



## CHAPTER TWO

### **The Economic Significance of Tourism Development**

In The Mediterranean Region, with Particular Reference to Egypt

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In The Mediterranean Region, with Particular Reference to Egypt

#### ***Introduction***

As tourism is considered one of the dominant activities on the Mediterranean coast, this chapter discusses the significance of the present-day tourism and the world's economy. It focuses on the position of the Mediterranean region in the world's tourist map, its significance to both developed, and developing countries. It will compare the tourism development while in each case focusing on the Egyptian situation. Through this chapter, the changes in total arrivals and tourism receipts in the Mediterranean coast are compared with the international tourist motion in order to describe the tourism demand worldwide and the type of new products that compete with the Mediterranean coastal tourism product.

Then the study will focus on the tourism situation in Northern coast of Egypt and its economic significance and highlights on its importance in the gross national products with the evaluation of its position relatively to the total investment for tourism development in Egypt.

This chapter serves in defining types of tourism products and current demand for tourism in the Northern coasts and its evaluations according to the new demands trends and the competition of other destinations providing similar products.

This evaluation could deduce some causes of failures of tourism development in the Egyptian North west coast.

## ***Background***

There is no doubt that tourism has a major impact on the economics of the tourist destinations. According to Mathieson, A. (1982):

“Tourism is often bringing the desperately needed benefits for exchange, employment, and a modern way of life.”

With respect to the revenues from international tourists arrivals, as reported by the world tourism organization (WTO 1997), tourism contributes significantly to the Gross National Product (GNP) of many countries world wide,

The study of the Canadian government’s Office of Tourism, in 1977, showed that the international tourist receipts, at the federal level, represented 1% of the national income and 5% when the contribution of domestic tourism was included. The Canadian government office estimated that directly and indirectly, tourists’ expenditures created 900,000 jobs. These results were achieved with an annual investment of 1.5 billion Canadian dollars, from public and private sources, to meet the need for services generated by travel to and within Canada.

In 1978, tourism emerged as the top foreign currency earner in Britain. The 11.5 million foreign visitors spent about 2,750 millions pounds in 1977, rising to 14% from the previous year, and extending tourist employment figures to 1,5 millions jobs.

In countries such as Jamaica, Spain, Mexico, tourism is the largest earner of foreign exchange and a leading industry in terms of income and employment.

This introduction briefly clarifies the influence of tourism on the economies of some destination areas in the early 1970s, which was named by the Tourism Revolution.

### **2-1 The Economic Significance of Tourism Worldwide**

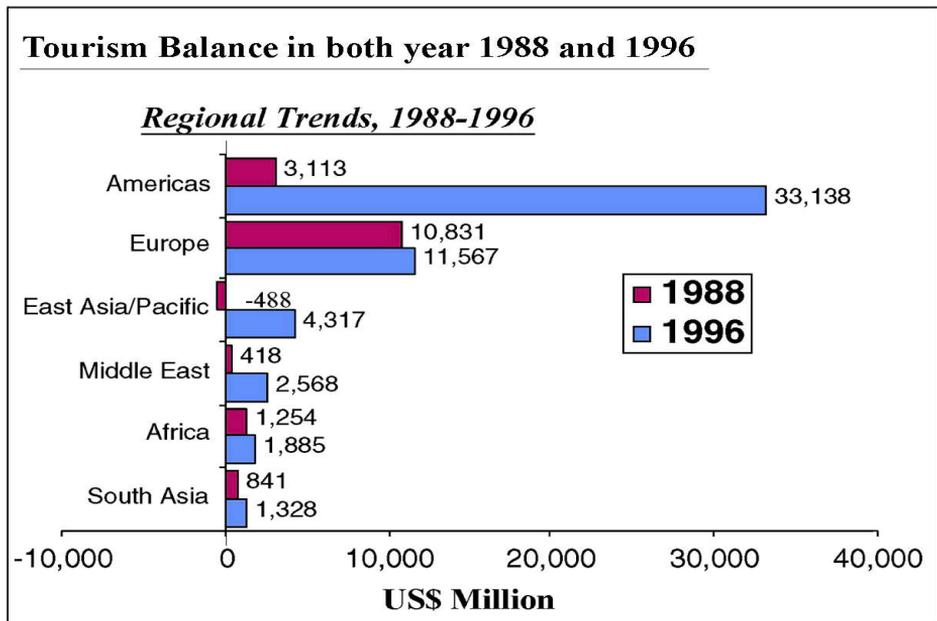
In the last few years, tourism has become a significant determinant of the world’s economic performance. The significance of the tourist expenditures to the economic performance of a country is reflected in its role in the country’s economic indicators (e.g. the Gross Domestic Product (GDP), and the Gross National Product (GNP)<sup>i</sup>.

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<sup>i</sup> GNP is calculated by assessing visitor expenditures at current prices, then subtracting the goods and services purchased by tourist sector. The contribution of tourism to GNP is a useful measure of the economic significance of tourists' receipts to the national income or total export.

The following chart shows increase in tourism’s contribution to the world’s economy between the year 1988 and 1996. That increase in tourism’s balance was due to the diversity of the tourist product and the equivalent tourist services provided by each region.

**Chart 2. 1 illustrates the trend of the tourism balance (i.e. receipts and expenditure of the various regions of the world)**



Source: The World Trade Organization.

*WTO, Final report, 1997*

Tourism receipts plays a very important role in the international economics and is considered an industry that offers the most job opportunities, (127 direct and indirect job opportunities/tourist trip.) (Gunn, C. (1994))

Because of its high benefits and high growth rate in a short period, tourism is also an industry, which attracts more investment than any other economic sector.

The following statistics shows the increase in tourist receipts due to the rise in the number of tourists in the world after the World War II. Over the past 45 years, the travel and tourism sectors worldwide has grown in an average of 7% per year and 12% a year in receipts.

