mid-1995, through the good offices of the World Bank, a firm of American consultants was selected to initiate planning efforts. Their work was to include the preparation of detailed sectoral analyses, the identification of major public and private sector projects to be carried out, and the formulation of an integrated development master plan for the entire Rift Valley. The Valley, which includes Lake Tiberias, the Dead Sea, the southern Ghor, Wadi Araba and the northern Red Sea shore, has abundant development potential owing to its unique topography, its location on a natural trade route and its rich history. In the past, infrastructure bottlenecks, closed borders and territorial insecurity in the region have deterred private investment and tourism. The aim of this cross-sector, cross-border development plan is to integrate the region and to provide the critical infrastructure and services required for sustainable private sector growth. The initial plan is a bilateral scheme, but the idea is for it to evolve and expand into a broader multilateral framework which includes the West Bank and Gaza Strip. Specific plans for the area include the creation of new and improved transport and telecommunications links and the joint promotion of tourist destinations on both sides of the Valley. The overall objectives include providing for the regional integration of infrastructure networks and carrying out cross-border cooperation aimed at producing regional economics of scale and reducing infrastructure provision costs.

#### BOX 1. THE MIDDLE EAST-MEDITERRANEAN TRAVEL AND TOURISM ASSOCIATION

The Middle East-Mediterranean Travel and Tourism Association (MEMTTA) was established to promote travel to the region and to make the world tourism industry a regional economic engine of growth. Travel agent associations, aircraft manufacturers, universities and investment consultants are encouraged to join MEMTTA and are as welcome as the tourist offices, airlines, tour operators, travel agents, hotels, resorts, tourism attraction businesses, car rental firms, cruise lines, computer reservation firms, tourist shops and other travel-related businesses that typically make up the membership of such an organization.

MEMTTA members include representatives from tourism ministries, public tourism officials and tour operators from the private and business sectors, as well as representatives of airlines, hotels and credit companies from North Africa and the Middle East, including the Gulf States. Its goals include promoting and marketing the region as a tourism destination; assisting in the development of the tourism industry; improving training and human resource development; and cooperating in harmonizing laws, regulations and standards relating to tourism, especially those relating to border-crossing procedures. MEMTTA is also able to address issues concerning the environment, marketing promotion and human resource development that cannot be dealt with effectively at the national level. Egypt, Jordan, and the West Bank and Gaza Strip stand to benefit greatly from MEMTTA activities.

*Source: REDWG Update newsletters 1995-1996.*

The idea behind the Jordan Rift Valley scheme is to provide development strategies built around a core package of projects. The establishment of the basic infrastructure through such projects will provide a framework for development as well as an impetus for growth through income for participating local factors of production. If an acceptable political situation prevails, this momentum will lead to stable long-term growth. The Rift Valley takes on a broader dimension by virtue of its location at a crossroads and its key position between the Palestinian Authority areas, Jordan and Israel. This is particularly true with regard to infrastructure, as improvements and investments in the Valley will have an impact and generate benefits on a wider scale. The extension of border services and transportation facilities in the Jordan Rift Valley area could have a major impact on tourism and could contribute greatly to the economic integration of the region. For the time being, however, these plans remain stalled because of the lack of progress in the peace process.

**Part Two**  
**CASE-STUDY OF EGYPT**

#### IV. DEVELOPMENTS IN THE TOURISM SECTOR IN EGYPT

Egypt has all the prerequisites of a tourist destination able to cater to the needs of a wide variety of tourist markets. The extent and diversity of Egypt's archaeological sites are such that the country is referred to as the "open air museum".

Egypt recognizes the importance of tourism to the national economy and is actively seeking ways and means to augment its share of international tourism. In 1995, its share of total international tourist flows amounted to only 0.57 per cent, or 3.2 million out of a world total of 567 million international visitors. This number is expected to grow to just below 6 million (5,958,000) by the year 2000.

The heavy investments in the field of tourism, the sizeable workforce employed, and a good many host industries and services wholly or partially feeding or depending on tourism would be put in jeopardy if the inbound tourism movement were severely restrained.

##### A. MAIN INDICATORS

##### 1. Number of tourists by nationality

The number of visitors to Egypt increased significantly during the period 1994-1996, rising from 2.6 million to 3.2 million, or by 19.3 per cent, between 1994 and 1995, then climbing even more sharply (by 25.8 per cent) to 3.9 million in 1996 (see table 1). The distribution by country of origin clearly shows that Western Europe is Egypt's largest source market for visitors. Between 1994 and 1996, Western Europe's share of the total rose from a little over one third (34 per cent) to almost one half (45 per cent), with the annual rate of growth a phenomenal 41 per cent.

TABLE 1. EGYPT: NUMBER OF TOURISTS BY NATIONALITY AND REGION, 1994-1996

Country/area	Visitor arrivals		
	1994	1995	1996
<b>Middle East/North Africa</b>			
Algeria	16 294	10 282	10 813
Jordan	50 425	49 126	56 702
Kuwait	75 664	70 752	76 223
Lebanon	21 129	23 227	25 181
Libyan Arab Jamahiriya	146 770	156 882	150 947
Morocco	7 689	7 085	9 585
Saudi Arabia	234 796	179 463	216 185
Sudan	73 042	46 063	27 118
Syrian Arab Republic	67 730	72 622	68 509
Tunisia	13 651	16 019	18 489
United Arab Emirates	27 484	31 344	32 361
West Bank and Gaza Strip	137 969	99 272	143 025
Israel	213 214	295 933	321 053
Subtotal	1 085 857	1 058 070	1 156 191

TABLE 1. (continued)

Country/country grouping	Visitor arrivals		
	1994	1995	1996
<b>Western Europe</b>			
Germany	242 109	319 312	436 809
Italy	145 705	257 272	366 320
France	77 163	122 224	242 238
Benelux*	53 071	84 375	133 070
Switzerland	45 200	72 181	98 329
Scandinavia	40 770	56 570	64 668
Austria	20 217	34 396	46 446
United Kingdom	231 757	292 208	326 235
Greece	22 943	40 983	32 714
Subtotal	878 935	1 279 521	1 746 829
<b>Other developed countries</b>			
United States	125 542	154 851	174 709
Canada	22 943	26 093	35 246
Japan	58 728	69 253	89 807
Australia	25 756	31 028	38 555
Former Soviet Union	67 203	111 820	124 937
Subtotal	300 172	393 045	463 254
<b>Other countries groupings</b>			
Latin America	28 990	47 952	49 102
People's Republic of China	4 292	5 930	7 001
Southern Asia	78 766	85 681	121 009
Others	185 977	310 325	350 556
Subtotal	298 025	449 888	527 668
Grand total	2 562 989	3 180 524	3 893 942

Source: Egypt, Ministry of Tourism, 1997.

\* Belgium, the Netherlands, Luxembourg.

The Middle East and North Africa constitute another important source of visitors to Egypt, even though the annual rate of increase for this group was only 5.6 per cent and its share in total visitor arrivals dropped significantly from 42.4 to 29.6 per cent between 1994 and 1996 (see table 2). As mentioned previously, Western Europe's share increased dramatically, but no significant changes were recorded for other regional groupings during the period under study.

TABLE 2. EGYPT: NUMBER OF VISITORS BY REGION AND THE PERCENTAGE SHARE OF TOTAL VISITORS, 1994-1996

Region/area	1994		1995		1996	
	No. of visitors	Percentage share	No. of visitors	Percentage share	No. of visitors	Percentage share
Middle East/North Africa	1 058 857	42.4	1 058 070	32.3	1 156 191	29.7
Western Europe	878 935	34.3	1 279 521	40.2	1 748 229	44.9
Other developed countries	300 172	11.7	393 045	12.4	463 254	11.9
Rest of the world	298 025	11.6	449 888	14.1	527 668	13.5
Total visitors to Egypt	2 562 989	100	3 180 524	100	3 895 342	100

Source: Egypt, Ministry of Tourism, 1997.

## 2. Duration of stay

The average length of stay for all visitors to Egypt was 6.2 nights during the period 1994-1996. However, different patterns were exhibited by visitors of different nationalities. Among Arab visitors, the longest average lengths of stay were recorded for Yemen (12.3 nights), Saudi Arabia (9.3 nights) and Kuwait (9.1 nights), while the shortest were recorded for the Syrian Arab Republic (5.3 nights), the Libyan Arab Jamahiriya (4.7 nights) and the West Bank and Gaza Strip (3.7 nights) (see table 3).

TABLE 3. EGYPT: AVERAGE LENGTH OF STAY (NIGHTS) BY NATIONALITY, 1994-1996

Country of origin	1994	1995	1996	Average
Germany	7.6	7.7	7.1	7.5
Italy	6.3	7.5	7.0	6.9
United Kingdom	4.6	5.6	5.7	5.3
Israel	3.4	2.7	4.4	3.5
France	6.4	7.3	7.0	6.9
Saudi Arabia	8.9	10.3	8.6	9.3
United States	5.7	8.2	6.2	6.7
Libyan Arab Jamahiriya	4.1	5.1	5.0	4.7
West Bank and Gaza Strip	5.2	3.3	2.5	3.7
Benelux*	6.0	6.4	6.7	6.4
Former Soviet Union	3.9	5.0	4.7	4.5
Switzerland	5.4	7.0	7.0	6.5
Japan	4.4	5.2	5.0	4.9
Kuwait	8.7	10.3	8.3	9.1
Syrian Arab Republic	4.8	5.7	5.5	5.3
Scandinavia	5.2	5.4	5.9	5.5
Jordan	5.6	7.5	6.1	6.4
Austria	5.9	6.2	6.7	6.3
Australia	6.1	7.5	7.2	6.9
Yemen	10.5	14.0	12.4	12.3
Subtotal	6.2	6.6	6.3	6.4
Total	6.0	6.5	6.1	6.2

Source: Egypt, Ministry of Tourism, "Egypt: tourism in figures, 1994/95"; and "Egypt: tourism in figures, 1995/96".

\* Belgium, the Netherlands, Luxembourg.

Western European visitors exhibited relatively uniform patterns of time spent in Egypt, with the ALS varying from 7.5 nights for visitors from Germany to 5.3 nights for visitors from the United Kingdom (see annex table 1 for a more-detailed account of the number of tourist nights spent in Egypt by visitors from the main markets of origin).

### 3. Destination: national versus regional

Tourists may come to visit Egypt exclusively or may include other countries within the same trip. A study prepared by the Central Agency for Public Mobilization and Statistics (CAPMAS) and the Tourism Development Authority (TDA) in Egypt in 1992 revealed that 90 per cent of visitors come just to see Egypt, while 10 per cent include other countries in their travel plans. The average length of stay is about 10.6 nights if the destination is Egypt alone, but the ALS drops to 7.2 nights if the trip includes other countries.<sup>1</sup>

Since Egypt signed a peace agreement with Israel in the 1980s the region has been gaining importance as a destination in spite of the problems linked to transportation and the peace process. Tourist flows into Egypt via the new entry points located along its eastern borders have been sizeable. Between 1994 and 1995 the number of arrivals via Nuweiba, Taba and Rafah increased from 574,738 to 630,304 and the number of departures from 572,540 to 644,695, representing about 20 per cent of the total traffic into and out of Egypt.<sup>2</sup>

### 4. Number of tourist sites in Egypt by type

Egypt is a land of diversity with something for everyone. It is a colorful mosaic of four distinct cultures—Pharaonic, Coptic Christian, Islamic and modern. A mild climate, varied landscapes and a changing topography provide a multitude of settings and offer a wide range of holiday choices. Table 4 lists 249 sites of touristic significance, and there are many other areas and sites that include natural and cultural attractions for future tourism development. The sites in the table are distributed according to type (annex table 2 identifies many of these sites by name).

TABLE 4. EGYPT: NUMBER OF TOURIST SITES ACCORDING TO TYPE AND LOCATION

Type Location	Religious	Historical	Landscape	Health spa	Winter resort	Summer resort	Other
Greater Cairo	25	5	5	1	—	—	..
Giza and Fayoum	—	7	3	—	—	—	..
Middle and Upper Egypt	7	40	15	—	7	—	..
Western Desert	3	3	10	2	3	—	..
Red Sea	3	—	5	3	10	—	..
Sinai	2	5	5	2	5	3	..
Delta	3	10	1	1	—	5	..
Alexandria and the north coast	2	6	5	—	—	30	..
Total	45	76	49	9	25	38	10

Source: Egypt, Ministry of Tourism, 1997.

<sup>1</sup> Egypt, CAPMAS and Tourism Development Authority, Field Survey, 1992 (in Arabic).

<sup>2</sup> Egypt, Ministry of Tourism, "Egypt: tourism in figures, 1994/95"; and "Egypt: tourism in figures, 1995/96"; (in Arabic).

The 1992 study provided a breakdown of visitors by group (Arabs, Europeans, Americans and others) and by purpose (culture, recreation, medical treatment, visits to friends and relatives, business, meetings, study, work, and other purposes). It was revealed that in 1992, 56.6 per cent of Arabs visited Egypt for recreation, 13.5 per cent went to see friends and relatives; 11.7 per cent went for medical treatment and 9.4 per cent went on business (see table 5); the remainder (8.8 per cent) visited Egypt for various other purposes with only 2.1 per cent of Arabs listing culture as the main reason for their visit. European visitors, however, come to Egypt primarily for culture (around 66.9 per cent) and recreation (18.1 per cent). Cultural offerings attract 56.3 per cent of American visitors, followed by recreation (16.5 per cent) and business (10.3 per cent). All other visitors are attracted mainly by culture (49.2 per cent), by recreation (22.4 per cent) and business (11.3 per cent) as well.

TABLE 5. EGYPT: BREAKDOWN OF VISITORS ACCORDING TO PURPOSE OF VISIT FOR 1992

Rank	Arabs		Europeans		Americans		Others	
	Purpose of visit	%	Purpose of visit	%	Purpose of visit	%	Purpose of visit	%
1	Recreation	56.6	Culture	66.9	Culture	56.3	Culture	49.2
2	R & F <sup>a/</sup>	13.5	Recreation	18.1	Recreation	16.5	Recreation	22.4
3	Medical treatment	11.7	Business	6.5	Business	10.3	Business	11.3
4	Business	9.4	R & F <sup>a/</sup>	4.0	R & F <sup>a/</sup>	9.1	R & F <sup>a/</sup>	6.1
5	Meetings	2.6	Other	2.0	Meetings	2.5	Other	3.7
6	Culture	2.1	Meetings	1.3	Other	2.5	Work	3.4
7	Study	2.1	Work	1.1	Work	2.3	Meetings	2.3
8	Other	1.6	Study	0.1	Study	0.5	Study	1.2
9	Work	0.4	Medical	b/	Medical treatment	0.2	Medical treatment	0.4

Source: Egypt, CAPMAS and Tourism Development Authority, Field Survey, 1992 (in Arabic).

a/ Relatives and friends.

b/ Below 0.1%.

