



WP 5 - Economic integration, trade, investment and sectoral analyses

Tourism in the Mediterranean: Scenarios up to 2030

Robert Lanquar

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Abstract

From 1990 to 2010, the 11 countries of the south-eastern Mediterranean region (Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Occupied Palestinian Territory, Syria, Tunisia and Turkey, hereafter SMCs) recorded the highest growth rates in inbound world tourism. In the same period, domestic tourism in these countries also increased rapidly, which is astonishing given the security risks, natural disasters, oil prices rises and economic uncertainties in the region. Even the 2008 financial crisis had no severe impact on this growth, confirming the resilience of tourism and the huge potential of the SMCs in this sector. The Arab Spring brought this trend to an abrupt halt in early 2011, but it may resume after 2014 with the gradual democratisation process, despite the economic slowdown of the European Union – its main market.

This paper looks at whether this trend will continue up to 2030, and provides four different possible scenarios for the development of the tourism sector in SMCs for 2030: i) reference scenario, ii) common (cooperation) sustainable development scenario, iii) polarised (regional) development scenario and iv) failed development – decline and conflict – scenario. In all cases, international and domestic tourist arrivals will increase. However, three main factors will strongly influence the development of the tourism sector in the SMCs: security, competitiveness linked to the efficient use of ICT, and adjustment to climate change.

Keywords: Mediterranean, domestic tourism, international tourism, security, climate change, tourism indicators, tourism's economic contribution, tourism competitiveness, tourism prospects, tourism scenarios.

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Unless otherwise indicated, the views expressed are attributable only to the author in a personal capacity and not to any institution with which he is associated.

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Tourism in the Mediterranean Scenarios up to 2030

Robert Lanquar*

MEDPRO Report No. 1/July 2011 – (updated – May 2013)

Executive Summary

From 1990 to 2010, the 11 countries of the southern and eastern Mediterranean: Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria, Tunisia and Turkey – SMCs, recorded the highest growth rates of inbound world tourism. The economic performance of tourism in these countries was astonishing given the security risks, natural disasters, oil price hikes and the economic uncertainties of the region. Since 2008, various crises (political, financial and economic) had no major impact on this growth, which confirmed the resilience of tourism and the huge potential of the SMCs in this sector. The Arab Spring brought this trend to an abrupt halt in early 2011, but it may resume after 2014 with the gradual democratisation process, despite the economic slowdown of the European Union – its main market.

Tourism growth in the SMCs contrasts with the weaker development of tourism in the EU member countries of the Mediterranean northern rim¹ during the same period. In this report we use the definition of tourism used by the United Nations World Tourism Organization (UNWTO) as the sum total of industries, such as construction and infrastructure, transportation, accommodation, food and beverage services, recreation and entertainment, travel agencies, tour operators and a large share of handicraft activities, culture and heritage, etc.

In 2012, the total contribution of tourism in the SMCs represented, directly, indirectly and induced, around 13% of GDP on average, confirming its key economic importance for these countries. Direct and indirect tourism employment, including jobs indirectly supported and induced by the industry, significantly contributed to overall employment in the SMCS (13% of the total in 2012). However, the growth in tourism employment is slower than the increase in international tourist arrivals and in domestic tourism.

Capital investment, especially in transport and for the dissemination of information and communication technologies (ICT), will affect the future of tourism in the SMCs. The level of investment is, for example, reflected in the number of beds in hotels and similar establishments in the region. Multiplying tourist real estate is not enough. All SMCs initiated ambitious development programmes after 1995; and government expenditure in tourism quadrupled between 1990 and 2010. Nevertheless, the level of capital investment may have to increase further to ensure the competitive and sustainable development of this sector. Indicators show that SMCs rank rather low internationally in all the sub-indexes concerning tourism, i.e. the regulatory framework, business environment and infrastructure and human, cultural and natural resources in tourism.

Tourism authorities still need to change their promotion and marketing policies. The hegemony of tour operators should end as they prefer to promote mass seaside accommodation. During a crisis, they reduce the 'RevPAR' (revenue per available room) which further amplifies this crisis. Over the last 20 years, Mediterranean tourism has been dominated by developments in the northern rim of the Mediterranean. This paper looks at whether this trend will continue in the period up to 2030, despite

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¹ Mediterranean northern rim: Cyprus, Spain, France, Greece, Italy, Malta, Monaco, Portugal and Slovenia.



the drift of the last two years. Three major areas are in need of policy-makers' attention and are the key issues for the prospective scenarios.

First, Mediterranean tourism is changing and policy-makers need to ease policies that restrict travel, because they discourage foreign direct investment in tourism and limit SMCs' integration with Europe and the rest of the world. The vision of the Mediterranean market must go beyond the intercontinental one, particularly the European outbound market, and take into account domestic and interregional (international, mainly Arab and emerging countries) tourism, which has very promising prospects. Investment in tourism equipment and infrastructure with the ongoing democratic process in the southern rim of the Mediterranean should reflect this tendency.

Second, the efficient and innovative use of information and communication technologies (ICT) by SMCs may offer a more equitable distribution of the benefits arising from tourism between the various actors in the Mediterranean tourism sector, especially if micro and small enterprises fully adopt ICT services, after extensive training. The lack of highly developed ICT infrastructure is perhaps the main reason why SMCs are placed lower in the ranks of the Competiveness Index Reports. Inadequate tourism training and the scarcity of skills and technological abilities also undermine the competitiveness of the sector. This situation limits enterprise and job creation in the sector, inducing large companies to be focused on the productivity levels of a few competent and well-trained employees.

Third, the spectacular development of new products and services such as nautical, medical, religious and cultural tourism and cruises should lead to the re-examination of the homogenous brand identity of the Mediterranean as purely a sea, sand, and sun destination. The significance of cultural and religious values is becoming more apparent in this century than previously. SMCs have to innovate in products and services that do not offend their values and emphasise their own customs and traditions. Such a shift in perception would particularly benefit the small and medium-sized enterprises (which create more employment), and would benefit from the support of local authorities, mainly in the hinterland.

The paper provides four different possible scenarios for the development of the tourism sector in SMCs up to 2030. Scenario analysis is used here to better understand, analyse and describe the conduct of complex systems that are consistent with their actors, aims, mechanisms, and causes and effects of change. In this context, the four scenarios defined for the MEDPRO working teams: i) reference scenario, ii) common sustainable development scenario, iii) polarised (regional) development scenario and iv) failed development - decline and conflict - scenario - are tools for strategic analysis, and draw on different sources of information concerning the future of the tourism sector in the SMCs.

The 2030 horizon has been assessed in a UNWTO long-term outlook, *Tourism Towards 2030*, published in the end of 2011. According to this report, the number of international tourist arrivals worldwide is expected to increase by 3.3% a year on average from 2010 to 2030, reaching a total of 1.8 billion arrivals by 2030.

“In the past, emerging economy destinations have grown faster than advanced economy destinations, and this trend is set to continue in the future. Between 2010 and 2030, arrivals to emerging economies are expected to increase at double the pace (+4.4% a year) of those to advanced economies (+2.2% a year)... As a result, the market share of emerging economies which has increased from 30% in 1980 to 47% in 2011 is expected to reach 57% by 2030, equivalent to over one billion international tourist arrivals.”

Security and adjustment to climate change are two factors that will strongly influence the development of the tourism sector. Political instability has disastrous effects for international tourist arrivals, as was evidenced in the last two years. However, current events seem to lead towards more democracy, which is generally very favourable to the development of tourism.

The impact of climate change on travel and tourism could seriously impact the sea level as well as water and energy availability. This should be countered by the development of renewable energies,



eco-building, eco-mobility and eco-transportation, coastal management, oasis and desert development. Climate change prospects and adjustments will require in-depth research and well-targeted policy responses should reflect the specificities of each country.

The first scenario is a ‘business as usual’ one that describes the development of the tourism sector based on the maintenance of current trends. It means a continuation of market liberalisation, infrastructure development and marketing policies. Under this scenario, the number of tourists (domestic and international) will reach 278 million by 2030. At the 2030 horizon, this represents \$293 billion² in domestic and international tourism receipts and 12% of GDP. Transport and tourism investment may reach \$67.3 billion and the number of employees working directly or indirectly in the tourism sector is likely to reach 15.8 million people, e.g. around 13% of the workforce by 2030.

The common (sustainable) cooperation development Scenario 2 offers the best possibilities for tourism co-operation and development between the SMCs and Europe. This scenario stresses successful efforts to adjust to climate change. It reflects close cooperation between the tourism trade and local authorities around the Mediterranean to develop innovative products. In this scenario, the number of tourists (domestic and international) may reach 321 million by 2030. This means a little more than 14% of GDP. The transport and tourism investment may reach \$117 billion and the number of employees working directly or indirectly in the tourism sector is likely to reach 24.2 million people, e.g. more than 15% of the workforce.

Scenario 3, “Polarised (fragmented) regional development”, reflects a mode of development that focuses more on regional development (and Muslim markets) than on improved interaction with the EU. Under this scenario, the number of tourists (domestic and international) may reach 309 million by 2030 or about 14% of GDP. Investment in transport and tourism may reach \$72 billion 2010 and the number of employees working directly or indirectly in the sector may reach 20.5 million people, e.g. around 14.5% of the workforce.

The fourth and last scenario, “Failed development – decline and conflict”, offers a more pessimistic view of the future for SMCs with a radicalisation of conflicts, the failure of the democratic transition process and a further decline in sustainable development. Under these conditions, most SMCs face economic, social and political turmoil. Tourism will face serious obstacles. Adjustments to climate change will not take place as required. Subsequently, the number of tourists (domestic and international) will slip to 216 million by 2030 or about 10% of GDP. Investments may only reach \$59 billion. Paradoxically, the number of employees working directly or indirectly in the tourism sector is likely to reach 16 million people, e.g. more than in the Reference Scenario, but they are likely to be badly trained.

² 2011 €bn – according to the 2011 price level.

Chapter 1. Review of the SMCs' Tourism Sector in 2012 and early 2013

The first chapter of this report identifies the threats, opportunities, strengths and weaknesses that will influence the future of Mediterranean tourism. The methodology elaborated by Oxford Economics for the World Travel and Tourism Council (OE/WTTC) and the data provided by UNWTO is used to present the total economic contribution made by travel and tourism in the SMCs of the southern Mediterranean (Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria, Tunisia and Turkey). This methodology is anchored in the international standard for Tourism Satellite Accounting (TSA), developed by UNWTO and approved by the Statistics Commission of the United Nations in 2000³ and revised in 2008. **It concerns the direct, indirect and induced impact of tourism on GDP and other economic indicators.**

In all cases, 2012 could be seen as a year of change in paradigm for SMCs, with a strong awareness of the rise of domestic tourism, the impact of climate change on the coastal zones, the compelling need to create jobs as well as the importance of the role of civil society in the protection and promotion of natural and cultural heritage.

In early 2013, this trend is completed by the process of disintermediation that exists in tourism destinations around the world, and is stronger on the northern Mediterranean shore than in the southern and eastern rims, except for Morocco, Turkey, Israel and Palestine.

If trends from 1990 continue, the Mediterranean Travel Association (META) predicts a more equitable balance in the number of tourist arrivals between the northern and the southern rims of the Mediterranean after 2020. This conclusion was reached following analysis of several quantitative indicators collected from UNWTO, WTTC, IMF and country sources.

1. International tourist arrivals

During the Arab Spring turmoil, contrary to some expectations, the Mediterranean region did not lose a significant share of the world tourism market for upcoming destinations, such as the Asia-Pacific region. In SMCs international tourist arrivals (17.08 million in 1990, 78.178 million in 2010, 71.359 million in 2011 and 76.576 million in 2012, rose by 449% between 1990 and 2012 (Table 1) compared with + 247 % globally (419.4 million arrivals in 1990 and 1,035 million for 2012). This means that in 2011 SMCs represented 7.3% of the world market and 7.4 % in 2012.

³ In their 2011 definition of the economic contribution of Travel & Tourism, WTTC has made some changes in the methodology which do not allow comparing figures published by WTTC from 2011 with the series published in previous years.



Table 1. SMCs International tourist arrivals (in thousands)

Countries	1990	1995	2000	2005	2009	2010	2011	2012
Algeria	137	520	866	1,443	1,912	2,070	2,395	3,200
Egypt	2,411	2,871	5,506	8,608	11,914	14,051	9,497	11,200
Israel	1,063	2,215	2,672	1,916	2,321	2,803	2,820	2,900
Jordan	572	1,075	1,427	2,987	3,789	4,557	3,975	4,290
Lebanon	210	450	742	1,140	1,851	2,168	1,655	1,300
Libya	96	56	174	170	260	271	26	104
Morocco	4,024	2,602	4,420	6,077	8,341	9,288	9,342	9,450
Palestine	..	..	1055	88	391	522	446	482
Syria	562	815	3,015	5,838	6,092	8,546	5,070	2,000
Tunisia	3,204	4,120	5,244	6,975	6,904	6,902	4,782	5,950
Turkey	4,799	7,083	10,428	21,125	25,506	27,000	31,456	31,782
Total MED 11	17,078	21,807	35,549	56,367	69,281	78,178	71,359	72,658

Sources: UNWTO Barometer.

Turkey and Egypt

From 1990 tourism increased, particularly in Turkey and Egypt. These two countries surpassed the tourist growth in Morocco and Tunisia and became the champions of eastern and southern Mediterranean tourism. In 2010, Egypt welcomed more than 14 million visitors, and then arrivals dropped to 9.49 million in 2011.

Turkey had more than 27.8 million international visitors in 2010, making it the 7th top destination in the world after three other Mediterranean countries (France, Spain and Italy). In 2011, more than 29.343 million arrivals were counted e.g. Turkey gained one rank to become 6th. In the first quarter of 2012, tourism decreased. Revenues decreased by 9.7% and the revenue per tourist arrival dropped to €38.8. At the same time, the overall GDP growth of Turkey, which was 8.5% in 2011, fell by 3.2%. However, May 2013 data from the Ministry of Tourism (General directorate of investment and enterprises, Department of research and evaluation) show a substantial increase for the whole year to reach 35.7 million in 2012.

Turkey's political choice to make tourism a national priority in the early 1980s is showing encouraging results. It prioritised to the use of the internet to reinforce its positive image and reputation. Investors engage in tourism in greater numbers. They regrouped in different associations such as TYD, an association of tourist investors, which have invested in more than 200,000 beds in 4- or 5-star hotels and up-market holiday villages. The objective of the Ministry of Culture and Tourism is to reach a total of €15 billion investment in tourism by 2023, for the 100th Anniversary of the Turkish Republic, with 71 million arrivals and €70 billion of international receipts for the tourism sector.