**Table 2-1 shows the growth of the tourist arrivals and the tourist receipts between 1950 and 1995.**

YEAR	TOURIST ARRIVALS (In million)	TOURIST RECEIPTS (million \$)	RATE OF changes in RECEIPTS (%)
1950	25,282	2,100	-----
1960	69,320	6.867	227
1965	112,863	11.604	69
1970	165,787	17.900	54.3
1975	222,290	40.702	127.4
1980	287.787	103,535	154,4
1985	329.538	117,374	13.4
1990	459.212	264,714	123,8
1995	561,027	380,693	43.8
<b>TOTAL GROWTH IN INTERNATIONAL RECEIPTS (From 1950 to 1995)</b>			<b>443,8</b>

*Source: The tourism potential of the middle East- by Al Iktissad Wal-Aamal, Arab Business Magazine. 1995*

The international income due to tourism increased from 2,1 milliards \$ at 1950 to 17,9 milliard \$ in 1970 and became 380.693 milliards \$ in 1995. (Al Iktissad Wal- Aamal (1995))

These indicators clarify the tremendous growth of income from tourism sector that increased significantly in the last 20 years. Because of such increase, the promotion of tourism as a catalyst for economic growth has received widespread attention, particularly among policy-makers in both developed and developing countries.

According to the World Organization of Tourism forecast, tourism will be responsible for 11,4 % of the total investment in the world and its total receipts will reach around 10.9 % of the gross national product by year 2010. (WTO (1997))

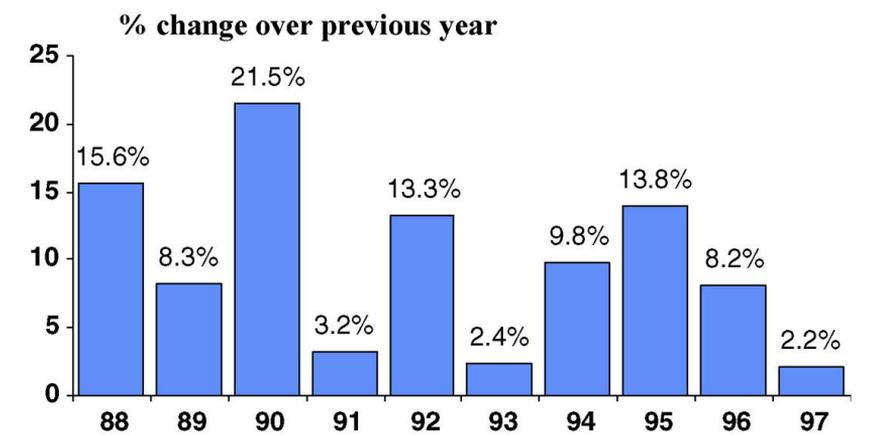
The average annual growth in receipts slowed from 11.4 % between 1988 and 1992 to 8.4 % between 1993 and 1997. This slowdown and annual

fluctuations in international tourism receipts resulted from the fluctuating value of the US dollar over the past ten years. It is important to note that despite of this set back, tourism has had stability of receipts against different economic events.

However, such information needs to be interpreted with caution: it predicts the great competition facing the tourism market in the future.

**Chart 2.2 shows the change in the global tourism receipts worldwide**

**Percent change in global tourism receipts 1988-1997**



Source: World Tourism Organization (WTO)

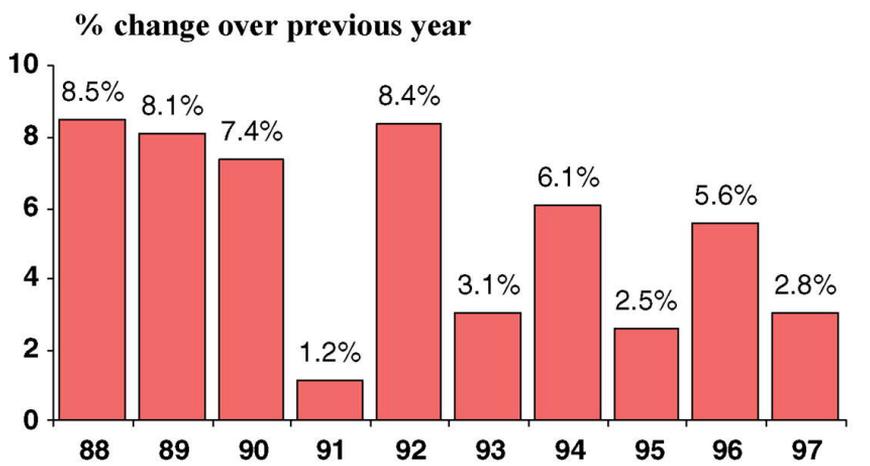
*Final report 1997*

The above table indicates the consistency & stability of the growth of tourism receipts, which demonstrates that tourism, is remarkably resistant to economic fluctuations. It clarifies that the rate of growth in arrivals is still increasing, but with different curves.

Between 1993 and 1997, the average annual increase in arrivals slowed down and reached around 4.3%. However, this can still be considered as a remarkable stability as an economic source, in comparison with the slow economic recovery, and sustained high unemployment in major industrialized countries, as well as the Asian financial crisis in 1997.

**Chart 2.3 shows changes in global tourism arrivals in the world**

### Percent change in global tourism arrivals 1988-1997



Source: World Tourism Organization (WTO)

*Final report 1997*

The above chart demonstrates the stability of tourists' arrivals shown by the comparative statistics of the yearly change in receipts of tourism and other economic sources.

From 1995 to 1997, as shown in table (2-2) the average increase of international tourism receipts has outstripped the world's exports in commercial services.

**Table 2-2 The yearly change in, merchandises, commercial services and the international tourism receipts**

	VALUE In million \$			YEARLY CHANGE (%)		
	1995	1996	1997	1995	1996	1997
<b>Merchandise</b>	4.916	5.125	5.295	20.0	4.0	3.0
<b>Commercial services</b>	1.200	1.270	1.295	15.0	6.0	2.0
<b>International tourism receipts</b>	401	434	443	13.8	8.2	2.2

Source: World Trade Organization and World Tourism Organization (WTO) final report 1997

In 1996, international tourism showed an increase of 5.6% for arrivals and 8.2% for Tourism receipts (excluding international transport). In 1997, tourism receipts accounted for a little over 8% of the total world exports of goods and 35% of the total world exports of services. Despite the setback in the rate of tourism activity worldwide (shown by the figures of international tourism), it is still considered an important source of international receipts.

These trends were mainly affected by the stagnation of international tourism in East Asia and the Pacific since 1989.