### 5. Facilities and average tourist expenditures per day

#### (a) Facilities

The facilities available to tourists in Egypt include various types of accommodation, public tourist facilities, tourist guides, shopping facilities and transport facilities.

##### (i) Accommodation capacity

Table 6 shows the accommodation capacity for Egypt's hotels, floating hotels and tourist villages. In 1996 there were a total of 789 accommodation units, more than half of which were hotels; there were 70,471 rooms and 140,741 beds available. These figures will increase significantly in the coming years, as there are now 193 accommodation units under construction; the number of rooms will rise by 29,768 and the number of beds by 60,233.

##### (ii) Public tourist facilities

Egypt has a large number of tourist facilities such as restaurants, cafeterias and theatres. Statistics show that in 1995/96 there were 551 restaurants, 240 cafeterias, 133 facilities with both restaurants and cafeterias, 14 restaurants and theatres, 28 floating restaurants and 2 moving restaurants (boats); most are located in Cairo but other touristic cities have their share as well (for more detail see annex table 3).<sup>3</sup>

<sup>3</sup> Egypt, Ministry of Tourism, "Egypt: tourism in figures, 1995/96".

TABLE 6. EGYPT: TOTAL ACCOMMODATION CAPACITIES, 1996

Type	Units	Rooms	Beds	Under construction		
				Units	Rooms	Beds
Hotels	486	47 573	94 795	117	16 156	31 947
Floating hotels	215	11 184	22 333	22	1 033	2 085
Tourist villages	88	11 714	23 613	54	12 579	26 201
Total	789	70 471	140 741	193	29 768	60 233

Source: Egypt, Ministry of Tourism, "Egypt: tourism in figures, 1995/96" (in Arabic).

(iii) *Tourist guides*

Between 1982 and 1996 the number of tour guides increased more than fourfold, from 935 to 3,985.<sup>4</sup> The breakdown of tour guides by working language for 1982 and 1996 indicates that several guides were registered for more than one language (see table 7).

TABLE 7. EGYPT: BREAKDOWN OF TOUR GUIDES BY LANGUAGE FOR 1982 AND 1996

Language	1982	1996
English	640	2 122
French	230	1 543
German	65	993
Italian	45	473
Spanish	25	391
Other	12	187
Total	1 017	5 709

Source: Egypt, Ministry of Tourism, "Egypt: tourism in figures, 1995/96".

(iv) *Shopping facilities*

Egypt has a variety of shopping facilities including various bazaars (Khan El-Khalili, El-Gamaleya in Cairo and El-Harraneya Village and Kerdasah in Giza); souvenir, traditional craft and oriental costume shops in major hotels and in city centres in Cairo, Luxor, Aswan and other areas visited by tourists; gold and jewellery markets; and modern department stores, fashion houses, supermarkets, malls, pharmacies and other shopping facilities in all areas frequented by tourists.

(v) *Transport facilities*

a. *Road transport facilities*

The number of road transport facilities for tourists, including buses, minibuses and limousines, rose significantly from 5,175 in 1995 to 7,346 in 1996, increasing the number of seats from 97,051 to 117,304.<sup>5</sup>

b. *Civil aviation*

The Egyptian authorities recently announced the approval of a huge national civil aviation plan to establish new airports and develop existing facilities. An estimated \$220 million has been earmarked for the construction of international airports in six major tourist destinations, namely Hurghada, Sharm El-Sheikh, Luxor, Aswan, Taba and Alexandria. The airports used for domestic purposes in Al-Tor, Al-Arish and Port Said will be expanded, and other domestic airports in Abu Simbel, Matruh-El-Goura (north Sinai), Assiut,

<sup>4</sup> Egypt, Ministry of Tourism, "Egypt: tourism in figures, 1995/96".

<sup>5</sup> Egypt, Ministry of Tourism, "Tourist Companies Department, 1996" (in Arabic).



along with the five airports in the New Valley, will benefit from the investment scheme as well. There is also a plan to construct a third terminal building at the Cairo Airport at an estimated cost of \$300 million. Finally, three new airports are to be built by the private sector (using the build-operate-transfer [BOT] system) at Mersa Alam, Al-Alamein and Dahab.

A group of private sector investors has established a private airline, Cairo Air, with capital of \$147 million (the minimum share for each investor is \$147,000). Long-established restrictions on charter flights have been removed, allowing new market segments easy and inexpensive access to remote resorts in Sinai and along the Red Sea.

(b) *Tourist expenditures per day*

The field study carried out in 1992 showed that total tourist expenditures for that year equalled \$2.4 billion, with each visitor spending an average of \$109 per night. The latter figure varied significantly according to nationality. Arabs spent the least (\$73), Americans spent the most (\$162), and the Europeans fell somewhere in between (\$132). For visitors of other nationalities, the per-night expenditure averaged \$109, partly because of the spending patterns of Israeli tourists (see table 8). In terms of number of tourists, receipts from tourism, and per capita spending, Egypt compares favourably with many countries in the Middle East (see table 9).

TABLE 8. EGYPT: ESTIMATED TOURIST EXPENDITURES ACCORDING TO NATIONALITY IN 1992

Nationality	Number of nights (thousands) (1)	Average expenditure (US dollars) (2)	Total expenditure (thousands of US dollars) (1 x 2)
Arabs	8 306	73	606 338
Europeans	10 432	132	1 377 024
Americans	1 314	162	212 868
Others	1 784	109	194 456
Total	21 836	109	2 390 686

Source: Egypt, CAPMAS and Tourism Development Authority, Field Survey, 1992 (in Arabic).

TABLE 9. EGYPT: MIDDLE EAST TOURISM IN 1996 (PER CAPITA VISITOR EXPENDITURES)

Country	Number of visitors (thousands)	International tourism receipts (millions of US dollars)	Per capita visitor expenditure (US dollars)
Bahrain	2 669	300	112
Egypt	3 675	3 200	871
Iraq	345	13	38
Israel	2 097	2 800	1 335
Jordan	1 103	770	698
Kuwait	75	109	1 453
Lebanon	419	715	1 706
Oman	435	99	228
Saudi Arabia	3 458	1 308	378
Syrian Arab Republic	888	1 478	1 664
Yemen	75	39	520
Total	15 239	10 831	711

Source: World Tourism Organization, *Compendium of Tourist Statistics, 1990-1994*, sixteenth edition, 1996.

Many Arab visitors prefer to stay in furnished apartments and generally try to economize; this tends to lead to an underestimation of their importance in official statistics. Table 10 shows the components

(percentage shares) of daily expenditure by nationality, as revealed in the 1992 field study: Arab tourists had the lowest proportional expenditure on hotels plus food and beverages (21.3 per cent), while Europeans had the highest (53.3 per cent), followed by Americans (48.6 per cent) and other nationalities (45.8 per cent). Arab tourists also spent a smaller proportion than some others on internal transport and visits; however, in all other categories, the Arab percentage shares were higher than those for visitors from outside the region.

TABLE 10. EGYPT: COMPONENTS OF DAILY EXPENDITURE BY NATIONALITY  
(Percentage)

Spending Item	Arabs	Europeans	Americans	Other nationalities
Non-hoted accommodations	6.4	1.1	1.5	1.9
Food and beverages	14.2	3.8	4.7	6.4
Hotel plus food and beverages	21.3	53.3	48.6	45.8
Internal transportation	6.5	8.5	8.3	8.9
Visits	1.8	7.7	8.0	2.7
Medical treatment	4.6	0.1	0.3	0.3
Study	0.9	0.1	0.5	0.6
Recreation and entertainment	19.3	12.7	13.3	12.7
Shopping	18.3	13.6	14.8	16.7
Other	6.7	0.1	0.1	0.1
Total	100	100	100	100

Source: Egypt, CAPMAS and Tourism Development Authority, Field Survey, 1992 (in Arabic).

## B. THE IMPORTANCE OF TOURISM TO THE EGYPTIAN ECONOMY

Following the economic opening (*infitah*) and the signing of the peace agreement with Israel in the late 1970s, tourism was accorded a larger role in the Egypt's economic development. The Government recognizes the importance of the tourism sector and has made addressing its problems a priority.

Within the context of Egypt's overall economic liberalization and privatization efforts, the private sector has been encouraged to play an active role in helping to expand the tourism sector. The Governments' efforts have paid off: tourism has grown and its importance to the Egyptian economy has increased, as is illustrated by the economic indicators presented below.

### 1. Balance of payments

Egypt's foreign exchange receipts from the export of non-factor services increased significantly during the period 1988-1996, rising from around \$4 billion to \$9.7 billion, or by 11.7 per cent per annum. The main contributor to the increase was tourism, whose revenues increased from 0.9 billion to 3.2 billion, or by 17.4 per cent per year, outranking revenues from Suez Canal, which rose by only 6.9 per cent annually. The rate of increase for tourism also surpassed that for manufactured exports, despite noticeable improvement in the latter (see table 11). This trend is expected to continue as long as the core parties are committed to working towards a just and lasting peace.

### 2. Gross domestic product

Gross domestic product (GDP) in Egypt was expected to increase from 131.1 billion Egyptian pounds (LE) to LE 160.8 billion (at 1991/92 prices), or by 4.2 per cent per annum, during the period covered by the Third Five-Year Plan (1991/92-1996/97) (see table 12). It was predicted that the relative importance of the commodity sectors in GDP would drop to 49.8% in 1996/97, against 50.2 per cent for the production and social services sectors. The production services sector was expected to grow by 4.9 per cent annually as a result of the higher growth rate of 6.7 per cent in restaurants, tourism and hotels, a situation attributed to

the successful implementation of a comprehensive marketing plan targeting the promotion of tourism in both new and traditional markets. Table 12 indicates that restaurants, tourism and hotels were expected to account for 2.1 per cent of GDP (LE 3,350 million) in 1996/97, compared with 1.8 per cent (LE 2,420 million) in 1991/92.

### *3. Investment*

During the period 1993-1996, 413 tourism-related projects were approved at a total investment cost of more than LE 18.7 billion. Some of the projects include hotels, floating hotels, tourist villages, tourist complexes and entertainment complexes, while others relate to tourist transport, tourist management and tourism development. By 1996, 115 of these projects were operational, and almost LE 4.1 billion had been spent; 298 were still under construction and were expected to require a total investment of LE 14.7 billion (see table 13).

The cost of all investment projects officially approved by the Egyptian Government up to 30 June 1996 amounted to LE 67,996 million, with the LE 18,744 million investment in tourism representing almost 28 per cent of the total.

### *4. Employment*

Between 1994/95 and 1995/96 the total population of Egypt increased by 2.1 per cent, the labour force grew by 2.9 per cent, and the number of employed persons rose by 3.1 per cent. Employment in the production services sector, including tourism increased at a higher rate of 4.2 per cent, rising from 2.5 million to 2.6 million. The increase in the overall employment rate reduced unemployment from 9.6 to 9.4 per cent (see table 14).

The field study carried out in 1992 was the first in Egypt to provide information on the labour force in the tourism sector. The results provided comprehensive data on the number of employees, their qualifications and their distribution among different tourist activities. Table 15 shows that there were a total of 103,769 persons employed in the tourism sector; 57.2 per cent worked in accommodation facilities, 17.2 per cent worked in public tourist establishments, 15.8 per cent were employed by travel and tourist companies, and the remainder (around 10 per cent) were tourist guides or worked for official or public sector authorities.

It was estimated, based on the 1992 figures, that the number of employees in the tourism sector had increased to 119,300 by 1995, with almost no changes in their relative distribution among the different activities. The Ministry of Tourism reported a tourism employment figure of 271,600 for 1996, however, with dramatic changes in their distribution among the different activities compared with 1992 and 1995 (see table 16).

TABLE 11. EGYPT: FOREIGN EXCHANGE RECEIPTS, SELECTED ELEMENTS, 1988-1996  
(Millions of US dollars)

	Second Five-Year Plan period: (actual)					Third Five-Year Plan period: (actual)			Estimate for 1996	Change per annum, 1988-1996
	1988	1989	1990	1991	1992	1993	1994	1995		
<b>Value at current prices (millions of US dollars)</b>										
Petroleum	2 861.5	2 244.8	2 485.0	3 793.5	2 808.4	4 687.5	3 065.2	2 036.5	1 998.9	-4.4%
Manufactured goods	1 212.8	1 217.6	1 509.0	1 690.1	1 724.9	1 415.0	2 202.0	2 202.0	2 741.9	+10.7%
<b>Total non-factor services receipts</b>	<b>3 988.6</b>	<b>5 566.7</b>	<b>6 082.4</b>	<b>6 715.1</b>	<b>7 371.1</b>	<b>6 532.0</b>	<b>8 280.4</b>	<b>8 280.4</b>	<b>9 679.5</b>	<b>+11.7%</b>
Tourism	885.9	900.6	1 071.8	930.7	1 727.2	1 571.0	2 298.9	2 298.9	3 202.0	+17.4%
Suez Canal	1 268.7	1 306.7	1 471.8	1 661.9	1 950.2	1 941.1	2 058.4	2 058.4	2 160.0	6.9%

Source: World Bank, "Country economic memorandum: Egypt; issues in sustaining economic growth, summary report (Washington, D.C., March 1997) (Report No. 16207-EGT).

TABLE 12. EGYPT: GDP DURING THE THIRD FIVE-YEAR PLAN (1991/92-1996/97) BY SECTOR  
(AT FACTOR COST)  
(Millions of Egyptian pounds at 1991/92 prices)

	1991/92 (actual)		1996/97 (projected)		Average Growth rate (percentage)
	Value	Percentage	Value	Percentage	
<b>Total for commodity-producing sectors</b>	65 373	49.9	80 042	49.8	4.1
<b>Total for production services sectors</b>	43 606	33.3	55 420	34.5	4.9
Transportation, communications and storage	8 710	6.6	10 358	6.4	3.5
Suez Canal	6 125	4.7	7 467	4.6	4.0
Trade	21 730	16.6	27 860	17.3	5.1
Finance	4 545	3.5	6 290	3.9	6.7
Insurance	76	0.1	95	0.1	4.6
Restaurants, tourism and hotels	2 420	1.8	3 350	2.1	6.7
<b>Total for social services sectors</b>	<b>22 078</b>	<b>16.8</b>	<b>25 345</b>	<b>15.8</b>	<b>2.8</b>
<b>Total GDP</b>	<b>131 057</b>	<b>100</b>	<b>160 807</b>	<b>100</b>	<b>4.2</b>

Source: Egypt, Ministry of Planning, *Third Five-Year Plan Yearbook 1992/93* (in Arabic).