In addition, Turkey's cruise market strategy brought 2.2 million cruise passengers in 2011. A 'platform cruise' was created with the close cooperation of Greek cruise ports in the first half of 2012 to include 13 city ports (including Istanbul, Izmir, Mersin, Iskenderun, Trabzon, Cesme, Çanakkale, Marmaris and Kusadasi), which can accommodate very large ships. Izmir has set an objective of more than two million cruise passenger arrivals by 2020 (in 2003 the port received none on a regular basis).

Egypt was ranked 18th top world tourism destination in 2010, and then dropped to 26th place. According to the World Tourism Organization Egypt has shown clear signs of recovery from mid-2012 and saw a 17.9% increase in the number of international tourist arrivals in 2012, with 11.2 million by the end of the year. Clients from Eastern Europe, mainly Russians and Poles, show the strongest growth, followed by Germans. The traditional clientele: French, Italian, British and Spanish are making their reservations last minute. In June and July 2012, many tours in Egypt were booked



only three days before departure, which reflects travellers' concern about the socio-political situation and the desire to take advantage of lower prices.

Egypt cut its prices in 2010, but expenditure per arrival remains among the highest in the region at €58 in 2011; by comparison, receipts per tourist arrival were €62 for Morocco and €63 for Turkey. Overall tourism revenues fell to €7.14 billion from €10.14 billion in 2010. After the election of President Mohammed Morsi the new Egyptian government noted that the tourism industry, directly and indirectly, employed 4 million people. Its strategy will be to strengthen this sector by optimising the diversification of products, services and markets. In his first speech, President Morsi's call⁴ was well received in international markets.

Cairo and the Nile area have not seen as many tourists as in previous years. However, in 2013, the Red Sea resorts, Sharm-el-Sheikh and Hurghada are more popular with tourists. In a statement made in July 2012, the government estimated that as early as 2017, tourism receipts could exceed €20 billion, double those of 2010. In that year the situation worsened and if Egypt reached 11.2 million international arrivals in 2012, i.e. +17.9 % more than in 2011, early 2013 is slowing down. The tourism industry is trying to attract clients from Russia and Asia to compensate for the lack of Europeans.

North Africa

For **Morocco**, 2011 can be considered a good year with a 0.58% growth in tourist arrivals (9.34 million). 2012 was not as good as expected and the META estimates of early April 2013 put the number of arrivals at 9.4 million for this year. The terrorist bomb in Marrakesh had no serious impact on its international tourism. International tourist arrivals stagnated in 2012 due to the European economic crisis. Almost 700,000 arrivals came from Algeria by plane or ferry (through Spain). If the frontiers are opened between both countries, this number may exceed 2 million before 2020. Direct spending by international tourists reached €6.5 billion (2011) and domestic tourism €2.7 billion. Total direct and indirect tourism contribution reached €13.7 billion, i.e. 19.3% of GDP. There are 834,000 direct jobs in the tourism industry and the total direct and indirect employment (expanded to non-tourism businesses linked to the sector) would reach 1,798,000 people. Morocco maintains its prices; direct expenditure by tourists is double that of Tunisia; almost the same level as in Egypt and Turkey. At the same time, Morocco is banking on ITC. Professionals expect that more than half of the reservations to their country will be made online, without the use of travel agencies and tour operators.

Despite a marked decline in southern Sahara because of the al-Qaeda in the Islamic Maghreb (AQIM) terrorist attacks, 2011 was quite favourable for **Algeria** with a 15.7 % increase in international arrivals to 2.395 million from 2.070 in 2010. Eighty per cent of these arrivals are Algerians living abroad. Libyans are much less numerous. Early 2012 figures show some progress, with a boom in business tourism, which explains the record 3.2 million international tourist arrivals, according to the tourist authorities.

In Tunisia, tourism development was marked by the predominance of the hotel resort product for Europeans. In 2010, the sector covered 56% of the trade balance deficit, provided 19% of foreign currencies and employed, directly and indirectly, more than 400,000 people out of a population of 10.5 million. According to WTTC calculations, national and international tourism (directly, indirectly and induced) reached 17.8 % of GDP in 2010. As stated by the National Tourism administration of Tunisia, it was 7% for the sector of hotels, restaurants and travel agencies. In 2011, the whole tourism industry (directly, indirectly and induced) dropped to 13.9% of GDP, receipts falling by 32.9%. In 2012, it surpassed 14.5% of Tunisian GDP. In 2009, Tunisia received 6,901,406 international arrivals; in 2010, 6,902,749; and in 2011, 4,781,896, i.e. less 30.7% of 2010. For overall nights, the decline reached 40.3% between the two years. For the first half of 2012, tourist nights increased by 74.2% compared to the first half of 2011, and international arrivals, 41.5%, reaching 2.5 million. However, that represents a difference of minus 13.9% from 2010. For 2013, the tourist authorities expect to

⁴ "We will work together to encourage investments in all sectors and restore the place of tourism, in the interest of the Egyptian economy and all inhabitants of our country" UNWTO, Press release, 4 July 2012



reach 7 million arrivals. Recent socio-political events had a negative impact on Tunisia's image and reservations were drastically cut in some outbound countries.

Paradoxically, international tourism export earnings only dropped by 14.4% from 2010 and the number of tourist nights by less 20% from 2010. But some professionals, mainly hoteliers, complained that some hotel prices have fallen up to 40%: low-cost transportation was more important, the length of stay was reduced, and tourists have abandoned tours and excursions that could bring up to 15% of the initial package. During these excursions or day-trips, tourists visit craft shops and souks. There was less spending on crafts in 2012. As this sector creates many jobs the negative impact of fewer visits and reduced European tourists spending is quite significant.

In **Libya**, the growth in international arrivals was estimated to be more than 182% between 1990 and 2010. These international arrivals dropped by 90% in 2011, reaching only 26,200. Year 2012 might be seen as the year zero of Libyan tourism: the new government sees tourism as a significant factor for its future sustainable development. More than 104,000 international tourists were received with a very good average of receipts – exceeding €800 per person.

The state of tourism in the other SMCs

Reliable statistics for tourism in **Palestine** have only been available since 2001 and show a very encouraging level of growth in international tourist arrivals from 2003 (370,000 arrivals) to 2010 (520,000). International arrivals dropped to 446,000 in 2011 and recovered to 482,000 in 2012, i.e. 7.5 % less than in 2010. The visit of the Holy Places recorded significant declines. In addition, the quality of service does not reach the norms and standards required by international tour operators.

The issue of quality is also discussed in **Israel**, whose services and products are often similar to those in Palestine (mainly Holy Land destinations). Israel, a mature destination since the early 1970s, had a 270% growth rate in tourism for the 1990-2010 period and 103% for 2000-2010 (2.7 million arrivals in 2010). Efforts have been made to improve the quality of its tourism industry with significant investments made in the last four years. In 2011 Israel experienced only 0.6% growth to reach 2.82 million tourist arrivals and 2.886 million in 2012. Five markets account for approximately two-thirds of international tourist arrivals: the US, Russia, France, Germany and the UK. According to OECD, in 2010, 206,000 people work directly or indirectly in the tourism sector, i.e. 7% of the total workforce. The government wishes to accelerate investment in tourism and is expecting 5,000 new hotel rooms to be built in the next few years (according to the Israel Hotel Association) to attract 410,000 additional tourists. The National Tourism Administration said that from 2015 onwards, it will be necessary to add 19,000 hotel rooms. Israel's NTA focuses on sustainable tourism with a commitment to a Green Label for the Tourism Industry: Standard 5281.

In the Middle East, turmoil in **Syria** makes international leisure tourism impossible. According to official figures, tourism declined by 40% in 2011 with 5.07 million international arrivals and no more than 2 million in 2012; down from 8.54 million in 2010. Professionals and the media question these data. Clients are essentially Syrians residing abroad and business travellers. Various sources show that in 2012 tourism was at its lowest level in 50 years. The backlash on **Lebanon** is huge: arrivals decreased by 23.6% in 2011 and again around 20% in 2012 (1.655 million international arrivals in 2011, then 1.3 million in 2012). In **Jordan**, despite its political stability and economic development, the number of international arrivals dropped by 12.7% to reach the figure of 3.97 million for 2011. In 2012, international tourist arrivals reached 4.16 million.

Europe is the main generating market for SMCs.⁵ The rise in tourist arrivals from new emerging markets such as Russia, India or China have a still small but growing impact in all SMCs destinations, except Turkey and Egypt, which attract a substantial number of Russian tourists. According to UNWTO, the only change in the top 10 ranking of international tourism spenders in 2011 was the Russian Federation's climb to seventh place. Russians spent US\$ 33 billion on international tourism, around €5 billion over 2010.

⁵ UNWTO, Compendium of tourism statistics data 2003-2007, Madrid, 2009.



The other significant fact is that 2011 and 2012 results show a major increase in Muslim customers in the SMCs area. According to various surveys, Muslim tourist expenditures should grow by 4.8% per year, against an average of 3.8% in the world, up to 2020. This means more investment in tourism facilities such as spas and baths, prayer halls, and halal restaurants. Hotels following Sharia are growing rapidly in all Muslim countries (DinarStandard, 2012).

2. Other international tourism indicators

The average length of international overnight stays in the SMCs began to fall in the 1980s and fell again from 5.4 in 1990 to 4.5 nights in 2010; a drop that was accentuated in the off-peak season at the beginning of the 1990s. This trend continued to some extent in 2011 and 2012.

Besides the development of Muslim or Arab tourism, interregional tourism within SMCs represents an important share of international tourist arrivals (46% in 2006 for the Mashrek, 9% in the Maghreb, and 11% Mashrek tourists that visited the Maghreb). In Morocco, in 2012, the slight decline of European tourists was compensated by more arrivals from Middle East and Gulf countries.

During the first decade of the 21st century, this interregional tourism was a dynamic element of tourism development in the Mashrek. This was due to various factors such as visa restrictions in European countries, including Turkey where the visa policy is similar to the European one – a shared language and proximity make travel by car possible. It is the same in the Maghreb, where Tunisians, Algerians and Libyans may travel without geopolitical constraints. In 2008, 40% of overnight visitors in Tunisia came from other countries in the Middle East and North Africa (except for Israel and Turkey, which are included in Europe for the UNWTO regional classification of member countries), and around 30% came from the SMCs (including Israel and Turkey). Some travel restrictions and political concerns seriously limit interregional tourism, however. For instance, Morocco has not been open to Algerian tourists arriving by road since 1994. In 2008, Israel received only 1.5% of its tourists from the Middle East; in Palestine, less than 1% originates from neighbouring countries; in Libya, less than 1% originates from Maghreb and Mashrek; in Algeria less than 3% originates from Mashrek and around 10% from other African countries, including North Africa.⁶

3. Domestic tourism

To measure the importance of tourism and the size of its market in a given economy, we need to consider domestic tourism, e.g., indicators which refer to resident tourists (Table 2). The UNWTO has gathered data on “overnight stays in hotels and similar establishments”. The average length of stay of resident tourists in all accommodation establishments is about twice the length of stay of non-resident tourists. Overall, more than 95 million international and domestic guests used tourism and travel infrastructure and accommodation in the SMCs in 2010. SMCs need to gather more data on their domestic tourism.

⁶ Previously, the predicted wide-ranging collapse of the tourism industry in the Middle East and North Africa after 11th September 2001 did not take place, nor after the Arab spring, which shows the resilience of tourism and its great potential in the SMCs area. After September 2001, and for a few years, the biggest losers were countries with a limited orientation in market and tourist activities, especially western leisure tourism. The quick recovery could in part be attributed to a change in the nationalities of international tourists. While fewer tourists from North America and Europe visited the Middle East and North Africa in the winter and spring of 2002, more tourists of Arab origin chose to travel there.



Table 2. Domestic guests in hotels and similar establishments

Countries	2000 (millions)	2007 (millions)
Algeria	2.1	2.0
Egypt	1.8	2.2 (2004)
Israel	4.1	5.1
Jordan	0.3	0,6
Morocco	1.08	1.5
Palestine	0.08	0.03
Syria	0.05	0.05
Tunisia	0.9	1.25
Turkey	8.8	12.03
Total estimated SMCs	22	25.5

Source: UNWTO and NTAs.

Domestic tourism is very important in the SMCs, but this is not yet reflected in their development and marketing policies and strategies. Only a few countries, such as Morocco, are developing domestic tourism policies. It is poorly measured in any case as few analyses have been carried out on this topic. Using WTO and WTTC data for all the Mediterranean countries (SMCs and the Mediterranean European rim), domestic travel spending was expected to generate more than 60% of direct travel & tourism GDP in 2030 compared with 40% for service exports, i.e. foreign visitor spending or international tourism receipts. Domestic tourism also needs infrastructure and equipment to respond to social aspirations, coupled with economic development. Many factors may influence domestic tourism, such as the size of the country, the level of unemployment and the percentage of the urban population. The latter is important as domestic tourism is largely an urban phenomenon. Domestic tourism expenditure is directly related to GDP and, according to UNWTO estimates, grows one and a half times as fast as GDP itself.⁷

The last available data on domestic tourism from UNWTO are for 2009.⁸ In Algeria, domestic tourism reached 4.9 million overnight stays in 2009 in hotels and similar establishments, from 4.2 million in 2005. In Israel, total overnight stays increased to 16.2 million in 2009 (4.9 million guests in hotels and similar establishments) from 15.2 million in 2005. In Jordan, in 2009 (first year with full data available on domestic tourism), domestic total trips rose to 1.208 million. In Lebanon, for the same year, 172,000 domestic guests and 327,000 domestic overnight stays were registered. In Morocco, it was 1.702 million guests and 3,718 million overnight stays in hotels and similar establishments. For Palestine, in 2009, total domestic overnights reached 116,000. In Syria there were 563,000 domestic guests and 934,000 domestic overnight stays in hotels and similar establishments; in Tunisia, 3 million domestic overnight stays. In Turkey, the number of total domestic guests in the tourism sector was 12.138 million and domestic overnight stays, 22.3 million.

⁷ For interregional tourism, i.e. tourism from neighbouring countries, this elasticity is estimated at 1.2 and for interregional or intercontinental tourism, it is 0.9.

⁸ But these data often show dissimilarities in their definitions and their collection methodology.



4. Expenditure by international and resident visitors in the country

Table 3. Expenditure by international visitors (\$billion)

Countries	1990	1995	2000	2005	2009	2010	2011
Algeria	0,113	0,128	0,545	0,755	0,875	0,219	0,209
Egypt	2,629	3,888	4,657	9,081	9,272	12,258	8,707
Israel	2,295	3,547	4,611	3,455	3,861	4,763	4,849
Jordan	1,012	1,045	0,935	1,606	2,452	3,585	3,000
Lebanon	0,912	0,982	0,893	5,685	9,465	8,012	6,871
Libya	0,02	0,01	0,08	0,04	0,09	0,06	0,1
Morocco	1,472	1,363	2,28	4,303	5,024	6,703	7,307
Palestine			0,226	0,21	..	0,66	0,795
Syria	0,27	1,306	1,082	1,716	2,143	6,19	2,239
Tunisia	1,122	1,507	1,977	2,361	2,704	2,645	1,805
Turkey	3,136	4,891	8,467	13,561	14,051	20,807	23,02
TOT. MED 11	12,981	18,667	25,753	42,948	49,937	65,842	50,902

Source: UNWTO Barometers until May 2013.