For example, tourist arrivals increased by 2.8% annually and reached 612 million by year 1997 and tourism receipts (excluding international transport) were growing by 2.2% per year and reached US\$ 443 billion in year 1997. (WTO final report (1997))

Thus, the above discussion demonstrates the importance of tourism as an important economic activity for a country and its relative resistance to economic events and fluctuations.

This was the reason that Governments, development agencies, financial organizations, and planning departments that support and promote tourism development, have often seen tourism as a means to ease the economic difficulties of their countries.

This was reason also that tourism, in the Mediterranean region, has been seen by governments and planners, as an important component for economic development.

## **2.2 The Economic Significance of Tourism Development in the Different Regions of the World**

The Mediterranean region has not been considered as one region in any tourist statistics or surveys. This fact was due to the regional division outlined by the World Tourism Organization. Through that division, the Mediterranean region has been part of three important regions: Europe, Africa, and the Middle East. This division explains the difficulty to acquire accurate data about the Mediterranean region as a whole.

The study of the trends of the important tourist countries of the Mediterranean region could describe the economic conditions needed for this study.

As noted above, the Mediterranean Sea represents an attractive destination for most tourists. Therefore, discussing the tourism trends in the Mediterranean countries and its economic importance is necessary and this will be carried out in the subsequent sections..

### **2-2-1 The Tourist Regions of the World According To the World Organization of Tourism (WTO)**

The classification of the World Tourism Organization is mainly based on the geographic conditions that have similar tourist product, potentials, and identification.

The World Tourism Organization (WTO) divided the world into six tourist-regions, which are:

<b>Africa:</b>	includes eastern, middle, northern southern and western Africa and does not include Egypt
<b>Americas:</b>	include Caribbean, central, northern and Southern America
<b>East Asia &amp; Pacific:</b>	includes northeastern Asia, southeastern Asia, Australia, and Melanesia. Micronesia, Polynesia.
<b>Europe:</b>	includes central /east, northern, southern, western, eastern Europe and east Mediter-Europe, i.e.: Israel.
<b>Middle east:</b>	includes Egypt and Western Asia.
<b>South Asia</b>	

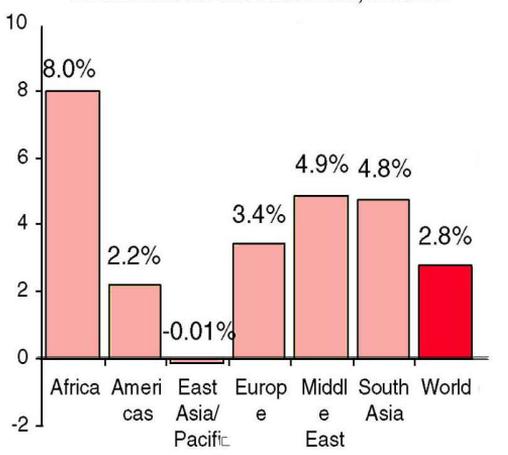
**N.B.:** for statistical purposes Israel is grouped within the European region of the WTO. Its international arrivals in 1993 has raised 5% from the year 1992 and topped 1.5 million \$, placing Israel second to Egypt in tourist arrivals Receipts from international tourism to Israel reached US\$ 2.2 billion in 1993, up 17.3 %, making it the number one tourism earner in the Middle East.

**2.2.2 Trends of International Tourism in Regions**

The Africa region showed the highest increase in arrivals for 1997 rising from 8% in the 1996. Less significant increases were experienced in South Asia, where a growth of 4.8 % in arrivals is a lesser growth rate compared to the 5,6% that was recorded between 1995 and 1996.

After an increase of 9.6% in 1996, the arrivals' growth rate in East Asia & the Pacific slowed dramatically to reach 0% in 1997.

**Chart 2.4 comparison of tourists regions**  
PER CENT CHANGE IN GLOBAL TOURIST ARRIVALS  
 BY REGION OF DESTINATION, 1996/1997



Source: World Tourism Organization (WTO)

*Final report 1997*

The decrease in the growth of tourism in the region occurred because of the financial crisis in most traditional tourism destination.

In the Americas, the rate of growth of arrivals slowed down, decreasing from a growth rate of 5,8% between 1995/96 to 2.2% between 1996/97. The rate of growth of tourist arrival in Europe also dropped 4,5% in 1995/96 to 3.4 % between 1996/97, which could be considered as a less dramatic changes.

The Middle East experienced a little recovery in its growth rate of arrivals from 4.3 % in 1995/96 to 4.9%t in 1996/97.

Despite the terrorist attacks on tourists in Egypt, the Middle East region experienced the highest increase (14.7%) in receipts among all regions between 1996 and 1997.

The following table shows the international tourism percentage of arrivals for different region.

**Table 2.3 Trends of international tourist arrivals per region  
Average annual growth rate, 1988-1997**

Region	Increase between 1988 & 1997 Million tourist arrivals	Average annual growth rate ( % )		
		1988-92	1993-97	1988-97
Africa	10.8	9.7	5.8	7.1
Americas	36.2	5.7	3.5	4.1
East Asia / pacific	42.2	8.1	5.8	7.4
Europe	120.3	5.9	3.9	4.6
Middle East	6.4	7.0	6.7	6.6
South Asia	1.8	5.8	7.3	5.6
<b>WORLD</b>	<b>217.7</b>	<b>6.2</b>	<b>4.2</b>	<b>5.0</b>

Source: the world tourism organization, WTO , final report 1997

The following table shows the percentage of international tourism receipts for different regions.