TABLE 13. EGYPT: INVESTMENTS IN TOURISM, 1993-1996  
(Millions of Egyptian pounds)

Type of project	Approved projects				Operational projects				Projects under construction			
	No.	Capital	Investment cost	Labour opportunities	No.	Capital	Investment cost	Labour opportunities	No.	Capital	Investment cost	Labour opportunities
Hotel	92	2 946	5 289	18 140	46	1 037	1 757	7 608	46	1 909	3 532	10 532
Floating hotel	20	259	394	1 236	14	220	311	784	6	39	83	452
Tourist village	175	3 549	7 423	44 118	17	275	485	2 578	158	3 274	6 938	41 540
Tourist complex	20	1 628	3 012	6 281	4	466	1 320	1 077	16	1 162	1 692	5 204
Tourist transport	46	162	309	2 503	23	79	147	1 104	23	83	162	1 399
Tourist management	17	56	83	1 174	7	25	25	15	10	31	58	1 159
Entertainment complex	33	656	1 404	17 384	4	5	7	206	29	651	1 397	17 178
Tourism development	10	465	830	2 475	—	—	—	—	10	465	830	2 475
Total	413	9 721	18 744	93 311	115	2 107	4 052	13 372	298	7 614	14 692	79 939

Source: Egypt, General Authority for Investment, Data base centre investment, data, 30/6/1996 (in Arabic).

TABLE 14. EGYPT: POPULATION, EMPLOYMENT AND UNEMPLOYMENT, 1994/95-1995/96

	Number (in thousands)		Growth rate (percentage)
	1994/95	1995/96	
Population	58 978	60 236	2.1
Labour force	16 452	16 925	2.9
Number of employed	14 879	15 340	3.1
In the production services sectors	2 450	2 553	4.2
Number of unemployed	1 573	1 585	0.8
Unemployed as a percentage of the labour force	9.6	9.4	-

Source: Central Bank of Egypt, *Annual Report 1995/96* (in Arabic), p. 17.

TABLE 15. EGYPT: NUMBER OF EMPLOYEES IN THE TOURISM SECTOR, 1992

No.	Activity	Number of employees	Percentage share
1	Accommodation facilities	59 379	57.2
2	Public tourism establishments	17 817	17.2
3	Travel tourism companies	16 354	15.8
4	Tourist guides	3 207	3.1
5	Official and public sector authorities	7 012	6.8
Total		103 769	100

Source: Egypt, CAPMAS and Tourism Development Authority, Field Survey, 1992 (in Arabic).

TABLE 16. EGYPT: NUMBER OF EMPLOYEES IN THE TOURISM SECTOR, 1995 AND 1996

Activity or place of employments	1995 <sup>a/</sup>		1996 <sup>b/</sup>	
	No. of workers	Percentage of total	No. of workers	Percentage of total
Accommodations facility	68 533	57.5	116 705	43.0
Public tourism establishment	20 235	17.0	84 600	31.1
Travel company	18 310	15.3	18 310	6.7
Tour guide	3 962	3.3	3 985	1.5
Official authority	8 000	6.7	8 000	2.9
Youth hostel	260	0.2	—	—
Tourist commodity or souvenir shop	c/	-	40 000	14.7
Total	119 300	100	271 600	100

a/ Estimates.

b/ Ministry of Tourism figures.

c/ Not included in total.

## **V. FACTORS AFFECTING TOURISM IN EGYPT**

### **A. INTERNAL SECURITY AND SAFETY**

Internal security and safety are very important to Egypt's tourism industry, especially since the country relies mainly on "long-haul" tourism. Terrorist incidents which began in the last quarter of 1992 interrupted the upward trend in tourism traffic achieved after the Gulf war, resulting in a 21.8 per cent reduction in tourist traffic, a 30.9 per cent decrease in tourist nights and a decline of 38 per cent in tourist receipts in 1993.

### **B. RECOGNITION OF THE POTENTIAL OF THE TOURISM SECTOR**

Egypt has many unique resources that can be developed for its tourism industry. The official recognition of travel and tourism as a strategic component of economic development and a major source of employment will go a long way towards helping tourism businesses to play a pivotal role in furthering economic and social development. The Egyptian Government can facilitate growth in the tourism sector by doing the following:

- (a) Eliminating barriers to growth;
- (b) Increasing government expenditure on tourism infrastructure;
- (c) Increasing airport capacities and modernizing air traffic;
- (d) Simplifying immigration controls and border clearance systems;
- (e) Investing in human resource development;
- (f) Allocating additional resources for tourism promotion;
- (g) Taxing intelligently for growth and high profitability.

### **C. ACCESSIBILITY**

Accessibility is a major factor in tourism development. Adequate air transport services are vital, as the vast majority of Egypt's tourists arrive by air. Now that the restrictions have been lifted, charter air services can provide better access to the more remote recreational sites near the Red Sea and in southern Sinai and will facilitate further development in these areas. It is essential that the Government give more attention to facilitating sea travel; of special concern are maritime and seaport regulations relating to docking and to service costs.

### **D. ECONOMIC STABILITY**

Sound economic performance creates a stable environment for business and investment. A healthy economy is good for tour operators and tourism activities, as facilities and services can be upgraded, allowing the tourism sector to contribute further to economic growth. In addition, with better training and economic security, tourism personnel are likely to exhibit a friendlier attitude towards foreigners.

### **E. MIDDLE EAST ECONOMIC AND POLITICAL STABILITY**

Success stories from other regions indicate that intraregional tourism is the second most important source of earnings in the tourism sector, so steps must be taken to promote and strengthen intraregional relationships. Specific suggestions are as follows:

- (a) Efforts should be made to facilitate cooperation and the development of common interests among the countries of the region, and security arrangements should be strengthened to accommodate the legitimate concerns of all parties;

(b) The countries of the region should encourage the expansion of commercial exchange, intraregional investment, and productivity in order to allow the region to become a significant partner in the world economy;

(c) The Governments in the Middle East should establish firm foundations for regional cooperation in the areas of trade, tourism and the environment.

(d) Intraregional markets are expected to grow in the coming years. There has been a slowdown in Arab tourist traffic, but this market has a lot of potential—a fact that should be considered in the planning process and in promotional activities. The middle-class Arab traveller is emerging as a significant factor in Arab tourism. Moreover, there is a high level of repeat visitors among Arab travellers and their average length of stay is increasing. The Israeli market could show very strong growth in the future. More than 1 million Israelis travel abroad every year, making them good prospects for intraregional traffic, even though their ALS in Egypt is still limited.

#### F. THE ARAB COMMON MARKET

The Arab common market currently being set up constitutes the first step towards regional economic integration, which will serve Arab interests as well as the cause of peace.



## **VI. ASSESSMENT OF THE IMPACT OF THE PEACE PROCESS ON THE TOURISM SECTOR IN EGYPT**

The peace treaty between Egypt and Israel has had a positive impact on the growth of international tourist traffic to Egypt.

After the signing of the treaty, the following occurred on the demand side:

- (a) Cultural and recreational tourist traffic from long-distance markets in general and from Europe in particular increased steadily, eventually occupying a solid place within the international tourism structure;
- (b) Tour operators in the major tourism-generating countries began to show a real interest in developing and promoting Egypt as a destination;
- (c) The tourist traffic through the Taba point of entry increased steadily, especially after the settlement of the dispute over Taba;
- (d) Tourist traffic from Israel grew steadily, ranking second in 1995;
- (e) Business travel (visits to Egypt for meetings, conventions, incentive-related purposes and so on) increased.

From the supply side, post-treaty developments included the following:

- (a) The maintenance of peace between Egypt and Israel pushed forward the reconstruction process and tourism investments along the Red Sea coast and in Sinai;
- (b) New tourist areas such as Hurghada, Sharm El-Sheikh, Dahab, Nuweiba and Taba were placed on the world tourist map;
- (c) National business enterprises and capital investors became much more interested in tourism activities such as hotels, floating hotels, restaurants, tourism establishments, and travel agencies;
- (d) Multinational hotel management companies decided to begin operations in Egypt.

## **VII. ELEMENTS OF A STRATEGY TO ENHANCE THE IMPACT OF THE PEACE PROCESS ON THE DEVELOPMENT OF TOURISM IN EGYPT: NATIONAL AND REGIONAL PERSPECTIVES**

The Egyptian perspective on the new Middle East derives from four main elements:

- (a) *A political settlement.* Egypt is determined to continue to assist all parties in their efforts to achieve peace in the region;
- (b) *Regional security.* Egypt believes that equitable and comprehensive arms control measures should be undertaken;
- (c) *Regional development.* Egypt believes that for regional development to be successful, regional growth must be equitable and balanced and the interests of all parties must be taken into account. Middle East regional development should result in the further expansion of trade, investment, technology transfer, productive capacity and tourism;
- (d) *Regional cooperation.* Regional cooperation could help to reduce the economic disparities between regional parties. Such cooperation should be transparent and should actively involve the private sector, and efforts should be made within this framework to integrate the region into the global market.

In order to make its vision a reality, Egypt has developed a broad national strategy to enhance the positive impact of the peace process on the development of the country in general. The main elements of this strategy are as follows:

- (a) To boost private sector development by rapidly reducing the role of the State and turning it into an arbitrator and regulator of economic activity;
- (b) To build a globally oriented export economy in Egypt, taking full advantage of the new opportunities offered through the WTO;
- (c) To focus on human development as a priority area for public investment in the coming two decades;
- (d) To further expand and improve the physical infrastructure in order to support significant growth in private sector activity in all economic sectors and in all regions of the country;
- (e) To shift from an industry-based to a knowledge-based economy; Egypt wishes to transfer its advantage in traditional and resource-based activities to higher-yield knowledge-intensive activities.

The authorities have established a new tourism strategy which is based on the above-mentioned national strategy and is compatible with the circumstances prevailing in the area. The objectives of this strategy for 1997 were as follows:

- (a) To increase the number of visitors to 4 million (and to 6.3 million in the year 2000);
- (b) To increase tourist nights to 27.1 million;
- (c) To increase accommodation capacity to 75,000 rooms.

The more general elements of the tourism strategy include the following:

- (a) Create or highlight tourist product diversity through the ample use of resources to meet the needs of different types of visitors;
- (b) Promote investments in the Sinai and Red Sea coastal recreation areas;
- (c) Develop the traditional tourist areas in Luxor, Aswan and other major sites by improving infrastructure, landscapes and facilities;
- (d) Aim for quality tourism by upgrading various components of the tourist products as well as human skills;
- (e) Raise the average length of stay to around 7 nights and the average expenditure per day to around \$150;
- (f) Pay closer attention to consumer protection and quality standards;
- (g) Continue to develop the Nile River cruises as a unique tourist product;
- (h) Develop the Gulf of Aqaba as an area of cooperation and integration.

## VIII. CONCLUSIONS AND RECOMMENDATIONS

### A. CONCLUSIONS

Tourist traffic through Egypt has grown faster than world tourist traffic over the past four decades. During the period 1960-1987 Egypt enjoyed an average annual increase of around 7 per cent, compared with a world increase of about 5.8 per cent per year. Egypt's high long-term rate of increase was achieved in spite of the various political and security upheavals which occurred inside the country and elsewhere in the Middle East. The open economic policy and the active role played by the authorities in Egypt, along with the increase in petroleum prices and the effects of peace arrangements with Israel, have helped to boost tourist traffic.

Egypt's solid status as a tourist destination, its diverse tourist structure, and its longstanding cultural ties with the major tourist-generating markets allowed it to recover rapidly after a short period of decline in 1993. Egypt's ability to bounce back contributed to making the Middle East region the world's fastest-growing tourist destination in 1995 and 1996. The region's vast cultural wealth and the perception that the area was safer for tourists stimulated increased travel to a number of regional destinations.

The tourism industry in Egypt has become a major source of economic activity and foreign exchange earnings. In 1996, tourism receipts totalled \$3.2 billion, exceeding the income from Suez Canal dues as well as the total export value of all manufactured goods and petroleum products.

Egypt hosts the largest number of foreign visitors in the ESCWA region in absolute terms (3.89 million in 1996); however, its market share of Middle East tourism is not proportional to its share of the population. In 1996, with close to 60 million people, Egypt accounted for almost 40 per cent of the region's total population of around 150 million but had only a 21 per cent share of the region's foreign visitors and a 30 per cent share of its international tourism receipts.

Regional economic integration and the establishment of stronger communications, cultural and trade links among the regional partners would contribute significantly to economic growth. These steps would facilitate the development of economies of scale and create a better marketing position for tourist products. Today's travellers are increasingly looking to combine visits to different tourist destinations in a particular region within a single trip.

The basic prerequisites for the continuous development of tourism in the region are the achievement and maintenance of a comprehensive peace and the creation of a solid foundation for cooperation between the different countries. The travel industry in every one of these countries is extremely vulnerable to unrest anywhere in the region.

Tourism is placing extreme pressure on some of the historical sites along the Nile Valley, so it has become even more important that new tourist areas be developed along the Mediterranean littoral of Egypt, on the Red Sea coast, and in southern Sinai. The Red Sea coast and southern Sinai, with their year-round high temperatures and reliable sunshine and their world-class diving and water sports opportunities would appeal to Europeans (both Western and Eastern), who now constitute the majority of the international tourists coming to Egypt. Because of its proximity to Cairo and the major historical sites along the Nile, the Red Sea coastline stretching from Suez to the Sudan border, probably has greater potential for year-round tourism. This long stretch of land offers excellent possibilities for the development of new human settlements; here and elsewhere in Egypt, the tourist industry can create permanent and well-paying jobs, help absorb some of the country's expanding labour force and contribute to ensuring a more rational geographical distribution of the population.

## B. RECOMMENDATIONS

### 1. *At the national level*

1. Egypt should produce a formal legal document embodying its national tourist policy and should require that all governmental agencies and non-governmental entities concerned with tourism comply with its provisions. Balanced and sustainable tourism growth benefits many other sectors; therefore, Egypt should think of tourism development in strategic terms, establishing a long-term policy which identifies national goals and strategies and includes feasible objectives.
2. The nature of cooperation between the Government and the private sector has to change: the State must support and facilitate rather than manage or directly participate in the operation of the tourism industry; it should play only a regulatory role, with the objective of creating and maintaining an investor-friendly environment.
3. The Government should acknowledge the present and potential economic and social contributions of the travel and tourism sector, in particular its potential to stimulate economic development and create work opportunities for skilled and unskilled labour.
4. National satellite accounts should be established for travel and tourism to ensure that the economic contribution of tourism is closely monitored and is measured as accurately as possible.
5. Tourism promotion and publicity should no longer be the sole responsibility of the Government. The State should work in close cooperation with the business sector and there should be a sharing of costs.
6. The Government must devise a national policy for tourism safety and security. This policy should address potential tourist risks; provide for the establishment and enforcement of safety rules and practices and for the protection of tourist sites and facilities; and offer guidelines relating to crisis management, education, information, illicit drug trafficking and health protection. Consideration should be given to the establishment of a separate agency or mechanism responsible for ensuring tourist safety and enforcing security measures at the national and destination levels.
7. Air transportation is becoming increasingly important to tourism growth. The civil aviation authorities in the region should work together to develop a regulatory framework, monitor competition policies and establish strategies that balance regional and national interests. Any protective measures adopted to safeguard the traffic rights of national carriers will jeopardize the potential growth of both intraregional and international tourism in the area. Accordingly, deregulation and maintaining open skies should constitute the main components of the policy framework guiding cooperation between the civil aviation authorities of the region.