.. not available

During the 1990-2010 period, international tourism receipts⁹ in the Mediterranean increased by 384%, twice as much as in the entire world for the same period. Such spending is derived from the balance of payments accounts and includes travel spending as well as spending on passenger transport services provided by the nation's enterprises to non-residents. The share of SMCs in world receipts rose from 3.7% in 1990 to 7.5% in 2009 and 2010, and then declined drastically in 2011 and 2012.

The total value of these receipts in SMCs nearly quadrupled between 1990 and 2010. Countries such as Lebanon (+1,142%) or Syria (+ 829%) saw their tourist income boom. For Algeria, Libya and Palestine, data obtained have to be analysed in light of their geopolitical realities. For Turkey (417%), Egypt (339%), Morocco (339%), and Jordan (253%), the increase in receipts reflects their success on the world tourism markets. Only Israel (183%) and Tunisia (230%) saw more moderate increases: their tourist industries reached a certain maturity in their current model of tourism development and need innovative initiatives to go beyond this phase.

The development of total personal expenditure confirms the exceptional development of domestic tourism spending in the SMCs over the last two decades. In 2010 it reached roughly 3.5 times the levels of 1990. Just before the Arab Spring some countries such as Egypt, Morocco, Turkey, Libya, Tunisia, Syria, achieved a higher percentage of domestic tourism growth. Jordan, after a slowing down between 1998 and 2000, noted a solid expansion after 2004. In Turkey, domestic tourism is more than twice as important as international tourism; in Israel, domestic tourism is about 40% more important than international tourism. It is worth noting that domestic tourism leads to, per \$1 spent, more job creation and SME (small and medium size enterprises) development than international tourism.

5. Importance of tourism activity in the SMCs economies

Various estimated indicators illustrate the importance of the tourism sector in the overall SMCs economy.¹⁰

⁹ This series excludes the effect of price changes.

¹⁰ UNWTO and WTTC indicators to measure Travel & Tourism Economy GDP take advantage of the equivalence of the expenditure measure of GDP and the output measure when appropriately defined. Table 4 and Table 5 concern the economic impact and the balance of payment contribution of tourism in SMCs from 1990 to



5.1 Tourism in GDP

The weight of tourism – defined as the activities of traditional tourism providers (e.g. accommodation, transportation, etc.) plus tourism-related investment, public spending and export of goods – includes both the direct and the indirect effects via the tourism supply chain spending (Table 4). The total contribution of travel & tourism to GDP is 2.5 times greater than its direct contribution. In fact, the changes in the relative importance of the tourism sector must be seen in relation to the overall economic development of the country and the growth of other sectors. In Israel, for instance, the share of tourism at the level of 8% for several years reflects the maturity of the tourism sector and the fact that other economic sectors have grown faster than tourism. In recent decades, in Algeria and Libya, the development of the tourism sector was not a priority policy ahead of the rapidly growing energy sector. It may change after 2015. In Egypt, Jordan, Morocco and Syria, the growth of tourism has been faster than the growth in other sectors, resulting in its growing share in the economy.

In 2011, more than half of SMCs presented a reduction of the total contribution of tourism and travel to GDP, except Turkey which recorded the most important growth in the world according to WTTC (+11%). This trend seems to have slowed down in 2012.

Table 4. Macroeconomic weight of the SMCs (% of tourism and travel in GDP)

	1990	1995	2000	2005	2010	2011	2012(est.)
Algeria	5.5	5.6	7.5	6.5	7.9	7.7	7.8
Egypt	8.8	10.2	11.4	15.7	17.5	14.8	14.3
Israel	7.8	8.4	8.3	6.7	8.2	8.0	8.0
Jordan	24.3	21	16.3	18.5	21.9	18.8	19.3
Lebanon	9	9.6	9.3	31.2	33.9	35.1	35.4
Libya	..	..	..	3.5	3.3	3.2	2.6
Morocco	10.4	10.3	12.3	14.9	19.4	18.9	19.6
Palest. A	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Syria	7.5	12.5	11.5	14.0	15.3	13.1	10.4
Tunisia	16.5	17.5	18.4	18.5	17.8	14.2	14.4
Turkey	7.9	10.5	9.9	11.4	10.6	10.9	10.9

Source: WTTC, 2013.

.. not available.

Compared with the share of the total contribution of travel and tourism in the world economy (estimated at ca. 9.1 % in 2011 and 9.2 % in 2012), the SMCs' average of about 10% between 1990 and 2005, (dropping to less than 9% in 2010, 2011 and 2012 as a result of several economic and political crises) confirms its importance for this particular region.

5.2 Tourism in the balance of services

Tourism-related export earnings (goods and services) are expected to generate 6.1% of total export earnings in 2010. Except for in Algeria, Libya and Israel, tourism is a major component of the total service receipts of the balance of payments (Table 5).¹¹

2010 and the importance of tourism in total employment. Nonetheless, the changes within each country are greatly differentiated, with fluctuations connected to ongoing socio-economic changes.

¹¹ Table 5 uses the indicator of expenditure by international visitors on goods and services within the invisible balance or balance of trade in services. Such inbound tourism spending includes (from the balance of payments accounts) both travel spending and spending on passenger transport services provided by the country's firms to non-residents. It does not include consumer goods (such as clothing, electronics or petrol/fuel) exported for ultimate sale to visitors, or capital goods (such as cars, aircraft or cruise ships) exported for use by tourism providers abroad. The results are linked to the diversification of countries' economies.



The growth of tourism in Egypt, Jordan, Morocco, Tunisia and Turkey has increased its weight in the balance of services. There was a twofold increase of the tourism share in the Syrian BOP service receipts between 1990 and 1995, when the country opened up to tourism, after which growth was more gradual.

It may be also interesting to observe the weight of services in comparison with the export of goods in SMCs between 1990 and 2009. In those MED countries where tourism is important, this weight is greater. By contrast, in the oil-producing countries of Algeria and Libya, this percentage is insignificant.

Table 5. SMCs tourist receipts as share of service receipts in the balance of services¹²
(in %, 1990-2010)

Countries	1990	1995	2000	2005	2010
Algeria	30.1	16.3	59.8	44.5	40.8
Egypt	40.5	34.3	47.5	49.2	50.1
Israel	38.1	43.8	29.9	21.9	20.2
Jordan	54.4	56.9	57.0	75.3	80.6
Lebanon	..	58.6	25.4	54.9	52.2
Libya	11.9	12.9	48.8	56.3	82.6
Morocco	64.5	67.6	75.1	67.0	67.5
Palestine	..	..	..	..	..
Syria	34.3	70.4	70.4	69.9	67.9
Tunisia	66.8	73.2	71.4	69.6	63.6
Turkey	47.7	44.7	43.5	73.7	71.6

Source: UNWTO, Compendium of tourism statistics.

No data available for 2011 and 2011 on May 2013.

5.3 Employment

Direct and indirect tourism employment (Table 6) makes a very significant contribution to overall employment in SMCs. Tourism employs about half as many people as agriculture in these countries; the average grew from 9.5% to about 13.5% during the period of 2005-2010. Tourism contributes about one fifth of total employment in Jordan, about 15% in Tunisia, only slightly less in Syria until 2012, and more than one tenth of the total employment in Morocco and Egypt. However, from 2008, the share of tourism as a percentage of total employment is decreasing in Israel and Turkey as productivity levels rise.

Total tourism employment in the world reached 251.5 million jobs in 2010, 254.9 million in 2011 and 260 million in 2012. In SMCs, total tourism employment was 10.3 million in 2010 and 9.6 million in 2011. It was estimated to be 9.76 million in 2012.

Employment in the tourism sector in the MED 11 grew by 152% between 1990 and 2000 and by 144% between 2000 and 2010, then decreased by 9.4 % between 2010 and 2012. The countries with the greatest numbers of people working in the tourism industry are Turkey with 2.004 million jobs and Morocco with 3.073 million jobs. Over 1990-2010, total tourism and travel employment grew by 219%, whereas tourist arrivals grew by 439%. This means that productivity per employee doubled. This is particularly the case in Turkey and Israel.

¹² For example, the difference between funds received by a country when exporting services and the funds paid for importing services.

Table 6. SMCs employment in the tourist sector (as a share of total employment - Direct, indirect and induced employment)

Countries	1990	1995	2000	2005	2010	2011	2012
Algeria	4.8	4.9	6.6	5.6	7.1	7	7.1
Egypt	7.4	8.6	9.6	13.0	15.4	13.1	12.6
Israel	9.5	10.1	10.1	8.2	8.8	8.6	8.5
Jordan	22.2	19.2	14.9	16.9	19.6	16.8	17.3
Lebanon	8.5	8.8	8.8	31.2	32.2	33.4	33.8
Libya	5.7	8.7	..	..	3.2	3	2.5
Morocco	8.9	8.9	10.6	14.7	17.3	16.8	17.5
Palestine	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a
Syria	7.8	13.3	11.8	12.5	13.4	11.4	9.1
Tunisia	15.3	16.3	17.2	16.5	16.1	12.8	13
Turkey	5.3	6.4	5.4	7.7	8.1	8	8.2
Average MED 11	9.5	10.5	10.6	13.8	13.5	11	13

No data available for Palestine.

Sources: WTTC and UNWTO.

Unquestionably, tourism is a labour-intensive industry, and the turmoil of 2011 and 2012 had a direct impact on employment. Managers are willing to reduce their costs to reduce their prices and be more competitive. At the same time, progress has been made in productivity, mainly in the large companies investing in hotel and leisure equipment and accommodation, as in more developed countries. These companies operate with a more efficient labour pattern (higher productivity) than the myriad of small and medium-sized (often micro-) enterprises. According to the UNWTO, SMEs represent more than 95% of the number of tourism enterprises in the Mediterranean but only 80% of sector employment. In SMCs, the share of employment in larger companies is higher (30% vs. 20% in both Mediterranean rims).

5.4 Capital investment in tourism and government tourism expenditure

In SMCs, investment in tourism and travel represents a little less than 10% of overall investment. This share increased from 8.6% in 1990 to 9.2% in 2010, with a peak of 10% in 2007. This share doubled the world average, which declined since 2005 from 9.8% of overall investments to 4.8%, due to the maturity of the travel and tourism sector in Europe and North America and some Asian countries. In absolute numbers, SMCs' investments in tourism tripled between 1990 and 2010 and doubled between 2000 and 2010. They were reduced, but did not stop in 2011 and 2012.

The investment data used so far includes FDI – foreign direct investment – in SMCs. The data available suggests that the share of the total FDI originating from the European Union and allocated to tourism in SMCs is less than 10%. Since 2005, Morocco has been the preferred destination for FDI. Despite their potential, some SMCs suffer from a lack of interest on the part of international investors. Foreign Direct Investments (FDI) are globally falling in the Mediterranean, including in the tourism sector (with the exception of Morocco and Turkey).

The share of SMCs in tourism and travel-related global capital investment was almost constant, increasing slightly from 2.47% to 2.59% between 1990 and 2010, with a peak in 2000. With the exception of Algeria, Israel and Syria (as well as Lebanon in the early 1990s at the end of its civil war), the share of tourism-related investment in overall investment exceeds the world average (see Table 7). In the case of Syria, as was underlined by the Oxford Business Group, from 2005 to 2010 the government was pushing hard to sell Syria as a tourism destination, “increasing state funding for promotional activities, while opening up investment opportunities in the sector as it seeks to cash in on the swell in the Middle East (Gulf States) tourist trade...”. The country aims to attract a more diverse clientele, i.e. Western tourists for historical, religious and archaeological sites, festivals and cultural



events through UNESCO Damascus Arab Cultural Capital 2008, and Arabs to enjoy the moderate summer climate and cheap prices. This policy has been in tatters since 2011.

This decrease in tourism and travel investment is probably the result of the global economic and financial crisis, especially in Europe, more than the political turmoil. Socio-political stabilisation could thus have a positive effect on tourism investment, mainly if emerging economies such as Russia displayed an interest focused on SMCs.

These investments are primarily in transportation infrastructure, tourism equipment and technological innovations. Algeria increased its investment in the tourist industry by a factor of ten between 2005 and 2010, mainly thanks to its transportation policy (rail and road) which, in the long run, may facilitate the take-off of tourism. The vision of a strong tourism industry in Algeria has had a leveraging effect on this rise. Egypt is steadily increasing its investment in tourism, even though investment in the other sectors of the economy grew at a faster rate, as is the case for several other SMCs. Investments in tourism in absolute terms are growing steadily in Syria, Jordan, Lebanon, Tunisia and Turkey; in Israel, they have stagnated over the last few years.

Investments in ICT will affect the future of tourism. Turkey is among the top 10 destinations in the world, as ranked by social network users. There is no data available on capital investment in ICT for tourism purposes in the SMCs region. However, the multiplication of projects and programmes indicates the accelerated spread of these technologies in this region between 2005 and 2010.¹³ ICT allows for better accessibility of the destinations and a reduction in the cost of travel products, especially by reducing the role of foreign travel agents and tour operators. The SMCs must not miss out on the revolution that is emerging in the distribution of travel with the strong upsurge of e-tourism. ICT may rebalance the influence of national providers in distribution systems, as they can deal with their clientele directly and have less need for international operators. SMCs must largely adopt these new technologies to grasp the opportunities they offer. New types of investment are necessary to avoid the risk of marginalisation and they are also included in government tourism expenditure.

Table 7. Capital investment in tourism (% share of total investments in the country)

Countries	1990	1995	2000	2005	2010	2011	2012
Algeria	7.4	4.3	6.2	8.6	9,3	8,5	9,1
Egypt	10.8	12.1	15	13.1	4,5	4,6	4,8
Israel	10.9	10.3	11	8.8	6,5	5,7	5,2
Jordan	27.7	14.8	19.7	16.5	9,7	10,1	10
Lebanon	7.4	12.2	11.8	12.3	7,5	6,7	5,7
Libya	9.3	22.5	30.4	31.2	2,7	2,6	2,5
Morocco	13.8	13.1	13.1	12.1	12,4	12	10,9
Syria	2.9	4.6	5.7	6.9	1,5	1,4	0,7
Tunisia	19.5	17.7	18.9	17	11,2	10,2	10,7
Turkey	11.8	11	14.6	14.8	8,9	8,7	8,1
World average	8.6	8.2	8.9	9.8	4,8	4,8	4,8

No available data for Palestine.