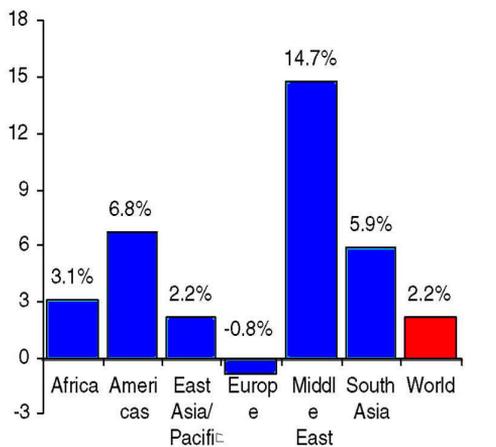
**Table 2.3 Trends of international tourist arrivals by region  
Average annual growth rate, 1988-1997**

Region	Increase between 1988 & 1997 US\$ Million	Average annual growth rate ( % )		
		1988-92	1993-97	1988-97
Africa	4.0	7.7	8.2	7.2
Americas	69.2	13.6	7.2	10.0
East Asia / pacific	52.7	11.6	12.2	11.8
Europe	106.6	10.6	7.6	7.7
Middle East	4.7	3.6	13.1	8.7
South Asia	2.3	10.4	11.7	9.4
<b>WORLD</b>	<b>239.5</b>	<b>11.4</b>	<b>8.4</b>	<b>9.0</b>

Source: the World Tourism Organization, WTO final report , 1997

**Chart 2.5 Comparison of tourists regions**

Rate of change in global tourist Receipts per regions , 1996/1997



Source: World Tourism Organization (WTO)

Tourism receipts in the Americas and South Asia also experienced growth of receipts between 1996/97, 6.8 %, and 5.9 % respectively. Receipts increased more moderately in Africa by 3.1 % in the same period.

East Asia & the Pacific had a low increase of 2,2 % compared to the 10.1 % increase between 1995/96.

*Final report 1997*

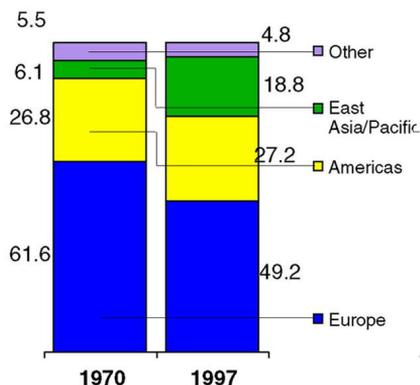
Europe exhibited the strongest drop in the growth of tourism receipts with less than 1% between 1996/97. With respect to tourist’s arrivals, the drop in East Asia and the Pacific was due to the financial crisis, whereas in Europe, the strong American dollar against European currency markets had a strong impact.

**2.2.3 The Regions’ Rank**

Europe continues to maintain its overall dominance as a tourist destination. However, it has experienced a significant loss of 9.2 percentage points in its share of arrivals since 1970.

The Americas remain a distant second in the overall share of arrivals with 19.5 % of the market in 1997 (a loss

**Chart 2.6 The share regions from the world receipts between 1970 and 1997**



Source: World Tourism Organization

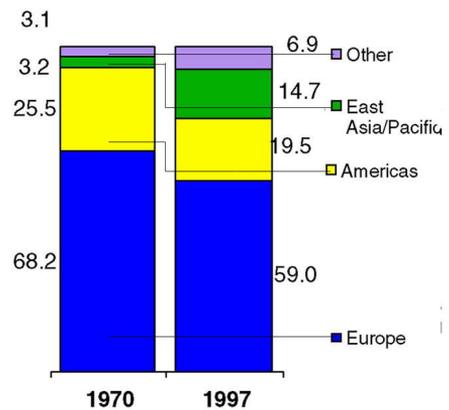
of 6 percentage points since 1970). Amongst those regions, which have been increasing their share of world arrivals since 1970, East Asia and the Pacific had made the most significant gains.. Less dramatic gains were achieved by south Asia (from 0.6% in 1970 to 0.8 % in 1997).

Whereas Africa more than doubled its share of arrivals (from 1.4% in 1970 to 3.8% in 1997) and the Middle East made a 1.3 % gain (from 1.1 % in 1970 to 2.4 % in1997).

**Chart 2.7 The share of each region from the world's arrivals between 1970 and 1997**

In the case France, Italy, and Spain that are considered as important destination areas in the world, the total receipts from international tourism in national currency shows an increase of 10% between 1997 and 1996, reflecting a booming tourism sector.

The above discussion shows that the Mediterranean countries have been on the top destination areas in the different regions of the world. They earned in 1997, 23,2 %of the total international tourism receipts worldwide.



Source: World Tourism Organization

*Final report 1997*

However, the statistics curve shows the shift of the traditional tourism market into a new market in Asia and Australia.

The following table shows the changes in rank of the top 40 earners destination areas through the year 1995 to 1997.

**Table 2.5 The top forty destination areas in the world.**  
**International tourism receipts (excluding transport)**  
**(US\$ million) - 1997**

1985	Rank 1990	Rank 1997	Country	Receipts (mn US\$) 1997	% change 1997/96	% of total 1997
1	1	1	UNITED STATES	75,056	7.4	16.9
2	3	2	ITALY	30,000	-0.1	6.8
4	2	3	FRANCE	28,316	-0.1	6.4
3	4	4	SPAIN	26,595	-3.9	6.0
5	5	5	UNITED KINGDOM	20,569	6.6	4.6
6	6	6	GERMANY	16,418	-6.5	3.7
7	7	7	AUSTRIA	12,393	-11.4	2.8
21	25	8	CHINA	12,074	18.4	2.7
27	14	9	AUSTRALIA	9,324	5.8	2.1
12	11	10	CHINA, HONG KONG SAR	9,242	-14.7	2.1
9	9	11	CANADA	8,928	0.7	2.0
23	13	12	THAILAND	8,700	0.4	2.0
77	65	12	POLAND	8,700	3.6	2.0
13	12	13	SINGAPORE	7,993	0.4	1.8
8	8	14	SWITZERLAND	7,960	-10.5	1.8
10	10	15	MEXICO	7,593	9.5	1.7
18	21	16	TURKEY	7,000	17.4	1.6
16 (1)	23 (1)	17	RUSSIAN FEDERATION	6,669	-3.0	1.5
15	16	18	NETHERLANDS	6,597	5.5	1.5
41	26	19	INDONESIA	6,589	8.2	1.5
14	15	20	BELGIUM	5,997	1.8	1.4
34	18	21	KOREA REP.	5,200	-4.2	1.2
29	27	22	ARGENTINA	5,069	10.9	1.1
24	17	23	JAPAN	4,322	6.0	1.0
24	19	24	PORTUGAL	4,264	0.0	1.0
37	31	25	MALAYSIA	3,850	-1.9	0.9
47	44	26	EGYPT	3,847	20.1	0.9
19	24	27	GREECE	3,800	2.1	0.9
22	22	28	SWEDEN	3,785	3.6	0.9
33	29	29	TAIWAN (Prov. of China)	3,705	1.9	0.8
55 (2)	62	30	CZECH REPUBLIC	3,700	-9.2	0.8
-	34	31	MACAU	3,317	2.9	0.7
40	35	32	IRELAND	3,250	8.2	0.7
20	20	33	DENMARK	3,159	-7.8	0.7
32	33	34	INDIA	3,152	6.4	0.7
30	40	35	PHILIPPINES	2,831	4.9	0.6
26	37	36	ISRAEL	2,800	-4.8	0.6
17	36	37	BRAZIL	2,602	5.4	0.6
56	50	38	HUNGARY	2,570	14.4	0.6
49	45	39	NEW ZEALAND	2,510	3.2	0.6
36	32	40	NORWAY	2,497	3.9	0.6
<b>TOTAL 1-40</b>				<b>392,943</b>	<b>1.8</b>	<b>88.6</b>
<b>WORLD TOTAL</b>				<b>443,265</b>	<b>2.2</b>	<b>100.0</b>