### 2. *At the regional level*

1. Efforts should be made to establish a regional mechanism to facilitate cooperation between the public and private sectors and to ensure effective regional coordination on issues of common concern that cannot be dealt with at the national level.
2. Intraregional markets are expected to grow, and there are a number of different markets to be tapped. The Arab travel market is especially attractive, since it has seasonal travel patterns that are different from those of Europe as well as a number of special characteristics: Arabs tend to stay longer and shop more, and they can be counted on to return with some regularity.

3. The Israeli market is expected to show very strong growth in the foreseeable future, assuming Israeli citizens are permitted to travel freely within the region as the result of progress achieved in the peace process. More than 1 million Israelis currently travel abroad every year.
4. The Middle East is the birthplace of three of the world's great religions. Intraregional religious and spiritual tourism should be facilitated and given priority. The flight of the Holy Family from the West Bank/Gaza strip area to Egypt, the Exodus route through Sinai, and the Muslim drive to Egypt and North Africa are but a few ideas for travel packages that could be developed and jointly promoted. Muslims and Christians from the region and from Turkey, Greece, North Africa, South-East Asia and elsewhere can also be expected to flock to the Holy Land in large numbers one day.
5. Water travel (mainly the cruise market) is undergoing a period of fairly strong growth, and safe areas are being sought for tourism and discovery. Establishing anchorages and marinas at existing ports in the eastern Mediterranean could improve yachting tourism, boost cruise ships and ferry industries, and open up opportunities for regional destinations to be included on cruise itineraries. The development of cruise businesses in the Red Sea and the Gulf of Aqaba offering services similar to the popular Nile cruises should be encouraged.
6. The countries of the region must work together to facilitate travel procedures and formalities, develop the tourism infrastructure (in particular the various means of transportation and communication), provide education and training, improve the image of the region and its tourist destinations, and protect the environment.
7. Success in the tourism industry depends on two things: developing new attractions (both natural and man-made); and creating a good image of the destination through promotion and marketing.

**Part Three**  
**CASE-STUDY OF JORDAN**

## IX. DEVELOPMENTS IN THE TOURISM SECTOR IN JORDAN

Though Middle East political instability has been the most significant constraint on the growth of the region's tourism, including that of Jordan, other factors have played an important role as well. The Gulf crisis in 1990 and the war in 1991 caused a major decline in tourist visits to the region, and Jordan was no exception. The current state of peace between the Kingdom and Israel has not been enough to counter the negative impact of regional developments on Jordan's tourism industry. As can be seen in table 17, there has been a slow-down in the growth of tourist arrivals since the boom of 1995. Regional instability and the deadlock in the peace process are mainly responsible for this state of affairs, but internal Jordanian inadequacies including poor infrastructure and labour resources, are also to blame.

TABLE 17. JORDAN: TOURIST ARRIVALS, 1992-1997  
(Thousands)

	1992	1993	1994	1995	1996	1997 (January-July)
GCC countries	490	547	553	567	573	326
Israel	—	—	11	100	121	71
Europe	122	153	192	255	252	150
North America	36	48	66	96	108	68
Other	21	27	36	56	49	28
Total arrivals	669	775	858	1 074	1 103	643

Source: Jordan, Ministry of Tourism and Antiquities, Statistics Section, monthly information bulletin, 1997 (various issues).

### A. MAIN INDICATORS

#### 1. Number of tourist arrivals by nationality

According to statistics published by the Ministry of Tourism and Antiquities for the first seven months of 1997, visitors from the Gulf Cooperation Council (GCC) countries to Jordan constituted just over half of all tourist arrivals, and Israeli visitors accounted for over one tenth of the total. Other major groups were North American visitors (10.6 per cent) and Europeans (23.3 per cent). The Arab nationals entering Jordan included a number of labourers transiting the country en route to surrounding countries including Saudi Arabia and other GCC States. The share of *bona fide* tourists from among the total Arab arrivals was not clearly indicated in the statistics. Asian arrivals included Turkish labourers en route to a third country, so the number of *bona fide* Asian tourists was much smaller than the statistics might suggest. In recent years, actual tourists made up only 22 to 26 per cent of total non-resident Asian arrivals.

#### 2. Duration of visit

The average length of stay is lower in Jordan than in Egypt or Israel (but not the West Bank and Gaza Strip). Although the number of tourist travelling on package tours has increased (especially in 1995, mainly owing to Israeli visitation), the ALS has declined over the past several years. According to Ministry of Tourism and Antiquities figures, the ALS fell from 5.14 room nights in 1989 to 4.44 in 1994 and to 3.75 in 1989. The average time spent per tourist began to decline in 1994, reflecting the increase in the number of one-day visitors coming from Israel and Saudi Arabia. The figures for 1997 are slightly higher than those for 1996 but are still low in comparison with the figures recorded for the 1980s and mid-1990s.

As can be seen in table 18, the ALS fluctuates strongly from month to month. However, the Ministry of Tourism and Antiquities' current development plans include an initiative to attract more Arab tourists in the summer and increase the annual ALS to more than four nights. This period is traditionally an



off-season for European tourists, but it is thought that Jordan might be able to attract more visitors from the GCC countries as Jordan-Gulf relations continue to improve.

TABLE 18. JORDAN: MONTHLY TOURIST ARRIVALS ON PACKAGE TOURS, JANUARY TO JUNE 1996-1997

Month	Number of tourists		Change in number of tourists, 1996 to 1997 (percentage)	Number of nights		Change in number of nights, 1996 to 1997 (percentage)	ALS* in 1997
	1996	1997		1996	1997		
January	15 329	12 954	-15.5%	40 143	36 134	-10%	2.79
February	23 857	20 033	-16.0%	82 450	78 528	-4.8%	3.92
March	41 347	30 949	-25.1%	155 738	125 066	-19.7%	4.04
April	45 905	43 369	-5.5%	187 723	179 929	-4.2%	4.15
May	30 393	28 738	-5.4%	110 930	107 795	-2.8%	3.75
June	13 141	12 274	-6.6%	38 460	43 731	13.7%	3.56
Total	169 972	148 317	-12.7%	615 444	571 183	-7.2%	3.85

Source: Jordan, Ministry of Tourism and Antiquities, Statistics Section, monthly information bulletin, 1997 (various issues).

\* Average length of stay.

The latest figures on the ALS of package tourists in Jordan indicate that the highest ALS during the first six month of 1997 was that of Europeans (4.73), followed by Arabs (4.35). The Israeli ALS was only 3.21, far below the overall average of 3.85 (for more details see annex table 5).

### 3. Destination: national versus regional

Although Jordan has enough attractions to support a self-contained tourist industry, it has not yet become established as an autonomous destination (this supposition is based on various related indicators, as accurate statistics dividing tourists into "regional" and "national" categories are not yet available). This is largely due to the lack of an adequate tourist infrastructure, a general weakness in marketing, and a precarious political situation that has obliged Jordan to be viewed in a regional context along with Egypt, Israel, Lebanon and the Syrian Arab Republic. While this context presents some promising tourism possibilities, it is vulnerable to political swings. Several different options should be explored. Jordan should make more of an effort to develop and market itself on the basis of its own merits, but it should also participate in package programmes which include close neighbours such as the West Bank and Gaza Strip; another possibility is a Jordan/Lebanon/Syrian Arab Republic package aimed at tourists from the GCC States. GCC nationals accounted for well over half of all Jordan's tourists in 1996, but the growth in this market has been extremely slow over the past few years. Jordan must work to make the numbers grow by cultivating better relations with its neighbours in the Gulf and by providing a better tourism product. Jordan, Lebanon and the Syrian Arab Republic have signed an accord to launch a joint publicity campaign in the Gulf subregion.

### 4. Tourist sites by type

Jordan has abundant natural, historical, cultural and religious resources distributed throughout the country. The various types of sites available for tourists are described in some detail below.

(a) *Therapeutic sites*

The Dead Sea and the nearby hot springs are the country's most important resources for medical and therapeutic tourism. The Dead Sea Hotel and the Ma'in hot springs resort have facilities that were developed by the Jordanian Government in cooperation with Deutsche Medizinische Zentrum, a German concern, and Jordanian investors to attract German visitors seeking treatment covered by medical insurance. Tourism of this type is still limited but is considered to be an excellent potential source of long-term visitors (some treatments take up to 28 days). The salt and minerals of the Dead Sea are used in a wide range of locally manufactured health and beauty products, including bath salts, soaps and shampoos, and face and body creams; its mud is also widely used for skin conditioning, to treat arthritis and skin diseases, and to heal surgical wounds. The Dead Sea area is the safest outdoor resort zone on earth for sunbathing; its location 400 metres below sea level reduces the risk of skin cancer from overexposure to the sun. Ma'in is another popular site for medical tourism. It has a large spa village, a four-star hotel and a number of thermal hot springs, pools and waterfalls. Other curative thermal springs in more natural settings are located in the southern part of Jordan; there is also one in Al-Himmeh in the north-west.

(b) *Coastal sites*

Aqaba, on the Red Sea, is Jordan's only seaside resort area. It boasts one of the world's most beautiful and extensive stretches of coral reefs; this and the other marine life available make Aqaba a haven for divers from around the world. With its many hotels and other recreational facilities, Aqaba caters to a variety of tourists, but particularly to domestic and other Arab visitors on the weekends.

(c) *Natural sites*

The green mountains, fresh climate, rivers and springs of the highlands appeal to domestic and other Arab tourists in particular. Wadi Rum and various areas of the Rift Valley offer unique wildlife and natural landscapes. The mountain gazelle, hyena, fox and ibex are found in Wadi Araba, and a nature reserve in Jordan is breeding and releasing the once plentiful Arabian oryx. The green mountains in the Jordan Valley, the hill country of Irbid and Tafilah, and a selection of wildlife reserves and desertscapes are among the natural sites of greatest interest to international tourists. The Dead Sea's eastern shore is sparsely populated and has an attractive landscape that has remained virtually unchanged since biblical times.

(d) *Historical sites*

Jordan has abundant historical tourism resources including remains of the Hellenistic, Nabataean, Roman, Byzantine, Arab, crusader, Mamluk and Ottoman periods. Petra, the most important tourist site in Jordan attracts the largest numbers of both foreign and domestic tourists. For international visitors, the Graeco-Roman cities of Jerash and Umm Qais, the mosaics of Madaba and Mount Nebo, desert palaces such as Qasr Amra (a UNESCO world heritage site), and various crusader castles are the most popular attractions.

(e) *Religious sites*

The Jordan of today is situated on land mentioned in the Bible and other religious texts including those of the earliest Islamic period. There are holy places for Muslims as well as other areas relating to the Exodus and Moses. There are close to a hundred religious sites in the country, but Madaba, Mount Nebo and Mu'tah represent prime attractions for tours and pilgrimages.

(f) *Sports and recreational sites*

Jordan's diverse natural features and the country's moderate climate lend themselves to a wide range of sports activities. Camping, horseback and camel riding, trekking, mountaineering, rock climbing,

paragliding, rally-cross racing and marine sports are the primary activities that attract domestic and international sports enthusiasts.

(g) *Cultural sites*

Jordan offers a good selection of modern cultural attractions, though their international appeal is somewhat limited. There are numerous galleries, the Royal Cultural Centre in Amman offers concerts, recitals and ballets, and the annual Jerash Festival provides a variety of musical entertainment, both local and international, as well as ballets and plays. These facilities and events are patronized mainly by domestic and other Arab tourists.

## 5. *Accommodations*

Jordan is well equipped with four- and five-star hotels throughout the country. Six major international chains already have hotels operating in the Kingdom and several others are planning to open new hotels in the near future. Rest houses with sleeping accommodations and dining facilities are also located at key tourist sites.

The occupancy rate for five-star hotels only returned to the 1989 level of 70 per cent in 1995, following a slow recovery from the effects of the Gulf war. At the national level, overall room occupancy has not exceeded 53 per cent during the past decade (annual averages naturally reflect a wide range of products and occupancy rates in a variety of markets).

The occupancy rate and the average daily rate (ADR) for five-star hotels in Amman rose from about 50 per cent and \$70 respectively in 1992 to 70 per cent and \$96 in 1995; current figures stand at around 65 per cent and \$100 (prices are still subject to some State control; for example, food prices are regulated by the Ministry of Tourism and Antiquities and the Ministry of Trade, Industry and Supply). Significant growth in the occupancy and average daily rates is predicted up to the year 2000. The biggest contributors to income from overnight stays in Amman are business people, who account for around half of the room occupancy, guests staying for leisure purposes rank second and account for 20 per cent, and the conference and incentive markets represent a limited source of business for hotels and other types of accommodation.

In Aqaba, product quality and published tariffs vary widely, so it is not surprising that average daily rates and room occupancy rates vary widely as well. The three- and four-star hotels in the area had their best year in 1995, with an average room occupancy rate of 60 per cent and an ADR of just under \$60.

## B. THE IMPORTANCE OF TOURISM TO THE JORDANIAN ECONOMY

### 1. *Gross national product*

Tourism has accounted for an average of around 12 per cent of Jordan's gross national product (GNP) over the past five years. The end of the Gulf war and the initiation of the peace process spurred tourism growth, and the trend has been generally upward;<sup>6</sup> however, this sector has the potential to contribute even more to the national economy, as it did in the late 1980s, with GNP shares of up to 15 per cent.

### 2. *Balance of payments*

Tourism earnings have been a consistent source of foreign exchange for Jordan since the 1960s. After plummeting in 1991, foreign exchange receipts from tourism are once again on the rise. Since 1992, foreign exchange earnings from tourism have accounted for around 20 per cent of total foreign exchange

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<sup>6</sup> Jordan, Ministry of Tourism and Antiquities, Statistics Section, monthly information bulletin, 1997 (various issues).

income, down from 23 per cent in the late 1980s. In 1996, Jordan took in \$710 million in tourism revenues, but regional developments lowered expectations for an increase in 1997.<sup>7</sup>

### 3. *Investment*

Investment in the tourism sector increased between 1995 and 1996, as indicated by the rise in accommodation figures. By the end of 1996 there were 161 classified hotels operating in Jordan with 9,406 rooms and 17,756 beds, representing increases of 8.7, 9.8 and 10.3 per cent respectively over 1995 figures. Twenty-nine new hotel projects (with 2,238 rooms and 4,449 beds) were begun during 1996. There are presently 48 hotels under construction at an estimated cost of more than 204 million Jordanian dinars (JD) (\$1.00=JD 0.71 at the time of this writing). These new hotels are distributed throughout Jordan and are expected to start operating sometime during the coming two years.<sup>8</sup> Investment in other tourism-related establishments such as travel agencies, transport companies and souvenir shops has expanded as well. Further, there are a number of indirectly related businesses such as food and beverage manufacturers, distributors and suppliers and various service providers that have benefited greatly from their links to the tourism industry (tourism's contribution to the growth of these businesses is difficult to calculate, but it is known to be significant).