Source: WTTC estimates for 2011 and 2012.

However, according to ANIMA – the Mediterranean Investment Network – in recent years, tourist investment in the region has attracted fewer projects: 19 projects in 2009, as compared to more than 40 per annum on average in 2004-2008. This drop has been constant since 2010 and is even worse in 2013, except in Morocco.

¹³ The development of ICT in SMCs is elaborated in detail in Abbasi (2011).



The level of investment is also reflected in the number of beds in hotels and similar establishments in the region (until 2009), as shown in Table 8. Turkey recorded the highest number of beds (600,986 in 2009) and their highest increase since 2000 (+ 86%).

Table 8. Hotels and similar establishments (number of bed-places)

Countries	1995	2000	2005	2007	2008	2009
Algeria	63,614	67,087	82,808	84,559	85,000	86,383
Egypt	128,957	227,222	341,552	380,382	421,694	429,066
Israel	75,100	106,782	126,831	128,356	128,350	125,455
Jordan	20,613	34,433	39,674	41,359	42,542	42,842
Lebanon	16,419	25,450	28,953	29,071	30,062	32,217
Libya	12,000 (est.)	19,969	21,404	26,423	27,334	30,000 (est.)
Morocco	90,511	94,652	124,270	143,221	152,936	164,612
Palestine	6,434 (1994)	10,063	7,923	8,901	8,985	11,308
Syria	31,449	34,209	43,262	47,077	48,585	50,903
Tunisia	161,498	197,453	229,837	235,727	238,495	239,890
Turkey	280,463	322,334	481,704	530,763	563,252	600,986
Total	606,595	817,320	1,046,514	1,125,076	1,183,983	1,212,676

Sources: UNWTO and Statistics and Satellite Tourism Accounts.

5.5 Government expenditure on tourism

Government expenditure in tourism quadrupled between 1990 and 2010, from \$US1,461 million to \$US6,086 million, reflecting the priority given to this industry. All SMCs started ambitious development programmes after 1995 “based especially on the diversification of the offer, the modernisation of the local tourist sector, and an enlarged opening to the private sector and to foreign investors” according to ANIMA – Mediterranean Investment Network.¹⁴ For example, within its PROTIC programme, Morocco planned to equip 80,000 SMEs with ADSL (bandwidth) by 2010.

Other government priorities relate to the reinforcement of regulations in terms of the quality of service, safety, land planning and the environment as well as the introduction of a legal and institutional framework conducive to private initiatives and the development of foreign investment. Even so, the weight of the public sector and the administrative framework remains significant in Algeria, Libya, and Syria.

Tourism marketing and promotion constitutes a significant share of government expenditure. In 2004, UNWTO attempted to survey the structure and budgets of the national tourism organisations around the world. At that time, Tunisia spent \$7.6 per one tourist arrival (world average \$2.9) and \$4.5 per one inhabitant (world average \$2.9). For one USD of budget spending for tourism, international tourist receipts are \$52 (world average \$383).¹⁵

The share of government expenditure on tourism as a percentage of total government expenditure is much smaller than the weight of this sector in the economy (Table 9). To the extent that the development of tourism is promoted by public expenditure, there may be scope for increasing expenditure to reinforce the competitiveness of the tourism sector. This should be driven by the design and implementation of well-balanced strategies that should be applied at both national and local levels. The strategies should be based on improved cooperation among the SMCs themselves and with the Mediterranean countries of the northern rim. Besides, the tendency towards public-private partnerships should be taken into consideration, more than before, in the SMCs.

¹⁴ANIMA, “The Mediterranean between growth and revolution, Foreign Direct Investments and partnerships in MED countries in 2010”, Marseilles, March 2011.

¹⁵ Source: OMT-UNWTO, « Structures et budgets des organisations nationales de tourisme 2004-2005 », Madrid, 2008.



The implementation of tourism development programmes must demonstrate continuity and coherence. Building strong national tourism administrations can help to maximise the potential of tourism to generate wealth and create jobs. Frequently the tourism administration does not receive the necessary support from government and its top management is changed all too frequently, undermining the continuity and predictability of government policies. Tourism is one of the most complex economic sectors, requiring close coordination with other government policies. This lack of strong governance has a direct impact on the country's competitiveness as a tourist destination. It is therefore critical that it is represented in decision-making at the same level as other sectors. The tendency in the northern rim in countries, such as Spain or France, is to reduce the status level of the National Tourism Administrations and to enhance the role of the private sector and the territorial communities. The same trend may occur in SMCs with the spread of association agreements with the European Union where, since the Treaty of Lisbon entered into force on 1 December 2009, tourism is now considered a priority and greater importance is given to the private sector itself as a activator of growth. Tourism policies and strategies may be pushed at regional levels within the countries with shared norms and standards.

Table 9. SMCs government tourism expenditure (share of total government expenditure)

Countries	1990	1995	2000	2005	2010	2011	2012(est.)
Algeria	0.9	0.9	1	1	1.1	1.1	1.1
Egypt	4.3	6.3	6.5	6.5	6.7	6.7	6.7
Israel	2.1	2.1	2	2	2	2.0	2.0
Jordan	11.5	10.4	10.1	10.3	10.4	10.5	10.5
Lebanon	13.5	8.9	9	9	9.1	9.1	9.2
Libya	1	2.5	2.7	2.6	2.6	1.9	1.4
Morocco	4.1	3.8	3.4	3.5	3.5	3.6	3.6
Syria	1.9	2.7	3	3	3.1	..	..
Tunisia	6.5	6.6	7	7.2	7.3	7.3	7.3
Turkey	0.7	0.7	0.5	0.5	0.5	0.1	0.1
MED 11 average	4.65	4.49	4.52	4.56	4.63	4.4	4.4

.. not available or near zero.

Source: WTTC.

The regional average for government expenditure in the tourism sector (Table 9) amounts to 4.4% of total budget expenditure. We saw a minor decrease during the last two decades; less moderate after 2010. It ranges in 2012 from a low 0.1% in Turkey to more than 10.5% in Jordan. These levels must be evaluated against a detailed knowledge of the sector and the strategies chosen. Monitoring not only the spending levels but also the results and outcomes of government support should be given greater attention; a trend that is in line with modern budget management. Government expenditure must also be linked to the governance of tourism in the territories since 2000, with more decentralisation of the administration of tourism given to the regions, such as in Morocco since 2011. This new framework for governance will lead to closer forms of responsible, solidarity-based and sustainable tourism and to the development of e-tourism and ICT instruments to overlook the potential of domestic tourism and its multiple forms, rural and urban, cultural and natural, religious and health.

Air transport is also an important factor of tourism growth in the SMCs. The opening up of air transport regulatory systems, investment in airports and the launch or reinforcement of national and regional airlines, traditional flag carriers and low-cost carriers are positive signs. Some of the region's carriers are among the world's fastest growing airlines. The Turkish national air company, Turkish Airlines, is partly privatised, receives awards and continues its development despite the emergence of the low-cost airlines in its region, adopting a strategy based on the pursuit of excellence of service and of efficient competitiveness. Its growth has been rapid, doubling the number of passengers between 2005 (14.1 million) and 2010 (29.1 million).



6. SMCs' economies and their tourism competitiveness

Tourism competitiveness is a “destination’s ability to create and integrate value-added products that sustain its resources while maintaining market position relative to competitors” (WEF). The Travel & Tourism Competitiveness Index (TTCI) of the World Economic Forum aims to measure the factors and policies that make it attractive to develop tourism in different countries.¹⁶

The SMCs are not among the most competitive tourism destinations in the world. Overall, they fell in the rankings between 2007 and 2011. Nevertheless, Table 10 shows that the region is better positioned on the T&T regulatory framework sub-index (except for Algeria and Libya) than on the T&T business environment and infrastructure sub-index. The lowest ranked index is the last one on human, cultural and natural resources (Algeria ranks 116th, Libya ranks 125th, and Syria ranks 113th). This means that the level of tourism training and planning is lower in comparison with other countries in the world.

The analysis made by the WEF gives detailed indications on countries such as Israel, Tunisia, Egypt, Morocco and Turkey. In 2009, Israel was the second-ranked country in the region, and 36th overall, showing a stable performance. It dropped two ranks in the Middle East in the 2011 positioning. The country’s human resources base is well evaluated, providing well-trained people to work in the T&T sector. Furthermore, its infrastructure is quite well developed compared with those of other countries in the region, especially its ICT infrastructure. Israel’s rules and regulations, ranked 41st (39th in 2009), are conducive to the development of the sector, with low foreign ownership restrictions and visas required from few countries, although it requires a lot of time to set up a business in the country. Safety and security, while improved, continues to be a major concern, placing the country 46th (73rd in 2009) in the rankings for that sub- index.

Tunisia is ranked 5th among Middle East and African countries and 47th (44th in 2009) overall; somewhat lower than in earlier surveys. Tunisia has benefited from a strong prioritisation of tourism, with high government spending on the sector, effective destination-marketing campaigns, and attendance at several major international tourism fairs. Furthermore, unlike some other countries in the region, Tunisia is perceived as relatively safe in terms of crime and violence and offers competitive pricing. But its ICT infrastructure remains too underdeveloped (ranked 76th).

Egypt was ranked 64th overall in 2009, up two places from 2008, but in 2011, it dropped 11 positions to the 75th. The country is rich in cultural heritage, with World Heritage cultural sites and international fairs and exhibitions held in the country. In addition, it benefits from excellent price competitiveness: low fuel costs and more generally, low prices. What's more, there is a strong political prioritisation, with the government ensuring both relatively high spending on tourism and a presence at major tourism fairs. On the other hand, Egypt’s infrastructure needs improvement, particularly its tourism infrastructure, its ground transport infrastructure, and its ICT infrastructure. Upgrading tourism education and training would improve the country’s overall competitiveness.

Morocco (78th position) is ranked behind Egypt. The government has made the sustainable development of tourism activity a priority and protects the national environment (ranked 69th). Further efforts should be made to improve health and hygiene levels and to upgrade the education and training systems, as well as to make improvements in transport infrastructure.

Turkey is ranked 50th in the overall index. It benefits from its rich cultural heritage with 19 UNESCO World Heritage List. Nevertheless, analysing its overall competitiveness in 2008, it is being held back by concerns about safety and security (mostly road safety), hygiene, and inadequate ground transport infrastructure.

“In addition, the policy rules and regulations governing the sector are supportive and have improved since the 2009 T&T Report (ranked 34th). However, the country’s overall T&T competitiveness is held back by worries about safety and security (97th), particularly related to

¹⁶ World Economic Forum, *The Travel & Tourism Competitiveness Report 2011: Beyond the Downturn*, February 2011.



terrorism and concerns about the ability of the police to provide protection from crime and violence” (WEF, 2012).

And more attention must be placed on protecting the country’s natural resources (it is ranked 85th for environmental sustainability) to ensure sustainable tourism development.

Table 10. WEF Travel & Tourism Competitiveness Index (TTCI) 2007-2009

Countries	Rank	Rank	Rank	TTCI	Sub – Index	Sub – Index	Sub – Index
	2007	2009	2011	Global 2011	Regulatory framework Rank 2011	Business environment/ infrastructure Rank 2011	H, N & C resources Rank 2011
Algeria	93	115	113	3.3	101	109	113
Egypt	58	64	75	3.96	70	74	71
Israel	32	36	46	4.41	41	42	65
Jordan	46	54	64	4.14	37	72	74
Lebanon	..	..	70	4.03	78	63	69
Libya	..	112	124	3.25	122	107	125
Morocco	57	75	78	3.93	69	77	73
Palestine	..	..	..	..	..	..	..
Syria	..	85	105	3.49	101	109	113
Tunisia	34	44	47	4.39	31	54	59
Turkey	52 (29 th in Europe)	56	50	4.37	66 (63 th in 2009)	55 (60 in 2009)	28 (49 in 2009)

Source: World Economic Forum, Travel & Tourism Competitiveness Reports (2009 to 2012).

New forms of competitive tourism

Tourism in the SEMCs region is still highly dependent on tour operators in European countries. Price competition is intense. Tourism development projects in the region have been increasingly shaped as coastal resort complexes and all-inclusive package tours, providing a range of on-site services dominated by few international tour operators. As a result, standardised tourist services of this kind do not provide visitors with direct contact with local culture and can be easily interchangeable with other destinations. This may change with a distribution system utilising e-tourism. Ideally, SMCs need to go for alternative sources of higher added value and more information-based tourism. They should look for more unique selling propositions by the destinations, based on culture and nature, creating innovative products.

Maritime cruises

The Mediterranean Sea is an important area for maritime traffic and is currently witnessing the strong development of cruising and, to a lesser extent, yachting, although growth has been slowing due to the negative environmental impacts. Cruises create a market of high potential in the area and land excursions from cruise ships have only a limited impact on the environment, even if they bring fewer economic benefits for the destination countries, because much of the hospitality expenditures are off-shore. According to CLIA¹⁷ and CLEA,¹⁸ the international and European associations of cruisers, in the Mediterranean, there are over a hundred different cruise routes by 64 companies, which could increase substantially with the opening of SMCs. 170 ships crossed in the Mediterranean in 2011, 206 ships did so in 2012. At the same time, cruises are using a panoply of ICT instruments to reduce their

¹⁷ Cruise Lines International Association.

¹⁸ Cruise Lines European Association.



costs and be more visible online. Travel documents are now completely computerised, as for the air transport.

The Mediterranean Sea, with 3 million cruise passengers (more than 10% annual growth from 2005 to 2010), is now the second largest world cruising zone after the Caribbean. The world economic crisis has had little impact on embarkation since 2009. Even technical problems and accidents did not stop the double-digit growth in 2011 and 2012. The expenditure carried out by these cruise passengers in the Mediterranean termini is up to €1.7 billion and the value added – €750 million. This expansion is largely due to cruise companies, which invest massively in new models of ships with impressive tonnages. The tendency to giant-scale cruises will quickly require the adaptation of the Mediterranean ports to accommodate larger tonnages.

Yachting in the SEMCs is also developing very quickly because of the saturation of harbours in the north-west and the increased access to boat rental. There is high demand for berthing places, increased by the infrequent use of these boats (on average 15 days per year in the northern rim of the Mediterranean) and by moderate recourse to renting. The construction of harbours (space consumption, destruction of fauna and flora) and their maintenance (dredging) have an obvious negative environmental impact. In addition, the individual upkeep of the boats (use of paint, detergents, engine maintenance, and fuel supply) contributes to chemical and bacteriological pollution. This is the aim of a European programme (Council of Europe and European Union), *Odyssea* which mixes cultural history of the ports of the Mediterranean and European civilisations and the environmental protection and sustainable development of their hinterlands.