(1) Former USSR. (2) Former Czechoslovakia.

Source: World Tourism Organization (WTO)

The above table shows that Italy, France, and Spain remained on the top of destination areas. Turkey ranked the sixteenth, with a significant

progress between 1990 and 1997. Egypt advanced from the 44<sup>th</sup> to the 26<sup>th</sup> place. It is clear that both Turkey (17,4% growth rate) and Egypt (20.1% growth rate) had significantly progressed in that field. On the other hand, there has been a sharp decrease in tourism receipts in Italy, France, Spain, and Israel, mainly due to the environmental degradation that has been taking place in those countries as will be discussed in part two of this study.

However, the previous table illustrates that seven countries of the top forty tourism earners are located at the Mediterranean region, and three of them ranked the top of that classification.

#### **2.2.4 The Importance of Tourism Significances in Developed and Developing Countries:**

##### **A Comparative Analysis**

Tourist development could have variable benefits and cost in different areas. Many of these differences are attributed to the variations in the economic structure of destination areas and their geographical locations. For example, changes in the numbers of tourist arrivals in particular destination countries have, in general, followed a similar trends of those for the world as a whole. The increases in tourist's arrivals and receipts have been most spectacular in the Mediterranean countries (e.g. Spain, Turkey, Yugoslavia, Cyprus, Tunisia) but, equally, these have become more vulnerable to fluctuations in the economic and social conditions in both the destination countries and in originating nations. In the 1970s, dramatic reductions in the numbers of tourist arrivals have been the result of political unrest, war or terrorist attacks, for example in Egypt, Israel, Cyprus, and Lebanon. This reduction reduced tourism development, and accordingly affected economies of these areas. Therefore, that variation in tourism growth had caused the variable performance between Mediterranean countries. The most obvious distinction is seen between developed and developing countries.

In the light of the above discussion, the Mediterranean region can be divided into developed countries in the north, especially in Europe; and the developing countries, in the south and in the Middle East.

The significance of tourism for the developing countries has demonstrated the ways in which tourism could contribute to the process of economic development. Developing countries usually have low

income levels, uneven distribution of income and wealth, high levels of unemployment and underemployment, low levels of industrial development, (which are hampered by the small size of the domestic market), a heavy dependence on agriculture for export earnings and a high level of foreign ownership of manufacturing and service industries (Mathieson, A. 1982).

These trends have been associated with large regional disparities in economic wealth within many of the developing countries.

Therefore, tourism in the developing countries is, in most cases, a relatively new activity, which has grown to significant levels over a very short period. It contributes to the national balance of payments, the creation of employment opportunities, and the increase of foreign exchanges, and multiple effects of tourist expenditures.

As result of such arguments, the promotion of tourism as a strategy for economic growth has received widespread approval, particularly among policy- makers in developing countries and has encouraged them to promote their tourist industries.

Then economic benefits of tourism in the developing countries can be summarized as follows:

- Increase incomes
- Contribution to the Gross National Product
- Foreign exchange earning
- Development of infrastructure and services
- Creation of skilled job opportunities
- Diversification of the economy
- Increase in government revenues.

Although many of the discussed economic problems such as unemployment, had also plagued developed countries, the economic benefits of tourism in developed countries can be summarized as:

- Increase incomes
- Contribution to the Gross National Product
- Creation of skilled job opportunities
- Diversification of economy

However, the rapid injection of tourist expenditures and foreign investments into the developing economies has rather different and more significant effects than if equivalent investments were expended in developed economies.

Developing countries, overloaded with economic difficulties, usually use tourism revenues in solving their socio-economic problems, rather than for managing or controlling tourism projects as it is usually the case in developed countries. However, this does not necessarily mean that tourism development is more successful in developed countries than in developing countries, because it depends on many other contributing factors such as the tourism image, products, and environmental conditions.

In conclusion, tourism offers considerable potential for economic growth to developing countries. The degree to which tourism is an agent of development depends upon the characteristics of the country, the identification of realistic goals, which are in line with these characteristics, and the ability to achieve these goals. Successful tourism development can only take place where the prerequisites, or conditions, exist for the goals to be achieved.

## **2.3 The Economic Significance of Tourism in Egypt**

Egypt is a large and a fast expanding market, it is indeed the second largest market in the Arab World. It also has the lowest cost production base in the Middle East and in the Mediterranean region. Among foreign investors, there is a growing awareness that the Egyptian economy is ready for renewed high growth at more than 7 percent. The following sections signify the Egyptian economic profile, the tourist development indicators, and its importance to the economic development.

### **2.3.1 The Egyptian Economic Profile**

Egypt has been trying to reach valuable position as a destination among the developing economies. This has been recognized by many international agencies.