Recent developments show that businesses in the Gulf States are becoming increasingly interested in investing in Jordan; interested parties from Kuwait, Qatar and Saudi Arabia have already initiated projects which are expected to attract tourist families to Jordan, especially from the GCC countries themselves.<sup>9</sup>

### 4. *Employment*

Employment creation is a key development benefit of tourism, especially for the local community. Close to 10,000 people in Jordan are directly employed in the tourist industry—in hotels, restaurants, transport companies, and travel and tourism agencies, and as tour guides. Estimates of employment in tourism generally show steady growth. Hotels provide most of the jobs in the sector. Current hotel employment in the country is over 7,000, up from less than 6,400 at the end of 1996 (less than 10 per cent are foreign workers). It is expected that hotel projects now under way will provide 3,600 new jobs over the next two years or so.<sup>10</sup>

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<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

## **X. FACTORS AFFECTING TOURISM IN JORDAN**

### **A. REGIONAL INSTABILITY**

In 1996, the underlying potential remained largely the same as the year before, but around mid-year the election of a new, hard-line Israeli Government clouded the horizon and led to a decline in non-Arab tourism in Jordan. This stagnation is expected to continue until a breakthrough occurs in the peace process. The present political situation is having a particularly negative effect on the tourism industry, which is viewed more from a regional than from a country perspective.

### **B. THE BUREAUCRACY AND THE INAPPROPRIATE REGULATORY FRAMEWORK**

Political and security uncertainties are not the only problems affecting Jordan's tourism. The sector is still held back by bureaucratic inefficiency and the lack of transparency. Most of the multitude of projects enthusiastically presented at the 1995 MENA Economic Summit in Amman have not yet been implemented; in some cases, mainly in Aqaba and around the Dead Sea, foreign investors are pulling out because of bureaucratic problems and inadequate financing facilities. One problem with the bureaucracy is the lack of trained technical personnel, but this is an issue in the private sector as well. The Jordanian tourism industry is also constrained by legal obstacles hindering land acquisition. Regional instability and the country's unsatisfactory investment environment are dampening the prospects for growth in Jordan's tourism sector.

## **XI. ASSESSMENT OF THE IMPACT OF THE PEACE PROCESS ON THE TOURISM SECTOR IN JORDAN**

Without the impetus of the peace process, the Jordanian tourism sector's problems would not have been highlighted to the extent that they have been. The prospect of WTO membership, Jordan's imminent partnership with the EU, and other regional and international developments have only made the country's inadequacies appear more glaring, and more pressure is being placed on the Government to effect changes. The calls for change are particularly strong in Jordan's tourism sector, because tourism is so far the only area in the Kingdom's economy in which the dividends expected from peace are evident, albeit weakly. In particular, Jordan's development as a destination for the United States and other upscale markets is encouraging.

Caution should be exercised, however, as the danger of overexpansion resulting from a partial peace is serious. There are risks associated with peace that increase the vulnerability of this sector, where success is linked to many factors. The tourism industry, like other industries, walks a tightrope in an area still characterized by economic, social and political instability. One act of terrorism somewhere in the region could depress tourism for weeks or even months. Israeli tourists have given Jordan's long-static tourist industry a boost, but political violence elsewhere in the Middle East always leads to a significant cancellation of reservations by international travelers that had intended to visit Jordan.

Overexpansion and losses due to misplaced optimism deriving from peace having been oversold are evident in the tourism sector, as peace dividends are being realized at a pace slower than many had expected. A case in point is the tourist bus industry in Jordan. The number of tourist buses owned by the three companies operating in the country far exceeds the actual needs of the market. Competition has been intense and prices have fallen dramatically, to the extent that in 1996 the companies suffered combined losses of JD 2 million—a large amount by Jordanian standards. They continued to lose money during the first half of 1997 and expected losses to rise during the summer months considered a low season, as the damaging price war carried on. The financial troubles started when the third company, with JD 10 million in capital and a fleet of 70 tourist buses, entered the market. Investments in this sector amount to JD 40 million, and there are a total of 240 tourism buses in Jordan; however, the operating rate for the three companies does not exceed 50 per cent. The round trip from Amman to Petra, a 500 kilometre journey, costs JD 311 per busload, but the heavy competition has driven the companies to charge as little as JD 150, representing a loss of over 50 per cent per journey. The only beneficiary has been the foreign tourist who relies on bus service, the price of which is the lowest in the ESCWA region. A tourist bus costs JD 150,000 to JD 200,000 without customs duties, and the operational life of the vehicle is between five and six years; high interest on bank loans exacerbates the problem.

In August 1997, the three firms formed a coalition and raised tourist transport fares by 30 per cent for tours of under four days. Travel and tour agents fear that the increase in fares will affect Jordanian prices in international markets and that Jordan's tourism sector will be unable to compete with those in neighbouring countries, causing tourists to seek other destinations. On the other hand, the bus companies would likely have been forced to declare bankruptcy within five years if they had not come together to agree on a pricing mechanism to save the sector from collapsing.

Consolidation after major expansion is also taking place in the travel and tourism agency segment of the sector. A regulation was passed in April 1996 requiring each travel agency to provide the Ministry of Tourism and Antiquities with an annual bank guarantee of JD 25,000 along with its application for licence renewal. Of the 400 travel agencies operating in Jordan in 1996, only 267 were licensed; the rest closed down or merged with larger firms because of their inability to meet these requirements. Big firms may or may not be more efficient than small ones in a service industry such as tourism, but the effect of such consolidation on employment is negative. In short, most of the private tourism-sector operators interviewed in the course of this study did not appear very optimistic about their short-term prospects.

It will be interesting to see whether this process is duplicated in the hotel sector, which may face overcapacity problems before the end of the decade if the current weakness in arrivals continues. The current level of investment in hotels may not be sustainable. From the 1980s until recently, annual average growth in the number of hotel rooms remained steady at around 4 per cent; the fact that this figure now hovers around 10 per cent is alarming. There were indications that growth was slowing down markedly in 1997; however, the coming on stream of projects in 1998 and 1999 could cause a glut and a crisis.

## **XII. ELEMENTS OF A STRATEGY TO ENHANCE THE IMPACT OF THE PEACE PROCESS ON THE DEVELOPMENT OF TOURISM IN JORDAN**

### **A. REGIONAL COOPERATION**

A gradually emerging benefit of peace has been the introduction of regional schemes backed by the EU and others. One of these is the TEAM (Taba-Eilat-Aqaba-Macro) project. The TEAM area, in the upper port of the Gulf of Aqaba, is shared by Egypt, Israel and Jordan. In December 1995 the three countries agreed to adopt a new approach to cooperation within the context of the peace process, with the support of the EU. The development of the TEAM area, one of the focal points of EU activity in the region, is being coordinated by REDWG. The TEAM project is designed to prepare the legislative and administrative framework for economic development, assess and address infrastructure and planning needs, and pave the way for local and foreign public and private investment. The regional concept consists of two parts: first, a fast-track planning model will be used to build the foundations for cooperation in order to stimulate economic growth; second, a more comprehensive approach will be adopted which focuses on strengthening links between the three national economies, exploiting economies of scale through regional cooperation, and attracting private sector investment to the area, thereby developing the region's advantages. The development of tourism will be based on the availability of clear waters, a temperate climate and plentiful coral resources, as well as the proximity of tourist sites such as St. Catherine is Monastery and the city of Petra.

The EU strongly supports regional economic development within the TEAM framework. An estimated \$5 billion in new investments in the area over the next 15 years will mainly benefit the tourism sector. Project ideas include a Red Sea "Riviera", a free-zone for tourists, a transnational underwater coral reef park, and maritime activities in the Gulf such as sailing, cruises, and fishing. It should be noted that for the time being, TEAM, like most other regional projects, is moving forward very slowly.

### **B. THE NEED FOR INVESTMENT IN INFRASTRUCTURE AND IN HUMAN CAPITAL**

Jordan's private sector has produced an overabundance of physical structures such as hotel buildings, but much more investment is needed to address the country's infrastructure and human resource problems, which have constituted one of the major constraints on the growth of income from tourism. The Government of Jordan must adopt a strategy for tourism which calls for the integrated development of physical infrastructure and human capital, with a major role being played by the private sector. The steps taken to stimulate tourism should include the training of tourism sector employees in both the public and private sectors. The tourism sector requires further development to enable it to satisfy an increasingly knowledgeable and demanding market. Because much of the competition in tourism is service-oriented, training and the upgrading of skills in the sector is critical.

As far as "hardware" is concerned, investment in projects must be directed away from hotels and other facilities towards physical infrastructure, especially in the transport sector. In particular, special attention should be given to projects aimed at improving road systems to connect Amman and other cities and to connect the cities with the surrounding countryside. This could help reduce the development gap between the country's capital, its other cities, and its rural areas.

### **C. MOVING AWAY FROM DEPENDENCE ON THE PUBLIC SECTOR**

If the Government is unable to develop the infrastructure sufficiently to allow it to handle heavier regional tourism traffic, other options must be explored. One proposed plan for improving tourism transport involves the establishment of a road maintenance fund. Under this plan, proposed in June 1997, road repairs and the construction of most of the new links in the road system would remain the responsibility of the



public sector, but the Jordanian Government would make users pay for the maintenance of the road system by imposing user charges and channelling the revenues earned through a dedicated fund. These resources could be managed on a more commercial basis, with the involvement of the private sector and the road users. Specifically, the Government is considering the establishment of a JD 20 million fund to finance renovation works on the Kingdom's roads, including the main local and regional tourism transport arteries; the other option is to continue spending from the annual State budget on road maintenance. The Ministry of Public Works and Housing allocated about JD 14 million from its budget for road renovations during 1996. Suggestions have been made to channel the annual budget amount into the fund then add to it by collecting fees from driving licences, road tolls, transit fees and traffic fines. The possibility of raising money for the fund through advertisements and taxes is also being examined by the Government. The proposed fund would have an independent decision-making mechanism (a board of directors) that would represent the public and private sectors. However, as noted above, the responsibility for carrying out road repair and maintenance would remain in the hands of the Ministry.

#### D. THE IMPORTANCE OF DEREGULATION

The tourism sector still requires deregulation before it can become a powerful force in Jordan's economy. In the longer run, improvements in the regulatory framework can help provide the basis for private investment to create new tourism capacity. The private sector should be encouraged to become the vehicle for the development of a full-fledged tourist industry in which all available components and resources complement each other.

### XIII. CONCLUSIONS AND RECOMMENDATIONS

A clear political will to boost the tourism industry now seems to exist in Jordan. This is reflected in the appointment, over the past few years (and particularly in 1997) of professionals from the transport and tourism sectors in key government posts related to tourism. The Government, still the dominant force in Jordan's economy, has begun to undertake sustainable reform measures and to draw up detailed master plans, but much remains to be done. Whether enough will be accomplished to meet the challenges of peace remains to be seen; if not, Jordan will have to give less emphasis to tourism, and other sectors benefiting indirectly from tourism will suffer.

Jordan's tourism performance has improved rapidly, according to both government officials and private sector tourism companies. Sustainable annual growth of up to 30 per cent can be expected in the five-year period following the achievement of comprehensive peace in the region. Domestic tourism demand can also be expected to grow, though more slowly. In the medium term, tourism should become a major factor in Jordan's economy. Once real regional peace is secured, the increase in tourism will add significantly to Jordan's economic development and to its foreign exchange receipts. Despite the current unstable situation of no-war no-peace in the region, weaknesses in Jordan's manufacturing sector and the position of the EU towards Jordanian agriculture will push tourism to the fore.

The marketing of Jordan in conjunction with the West Bank and Gaza Strip as a "Holy Land" package is a given. However, developing links with other regional destinations is important as well. Jordan does not want to compete directly with Israel or Egypt, both of which have much larger tourism sectors, but seeks instead to play a complementary role as a major destination within regional multi-country tours. For example, Aqaba could be further developed as part of a Red Sea "Riviera" extending through the Israeli port of Eilat to the Egyptian resort of Sharm El-Sheikh. The development of the Aqaba area as a gateway to Jordan, Israel and the West Bank and Gaza Strip, and even to Iraq and the Syrian Arab Republic, will enhance tourism.

Recommendations for improving Jordanian tourism include the following:

1. *Marketing Jordan as a regional destination.* Although Jordan offers enough attractions to support a self-contained tourism industry, it has not yet become established as an autonomous destination. Developing and marketing Jordan in a regional context along with Egypt, Lebanon, the Syrian Arab Republic and other countries and areas in the region is the best bet for the future, even though in the short-term such a step will make each party more vulnerable to political swings.
2. *Placing greater emphasis on the role of the private sector.* Top public officials in Jordan recently announced that the Government would like to broaden the role of the private sector in tourism and to restrict its own role to creating incentives and providing support for tourist-related projects. Jordan's infrastructure—its highways and access roads, water and sanitation facilities and other services—are inadequate to support the anticipated boom in tourism. This situation can be remedied through investment, but closer cooperation between the public and private sectors must be established so that the latter can gradually assume more responsibility for development; the work of the two should be integrated, but the private sector should ultimately play the larger and more active role.
3. *Protecting the historical and natural heritage and aiming for sustainable tourism development.* Jordan must develop a variety of tourism assets to encourage longer average lengths of stay, but it must also make sure that these assets are well protected. Priority must be given to sustainable development projects compatible with conservation needs and benefits. Cultural monuments should be restored and preserved, and steps should be taken to protect the country's environment and its vulnerable natural resources. The first TEAM joint initiative, begun in 1995, is an environmental scheme known as the Gulf of Aqaba oil spill contingency project. This project is aimed at strengthening the capabilities of the regional authorities to deal with oil catastrophes. Projects such as these have been given some priority in the TEAM region; the Gulf of

Aqaba's opening to the Red Sea is narrow and the area's coral reefs are very fragile, so an oil spill in this area could do lasting damage (the effects might not be as serious in a more open body of water). The preservation of the fragile ecology and the protection of the natural resources of the region are particular concerns of all TEAM participants. Once peace has been achieved, the success of the tourism industry can only be sustained if such Jordan's resources are efficiently managed and its assets well marketed.