Religious and cultural tourism

One of the new prospects for dynamic tourism, especially in Egypt, Palestine, Israel, Jordan, Lebanon, Syria and Turkey, is religious tourism, which already accounts for 15 to 20% of international tourist arrivals, not only from Europe or other long haul destinations, but also from the Middle Eastern region itself. According to the UNWTO and UNESCO, religious tourism, particularly pilgrimage routes and itineraries, can revitalise territories by aiming for quality and the multiplication of partnerships, for example, through the creation of ‘clubs of producers’ associated with religious tourism. This revitalisation forms part of the vision of projects such as the Abraham’s Path Initiative or the “Spirits of the Mediterranean: Structuring Rural Spaces and Religious and Spiritual Tourism” revolving around popular and religious festivals, elements of cultural identity as well as factors of local economic development.¹⁹ At the same time, UNWTO – after the success of the Silk Road – is starting to develop new routes dealing more with the MENA and most of the SEMCs, such as the very ancient Incense Road which concerns all the SEMCs, which is not the case with the Silk Road.

7. Identification of environmental issues for sustainable tourism development

Most tourist impact on the environment is accentuated by the seasonal nature of this activity in the Mediterranean: accommodation, facilities, transport networks, water supply and waste services all have to be over-sized. The scarcity of statistical data, especially in a time-series format and the lack of homogeneous and reliable statistics concerning the impact of tourism on the environment, complicate the preparation of scenarios for the future of tourism in the region. This hampers the foresight analyses of the tourism sector, including the UNEP ‘Plan Bleu’.²⁰

Seasonal stress on water resources

SEMCs’ ecosystems encounter seasonal stress with regard to water resources. As the peak tourist season coincides with the dry season, the tourist industry competes strongly with other industries and

¹⁹ See the report on the characteristics, trends and prospects of religious tourism in the Middle East and North Africa, UNWTO, Commission for the Middle East, 34th meeting, Sana’a, Yemen, 22-23 June 2010, Policy Paper 5(a), Madrid, May 2010 .

²⁰ Plan Bleu, 2009 Activity Report, Sophia-Antipolis, France, 2010.



agriculture. This affects, among others, tourist facilities such as thalassotherapy, swimming pools, golf (which requires 10,000 m³/ha/year) and the lifestyle of tourists (higher daily water consumption).

However, the overall impact of water scarcity on the tourism sector must be seen in the context of its limited water consumption (2% of total water consumption in Morocco and Tunisia, and less than 1% in Syria, Algeria or Libya). The agricultural sector accounts for more than 70% of water total consumption. On the other hand, the tourism sector is able to pay more for its water consumption and finance desalination plants. Water shortage is therefore not likely to be a binding limiting factor for tourism development in general. Yet there are localised shortages, such as in Marrakech in Morocco or Tozeur in Tunisia, where local solutions will need to be found to safeguard the prospects for the tourism sector there.

Other environmental drivers

Other parameters of the tourist industry's environmental impact are: the use of land by one tourist bed estimated by the UNEP-Blue Plan at 30 m² for a hotel and at 100 m² for a holiday home, the type of construction (collective or individual, re-using existing construction or new constructions, reversibility of the installations), the situation (natural site or in town) or the landscaping (use of local materials, exotic plant species).

The spread of urban tourism also aggravates the situation with the creation of resorts on virgin territory or the extension of town planning around existing towns or resorts in parcels of land that use a lot of space. The phenomenon of illegal constructions of secondary residences has spread progressively to the east and the south. Moroccan and Egyptian Mediterranean coasts are currently facing the uncontrolled development of holiday homes. Poor investment in public facilities (lack of sanitation, poor household waste collection, etc.) has a greater impact on the environment in the case of diffused tourism than a more concentrated one. In addition, holiday homes often prevent easy access to the sea.

The erosion of the coastline caused by tourist activity is due to many causes: a deficit of sediment in the waterways due to the building of dams, the rise in sea level, and also developments around the seaside. The consequences of the latter are twofold: the development of harbours and dikes upsets the coastal currents and reduces the natural protection of beaches by destroying the *Posidonia* sea grass beds; the built-up coastline reaches the dune strips and this acts as a screen that prevents the cycle of loading and unloading the beaches between the sea and the land.

Waste discharge presents another major problem. The UNEP-Blue Plan estimates that in 2004 the tourism sector accounted for 5.5% of total discharge in the northern rim, and in the southern rim, 28 hm³/year, i.e. a 1.0% share of the total discharge. Developing water treatment plans and emphasising water use education should feature prominently on the development and implementation of national tourism strategies.

Urbanisation and tourism development: Mega – destinations or diffuse tourism?

Tunisia has urbanised large parts of its coastline. For example in Hammamet, mass tourism led to the extension of the tourist zone until Yasmine Hammamet. The same issue was raised during the opening of the new beach resorts of Mazagan and Saïda in Morocco (known as the Mediterranean Pearl). The absence of a coherent urbanisation policy, a lack of respect for heritage, a kitsch architectural style, and the pressures of down-market tourism have resulted in the significant degradation of many tourist destinations. Similar trends have been observed in Turkey and in the eastern Mediterranean.

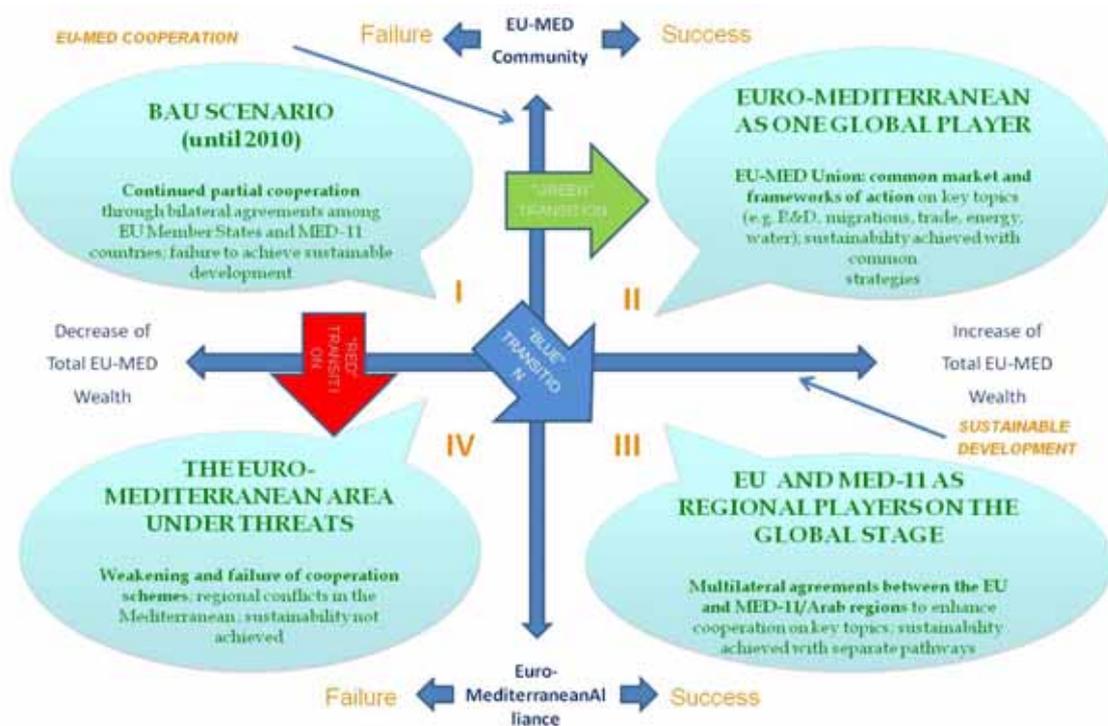
However, mega-destinations often offer public services such as health, transport, leisure and culture, and even education and training for both tourists and the residents. Diffuse tourism involves more damage to the environment: urban scattering, in particular by second homes, a higher carbon footprint because of the multiplication of individual transport needs, more roads, etc. The concentration of tourist destinations in the SEMCs coastal areas means that policy-makers must work to find a balance between environmental pressures and social and economic progress.



Chapter 2. Tourism Scenarios up to 2030

Scenarios may be considered hypothetical images of the future, describing the functioning of a system under different conditions. Scenario analysis is therefore a tool that can be used to support decision-making rather than a method for producing precise forecasts. The framework of the SEMCs tourism scenarios is strictly connected to the global scenarios elaborated by the MEDPRO project:²¹ reference scenario, common cooperative development (sustainable), polarised (fragmented) development and failed development (decline and conflict). How can these scenarios be applied to tourism?

Figure 1. The different MEDPRO social-economic development scenarios



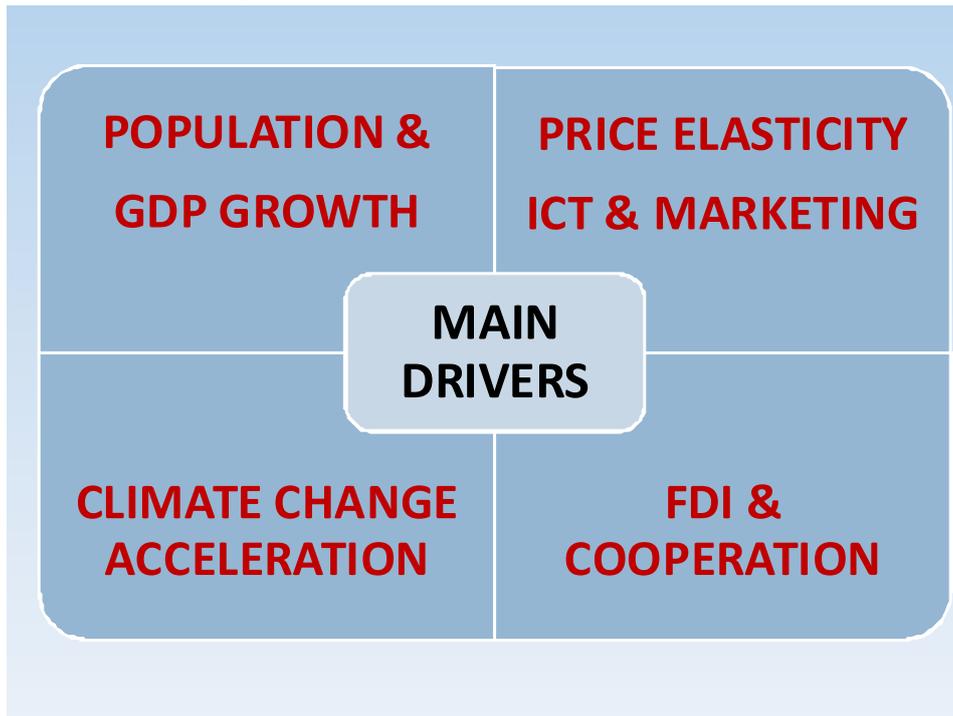
Source: Sessa, MEDPRO, 2010.

Tourism growth is determined by drivers such as the population growth of a country and its neighbours, its GDP and those of its neighbours and the main outbound countries in Europe, Asia and America. For the long-term analysis, there are two principal structural factors: income growth rates and population growth rates. Price elasticity, as we have seen during the 2011-2013 unrest, has an important medium-term impact, but to reinforce the competitiveness of a destination, it is necessary to use ICT and marketing tools more efficiently.

²¹ As developed at the MEDPRO Scenario Building Committee Meeting, Rome, February 2011.



Figure 2. Main drivers of the tourist scenarios



Source: Author's compilation.

The SEMCs region is undergoing a demographic transition with population growth rates that have been falling for almost 30 years. Even with the demographic transition in progress, population growth will remain high in absolute numbers. As observed during the period 1990 to 2010, domestic and intraregional tourism may continue to be important drivers of tourism development in the SMCs until 2030.

'Travel preferences' are another driver included under marketing, and influenced by promotion and marketing. Pricing policies may be used at times to compensate for low competitiveness. Such a policy would reduce overall receipts, and reduce funds available for investment, maintenance, renovation and innovation. In the medium and long term, such a policy would further undermine sector competitiveness.

National policies addressing climate change will also affect tourism sectors. While other studies undertaken under the MEDPRO project analyse the environmental challenges in the region, four issues appear of primordial importance for the tourist sector: i) rising sea levels and the adjustments required to protect the coastline, including beaches, harbours and other infrastructure according to the MEDPRO scenarios; ii) a shift in tourist demand in reaction to rising temperatures; iii) competition for natural resources between the tourism sector and the rest of the economy, particularly with respect to water and space in light of the expected acceleration of urbanisation in the SMCs; iv) impact of the expected rise in energy costs on tourism.

8. Tourist arrivals in the SMCs region: the four scenarios

8.1 International tourism

SCENARIO 1: IN THE REFERENCE SCENARIO, we adopt the prospects of WTTC following the methodology developed by Oxford Economics – OE (as presented in Appendix 2)²² up to 2022, except

²² WTTC estimates growth of 4 to 5% annually on average.

for international arrivals (made by UNWTO). In October 2011, UNWTO published a Global Overview: Tourism towards 2030. According to the UNWTO Secretary – General,

“By 2030, the number is anticipated to reach 1.8 billion meaning that in two decades’ time, 5 million people will cross international borders for leisure, business or other purposes such as visiting friends and family every day, besides the four times as many tourists domestically”.

UNWTO results are linked to four factors also applicable to SEMCs: i) the base volumes are higher, so smaller increases still add substantial numbers, ii) lower GDP growth, as economies mature, iii) a lower elasticity of travel to GDP, and iv) a shift from falling transport costs to increasing ones. UNWTO projections are the followings for the regions of the SMCs:

- North Africa (Morocco-Algeria and Tunisia), 18.7 million tourist arrivals in 2010, 31 million in 2020 and 46 million in 2030, i.e. an average annual growth projection of 5.4% until 2030 (5.6% for 2010-2020 and 5.1% for 2020-2030).
- Middle – East, 60.9 million tourist arrivals in 2010, 101 million in 2020 and 149 million in 2030, i.e. an average annual growth projection of 3.8% until 2030 (4.3% for 2010-2020 and 3.3% for 2020-2030).

According to UNWTO, the rate of growth of world international tourism will slowed down gradually, from 3.8% in 2011 to 2.5% in 2030.

The reference scenario mainly based on European clientele is not likely to match expectations. Mediterranean tourism dynamics are altering the structure of distribution channels faster than normal. Global changes in how to choose, buy and consume tourism are more representative of a change of era than a regular evolution. In 2012 tourism activity became the first search topic on the web before sex, games, music, books and all the other commercial sectors addressing the digitisation of their distribution. According to Etienne Pauchant, META Chairman, everything is changing with e-tourism. New marketing needs can be summed up in five points including i) sustainability, ii) improvement of the e-reputation of tourism of the southern and eastern Mediterranean shores, presented as a dangerous destination in much Western media, iii) training for new skills and competencies of the professionals, iv) acquisition of computer sites, and v) creation of an e-brand based on the multicultural Mediterranean history. That means finding new and innovative financing sources to reach these objectives.