- According to the World Economic Forum's (1995) World Competitiveness Report, Egypt is placed among the key emerging markets, with top ranking for equal treatment of foreign business and a ranking of fourth on the national culture being open to foreign cultures. Major strengths are seen to be the country's manufacturing base, industrial location, and fast growing services sector. Egypt also ranks first in import coverage of reserves and export coverage by imports.
- While, the Economic Research Forum's (1996) opinion survey shows that in Egypt plans to expand their investment, hire additional labor and increase exports. Foreign business agrees that in Egypt, the costs of setting up a company and the level of taxes are reasonable. Full foreign ownership and free movement of capital and foreign currency are judged as strong incentives.

### **2.3.2 Egypt's National Strategies for Economic Development and Tourism Promotion**

Egypt has been undergoing major legislative and policy changes to further enhance its investment climate. At the international level, stability has contributed to creditworthiness and donor confidence.

- Significant and sustainable adjustments are reflected in a current account surplus of 1.5 percent of Gross National Product (GNP), a budget deficit of only 1.4 percent of GNP and inflation of 7 percent. Foreign

exchange reserves have risen from \$5.3 billion in mid 1991 to over \$18 billion in 1996, (representing over 16 months of imports), and providing a cushion against fluctuations in the exchange rate or capital outflows. In the past two years, Egypt's stock market has become one of the most dynamic emerging markets in the world, attracting foreign as well as domestic savings. (Ministry of tourism, 1997)

- The Free Trade Agreement currently under negotiation with the European Union is expected to improve Egypt's export opportunities in Europe, which already accounts for 45 percent of Egypt's trade. The European Partnership, the prospects for Egyptian goods of penetrating EU & US markets are better than ever. Egypt's economy is also expected to reap important gains because of the regional peace process. The service sector is growing dramatically and Egypt boasts highly sophisticated and cost-competitive services that support domestic market and export-oriented industry. . A decline in the population rate of 1.2 percent over the coming 20 years, as predicted by the rapid decline scenario, will result in Egypt's population reaching 75 million by the year 2015. (Stewart, D. (1999))

Hence, Egypt has considerable potential for developing its tourism sector having the advantage of its wealth in variety of tourist locations and, attractions. Moreover, the export of services has become the major contributor to Egypt's balance of payments. The tourist industry has projections for an annual seven million visitors by the year 2010. Coastal tourism projects are becoming progressively larger, and plentiful conference facilities are available. The fast expansion in tourism, finance, transport distribution and recreation activities over the past ten years, Egypt's services sector has sustained its growth performance. The export of services has become the major contributor to Egypt's balance of payments. (Economic Conference 1996)

The above discussion highlights that tourism development is seen as important rapid solution for many economical problems facing Egypt to realize a valuable place in the host developing economies.

### **2.3.2.1 Tourism development objectives**

The national strategy for the tourism sector has been formulated, and priority areas and projects were identified as shown in figure (2.2)

To help accomplish the country's tourism goal, the Tourism Development Authority (TDA) was established under the Ministry of Tourism auspices TDA's primary objectives include:

- Establishing a national strategy for tourism development
- Decreasing the role of public sector
- Promoting tourism investment opportunities with a larger role for the private sector
- Coordinating between the authorities involved in the tourism industry
- Taking a leading role in promoting Egypt's tourist potential
- Promoting sound policies of environmental planning to preserve the natural assets

### **2.3.2.2 Tourism market in Egypt**

The growing importance of tourism in Egypt is reflected in the structure of the economy. It is one of the four primary sources of the national income together with the Suez Canal, oil, and gas exports, and the remittances of Egyptians living abroad. Although tourism still contribute less than 3 % of the Gross National Product, It has been since 1987, the fastest growing sector of the economy.

For example, tourism in Egypt as measured by the number of international arrivals, has grown from 72,00 in 1952, to 680,00<sup>i</sup> in 1976 to 1.4 million in 1980 to 4,1 million tourists in 1996. In that period the growth average (13,6%) exceed the worldwide growth (5.9%).

Tourism in Egypt has traditionally focused on cultural tourism, namely the presence of ancient Egyptian antiquities. This has been the main determinant of tourism until the 1970's. However, new regions, are currently being developed for tourism purpose, for example :

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<sup>i</sup> Organization of Information, 1976

- The shorelines of the Sinai Peninsula, with its coastal strips along the Gulf of Suez, and Gulf of Aqaba,
- The stretch along the Red Sea,
- The long sandy beaches on the Mediterranean Sea,
- The various Oases and depressions found within the Western Desert.

These regions offer unmatched locations for relaxation as well as recreational and sporting opportunities. The availability of these tourist virgin regions certainly compliments Egypt's historical and cultural heritage, thereby placing the country in a unique situation among competitors.

The period between (1986 & 1995) has witnessed an increase in the flux of tourists and the number of tourist nights in Egypt. The number of tourist arrivals – table 2.6- increased from 1.3 million in 1986 to 3.9 million in 1997. Further more, tourist nights also increased during the same period from 7.5 million to 23.00 million

**Table 2.6 the number of tourist arrivals in Egypt through the year.**

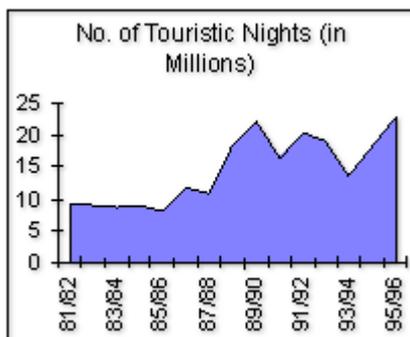
Year	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Jan	97.713	118.21	152.744	162.558	210.989	86.309	209.79	201.271	181.26	196.357	246.086	259.89
Feb.	85.499	108.249	150.028	155.347	208.376	57.325	251.016	174.476	137.702	106.648	248.09	317.092
Mar	101.735	133.967	181.35	219.816	238.065	96.95	248.348	216.217	184.208	244.888	326.841	354.423
Apr.	102.856	163.022	165.628	174.172	240.617	138.417	295.4	211.777	172.158	238.181	322.07	344.141
May	91.361	132.767	136.384	167.181	205.794	150.765	256.373	192.893	201.586	245.197	314.929	331.278
Jun.	118.561	140.747	143.458	173.012	227.552	171.573	224.678	201.119	172.123	213.747	246.391	298.763
July	136.36	204.197	206.267	266.652	315.287	242.099	295.56	250.202	286.999	305.907	354.444	425.079
Aug.	134.657	176.153	172.97	258.297	269.614	276.482	361.315	277.46	366.195	354.923	386.701	444.719
Sep.	107.075	162.336	157.296	218.818	202.001	238.159	318.363	215.965	253.062	310.781	366.497	352.066
Oct.	114.885	169.668	176.858	261.169	179.537	226.388	302.267	216.631	245.363	332.738	387.634	390.884
Nov.	97.777	132.768	160.77	211.887	134.681	202.41	243.702	175.832	180.247	285.563	318.083	265.16
Dec.	122.773	152.869	165.74	234.516	267.604	224.749	200.128	173.919	201.082	244.531	368.206	177.921
<b>Tourism arrival</b>	<b>1311.25</b>	<b>1794.95</b>	<b>1969.49</b>	<b>2503.43</b>	<b>2700.12</b>	<b>2111.63</b>	<b>3206.94</b>	<b>2507.76</b>	<b>2581.99</b>	<b>3079.46</b>	<b>3885.97</b>	<b>3961.42</b>