4. *Focusing attention on Aqaba.* Jordan's tourism industry is pinning a lot of its hopes on the proposed development of Aqaba, which the Government must take more seriously. Tourists from France, Germany, Italy and the United Kingdom, in particular, could typically spend one or two weeks vacationing in Aqaba (some of this time would be spent visiting other tourist attractions). Arrangements could be handled by tour operators contracting with charter airlines. Such packages would increase the ALS of tourists, many of whom are presently more likely to choose competing destinations on the Red Sea because of Aqaba's poor touristic infrastructure.

**Part Four**

**CASE-STUDY OF THE WEST BANK  
AND GAZA STRIP**

#### XIV. DEVELOPMENTS IN THE TOURISM SECTOR IN THE WEST BANK AND GAZA STRIP

Tourism data are notoriously unreliable, making international comparisons difficult. The data on the West Bank and Gaza Strip are particularly problematic. The Palestinian Central Bureau of Statistics, the nascent statistical arm of the Palestinian Authority, has not been operating long and there are certain types of data it does not yet produce. The Israeli authorities publish some information on the area, but data pertaining to the West Bank and Gaza Strip are generally lumped together with the figures for Israel; data on Jerusalem are never broken down into separate figures for the eastern and western sections of the city, which is unfortunate given the importance of Jerusalem for Palestinian tourism. Different sociological and economic variables are considered when tourism data are compiled. Data on international tourism may be more reliable than those on domestic tourism, as foreign tourists are generally enumerated at international frontiers and are more likely to seek accommodation at registered premises. Tourists may choose from many different types of accommodation; data on hotels are readily available and therefore provide the most precise statistics, while exact figures on privately leased rooms and flats are much harder to obtain. Some types of information remain unrecorded. Data on the economic aspects of tourism are even more problematic. Tourist expenditures can be estimated from social surveys or from bank returns, but neither of these sources provides a complete picture (prepaid transport charges are often omitted or under-recorded, for one thing). Unless special firm-level surveys are undertaken, the real importance of tourism to a national or regional economy can only be approximated; this applies equally to expenditure and to employment data.

##### A. MAIN INDICATORS

##### 1. *Number of tourists by nationality*

With the end of the Gulf war and the beginning of the peace process in 1991, the number of tourists visiting the West Bank and Gaza Strip rose dramatically (see table 19). During the last couple of years, however, the rate of growth has declined somewhat as political tensions and violence have escalated.

TABLE 19. THE WEST BANK AND GAZA STRIP: NUMBER OF TOURISTS, 1990-1995  
(Thousands)

Year	No. of tourists
1990	270
1991	735
1992	852
1993	903
1994	965
1995	1 010

Source: Palestinian Authority, Ministry of Tourism, 1996.

In 1995, Europeans formed by far the largest single group of foreign tourists, accounting for 54 per cent of arrivals, while Americans constituted the second largest group, comprising 15 per cent of the total. Arab arrivals from Jordan and Egypt represented a meagre 3 per cent, as did Israelis, despite their proximity to the West Bank and Gaza Strip. Most of the remaining visitors were Muslim pilgrims from non-Arab States in Africa, South-East Asia and elsewhere; there were also smaller numbers of Christian pilgrims from areas other than those listed above.<sup>11</sup> Table 20, which provides hotel occupancy figures for the summer of 1996, indicates that Europeans have maintained their position in the Palestinian tourism sector.

<sup>11</sup> Palestinian Authority, Central Bureau of Statistics, "Bulletins and special surveys, 1996-1997".

TABLE 20. THE WEST BANK AND GAZA STRIP: HOTEL GUESTS BY MAJOR GROUP OF ORIGIN  
(THIRD QUARTER, 1996)

	European	American	Israeli	Arab	Palestinian	Total
July	4 296	1 443	1 012	339	832	10 889
August	8 456	1 714	2 226	442	1 065	17 203
September	9 030	1 524	1 052	262	821	15 491

Source: Palestinian Authority, Central Bureau of Statistics, "Bulletins and special surveys, 1996-1997".

## 2. Duration of visit

Palestinian hotels and restaurants are often ignored by tourists, who make day trips to Bethlehem and Hebron then return to Israeli establishments to eat, sleep and be entertained. This is illustrated by the comparatively low ALS figures shown in table 21 (during the period November 1995 to September 1996, the average length of stay in the West Bank and Gaza Strip was only 3.16 nights).

TABLE 21. THE WEST BANK AND GAZA STRIP: HOTEL ACTIVITY, NOVEMBER 1995  
TO SEPTEMBER 1996

	No. of nights (1)	No. of guests (2)	Average length of stay (1/2)
1995			
November	64 153	23 526	2.73
December	43 760	20 114	2.18
1996			
January	59 404	20 335	2.92
February	70 585	22 531	3.13
March	87 508	23 853	3.67
April	95 480	26 029	3.67
May	73 120	19 830	3.69
June	42 149	12 569	3.35
July	35 207	10 889	3.23
August	51 877	17 203	3.02
September	49 505	15 491	3.20

Source: Palestinian Authority, Central Bureau of Statistics, "Bulletins and special surveys, 1996-1997".

## 3. Destination: national versus regional

While statistics are not available, most visitors to the West Bank and Gaza Strip are believed to be regional tourists; the majority come via Israel, and some of the rest by way of Egypt and Jordan.

The West Bank and Gaza Strip have the potential to become a national (as opposed to regional) destination, but whether this is in its best interests in the long run is uncertain. The restrictions imposed by the Israelis are hindering Palestinian tourism development, so for the time being, at least, the West Bank and Gaza Strip must remain a regional destination.

## 4. Major sites by type

The Holy Land's best-known tourist attractions are the many religious sites situated between the Jordan River and the Mediterranean Sea. The major Palestinian sites located in the West Bank and Gaza

Strip are listed in table 22. The West Bank also offers a large number of lesser-known but equally impressive attractions, and the Gaza Strip has one of the cleanest beaches on the Mediterranean.

TABLE 22. THE WEST BANK AND GAZA STRIP: MAJOR TOURIST SITES BY TYPE

Location	Type of site	Site(s)
	Religious	
Jerusalem	Islamic	Dome of the Rock, Al Aqsa Mosque
	Christian	Church of the Holy Sepulchre, Stations of the Cross, Garden of Gethsemane, Church of the Ascension
	Jewish	Wailing Wall, King Solomon's Temple
Bethlehem	Christian	Church of the Nativity
Hebron	Islamic/Jewish	Abraham's Tomb
Jericho	Others	Dead Sea and temperate winter resort
Ramallah		Temperate summer resort
Gaza		Mediterranean resort potential

Tourist sites fall within a multitude of jurisdictions, including the following: East Jerusalem, in which Israeli law applies; Area A, under Palestinian Authority control; Area B, where authority is shared; and Area C, where Israel maintains full control. Some progress has been made in developing the Gaza coastline, which falls within Area A, but because the entire 45-kilometre Dead Sea coast lies within Area C, Palestinian development there has yet to begin (the Dead Sea shore line has been the fastest-growing tourist area in Israel). Palestinians who own land in Area C must obtain permission from the Israeli Zoning and Building Committee (composed entirely of Israelis) if they wish to build. Construction in Area A does not require Israeli approval, so this would seem to be the most likely zone for hotel development; however, this area is small and heavily populated and the land scarce and expensive, which tends to investment.

#### 5. Facilities available and average tourist expenditure per day

There are 70 hotels in the Palestinian areas. The published rates for double rooms in local hotels range from \$50 to \$80, and the general trend since 1991 has been for these prices to rise. Seasonal variations can be great; in Bethlehem, for example, prices are much higher during the Christmas period than at any other time of the year. There are critical supply shortages in the Palestinian tourism sector—not only of hotel rooms but also of conference, leisure and other facilities for visitors. Further, Palestinian-owned tourism businesses tend to limit themselves to a small number of activities (mainly sightseeing and pilgrimage services), while the Israelis offer a wide variety of facilities and services. The nearby Israeli tourism industry acts as a magnet to lure away tourists who are looking for certain types of entertainment or other services.

#### B. THE IMPORTANCE OF TOURISM TO THE PALESTINIAN ECONOMY

Tourism has been an important segment of the Palestinian economy for some time, and there are hopes that it can expand significantly in the future, drawing on its long tradition and substantial expertise in dealing with pilgrim traffic.

With increased political stability, the Palestinian tourism industry can expect to receive 500,000 to 1 million tourists annually and to generate a yearly income of between \$250 million and \$300 million. There is expected to be sufficient demand to sustain a healthy tourism industry at some point; however, present prospects are considerably less hopeful.

### 1. Gross national product

Tourism revenues in the West Bank and Gaza Strip in 1995 were estimated at \$152 million; value-added was 38 per cent, so the sector's GNP contribution amounted to \$57 million (less than 1.5 per cent of the Palestinians' total GNP of \$4.2 billion). More than 86 per cent of the revenues were earned in East Jerusalem; most of the rest came from Ramallah and Bethlehem.

TABLE 23. THE WEST BANK AND GAZA STRIP: REVENUE AND VALUE-ADDED FROM TOURISM BY SUBSECTOR, 1995  
(Thousands of US dollars)

Source of revenue	Revenue	Value-added
Hotels	28 750	17 142
Restaurants	6 500	2 600
Transportation	9 000	5 130
Travel agents	70 000	11 200
Souvenirs	30 250	20 570
Handicrafts	7 000	3 500
Guides	344	340

Source: Based on figures found in Khano and Sayre, "The Palestinian tourism sector: present state and future prospects" (Ramallah, Palestine Economic Policy Research Institute [MAS], June 1997).

### 2. Balance of payments

The contribution of tourism to the balance of payments is difficult to estimate, since the Palestinian economy does not have its own currency and does not produce reliable balance-of-payments figures. A very rough estimate for tourist income from outside The West Bank and Gaza Strip for 1995 is around \$100 million (total commodity exports for the same year were \$473 million).

### 3. Investment

In 1996, private sector investment totalled \$256 million in The West Bank and Gaza Strip; over 80 per cent went for construction (mainly residential dwellings and offices). Investment in tourism accounted for a very small proportion of the rest—probably no more than \$5 million. Investment in tourism was limited primarily because of the overall political situation, in particular the deadlock in the peace process. From November 1995 to September 1996, the number of hotels in The West Bank and Gaza Strip increased from 60 to 71 and the number of rooms from 2,589 to 2,958; however, over the past 12 months these numbers have remained virtually unchanged. The closures and other political pressures and uncertainties pose considerable risks for investors and make long-term investment planning difficult.

### 4. Employment

Growth in tourism employment slowed during 1996. Various private sector sources estimate that approximately 3,000 people, or about 1 per cent of the Palestinian labour force, were directly employed in the Palestinian tourism sector at the end of the first half of 1997 (growth in tourism employment). About a third of tourism employment is in the hotel subsector, and around 68 per cent of hotel employees work in East Jerusalem. In some areas, almost half of the local labour force is employed in tourism.

There were a total of 2,930 people employed in the Palestinian tourism sector in 1995 (the latest year for which detailed figures are available). Statistics show that 1,165 of them (about 40 per cent) worked in the hotel industry: 1,060 were employed in East Jerusalem, 93 in Bethlehem, and the remaining 12 in Jericho or Ramallah. The next largest group (600) worked in souvenir shops; most were employed in East Jerusalem



and almost all of the rest in Bethlehem. Tourist restaurants provided 200 jobs (see table 24). Because these sectoral figures reflect only direct employment in establishments catering mainly to tourists, it understates the number of jobs generated by tourism. Travel agents account for a significant proportion of tourism employment, with 300 people working in East Jerusalem and West Bank offices; however, only about half are directly involved with incoming tourism. Tourist transport companies require drivers, guides and mechanics and thus employ a wide range of semi-skilled workers. The 12 Palestinian tourist transport companies in East Jerusalem employed 289 workers in 1995, with the three largest companies providing almost half of these jobs. The handicrafts subsector employed 440 Palestinians in 1995; most of them worked in the Bethlehem area (like the souvenir shops to which they sell, handicraft factories often employ unpaid family members).

TABLE 24. THE WEST BANK AND GAZA STRIP: TOURISM EMPLOYMENT BY SUBSECTOR IN 1995

Category	No. employed
	1 165
Hotels	600
Souvenirs	440
Handicrafts	289
Transport	200
Restaurants	150
Travel agents	86
Guides	

Source: Palestinian Authority, Ministry of Planning and International Cooperation, "Statistics 1996".

## **XV. FACTORS AFFECTING TOURISM IN THE WEST BANK AND GAZA STRIP**

The three main factors affecting the Palestinian tourism sector are Israeli occupation, poor infrastructure and tourism facilities, and government policy.

### **A. ISRAELI OCCUPATION**

Israeli occupation has seriously undermined Palestinian efforts to develop a viable tourism sector. The most critical problems include political impediments, Israeli interference, and the lack of Palestinian control with regard to facilitating the movement of tourists and managing touristic sites (most of which are still under Israeli control). Further, there are a number of legal obstacles hindering land acquisition and use for tourist projects; the level of difficulty faced tends to depend on whether the land in question is located in East Jerusalem (where Israeli law applies), Area A (where the Palestinian Authority effectively exercises control), Area B (where authority is shared between Israel and the Palestinian Authority), or Area C (where Israel maintains full control). The main tourist sites are also administered by a variety of entities including the Palestinian Ministry of Tourism, the Israeli Nature Reserves Authority, the Israeli national parks authority, the Israeli East Jerusalem Development Corporation, the Ministry of Waqf and Religious Affairs, and various Christian and Jewish religious institutions, Israeli settlements, and Israeli and Palestinian individuals from the private sector.

The underlying potential for tourism development has remained largely the same; however, as previously mentioned, the election of a new, hard-line Israeli Government in mid-1996 clouded the horizon. The present political environment is having a particularly negative effect on tourism, but the situation has been critical for some time. All of the successive Israeli Governments, whether through direct occupation and control or indirect means, have placed severe restrictions on the Palestinian tourism industry, including hotels, travel agents and tour guides, handicraft manufacturers and retailers, and restaurants catering to tourists. The Israeli authorities have maintained a policy of trying to limit the growth and development of the Arab tourist sector, and their efforts in this regard have been quite successful. There is little reason to believe that Israel has changed its policy towards the development of Palestinian-led tourism since the signing of the Oslo accord. Israel is in some respects and in some areas no longer in a position to impose its will by force. However, more subtle forms of pressure can be used to weaken the Palestinian economy in general and the tourism sector in particular. Before 1993, Israel could undermine Palestinian tourism through military means; now this is done through heightened public relations and subsidies. Palestinian tourism has witnessed a relative decline in the face of the Israeli tourism industry's rapid growth, which has been supported by the Israel Government Tourism Office (and the propaganda it releases) and by El Al, the country's subsidized national airline.