SCENARIO 2: THE COMMON (SUSTAINABLE) DEVELOPMENT SCENARIO results in a stronger increase in international tourism. The SMCs, benefiting from EU support, will offer more business travel and other opportunities such as tourism routes, international packages and more cross-border traffic. With higher GDP growth, more Europeans will travel; a wide opening to emerging markets such as Asia, Russia or even Brazil for a country like Morocco may result in arrivals that are 2 to 3% per annum higher than in the Reference Scenario. Structural reforms towards green tourism will additionally underpin sector growth. Local communities and civil society (green and responsible tourism organisations) will support such initiatives.

Diaspora tourism, as a consequence of more immigration to neighbouring and northern Mediterranean rim countries, will positively impact tourism. Strong growth in the global economy means more trips from and to emerging countries in Europe, Asia and Latin America. More travel means greater energy needs; thus the tourism trade will push for initiatives in favour of low carbon or green practices.

SCENARIO 3: IN THE POLARISED (FRAGMENTED) REGIONAL DEVELOPMENT SCENARIO, stronger regional cooperation among the SMCs in tourism would replace the close relations with the EU that characterised the Common Development Scenario. The tourism sector will be very competitive and tough marketing practices will be required. Even if some SMCs build a free trade area, for example under the auspices of the League of Arab States, with a sort of Schengen Agreement among them as within the Agadir Agreement with relaxed border controls for tourists travelling in and out of the area, marketing policies will accentuate the promotion of specific national destinations, religious tourism, medical tourism or political-cultural conventions and seminars. Not all countries will benefit equally from this trend. More trade and closer political relations with the other



SMCs will mean more business travel between these countries. It will also mean more cooperation in building transnational routes on cultural and religious themes, such as a transversal route between the deserts and oases of the Sahara from Egypt to Morocco or the Ziyarat route of the Marabouts or venerated Saint Tombs. Marketing strategies might develop a common motto: *Muslim tourism in Muslim countries*. The same trends will occur in Scenario 2, but in Scenario 3, the political and social weight of the services offered will be focused more on intraregional needs. Depending on the peace process in the region, Israel could also benefit from increased regional tourism.

SCENARIO 4: IN THE FAILED DEVELOPMENT SCENARIO, the region will face security problems, economic stagnation and a low level of economic cooperation. Concerned with social tensions and geopolitical conflicts, little or no adjustment will be made to mitigate the impact of climate change on tourism development and management. In this scenario, the emphasis is only on hotspots and tourist oases (or tourist ghettos) along the coast, leaving other regions behind. We will also see an accentuation of the negative impacts of climate change, the majority of SMCs not being able to assume the costs of transition to a green economy. In this scenario, tourist results are poor, except for business travel in a few countries such as Turkey and Israel, which are more industrialised and technologically advanced.

8.1.1 Inter-Mediterranean tourism within international tourist arrivals

Today, only 15% of international tourist arrivals to the SEMCs come from the region itself. Over the next 20 years, we expect that this percentage will be linked to the state of the economy and regional integration. It may slowly increase to 20% until 2030, both in the **reference scenario** and **common (sustainable) development scenario**. In the third scenario, **regional polarised (fragmented) development**, where integration is higher, tourism arrivals of the SMCs may increase up to 25-30% of the total arrivals, i.e. between 25 and 30 million tourist arrivals more in 2030. In the **failed development scenario**, SEMCs will lose shares in this market and the percentage of interregional tourists will not reach 15%. Growth may be slower until 2015, then much stronger until 2020, 2025 and 2030.

Table 11. SEMCs scenarios: Total international tourist arrivals (millions)

Scenarios	2010	2012	2015	2020	2025	2030
Scenario 1 Reference	78.2	72.7	77	117	148	177
Scenario 2 Common development	78.2	72.7	79	121	159	204
Scenario 3 Polarised development	78.2	72.7	76	120	153	188
Scenario 4 Failed development	78.2	72.7	74	100	115	138

Sources: Author estimations using UNWTO data base (UNWTO Barometer May 2013).

8.2 Domestic tourism

At world level, there are three to four times as many tourists travelling domestically than internationally. Domestic tourism expenditure in the SMCs is directly related to income per capita and urbanisation trends. In the various scenarios, we use the income elasticity of about 1.5 suggested by the UNWTO²³ for domestic tourism (i.e. if GDP grows by 1, domestic tourism grows by 1.5). UNWTO makes the assumption of a possible slower than expected growth of GDP and a rise in the transport costs. Tourist behaviour will then change. Domestic tourism (mainly short-haul tourism) will be growing much more than international tourism, because it costs less and social habits make it easier to travel to areas with similar customs and languages.

In the **reference scenario**, the population of the SMCs (low UN variant) is expected to grow by 19% from 2010 to 2030; urbanisation is expected to reach 80% by 2030, in line with urbanisation trends in

²³ For intraregional tourism, i.e. tourism in the neighbouring countries, this elasticity is estimated at 1.2 and for interregional or intercontinental tourism, it is 0.9%.



the northern rim. Average GDP growth is assumed to be 4% (2010-2020) and 3% (2020-2030). We also believe that at least 40% of the urban population will take holidays outside their main residence, i.e. 110 million people will take leisure vacations.²⁴ If we add travel for other motives such as business, seminars and conferences, and visiting family to this figure, we obtain an estimate of 190 million of domestic tourism trips.²⁵

In the **common development scenario**, GDP growth is higher (5% during 2010-2030) and urbanisation accelerates. The population growth may be slower but female workforce participation may increase. This will not mean more domestic tourism; on the contrary, people will choose to go abroad with the easing of international tourism restrictions. In the **polarised regional scenario**, domestic tourism (as well as intraregional tourism within the SMCs) may be stronger than in other scenarios. An average GDP growth of around 4% is expected. In the **failed development scenario**, we assume lower GDP growth: only an average of 2.5% until 2030. Lower growth means lower urbanisation levels, fewer trade and business trips, and less income left for leisure and vacation. It may also lead to more population growth as rural traditions are often associated with less educated women and larger families. The lower difference with the reference scenario will be only -11%.

Table 12 provides an overview of the results of the different scenarios for domestic tourism in the SMCs using the cross – assumptions with UN population data and UNWTO projections until 2030.

Table 12. Domestic tourism trips in the SMCs (millions)

Years	Scenario 1 Reference	Scenario 2 Common development	Scenario 3 Polarised	Scenario 4 Failed development
2010*	62	62	62	62
2015	90	100	105	85
2020	125	135	140	120
2025	160	170	175	150
2030	190	195	200	170

* 2013 available data.

Sources: UNWTO, UN and projections by author.

8.3 Domestic and international tourism until 2030

The **reference scenario** assumes the substantial growth of the tourism sector in SMCs. The number of domestic and international tourists may reach 155 million in 2015, 197 million in 2020, 240 million in 2025 and 278 million in 2030 (Table 13). By comparison it was 140 million in 2010. The **common development scenario** is the most encouraging one. On the whole, the domestic and international movement of tourists may reach 170 million in 2015, 217 million in 2020, 264 million in 2025 and 321 million in 2030. In the **polarised regional scenario**, the number of domestic and international tourists may reach 170 million by 2015, 223 million by 2020, 263 million by 2025 and 309 million by 2030, but with a structural difference in the inbound markets (more arrivals from the Mediterranean region and Muslim countries) and a higher share of domestic tourism. Finally, in the **failed development scenario**, domestic and international tourists may reach only 147 million in 2015, 163 million in 2020, 188 million in 2025 and 216 million in 2030.

²⁴ This number is still lower than in Europe, where 60% of the urban population takes trips within their own countries.

²⁵ If we compare these results with some European countries, in Spain (population: 46 million in 2011) 151 million hotel stays and trips were carried out by residents of Spain itself and 13.5 million Spaniards went abroad (outbound tourism). The Germans (population: 82 million in 2010), champions of international tourism with 80 million departures abroad, recorded 200 million domestic trips. The figure of 190 million domestic trips may finally appear to be an underestimate, because the populations of the SEMCs seem to stay in second homes, not registered rented houses, or stay with parents, relatives or friends.



Table 13. MED 11 scenarios for domestic and international tourists (in millions)

Scenarios	2010	2012 (est.)	2015	2020	2025	2030
Scenario 1 Reference	140	134	155	197	240	278
Scenario 2 Common development	140	134	170	217	264	321
Scenario 3 Polarised development	140	134	170	223	263	309
Scenario 4 Failed development	140	134	147	163	188	216

Sources: UNWTO, WTTC, author.

These projections can also help us to measure the pressure on environment, especially on the coastal areas where tourism is concentrated. It is also useful to forecast infrastructure and investment.

9. Economic impacts of travel and tourism in SEMCs scenarios

9.1 Expenditure by international and resident visitors²⁶

In the **reference scenario**, according to the World Travel and Tourism Council/Oxford Economics forecasts until 2020 and 2022 respectively, and following the same model until 2030, Tourism & Travel expenditure²⁷ may be estimated at \$165 billion in 2015, \$200 billion in 2020, \$242 billion in 2025, and \$302 billion in 2030 (Table 14). This figure is considered as an overestimate in view of the 2012 and 2013 unrest, but may reflect an approximate magnitude to understand future trends.

Table 14. SEMCs scenarios: Domestic and international tourism receipts – total revenue generated by tourism (\$ billions 2011)

Scenarios	2010	2012*	2015 forecasts	2020 forecasts	2025 forecasts	2030 forecasts
Scenario 1	144	130	165	200	242	302
Scenario 2	144	130	175	220	265	326
Scenario 3	144	130	174	218	263	322
Scenario 4	144	130	150	170	200	230

Note: For 10 countries, no available figures for Palestine.

*Estimates for 2012

Sources: WTTC forecasts until 2022 and author.

This scenario is consistent with total inbound tourism expenditure described the Tourism Satellite Account (2008). Three countries, Turkey, Morocco and Egypt are ranked first, second and third until 2030. This is also consistent with the fact that domestic tourism expenditure may be more important than international tourism after 2020, as it is in advanced countries. Signs of this trend have been emerging since 2005-2010 in countries such as Morocco, Turkey or Israel and to a lesser extent, in Egypt, Syria and Tunisia.

Scenario 2 (**common development**) and Scenario 3 (**polarised development**) are likely to offer similar figures. Smaller receipts are found in the 4th Scenario (**failed development**). Average spending per tourist may be higher in Scenario 2 than Scenario 3. The failed scenario should show much lower spending per tourist.

²⁶ For WTTC, this is the total revenue generated within a country by industries that deal directly with tourists including visitor exports, domestic spending and government individual spending”.

²⁷ See Appendix 1 for definitions and methodology.



9.2 Total contribution of tourism and travel to SMCs' GDP

At the worldwide level, the WTTC projects, assuming a global GDP growth of around 4%, that the total contribution of travel & tourism to GDP, including its wider economic impact, will rise by 4% per annum to 2022, then 3 to 3.5% until 2030. In the **reference scenario**, according to WTTC forecasts and our estimates (following the same methodology), the total contribution of travel and tourism may reach a share of 11.5% of GDP in 2025 and 12% in 2030 (Table 15).

There will be minimal differences between the **common sustainable development or enhanced scenario cooperation** and the **polarised or fragmented development scenario**, where the total travel and tourism contribution to GDP reaches 14%, implying a growth that is slightly faster than overall GDP growth. In the failed development scenario, this contribution may decline to 10.5% of the total GDP of SEMCs. This quasi-stability of the T&T percentage contribution to GDP means that the tourism sector will follow and, at the same time, will accelerate the growth of the other economic sectors of the SMCs, which will approach the post-industrial stage of a development and knowledge society. **The most important conclusion is linked to the fact that tourism may have a leverage effect for this knowledge society.**

Table 15. Travel & tourism total contribution to GDP (in %) in the reference scenario²⁸

Countries	2010	2015	2020	2025	2030
Algeria	7.3	7.2	7.5	7.8	8
Egypt	17.5	15.6	16.5	17	18
Israel	7.4	7.8	8.3	8.8	9.2
Jordan	20.2	19.6	19.7	19.7	20
Lebanon	33.7	33.2	34.3	32	30
Libya	3.2	2.8	3.9	6	8
Morocco	18.9	20.5	21.3	21.8	22.5
Syria	14	14	13.6	14	14
Tunisia	17.6	15.8	14.3	14	13.8
Turkey	10	9.6	8.9	8.6	8.5
Av. MED11	10.9	11	11	11.5	12

Sources: WTTC forecasts until 2022, author for 2025 and 2030.

Table 16. Tourism total contribution to GDP in SMCs (Average for each scenario)

MED11	2010	2015	2020	2025	2030
Scenario 1	10.9	11	11	11.5	12
Scenario 2	10.9	12	12	13	14
Scenario 3	10.9	12.0	12.0	13.0	14.0
Scenario 4	10.9	11.0	11.0	10.9	10.5

Source: MEDPRO, 4a.3 Revised (July 2012).

9.3 Capital investment in tourism and government tourism expenditure

What amount of private and public sector capital investments²⁹ is necessary to achieve the tourism growth rates estimated in the above scenarios up to 2030?

²⁸ No available figures for Palestine.

²⁹ Capital investment includes fixed investment of travel and tourism service providers and government agencies to provide facilities, capital equipment and infrastructure for visitors.



Countries that take higher risks in their capital investment strategies in tourism and travel may have higher rewards, but also greater variability in those rewards. Mechanisms for risk sharing have to be developed and these are more likely to exist in the **common development** scenario than in the **polarised regional development** scenario. Furthermore, under the **common development (enhanced cooperation)** scenario, we may find well developed financial markets and strong legal and government institutions linked by their close relationship with the EU. Norms and standards (especially those concerning the environment and climate change negotiated and agreed upon between EU and SEMCs) will give more confidence to international investors. In the **polarised regional (fragmented) development** scenario, FDI may originate from the oil-producing countries (e.g. Gulf States) rather than from the EU.

In the **reference scenario**, capital investments and government tourism expenditures may vary largely depending on the tourism investment policies of each country and the level of FDI. In Scenario 2, **common (sustainable) or enhanced cooperation development**, these investments may be more important than in the other scenarios and may go increasingly to ‘green projects’. Our assumption is that in this scenario, capital investment may be boosted by 25% in comparison with the **reference scenario**. We find a different pattern in the **polarised regional or fragmented development** scenario – even if more tourists are expected, the level of investments will be lower, perhaps similar to the **reference scenario** because intraregional tourism and domestic tourism are looking to less sophisticated equipment and infrastructure than international (interregional) tourism, as is being observed in Europe for neighbouring countries. It is likely that in the **failed scenario**, capital investment will be 25% lower than in the **reference scenario** (Table 17).