Source: Ministry of Tourism(1997)

**2-3-3 Tourism development indicators in Egypt**

**Chart 2.8 Tourist nights in Egypt**

In addition to Egypt’s significance as a major destination for historical and cultural tourism, it has recently emerged as a well-known destination for recreational tourism. Indeed the last two decades has become an important destination for Europeans who are seeking the sun, sea, and sand, as well as relaxation and adventure.

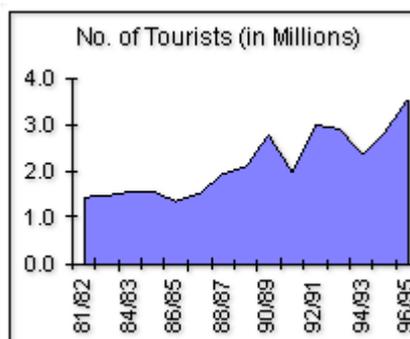


It has also become the summer destination for tens of thousands of Arab Gulf States' families, who escape the summer heat of their countries. The following statistical figures substantiate these arguments. Between 1982 and 1996, hotel capacity increased from 18,000 rooms in 1982 to 68,000 rooms in 1995. Similarly during the period between July 1995 and June 1996, the number of incoming tourists has reached 3.9 million and the number of tourists has more than doubled from 11.8 million in 1986 to 22.8 million. Ministry of Tourism (1997)

Furthermore, during the period 1993-1995, registration of tourism-related investment projects, to be implemented in a maximum time span of 4 years, has reached 200 projects with a total value of 11.8 billion Egyptian pounds.

**Chart 2.9 Number of tourists coming to Egypt**

Indeed, tourism has been the fastest growing sector of the Egyptian economy during the past few years. Between 1986 & 1995 the number of international arrivals grew at an average of 12.1% per year. Over the same period, tourism growth throughout the world increased at an average annual rate of 5.9%, Egypt's share of world tourism from 1986 to 1995 are shown in table (2.7)



**Table 2.7 Shows the Egypt's Share of the World tourism from 1986 to 1995**

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
<b>Arrivals in Egypt</b>	1.30	1.80	2.00	2.50	2.60	2.10	3.20	2.50	2.6	3.1
<b>World Arrivals</b>	330.70	356.60	390.0	415.0	455.60	455.10	475.60	500.00	546.00	567
<b>Change %</b>	1.53	7.83	9.37	6.41	9.78	-0.11	4.50	5.13	5.40	3.90
<b>Egypt's Share</b>	<u>0.39</u>	<u>0.50</u>	<u>0.52</u>	<u>0.60</u>	<u>0.57</u>	<u>0.46</u>	<u>0.67</u>	<u>0.50</u>	<u>0.48</u>	<u>0.55</u>

Source: Egypt online, Economic Conference 1996 News

### **The International Visitors**

According to the published report of Information Agency (1997), the number of visitors in October 1997 has reached 390,884 where Western and Southern Europe had the big share, followed by the Middle East then Eastern Europe. While in October 1996, the rise in the number of visitors was 3250 with a growth rate of 0.8% of which the Middle East had the lion share followed by Eastern Europe then North America.

With respect to tourist nights spent by visitors, the number of tourist nights has amounted to 2,477,017 during October 1997 of which Western and Southern Europe had the lion share followed by the Middle East then North America. In October 1996, the rise in tourist nights marked 406,212 at a rate of 19.6% of which Western and Southern Europe came at the top followed by North America, then East Asia, and the Pacific .

### **Arab Tourists:**

The number of Arab tourists who visited Egypt during October 1997 has reached 66,888 of which Libya had the lion share, followed by Palestine then Saudi Arabia.

In October 1996, the number of tourists amounted to 6358 at a growth rate of 10.5% of which Palestine had the lion share followed by Iraq then Jordan. The Arab tourists had spent 377,017 nights during October 1997 of which Saudi Arabia was at the very forefront followed by Libya, then Syria, and the Sudan.

In October 1996, the decline in the number of tourist nights reached 23,308 at a rate of 5.8% of which Saudi Arabia had the lion share followed by Tunisia then Morocco, whereas tourist nights of the Sudan, and Yemen had risen .

**Table 2.8 Number of visitors coming to Egypt from each region**

<b>Region</b>	<b>Visitors to Egypt in 1996</b>	<b>Visitors to Egypt in 1995</b>	<b>Change %</b>
<b>Middle East and Arab</b>	<b>54652</b>	<b>51105</b>	<b>6.9</b>
<b>Africa</b>	<b>10256</b>	<b>11606</b>	<b>-11.6</b>
<b>East Asia and the Pacific</b>	<b>23692</b>	<b>20036</b>	<b>18.2</b>
<b>Eastern Europe Western and Southern Europe</b>	<b>276043</b>	<b>227568</b>	<b>21.3</b>
<b>Canada</b>	<b>3052</b>	<b>2217</b>	<b>37.7</b>
<b>USA</b>	<b>13948</b>	<b>14372</b>	<b>-3.0</b>
<b>Latin America</b>	<b>22832</b>	<b>22244</b>	<b>2.6</b>
<b>Others</b>	<b>159</b>	<b>179</b>	<b>-11.2</b>
<b>TOTAL</b>	<b>387634</b>	<b>332738</b>	<b>16.5</b>

*This information is published at courtesy of the Central Agency for Public Mobilization and Statistics (CAPMAS) 1997.*

### **Middle East tourists**

The increase in tourist arrivals reached 6605 tourists (a growth rate of 12.1% from the previous year) where the number of Palestinians has risen by 24.6%, and Jordanians by 15.7%.