Palestinian travel agency representatives are prevented by Israeli airport security regulations from meeting arriving clients. Although similar restrictions apply to Israeli travel agents, it is possible for them (but not for Palestinian agents) to hire airport facilitators for this purpose. Further, Palestinian travel agents have little or no access to State-sponsored marketing facilities and must therefore depend on informal referrals from European and church groups.

Many tourists who visit the West Bank and Gaza Strip actually arrive at (and depart from) airports in Israel. The only Palestinian-controlled airport is located in the Gaza Strip, but the opening of this airport for international air traffic is still being negotiated, so the Palestinians have had no opportunity to capture a decent share of the tourist market. There is an airport in the West Bank, Jerusalem-Qalandia, but it is in occupied territory under Israeli control and has only a few international arrivals, as it is being boycotted by the International Air Transport Association until the final status of Jerusalem is decided. This airport has a short runway and is not suitable for jet landings; therefore, it is used mainly for domestic flights.

At present there is no free access between the Gaza Strip and West Bank because the necessary steps have not been taken to establish "safe passage" for people and goods between the two areas controlled by the Palestinian Authority, even though an agreement to this effect formed part of the 1993 accord. All overland points of entry and exit are controlled by the Israelis. Tourists traveling overland go through Israeli immigration and customs, and all exit taxes are collected by Israel.

There are no tour bus companies based in the West Bank outside of East Jerusalem. In any event, Israeli restrictions on the movement of vehicles into and out of East Jerusalem and Israel would make it impossible for such companies to function. Although the Oslo accord allows for the free movement of vehicles between the Palestinian areas and Israel, the imposition of Israeli "security" measures has effectively prevented this.

#### B. THE POOR INFRASTRUCTURE AND TOURISM FACILITIES

In the West Bank and Gaza Strip there is no way to travel other than by road, and there has been no significant investment in the roads since 1967, with the exception of those serving Israeli settlements (which frequently bypass areas in which the Palestinian population is concentrated). New roads should be built and old ones rehabilitated in order to connect the tourist sites in the different cities and towns of the West Bank and a multimodal transport system incorporating road and railway networks should be set up to connect the West Bank and the Gaza Strip. About 40 per cent of the roads in the West Bank require rehabilitation. Improving land transport also requires a substantial increase in the numbers of public transport vehicles; additional buses, taxis and rental cars would eliminate the delays that are common at present, particularly during the high season around Christmas and Easter. Another area requiring attention is the Palestinian tourist attractions; many have fallen into disrepair and the archeological sites are in poor shape.

#### C. GOVERNMENT POLICIES AND REGULATIONS

The blame for the precarious position of tourism in the West Bank and Gaza Strip should not be placed entirely on Israel. The Palestinian Authority bureaucracy has in many ways hindered sectoral development; for example, frontier-crossing, which should be simple and tourist-friendly, is currently an ordeal. In addition, there is a serious shortage of trained technical personnel in the tourism sector, both in Government and in private business. For these and other reasons, many of the projects enthusiastically presented at the 1994, 1995 and 1996 MENA economic conferences are still awaiting implementation, and in some cases, investors are pulling out because of bureaucratic problems and inadequate financing facilities.

## **XVI. ASSESSMENT OF THE IMPACT OF THE PEACE PROCESS ON THE PALESTINIAN TOURISM SECTOR**

From the start of the peace process in late 1991 until the Oslo accord was reached in September 1993, the Palestinian tourism industry experienced a boom that was to a large extent connected with the strong growth in Israeli tourism. After the autonomy agreements were concluded in 1993, the Palestinian tourism sector acquired a limited margin of freedom to develop, albeit still under heavy Israeli restrictions. This period saw the beginning of some progress and investment in Palestinian tourism following decades of neglect tied directly to Israeli occupation. From late 1993 to mid-1996 the possibilities deriving from regional peace were recognized, and efforts were made to integrate and package tourist programmes with some neighbouring destinations, including Jordan and Egypt, with the result that more tourists began to combine travel to the West Bank and Gaza Strip with visits to nearby countries. By late 1994, the West Bank and Gaza Strip were on the threshold of strong growth in the tourism industry, which was seen as one of the first recipients of the dividends of peace. With self-rule in the territories and peace between Israel and Jordan, Palestinians felt that they were well positioned to take advantage of new local and regional opportunities emerging in the tourism industry. There was a revival in the Muslim pilgrimage trade, with visitors coming from a number of countries with large Muslim populations including India, Indonesia, Malaysia, Mauritius, Pakistan, Singapore, South Africa and Turkey. Many of these visitors tend to make side trips to Jerusalem after visiting Mecca. This market is potentially very large, considering that of the approximately 1 billion Muslims in the world, 2 million go to Mecca for the hajj (pilgrimage) each year. In 1995 there were 500,000 visitors to the Dome of the Rock, up from 300,000 the previous year. The same thing happened with Christian pilgrims; the Palestinian Ministry of Tourism estimated that 1 million visitors came to Bethlehem in 1995.

Since the unrest began in early 1996, however, there has been a rapid decline in Palestinian tourism; overall figures for 1996 and 1997 are considerably lower than those for the preceding years. Data from the Palestinian Ministry of Tourism show a sharp drop in visitation to sites under the control of the Palestinian Authority, including those in and around Jericho. Figures for the first two months of 1996 were higher than the corresponding figures for 1995; however, the number of visitors to these sites began to decline sharply in March, and by June and July of 1996, attendance was 20 per cent lower than it had been during the same period the previous year. Estimates for 1997 indicated an even stronger decrease.

The achievement of peace will have a tremendous impact on the Palestinian economy. However, only a peace that is just, lasting and comprehensive will allow tourism to become as important to the Palestinian economy as oil is to the petroleum producing countries of the ESCWA region. Political and security factors are crucial to tourism development, and this should be kept firmly in mind by political decision makers.

## **XVII. ELEMENTS OF A STRATEGY TO ENHANCE THE IMPACT OF THE PEACE PROCESS ON THE DEVELOPMENT OF TOURISM IN THE WEST BANK AND GAZA STRIP**

### **A. OBTAINING MORE CONTROL**

Palestinian tourism development will partly be a function of the extent to which authority for tourism is transferred from Israel to the Palestinian Authority. If Palestinian tourism potential is to be effectively exploited, investment capital must be allowed to flow freely, independent of Israeli control. The freedom to develop East Jerusalem and the Dead Sea, among other vital areas, is important as well. The extent of Israeli restrictions on such activities is clearly a political issue; the Palestinians' success in securing their removal for the benefit of the tourism industry will depend on their negotiating skills, which must be developed and supported by expert technical staff.

### **B. ENHANCING PLANNING**

If medium- and long-term challenges are to be met, an effective national institution must be set up for the strategic planning of tourism development. The tourism sector will remain particularly vulnerable if it is allowed to develop without controlled national guidelines and can easily deteriorate in a "boom and bust" cycle. The establishment of a Palestinian tourism authority is envisaged under the current economic treaties underpinning the activities of the Palestinian Authority. Such a body must be taken seriously and given the power to help chart a course for tourism. Careful infrastructure planning and building is necessary to ensure that the potential for tourism can be developed. The rate and extent of the sector's development will depend on the level of priority it is given by the Palestinian Authority and on the perception of the role tourism should play within the context of a national economic development strategy.

### **C. COORDINATING THE ACTIVITIES OF THE PUBLIC SECTOR**

The main function of the proposed tourism authority should be to coordinate all services needed from the public sector. In particular, the authority should concentrate on working with different government departments to encourage domestic and foreign investment in hotels, restaurants and entertainment facilities; on assisting with universities and colleges in creating or enhancing training courses for personnel in all branches of the tourism industry; and on cooperating with neighbouring countries in establishing the regional framework needed to deal with the expected increase in the numbers of both foreign and intraregional tourists.

### **D. SUPPORTING AND REGULATING PRIVATE SECTOR TOURISM ACTIVITIES**

If the public sector fails to provide the private sector with the support it needs, the latter will be unable to contribute significantly to the growth of the Palestinian tourism industry. In addition to infrastructure improvement, priority should be given to improving marketing and human resource development. The proposed tourism authority needs to assume a leading role in tourism promotion, advertising, marketing and information dissemination (directed at both domestic and foreign markets). It must also regulate tourism activities, and should therefore assume responsibility for the licensing, classification and supervision of tourist services, sites and industries. Improving the capacity of the institutions involved in tourism will provide the firm foundation the private sector needs to increase its participation in this sector.

### **E. EMPHASIZING THE POSITIVE NON-ECONOMIC EFFECTS OF TOURISM**

Enhancing Palestinian tourism can do more than provide employment and income for the Palestinian people. Positive images of Palestinians living on their land can also lay the foundations for the cultural revival of a people whose traditional practices are gradually disappearing owing to the confiscation of their

lands, the destruction of the agricultural base and the way of life it supports, and the loss of the means of displaying that culture to themselves and others. Introducing visitors to the Holy Land within a Palestinian context will help the Palestinians counter the image propagated by the Israeli tourism machine. At a more general level, tourism can play a major role in bettering the international image of Palestinians.

#### F. ENHANCING PROFESSIONALISM

If tourists and outside tour operators learn from experience that the Palestinian tourism sector provides inadequate services, they will simply stop using Palestinian hotels, guides and other facilities and will avail themselves of Israel's tourist resources. Tourism to the Holy Land is set to take a new course. The promotion of Palestinian culture and the adoption of a more professional approach to the pilgrimage trade and other types of tourism in the area will benefit all sectors of the economy.

#### G. INVOLVEMENT IN REGIONAL PLANNING

Integrated planning with neighbouring countries is essential in the light of the changing political situation in the south-eastern Mediterranean. The Gaza Strip is an area of particular interest; it is believed, given Gaza's size and geographical position, that coordinated planning between the Palestinian Authority and Egypt would be the most beneficial option for developing this heavily populated area. The regional parties are already discussing an overall approach to the development of Gaza under the umbrella of REDWG. The SEMED project, with support from the EU, is looking at ways to enhance economic development in the area. The SEMED group, which also includes Israel, is focusing primarily on projects that have cross-border benefits and can be readily implemented. The establishment of the tourism infrastructure necessary for the development of a "Mediterranean Riviera" extending from Alexandria to the Palestinian coast is also planned. Another area ripe for regional planning is the Dead Sea; because it is shared with Jordan, any development plan for this area should consider Jordanian priorities.

#### H. FOCUSING ON THE YEAR 2000 CELEBRATIONS

In a couple of years people all over the world, but particularly Christians, will celebrate the two thousandth anniversary of the birth of Christ. Greater world attention will be focused on the region, and tourist traffic should increase, creating exciting opportunities for the business community. It is predicted that the number of tourists visiting Israel and the West Bank and Gaza Strip will rise from the current level of 2.2 million per year to 5.2 million in the year 2000, partly owing to the significance of that year's celebrations. International organizations and donors (including the United Nations Development Programme) as well as local agencies have planned a series of infrastructure improvements in anticipation of the increase in demand for tourism facilities that is expected to coincide with the year-long celebration. Countries hosting major global events such as world expositions or the Olympic games of reap major tourism benefits well into the future; similarly, it is possible that events as "Bethlehem 2000" will create a sharp increase in tourism, setting the Palestinian tourism industry on a new, higher growth path. Large-scale event such as this, if successful, would generate a great deal of media exposure and create an awareness among potential tourists of the attractions the West Bank and Gaza Strip can offer.

## XVIII. CONCLUSION AND RECOMMENDATIONS

The future of Palestinian tourism is linked to the success of the peace process. It is vitally important that Palestine establish itself as a regional destination through cooperation and coordination with neighbouring countries. REDWG has developed a number of tourism-related regional cooperation programmes, but none of them has been implemented. The situation is now urgent, and new approaches to facilitate the development of the Palestinian tourism sector are required.

Peace cannot be unilaterally achieved or maintained by the Palestinian public and private sectors; nevertheless, the importance of tourism should be stressed during all peace negotiations so that it eventually becomes an integral part of the development plan for the Palestinian economy.

The tourism sector has been an important segment of the Palestinian economy for some time, and it has the potential to play an even greater role, especially once peace is achieved, as it can draw upon its long tradition and substantial expertise in dealing with pilgrim traffic. Although precise figures are difficult to obtain, it is known that Palestinian tourism revenues have fluctuated dramatically as changes in the political climate have occurred. Steady growth in the late 1980s was interrupted by the Gulf crisis and war in 1990 and 1991. With the end of the war and the initiation of peace negotiations growth resumed; in 1996, however, new political tensions caused a decline of at least 10 per cent in the tourism sector.

With political stability, the Palestinian tourism industry can expect to receive 1 million religious and recreational visitors per year, generating an income of \$300 million. At present, however, the situation is far from satisfactory. The Palestinian tourism sector's current stagnation can be attributed to the political situation in general and to Israel's policy towards the Palestinians in particular. Tourism is one of the segments of the Palestinian economy most dependent upon the perception of the political environment. If land confiscation and closures continue, tourists will stay away and the sector will suffer further.

Approximately 85 per cent of all revenue from Palestinian tourism comes from East Jerusalem. While the city is clearly one of the sector's most valuable assets, tourism there has been stagnant since 1967; the numbers of hotel rooms, guides and other facilities and services have remained virtually the same. If Palestinians are to develop their tourism sector, East Jerusalem must be under their control.

Recommendations to enhance the Palestinian tourism sector in general and to prepare for the year 2000 events in particular are listed below.

### A. IMPROVING TOURIST SITES

Various touristic sites need restoration and better maintenance. Further, tourist access to the sites needs to be improved; in particular, better roads, parking facilities and related services must be provided. Sites of potential interest to leisure and other categories of tourists require development as well.

### B. DEVELOPING TRANSPORT SYSTEMS

Expanding the tourist industry requires major improvements in air, sea and land transport facilities. The Qalandia airport in Jerusalem should be developed, as it can provide the tourist industry with an independent outlet for air travel. There are airports planned for Gaza and Jericho; the former will have the capacity to handle international connections, and domestic flights can be handled by both, as well as by Qalandia. Similarly, port facilities must be developed in the Gaza Strip to accommodate tourists cruising between Mediterranean ports.

#### C. UPGRADING TOURISM PERSONNEL

There is a general lack of well-trained tourism staff employed in Palestinian hotels and in other parts of the sector. One particular problem is the shortage of professional guides—a situation which exists partly because of the severe restrictions imposed on the licensing of guides. Licensing policies for tour guides should ensure that competition takes place on an even playing field. To increase their numbers and improve the quality of their services, a training centre needs to be established; Bethlehem University would be the most appropriate place for such a centre as it is conveniently located and it already offers a training course for tour guides. In addition, the Palestinian Authority should work with the local universities, the Islamic Waqf Department and the Christian churches in developing courses on the history of the religious sites as well as courses in the principal European languages.