Table 17. Total SEMCs capital investment in tourism and government tourism expenditure (\$ thousand billion at current prices and exchange rates 2011)

	2010	2015 Forecasts	2020 forecasts	2025 forecasts	2030 forecasts
Reference scenario	32	36.1	46.7	56.2	67.3
Enhanced cooperation	32	49	64	83	117
Polarised development	32	38	47	60	72
Failed development	32	33	38	48	59

Source: WTTC calculations for the Reference Scenario until 2022 and author estimates for Reference Scenario until 2030 and the other scenarios.

What will be the role of government tourism expenditure in marketing and promoting their country’s destinations? In scenario 2, **common development**, budget support will be used to promote sustainable products and services helping to create the ‘green’ use of natural and cultural resources. In scenario 3, **polarised development**, budgets will place a greater emphasis on regional integration. In the **failed development** scenario, governments will have to help the private sector to promote their services and products in international markets. These strategies will depend on the use of information and communication technologies, mainly the internet and social networks.

9.4 Travel and tourism total contribution to employment

The World Bank study (2012) “*Enabling employment miracles*” focuses on the problem of unemployment in the MENA region - which includes the 11 SEMCs. This SEMCs problem is “the *most acute in the world*”. With youth unemployment above 25%, a top priority for governments is to create an environment and develop sectors where employment expands. The World Bank study shows that burdensome business regulations constrain employment creation, which is the case in many SMCs. Additionally, regulatory reforms towards greater flexibility are likely to lead to reductions in unemployment. Large companies are more able to respond to the measures fixed by national or local bureaucracy; it is not the same for SME enterprises which may be created for specific niches, products and services for the tourist and traveller.



Tourism and travel are labour intensive. Their contribution to employment reached 10.4 million in 2010, i.e. 13% of total employment, and then this percentage dropped to 9.766 million in 2012. The WTTC/OE projection until 2020 and the one created by the author of this study up to 2030 puts tourism employment in 2015 at 10.5 million (ca. 12% of total employment), 11.6 million in 2020, 13.4 million in 2025, and 15.8 million in 2030.³⁰ This means that tourism in its actual form will not create so many jobs as expected, thereby revealing a need to change tourism policies to increase employment. The reference scenario is the worst scenario for tourism employment.

Our forecasts are reflected in Table 18. They are associated with labour productivity and tourism sector competitiveness as related to the number of employees per tourist. Labour productivity is increasing in the SMCs, and is directly linked with the capital intensity of the tourism sector and the concentration in large hotels and equipment, which has a direct impact on the level of employment and job creation. The expansion of tourism may lower capital accumulation and increase employment if it is labour-intensive relative to other traded sectors. Again, the **common sustainable development** scenario includes a framework for job creation in green businesses which are more labour-intensive than traditional capital – intensive hotel chains or transnational companies, with the creation of more small and medium-sized enterprises or organisations linked to responsible and fair tourism. The **polarised development** scenario may signify more jobs than in Scenario 1, as the productivity and competitiveness will be lower in this scenario. Finally, the **failed development** scenario should provide more employment compared to the reference scenario, but labour quality and training in this scenario is mediocre and has a direct effect on the competitiveness of the tourism sector.

Table 18. Employment in the travel and tourism sector according to scenarios (millions jobs)

Scenarios	2010	2015	2020	2025	2030
		forecasts	forecasts	forecasts	forecasts
Reference	10.4	10.5	11.6	13.4	15.8
Common development	10.4	12.4	15.5	19.3	24.2
Polarised development	10.4	12.4	14.8	17.8	20.5
Failed development	10.4	10.2	11.2	14	16

Sources: WTTC, UNWTO and author.

10. The tourism scenarios – qualitative analysis

The UNWTO report “Tourism Towards 2030” used various scenarios at global level to evaluate its forecasts until 2030 with a BAU central scenario at 1.8 billion tourist arrivals. Its first postulation is a lower growth in the global GDP into the medium term; then follows a hypothesis that transport costs could increase at a faster rate than in the central projection, with its opposite: transport costs continue their decline, at a similar rate to what has occurred since 1990. If GDP growth is slowing, especially in Europe, world tourist arrivals may reach only 1.4 billion in 2030. If transport costs rise fast and GDP growth is the same as the last two decades, UNWTO predicts only 1.66 billion tourist arrivals. Then, if transport costs continue to fall, international tourist arrivals would grow at an average annual rate of 3.9%, to 2.0 billion.

For the SMCs, what may be the qualitative consequences of UNWTO scenarios and the quantitative results of MEDPRO scenarios?

10.1 Reference scenario 1

The first scenario is a ‘business as usual’ one. It presents the continuation of current trends but with different degrees of market liberalisation and development and marketing policies. In this scenario, the movement of tourists (domestic and international) will reach 278 million by 2030. To reach more

³⁰ The number of jobs generated directly by the travel & tourism industry plus the indirect and induced contributions.

competitiveness and reduce prices, it will lead to fewer people being hired and reduces the creation of new enterprises.

Tourism cooperation

- Little by little, within the ENPI (European Neighbourhood & Partnership Instrument) process, Euro-Mediterranean Association Agreements will engender the creation of similar norms and standards in all elements of tourist products and services. However, this process is much slower than strategic Euro-Med cooperation in tourism. It is important to engage tourism in the battle for norms and standards to reinforce solidarity between the Mediterranean rims, especially in technical and health standards for consumer protection.
- The Arab countries' democratisation, after 2014-2015, may accelerate interest in this cooperation.
- The main unifying network, the Mediterranean Travel Trade Association (META), may manage to take off gradually and be operational by 2015.
- UNWTO may create the Mediterranean Tourism Observatory to help local territorial authorities (a region or a city) with a strong emphasis on statistics and environmental matters.

Business climate and competitiveness

- The position of SMCs in the competitiveness indices remains unchanged.
- Price competition remains the main driver for a fast tourism recovery. These price cuts have a negative effect on the quality of services, employee wages, waste management, use of energy and maintenance.
- The to and fro movements between very competitive Mediterranean destinations have a harmful impact on the 'conviviality' of Mediterranean tourism. These destinations will develop hard marketing methods to attract clientele and investors, with negative effects on their long-term image.
- Hotels are shunning social media and turning away from online travel agents to focus on direct bookings.

New destinations and products

- New destinations may emerge, mainly in North Africa, with the opening of Algeria and Libya for the development of coastal tourism.
- Oases and deserts will be rapidly saturated, having exceeded their carrying capacities.
- Cruises may become saturated by 2025 and at the same time, nautical tourism growth may be reduced because of its negative impacts on the coastal environment.
- Cultural and religious tourism will increase substantially. Some projects may be successful, such as "Spirits of the Mediterranean," in enhancing the tourism impact of traditional and popular festivals in rural Mediterranean areas.
- Marketing strategies will become increasingly oriented towards emerging markets - mainly China, India, Russia and other Asian Muslim countries.

Image of tourism in 2030

- With 12% of GDP, and 3% of the world's capital investments and government expenditure, tourism retains its political and geostrategic weight in the SMCs in 2030.
- The main negative image comes from climate change impact and environmental contamination effects. Local pollution may increase at beaches, resorts, cultural and religious destinations, etc.
- The surface area of nature reserves and parks may shrink, rather like Balzac's allegorical 'magic skin', except for hotspots, which are often privatised to make money through ecotourism in the short term.



- Local and international NGOs will develop some socially responsible tourism projects, but without sufficient assistance.
- Finally, SMCs will not develop a common policy for a unique Mediterranean image.

Most significant threats

- Climate change: rising sea levels leading to huge infrastructure on coastlines, multiplication of natural catastrophes from now until 2030.
- Sporadic terrorism, especially in remote areas in the Saharan Desert or in more visible and popular tourist resorts (such as in Marrakech at the end of April 2011).
- Uprisings and more local insurgencies due to food shortages and price increases.
- Energy and its impact on transportation will increase the cost of air transport and surface travel
- Repeated economic and financial crises, but with moderate resilience of the tourist sector.
- Due to these crisis, government budget cuts in tourism education and training, and tourism marketing.

10.2 Common (sustainable) development scenario 2

Scenario 2, **common (sustainable) development** offers the best possibilities of tourism development and cooperation between the SMCs and Europe with 321 million expected tourist movements (domestic and international). It provides solutions to climate change. It encourages a close cooperation between the tourism industry and the local authorities around the Mediterranean to develop innovative products. It is a win-win scenario with a rapid demographic and democratic transition.

Tourism may also be seen as: ‘The wonderful Mediterranean scenario’. Furthermore, in this scenario climate change issues will be dealt with very rigorously at local, regional and national levels after 2015. In all the projections presented, this scenario creates more jobs; it requires more investment and a more strategic tourism development and management strategy with a sustained and responsible vision. In this scenario, the number of domestic tourists will exceed international tourist arrivals.

Scenario 2 is also related to responsible and sustainable tourism that aims to promote the European Union and international organisations such as UNWTO or UNEP. On 21 and 22 June 2012, in Brussels, the European Commission convened a Euro-Mediterranean Conference on Sustainable Tourism with the presentation of good practices of five countries of the SEMCs zone: Morocco, Tunisia, Jordan, Israel and Lebanon. In April 2012, UNWTO organised in Djerba (Tunisia) the VIth International Conference on Management of the Destinations where Algeria, Tunisia and Egypt participated to provide a platform for dialogue between all relevant partners, and to explore possibilities of synergies to reinforce their sustainability. The transformation of the public sector was underlined with the emergence of new public and private partnerships and the implementation of strategies and policies that promote Scenario 2.

Tourism cooperation

- With a revamped Union for the Mediterranean (UfM) and reinforced association agreements, the same norms and standards will apply to health and security, environment, social and human resources, jurisdiction, etc. This would give full confidence to the status of tourism in the SMCs and a good climate for investments, enterprise and job creation.
- The European Union, through different programmes and financial instruments, will accelerate the modernisation of tourism and ICT infrastructure in SMCs; some of them, such as Turkey, will become full members of the European Union.
- The European Union will enhance the development of a ‘green’ tourism economy. The programmes in this area will be fully applied in SMCs.



- The European one-stop-shop/system will become the main mechanism for creating or restructuring enterprises.
- META will become the major professional trade network of the Mediterranean (inter-sub - sectoral) and will develop trade and investment fairs and meetings. The META network with its web platform will become a hub for marketing professionals.
- The Mediterranean Tourism Observatory, launched with the UNWTO assistance, will join the European Observatory for Tourism and will be connected to Eurostat and its Medstat -Medtour programme.
- The Union for the Mediterranean (UfM) will create, after 2014, the Mediterranean Agency for Tourism Cooperation and Development dedicated to the elaboration of common policies and programmes among all the Mediterranean and European countries in a responsible and sustainable vision. This agency will deal principally with destination planning and management and the local and regional governance of tourism.
- High importance will be placed on the projects of the Cultural Council of the UfM in charge of tourism and heritage.

Business climate and competitiveness

- Competitiveness indices will show improving results for the SEMCs on almost all indicators: particular attention will be paid to tourism infrastructure/transportation and natural resources.
- Easy creation of new business, especially small and medium-sized enterprises with an emphasis on responsible tourism and use of information and communication technologies.
- Price competitiveness and fare dumping will be softened by cooperation and fair competition rules.
- Tourism Foreign Direct Investors will consider SEMCs as an AAA investment area; the highest grade will be assigned to debt obligation by rating agencies.
- Good governance in SEMCs will provide a flexible backing through standards and norms to the tourism, leisure, culture and sport enterprises. These enterprises will be mainly small, if not micro-enterprises, and will require assistance from DMO organisations in the management and marketing of the tourist destinations as well as the mutualisation of the innovative use of Web2 and Web3 (cloud, etc.). Tourism industry concentration will slow down, having a positive effect on tourism employment.

New destinations and products

- Efforts to build a green tourism economy will be successful. Ecological 'green' architecture for tourism buildings will be required. Consumers will be informed of the social and environmental contents of the products and services they are being offered. It will be the subject of social and environmental labels and certifications, which will influence the modes of consumption.
- The debate about two major tendencies: mega-destinations or diffused tourism in the region is not over. With mega-destinations, it is possible to control the impact of pollution in a specific area. Diffused tourism may require more self-discipline on environmental issues and carbon emissions, but will increase employment.
- Tourism products with low carbon emissions will be offered in the inbound markets. Domestic tourism will follow this pattern and trend.
- Socially responsible accommodation and fair tourism activities will become the mainstream for this sector.
- More innovative intercultural products such as museums, pilgrimages, festivals, etc., will become a common means of intercultural and interreligious dialogue.
- Trans-Saharan routes and other common tourism paths and routes on cultural, natural and religious themes will develop.



- Human resources: respective academic and training programmes will be put into operation and bring about successful results. Training mobility and knowledge networks will multiply.
- Numerous links will be created with the Union for the Mediterranean actual and future projects: civil protection, renewable energies, maritime and land highways, EuroMed bank, higher education and research, Euro-Mediterranean University, etc.

Image of tourism in 2030

- As in the previous scenario, the tourism sector will have a politically appropriate weight in the SMCs.
- PPP – Partnership between the public and the private sectors will become the modus operandi for tourism development projects.
- The image of the Mediterranean as a unique tourism destination will be anchored in consumer behaviour and image. The Mediterranean will be a sea that joins, rather than separates, its people.

Most significant threats

- Tourism in the region is affected by the negative consequences of climate change, including more frequent natural disasters.
- Sporadic terrorism in remote areas in the Saharan Desert or in luxurious tourist resorts. Its impact on tourism would be minimised if countered by balanced and well defined counter-terrorist measures that do not jeopardise the image of regional stability.
- Some local revolts due to food insecurity or local governance problems.
- Government budget cuts in education and tourism training as well as in tourism marketing (to a lesser extent than in Scenario 1).

10.3 Polarised or fragmented regional development, Scenario 3

Scenario 3 concerns a polarised or fragmented regional development for the majority of SMCs. The Mediterranean Sea is seen as “a dividing line between unchanging and inherently conflicting civilisations” (Sessa, 2011). In the best case scenario, the Union of Arab Maghreb is working well and extends from Mauritania to Egypt. The challenge will be to enhance regional integration in all its forms. Tourist movements (international and domestic) may reach 309 million by 2030 and the total contribution of tourism and travel to the SEMCs’ GDP, 14%.

Tourism cooperation

- The Arab Union for Tourism (AUT) will allow for good cooperation among these countries, hosting Arab citizens without entry visas (an Arab version of Schengen or Agadir – facilitation area).
- AUT will also improve investment in cultural heritage and tourist attractions in the Arab SMCs and reinforce cooperation between tourism and hotel organisations on training and the quality of services and tourist products.
- Tentative cooperation on information and communication technologies with specialised platforms for hoteliers, DMO, etc.
- The Euro-Mediterranean partnership between the European Union and some of the SMCs will steadily follow its course. Meetings between both Mediterranean rims will be reduced due to budget cuts.
- The UMA – Union of Arab Maghreb may develop special programmes on tourism.
- UNWTO will follow some cooperation to fight against poverty and develop green tourism in the SMCs. The Mediterranean Tourism Observatory may find its headquarters in one of the SMCs.
- Growing role of Islamic cooperation institutions.