### **Eastern European tourists**

The increase has reached 3963 tourists with a rate of growth of 17.2% from the previous year, where the number of tourists from the former USSR has mounted by 46% and Polish tourists by 15.3%. The tourist nights have amounted to 348,764 nights by 25.9% growth from the previous year where the tourist nights of the Italians have reached growth

of 42.8%, while the Israelis have reached growth of 55.2%, the Germans 14.7% and the French 30.8%.

### **From North America**

The increase has reached 3822 tourists by 22.5% where the number of North American tourists has risen by 26.7% and Canadians by 3.1%. The tourist nights have amounted to 3513 by 39.4% where the nights of the United States have reached 38.1% and the Canadians to 49.1%.

### **From Asia and the Pacific**

The tourist nights have risen to 23,513 nights by 35.1% where the nights of the Australians have increased by 52.8% and the Japanese by 22.7%.

## **2.3.4 Investment Opportunities for tourist development in Egypt**

Investment opportunities for the development of tourism projects in Egypt have recently started to bloom. In recent years, efforts have been made on behalf of the Egyptian Ministry of Tourism which resulted in the adoption of some government decrees aiming at encouraging investment in Egypt, particularly in tourism-related projects. Accordingly, a number of mega projects have been planned for the coastline of the Mediterranean and the Red Sea. These projects are ready for international and local developers, operators of hotel chains, and investors

Moreover, several investment opportunities have recently become available to the private sector, these include:

- a- Development of integrated projects (new tourist centers),.
- b- Development of various tourist facilities.

In 1974, a national tourism strategy determined six tourist regions (priority regions) in Egypt that are:

- 1- The Metropolitan Cairo
- 2- The Nile Valley from Bany Sweaf to the Sudanese borders
- 3- Red Sea Coast and the Suez Canal
- 4- The North West Coast region
- 5- Sinai Peninsula
- 6- The Sahara and the Oases

Each region includes natural attractions and tourism potential that vary in importance and significance

**Table 2.9 The Tourist Investments In Each Tourist Egyptian region**

<u>REGION</u>	<u>AREA 1000m<sup>2</sup></u>	<u>INV. Costs MILLION L.E.</u>	<u>CAPACITY ROOMS</u>	<u>NO. OF PROJECTS</u>	<u>JOB OPPORTUNITY</u>
GULF OF AQABA	1804	622.0	2215	48	4.984.00
AIN SUKHNA	5883	1303.0	9190	29	13.785.00
RED SEA	36253	5126.0	54285	52	122.141.25
RAS SEDR	3423	929.0	6877	23	10.315.00
N. COAST	564	134.8	950	3	1.425.00
EL-ARESH	0	0	0	0	0
<b>TOTAL</b>	<b>47927</b>	<b>8114.8</b>	<b>73517</b>	<b>155</b>	<b>152.650.25</b>

*Source: Ministries Of Tourism and Housing and Reconstruction s, 1997*

The indicators shown in table 2.9, demonstrate the favorable areas visited by tourist in Egypt and highlight the achievement in the progress of the tourism sector as part of Egypt's ambition plan of diversifying its tourism product. The national plan seeks to double Egypt's share of the world tourist arrivals by the next decade.

According to the previous discussion, it is important to note that the North Coast region has potentially great opportunity to attract international tourism investments, but actually, it is faced with a major competition from both the tourist development projects along the Mediterranean such as Tunisia, Spain, Turkey, and by tourism developments inside Egypt especially on the Red Sea Coast.

Such competition in addition of the lack of adequate investment to provide the necessary tourism facilities, infrastructure, and services, plays a significant role in the set back of international tourism in the region.

## **Findings and Conclusions**

- The number of people who seek tourism and recreational activities had grown in the last 30 years. The growth of the tourist demand was accompanied by significant economical development of many destination areas.
- International tourism receipts plays a significant role in the worldwide Gross National Product. However, tourism receipts are more stable than, for example commercial activities, against economic fluctuations and crises.
- Tourism is considered an activity with great economic significance to destination areas. It is considered as the economic activity that realizes better economic performance for both developed and developing countries. This was the reason for governments and development agencies to see tourism as an important catalyst for economic development.
- Developing countries, overloaded with economic difficulties, usually use tourism revenues in solving their socio-economic problems, rather than for managing or controlling tourism projects as it is usually the case in developed countries. However, this does not necessarily mean that tourism development is more successful in developed countries than in developing countries, because it depends on many other contributing factors such as the tourism image, products, and environmental conditions.
- Egypt is currently experiencing a transitional period with the aim to solve its economic problems. With the trends of global development, in services and infrastructure, tourism investment is encouraged significantly by government because it increase incomes foreign exchanges, creates skilled job opportunities and increase governmental revenues.
- The increase in tourism arrivals and receipts in Egypt, has lead the government to promote tourism development in many areas where the North coast is included.

- Despite the attractive environment and culture of the north coast, it is lacking the adequate investments and facilities, It could not, until now, compete with the internal destination areas such as the Red Sea and the Upper Egypt. In addition, It failed to compete with other Mediterranean countries in attracting international tourists.
- In Conclusion, the main objective of tourism development in any country and in Egypt is to realize a rapid economic development. This objective is, in fact, the key factor that directs development for tourist projects. That fact must not be denied or neglected but must be taken into consideration when planning is under way, because tourism development without the economic benefit is destined to fail
- In addition, the economic benefit of tourism development is, as demonstrate in this chapter, very important for economic development on the national and local levels. However, development needs several studies to be able to face challenges including the environmental degradation that will be discussed in the next chapter..
- Tourism demand in Egypt is directed towards new lands and the north coast of Egypt with its virgin land and coast, must be developed in a way to attract international tourism and to compete with other destination areas.