#### D. STATE-SPONSORED PROMOTION

The Palestinian Authority must assume promotional responsibilities for the next few years, until the private sector is able to generate its own promotion services. Efforts in this area should focus on a range of activities, including publishing pamphlets, organizing trade fairs, holding conferences on various cultural and historical issues, and managing festivals and exhibitions.

#### E. TRAVEL AGENCY LICENSING

Travel agency licensing procedures need to be changed; most importantly, incentives should be created for prospective entrants. Efforts must be made to revoke measures that isolate Palestinian travel agencies; towards this end, negotiations should be carried out with authorities in Jordan to allow Palestinian agencies to participate in tourism promotion and trade fairs.

#### F. EXPANSION OF HOTELS AND RESTAURANTS

The existing hotels and restaurants are not sufficient to accommodate the anticipated increase in tourists by the year 2000. New hotels and restaurants with modern facilities conforming to international standards are urgently needed in most towns, especially Gaza. To attract Arab tourists, who favour self-catering accommodations, furnished apartments and holiday villages on beaches and at summer resorts are needed. Once prospects appear more promising, the sector is expected to attract a good amount of foreign and local capital investment. To promote efficiency, licensing and construction permit policies need to be developed with a view to ensuring transparency and avoiding discriminatory practices. Health standards and environmental concerns require equal attention. Hotel building permit requirements should be transparent and fair, and the processing of requests for such permits should be systematic and non-discriminatory; this would require the establishment of fixed building codes as well as zoning, safety and environmental standards. Under the Palestinian "Encouragement of Investment" law, the builders of hotels in the West Bank and Gaza Strip are exempt from paying income tax for varying periods. Israeli investment laws pertaining to tourism development allow enterprises to apply for grants or guaranteed loans through the Israeli Government and for some form of tax abatement; additionally, they are entitled to claim an accelerated depreciation of their assets; the Palestinian code has no such provisions; and adding such an investment incentive might greatly enhance development prospects for Palestinian tourism.

#### G. PREPARING FOR THE YEAR 2000 CELEBRATIONS

The large-scale year 2000 celebrations must be preceded by major improvements in tourism infrastructure; efforts in this area have so far been inadequate. Careful planning and the allocation of sufficient resources is required, as a solid infrastructure must underlie all future tourism development. In training personnel, emphasis should be placed on the creation of a culture promoting tourism ethics, especially in the light of the religious nature of the celebrations. Such a culture must incorporate honesty and fairness; tourism personnel must be cautioned not to exploit visitors, who sometimes find themselves the



victims of unscrupulous dealings in the countries in which they are guests. The various proposed and existing courses for tourism personnel should develop a "long-term" approach to tourism; in other words, efforts should be made to satisfy tourist needs and convince them to return in the future or at least to recommend the destination to others.

## **ANNEX TABLES**

ANNEX TABLE 1. EGYPT: TOURIST NIGHTS BY MAIN MARKET OF ORIGIN, 1994-1996

Country	Number of tourist nights			Rate of change (percentage)	
	1994	1995	1996	1994-1995	1995-1996
Germany	1 846 494	2 472 277	3 093 702	33.9	25.1
Italy	923 401	1 929 932	2 551 390	109.0	32.2
United Kingdom	1 055 116	1 640 970	1 868 979	55.5	13.9
Saudi Arabia	2 089 135	1 846 798	1 852 230	-11.6	0.3
France	495 665	895 678	1 685 603	80.7	88.2
Israel	717 033	1 025 121	1 081 205	43.0	5.5
United States	321 037	538 670	886 877	67.8	64.6
Libyan Arab Jamahiriya	597 367	799 277	751 445	33.8	-6.0
Switzerland	242 076	506 158	685 781	109.1	35.5
Kuwait	661 340	730 766	634 651	10.5	-13.2
Former Soviet Union	259 049	553 990	592 435	113.9	6.9
Japan	259 515	356 677	445 192	37.4	24.8
Yemen	291 255	437 861	400 030	50.3	-8.6
Scandinavia	213 674	308 244	381 410	44.3	23.7
Syrian Arab Republic	326 116	413 663	377 386	26.8	-8.8
West Bank and Gaza Strip	715 059	328 757	364 628	-54.0	10.9
Jordan	280 864	367 637	345 713	30.9	-6.1
Sudan	660 218	550 706	331 236	-16.6	-39.9
United Arab Emirates	287 971	308 272	326 426	7.0	5.9
Austria	119 892	213 499	309 608	78.1	45.0
Australia	158 156	231 619	278 816	46.4	20.4
Spain	85 802	191 311	237 481	123.0	24.1
Subtotal	13 318 125	17 444 558	20 888 994	31.0	19.7
Total (all tourists)	15 432 753	20 451 364	23 764 641	32.5	16.2

Source: World Tourism Organization, *Compendium of Tourism Statistics, 1990-1994*, sixteenth edition, 1996.

ANNEX TABLE 2. EGYPT: TOURIST SITES BY TYPE

<b>A. Religious sites</b>
<b>1. Islamic monuments and shrines in Cairo</b>
<p>Amro Ibn Al-As Mosque  Ibn Tulun Mosque  Al Azhar Mosque  Sultan Hassan Mosque  Ibn Qalaoun Mosque  Mohammad Ali Mosque  Al Hussein Mosque  Imam Al Shafei Mosque  Sayeda Aisha, Sayeda Nafisa and Sayeda Zeinab mosques  Others (there are a number of Islamic shrines in Alexandria, Tanta and Qena and near the Red Sea which have historical and spiritual significance)</p>
<b>2. Christian monuments</b>
<p><b>Cairo</b>  Hanging Church  Abu Serga Church  Saint Barbara Church  Abu Sifin Monastery  Saint Mark's Cathedral  Virgin's Tree</p> <p><b>Upper Egypt</b>    Deir Rifa  Deir El Gabrawi  Deir Al Azraa  Deir Al Moharrag  Shenuda Convent</p> <p><b>Red Sea</b>  Monastery of Saint Anthony  Monastery of Anaba Bola</p> <p><b>Sinai</b>  Saint Catherine's Monastery</p> <p><b>Delta</b>  Anba Maqqar Monastery in Wadi El Natroun  Route of the Holy Family-Several religious sites</p>
<b>3. Jewish shrines</b>
<p>Mount Moses in Sinai  Exodus route through Sinai  Ben Ezzra Synagogue (Cairo)  Al Martuti (Maadi Cairo)</p>

ANNEX TABLE 2. (continued)

ANNEX TABLE 27

<b>B. Historical sites</b>	
<b>1. Giza monuments</b>	
Pyramid area (Cheops, Khefren, Menkara, Sphinx and others)	
<b>2. Sakkara</b>	
Step pyramid	
Onas pyramid	
Tomb of Petah Hotel	
Seraphim	
<b>3. Memphis</b>	
Statue of Ramses	
Alabaster Sphinx	
Abu Seir Pyramid (Dahshur)	
<b>4. Alexandria</b>	
Al Mursi Abu Al Abbas Mosque	
Graeco-roman Antiquities Museum	
Kalet by Citadel	
Catacombs and Pompeii Pillar	
Roman theatre	
Museum of Fine Arts	
<b>5. Middle Egypt</b>	
Medium pyramid	Beni Suef
Ahnasia temple	
Beni Hassan	Al Menya
Tel Al Amarna	
Tuna Al Gabal	Sohag
Al Ashmunin	
Temple of Siti	
Temple of Ramses	
Mira Area	
Deir Rifa	
<b>6. Luxor (Thebes) (there are about 15 historical sites in Luxor)</b>	
<b>(a) West bank of the Nile River</b>	
Valley of the Kings	
Valley of the Queens	
Valley of the Nobles	
Colossus of Memnon	
Medinet Habu	
Deir Al Bahri	
Ramesseum	
<b>(b) Eastern bank of the Nile</b>	
Karnak temples and the sound and light show	
Valley of the Sphinxes	
Luxor temple	
Luxor museum	

ANNEX TABLE 2. (continued)

<b>7. Aswan and Nubia</b>
Unfinished obelisk and quarry
Elephantine Island
Philae temple
Abu Simbel temples (Ramses and Nefertari)
Beit El Waly
Twenty-four temples and other remains (relocated)
<b>8. Aswan-Qena</b>
Kom Ombo
Edfu
Esna
Hathor (Dendara)
<b>9. Skarkieh Governorate (Eastern Delta)</b>
Boubasta (Tel Basta)
El Sewah
Tanisse (Gaen)
Temple of Bebi
Tel El Dhabah
Tel Al Garamous
<b>10. North Sinai</b>
Wadi Al Maghareb
Sarabil Al Khadem temple
Military fortresses
Ancient military road
<b>C. Landscapes</b>
Zoo in Giza
The Barrage (near Cairo)
Al Mokattam hills
Ismaelia Garden (Lakes)
Al Fayoum (countryside and lakes)
Alexandria (palaces and gardens)
Oases of the Western Desert
Al Dakhla (Frafra, Kharga, sand dunes)
National parks (protected areas)
Cataracts (Aswan Dam)
Aswan High Dam
Amun Island (Aswan)
Nile cruises (from Cairo/Luxor/Aswan)
Pharaoh's Island (Taba)
Elephantine Island and Kitchener's Island (Aswan)
Agha Khan Mausoleum
Coral reefs (Red Sea Sinai)
Zabarged Island
Gabal Elba

ANNEX TABLE 2. (continued)

**D. Health spas**

About 1,500 mineral springs in Egypt (temperatures range from 30° to 75°)  
 Spa facilities used by citizens (various sites)  
 Helwan Sulphuric springs in Cairo suburb (used to be a famous health spa)  
 Aswan (winter resort endowed with curative elements)  
 Ain Sokha, near Suez (potential area for spa development)  
 Moses Springs  
 Safa on the Red Sea (tourist village with spa facilities)  
 The oases (Western Desert)  
 Pharaoh's Bath Spa and Resort, south Sinai (under construction)

**E. Summer resorts**

Alexandria beaches  
 North west coast from Alexandria to Mersa Matruh holiday villages (resorts and tourist complexes)  
 Port Said  
 Ras Al Bar, Baltim and Gamasa  
 Rashid  
 Al Arish

**F. Winter resorts**

Hurghada, S'ahl Hashish  
 Safaga  
 Mersa Alam  
 Bernice  
 Taba sector  
 Nowaibee sector  
 Dahab sector  
 Sharm El-Sheikh  
 Luxor  
 Aswan  
 South-west Egypt

**G. Other tourist sites**

Bird-watching sites  
 Duck shooting sites (Al Abbasa and Ekiad pools and Lake Karoon)  
 Souks for oriental artwork and souvenirs  
 Opera house  
 Theatrical shows and entertainment facilities (for Arab visitors)

ANNEX TABLE 3: EGYPT: ACCOMMODATION CAPACITY AS CLASSIFIED IN 1996

Type	5-star		4-star		3-star		2-star		1-star		Under classification	
	Units	Rooms	Units	Rooms	Units	Rooms	Units	Rooms	Units	Rooms	Units	Rooms
Hotel	43	16 086	49	7 858	131	9 925	128	5 768	80	2 916	55	5 020
Floating hotel	111	7 069	44	2 072	24	871	13	422	—	—	23	921
Village	3	933	17	3 184	24	3 469	9	399	4	95	31	3 621
Total	157	24 088	110	13 114	179	14 265	150	6 589	84	3 011	109	9 562

Source: Egypt Ministry of Tourism, 1996.

ANNEX TABLE 4. EGYPT: PUBLIC TOURIST FACILITIES BY TYPE AND AREA, 1996

Governorate (tourist area)	Restaurants	Cafeterias	Restaurants and theatres	Floating restaurants	Moving restaurants (boats)	Total
Cairo	147	97	57	18	2	321
Giza	124	47	35	4	-	210
Alexandria	122	50	32	6	-	210
Mersa Matruah	8	—	—	-	-	8
Canal Zone	33	4	9	-	-	46
Menya	1	1	—	-	-	2
Qena	9	4	—	-	-	13
Aswan	8	3	1	-	-	12
Lower Egypt	53	10	5	-	-	68
Red Sea	18	5	1	-	-	24
Sinai	4	11	1	-	-	16
Luxor	18	7	1	-	-	26
Others	6	1	5	-	-	12
Total	551	240	147	28	2	968
Percentage	56.9	24.8	15.1	2.9	0.2	100

Source: Egypt, Ministry of Tourism, "Egypt: tourism in figures 1995/96".

ANNEX TABLE 5. JORDAN: PACKAGE TOURS BY NATIONALITY FOR THE FIRST SIX MONTHS OF 1997

Tourist origin	No. of tourists	No. of nights	Average length of stay
North America	18 533	43 730	2.36
Europe	84 263	398 666	4.73
Asia	14 602	26 819	1.84
Oceania	1 272	5 203	4.09
Arab country	1 964	8 546	4.35
Israel	27 230	87 304	3.21
Other	453	915	2.02
Total	148 317	571 183	3.85

Source: Jordan, Ministry of Tourism and Antiquities, Statistics Section, monthly information bulletin, 1997 (various issues).



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ANNEX TABLE 4. EGYPT: PUBLIC TOURIST FACILITIES BY TYPE AND AREA, 1996

Governorate (tourist area)	Restaurants	Cafeterias	Restaurants and theatres	Floating restaurants	Moving restaurants (boats)	Total
Cairo	147	97	57	18	2	321
Giza	124	47	35	4	-	210
Alexandria	122	50	32	6	-	210
Mersa Matruah	8	—	—	-	-	8
Canal Zone	33	4	9	-	-	46
Menya	1	1	—	-	-	2
Qena	9	4	—	-	-	13
Aswan	8	3	1	-	-	12
Lower Egypt	53	10	5	-	-	68
Red Sea	18	5	1	-	-	24
Sinai	4	11	1	-	-	16
Luxor	18	7	1	-	-	26
Others	6	1	5	-	-	12
Total	551	240	147	28	2	968
Percentage	56.9	24.8	15.1	2.9	0.2	100

Source: Egypt, Ministry of Tourism, "Egypt: tourism in figures 1995/96".

ANNEX TABLE 5. JORDAN: PACKAGE TOURS BY NATIONALITY FOR THE FIRST SIX MONTHS OF 1997

Tourist origin	No. of tourists	No. of nights	Average length of stay
North America	18 533	43 730	2.36
Europe	84 263	398 666	4.73
Asia	14 602	26 819	1.84
Oceania	1 272	5 203	4.09
Arab country	1 964	8 546	4.35
Israel	27 230	87 304	3.21
Other	453	915	2.02
Total	148 317	571 183	3.85

Source: Jordan, Ministry of Tourism and Antiquities, Statistics Section, monthly information bulletin, 1997 (various issues).

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