Business climate and competitiveness

- Competitiveness Indexes show better results for the SMCs, mainly on indicators such as policy rules and regulations, safety and security, health and hygiene, government prioritisation of travel and tourism, ICT infrastructure and human resources, and cultural resources.
- Tough competition with southern European destinations and resorts for beach summer tourism; and with Asia for cultural tourism.
- Religious and traditional programmes will attract less interest in the sea-sand-sun model for domestic and intraregional tourism.
- The development of rural and hinterland tourism with national entrepreneurship will take priority.
- Some tourism destinations will try to follow (not always successfully) the Dubai success story (some forecasts indicate Dubai International will be the busiest airport in the world before 2015); for example, Aqaba between Jordan and Saudi Arabia.
- FDI from the oil states may be reoriented from huge tourism resorts towards renewable energy infrastructure.
- Opportunity for good governance at regional and local levels, especially to develop tourism activities and equipment for domestic and intraregional tourism.

New destinations and products

- As in Scenario 2, importance is given to urban tourism, cultural and religious tourism, tourism for shopping, medical tourism, diaspora tourism.
- Development of rural areas using local tourism projects to fight poverty and reduce rural migrations.
- Slow development of nautical tourism for domestic and intraregional tourists.
- Cruise development will be less important than in scenarios 1 or 2, with restrictions related to food and beverages and shorter excursion times, until reaching saturation point in some destinations.
- Promotion and marketing that will target Africa (for religious and cultural tourism), emerging economies (China, India, etc.) and cultural tourism from developed countries.
- Strong prospects of diaspora tourism from the Muslim communities in Europe (Ramadan at home, holidays in the family home, etc.).
- Seminars and conventions for NGOs and transnational enterprises from North Africa, Middle East, Gulf and even Sub-Saharan Africa.

Image of tourism in 2030

- For Europeans and Americans, most of the SMCs will be seen as an exotic 'oriental' destination different from the vision of a unique Mediterranean region with its cultures and natural resources. Stereotypes may, conversely, prove a disincentive to travel to some MED 11 destinations.
- The tourism sector will continue to be seen as a significant component of the economy but with a different vision, more oriented towards Arab tourism (including the Gulf States and other Middle Eastern states).

Most significant threats

- Climate change mitigation initiatives may receive less attention.
- European tourists will look more towards island destinations such as the Caribbean or Canary Islands.



10.4 Scenario 4: Failed development

The fourth scenario of ‘decline and conflict’ involves a more pessimistic view of the future for the SMCs with a radicalisation of conflicts leading to a failure of the democratic transition process and further worsening in the area of sustainable development. The relationships between Israel and its neighbours will worsen, as will those between some North African countries. Under these conditions, SMCs will face economic, social and political volatility and tourism will face serious difficulties. International and domestic tourist movements may reach 216 million by 2030. Domestic tourists will be more numerous than international tourists and employment may be more important than in the BAU – Reference scenario.

Tourism cooperation

- With the economic crisis in Europe, cooperation budgets are drastically cut as has happened in Spain and Portugal since 2011.
- The absence of a stable power undermines the EU’s and other countries’ efforts to achieve cooperation on key issues of interest, such as immigration, security and energy. It is the worst environment for tourism development: no travel facilitation (visas), no political and social stability, which means frightening tourists and alarming travel operators, no confidence for foreign investors, poor marketing and promotion, no emphasis on green tourism.
- Poor tourist cooperation, except through UNWTO (Mediterranean Tourism Observatory) and the Arab Union for Tourism with poorly funded programmes.
- Drastic slowing down of the Euro-Mediterranean partnership between the European Union and some of the SMCs. The Union for the Mediterranean is dissolved.
- Attempts by the Chambers of Commerce and Industry to use the MEDITOUR process to help existing entrepreneurs (tour operators and hoteliers) to keep their foreign clients.

Business climate and competitiveness

- The Competitiveness Indexes will worsen for the SMCs, with particularly poor indicators on education and training and availability of qualified labour as well as environmental indicators.
- More entrepreneurial models linked to family economy to balance the failure of open development, e.g. more employment, self and family employment, but with lower wages and salaries than in the other scenarios.
- Limited mobilisation of civil society, including enterprises, on climate and environmental issues.

New destinations and products

- As in the other scenarios, after 2015, Algeria and Libya will try to open huge sea resorts and complexes as a move towards diversification of their economies that rely excessively on natural resources.
- Some natural tourism hotspots will be preserved as national shrines (natural or religious).
- Domestic and low-cost tourism is often seen as the better solution for developing this sector.

Image of tourism in 2030

- In Scenario 4, with only 10.5% of GDP, the tourism sector will have reduced political weight in regard to other sectors, such as agriculture.
- As in Scenario 3, polarised regional development, tourism will be more oriented towards the Gulf States and other Middle East countries.
- Increasing number of stereotypes will weaken the image of the SMCs and the whole Mediterranean.



Most significant threats

- Reduction of the freedom of movement to fight terrorism and illegal immigration.
- Frequent terrorist attacks against international tourists.
- Extremist states reducing seaside tourism for religious motives or using tourism as a propaganda instrument.
- Less attention to countering threats of global climate change.
- Serious environmental problems; drought, higher sea levels with displacement of populations, water and air pollution, etc.
- Conflicts around water use may become very dramatic (between agriculture and cities as well as tourism resorts).
- Repeated economic and financial crises, but this time, without a resilient tourist sector.
- Negative attitude of local populations towards foreign visitors, and possibly an enforcement of practices inspired by fundamentalism (dress codes, restriction on alcohol consumption...) which may inhibit international tourism: the 'clash' of civilizations.

Appendix 1. Methodology and key concepts

I. MAIN SOURCES

Algeria: UNWTO, Ministère de l'Aménagement du territoire, de l'Environnement et du Tourisme, Office national des Statistiques

Egypt: UNWTO, Ministry of Tourism and International Monetary Fund

Israel: UNWTO, Ministry of Tourism and International Monetary Fund

Jordan: UNWTO, Ministry of Tourism & Antiquities, and International Monetary Fund

Lebanon: UNWTO, Ministère du Tourisme and International Monetary Fund

Libya: UNWTO, General People's Committee for Tourism and International Monetary Fund

Morocco: UNWTO, Ministère du Tourisme and International Monetary Fund

Palestine: UNWTO, Palestinian Central Bureau of Statistics and International Monetary Fund

Syrian Arab Republic: UNWTO, Ministry of Tourism and International Monetary Fund

Tunisia: UNWTO, Ministère du Tourisme – Office national du Tourisme – Institut National de Statistique, and International Monetary Fund

Turkey: UNWTO, Ministry of Culture and Tourism – Turkish Statistical Institute, OECD and International Monetary Fund

Other sources: Eurostat, Medstat, Medtour, OECD, World Bank, META, UNEP, MAP – Plan Bleu, WTTC

II. UNITS

\$ millions: US dollar million, at current prices and exchange rates.

Real growth: The annual percentage change in the 2000 \$ billion series for the status report (Chapter 1) or 2010 \$ billion series for the scenarios (Chapter 2).

% share: The share of travel and tourism spending or employment in the equivalent economy-wide concept in the published national receipts accounts or labour market statistics.

'000: Thousands of persons (e.g. visitors or employees).

III. ABBREVIATIONS

A. COUNTRIES

DZ: Algeria

MA: Morocco

EG: Egypt

PS: Palestinian Autonomy - Palestine

IL: Israel

SY: Syria

JO: Jordan

TN: Tunisia

LB: Lebanon

TR: Turkey

LAJ: Libyan Arab Jamahiriya

B. ACRONYMS

ANIMA: Mediterranean Investment Network

AUT: Arab Union for Tourism

CLIA: Cruise Lines International Association

CLEA: Cruise Lines European Association

DMO: Destinations Marketing Organisations



ICT: Information and communication technologies
 IMF: International Monetary Fund
 MAP: Mediterranean Action Plan (including the Blue Plan - CARPB)
 META: Mediterranean Travel Association
 OE: Oxford Economics
 OECD: Organisation for Economic Cooperation and Development
 UfM: Union for the Mediterranean
 UMA: Union of Arab Maghreb
 UNEP: United Nations Environment Program
 UNWTO: World Tourism Organization
 WB: World Bank
 WEF: World Economic Forum
 WTTC: World Travel & Tourism Council

IV. DEFINITIONS AND CONCEPTS (EXCERPTS FROM UNWTO AND WTTC)

According to the UNWTO/United Nations Recommendations on Tourism Statistics, tourism comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes.

Inbound Tourism – for UNWTO, arrivals data correspond to international visitors to the economic territory of the country of reference and include both tourists and same-day non-resident visitors.

Overnight stays refer to the number of nights spent by non-resident tourists in accommodation establishments (guests). If one person travels to a country and spends five nights there, that makes 5 tourist overnight stays or person-nights. For Algeria, it is nationals residing abroad + foreign visitors. For Israel, tourists are foreign visitors excluding cruise passengers and excluding Israeli residents living abroad. For Morocco, it is nationals residing abroad + foreign visitors, excluding cruise passengers. For Syria, tourists are foreign visitors + foreign residents. For Turkey, tourists are foreign visitors, including same-day visitors.

International visitor arrivals includes all non-resident visitors – overnight, same-day and cruise passengers staying overnight on ships in ports.

Overnight visitor arrivals only includes those international visitors who stay at least one night (i.e. same-day and cruise passengers are excluded).

Expenditure associated with tourism activity of visitors has been traditionally identified with the travel item of the Balance of Payments (BOP): in the case of inbound tourism, the expenditure associated with non-resident visitors is registered as ‘credits’ in the BOP and refers to ‘travel receipts’. The new conceptual framework approved by the UNSC in relation to the measurement of tourist macroeconomic activity (the so-called Tourism Satellite Account) considers “tourism industries and products” as including the transport of passengers. WTTC personal travel & tourism expenditure data includes all personal spending by residents on travel & tourism services (accommodation, transport, entertainment, meals, etc) and goods (both durable and non-durable) used for travel & tourism activities. Spending may occur before, during or after a trip and covers all travel & tourism – both domestic and international.

Personal travel & tourism expenditure includes all personal spending by residents on travel & tourism services (accommodation, transport, entertainment, meals, etc) and goods (both durable and non-durable) used for travel & tourism activities. Spending may occur before, during or after a trip and covers all travel & tourism – both domestic and international.

Travel & tourism economy GDP is the broadest measure of the economic contribution of the travel & tourism sector. It records the activity of traditional travel & tourism providers (e.g. lodging,



transportation, etc), plus tourism-related investment, public spending and export of goods. It includes both the direct effects and the indirect effects via the supply chain of travel & tourism spending (Source: WTTC). To measure travel & tourism Economy GDP, we take advantage of the equivalence of the expenditure measure of GDP and the output measure when appropriately defined. So travel & tourism industry GDP (direct plus indirect) is calculated as the sum of the demand components making up tourism consumption (personal T&T spending, business T&T spending, foreign visitor T&T spending and government individual T&T spending) minus the imported component of such consumption. And travel & tourism economy GDP is calculated as total tourism demand (tourism consumption plus government collective T&T spending, T&T fixed investment and T&T non-visitor exports) minus its import component (imported services, mainly residents' travel abroad expenses, together with other imported goods associated with tourism demand).

Visitor exports are defined as the expenditure by international visitors on goods and services within the economy. Such inbound tourism spending includes both travel spending and spending on passenger transport services provided by the nation's firms to non-residents (from the balance of payments accounts). Domestic spending by foreign visitors and residents' spending abroad have traditionally been recorded in tourism statistics. Expenditures of residents while abroad and of foreign nationals in the country are available for nearly all countries and form the services portions of the WTTC/OE accounts. Thus, Foreign Visitor Spending (FVS) represents T&T services exports and Resident Spending Abroad (RSA) represents T&T services imports as suggested by the TSA (tourism satellite account methodology). Other (Non-visitor) Exports include consumer goods (such as clothing, electronics or petrol/fuel) exported for ultimate sale to visitors, or capital goods (such as cars, aircraft or cruise ships) exported for use by Travel & Tourism providers abroad. According to the OCDE, the balance of payments data on travel, excluding business travel are one source of data on a part of tourism as defined in TSA. The TSA framework allows for a breakdown of visitors' expenditure in a way that may be useful for GATS, for example, disaggregating visitors' expenditure on goods, hotels, and food and beverage serving services, or disaggregating visitors' expenditure by resident and non-resident visitors. TSA also provides lists of tourism specific products with CPC links.

Travel & tourism economy employment covers the jobs generated by Travel & Tourism Economy GDP, the broadest measure of Travel & Tourism's employment impact.

Capital investment includes fixed investment expenditure by travel & tourism service providers and government agencies to provide facilities, capital equipment and infrastructure for visitors.

Hotels and similar establishments: The number of rooms and bed-places refers to the capacity in hotels and similar establishments for providing temporary accommodation to visitors.

For additional references, see http://www.unwto.org/statistics/basic_references/index-en.htm

COMPETITIVENESS INDEX

The Travel and Tourism Competitiveness Report has been prepared by the World Economic Forum since 2007. The Travel and Tourism Competitiveness Index (TTCI) aims to measure the factors and policies that make it attractive to develop the T&T sector in different countries. It is based on three broad categories of variables that facilitate or drive T&T competitiveness:

1) The T&T regulatory framework sub-index: how the policy environment is conducive to developing the T&T sector; 2) the T&T business environment and infrastructure sub-index; and 3) the T&T human, cultural and natural resources sub-index.

Source: WEF, The Travel & Tourism Competitiveness Report 2011: Beyond the Downturn, February 2011.



Appendix 2. Methodology for the scenarios

To quantify the scenarios, it is possible to use indicators such as GDP per capita, level of infrastructure and equipment, capital investment in tourism, demographic indicators, norms and standards to forecast the future of domestic, intraregional (within SMCs) and international tourism (from outside SMCs). But how can we determine a range of hypotheses for the identification and ranking of these drivers, which are not only internal to tourism but also result from other sectors (independent variables)? The information used in this analysis was generated through interactive brainstorming procedures that have involved all the sectors (agriculture, industry, urban economy, etc.) in an iterative process. It is likely to develop contrasting hypotheses on the drivers to quantify tourism in the four global scenarios: Reference Scenario, Common Development Scenario, Polarised Development Scenario and Failed Development Scenario.

Forecasts for the Reference Scenario until 2030 were produced in a similar way to the results produced by the WTTC/OE for 2020,

Forecasts for visitor numbers (and so for T&T services trade) are based on a matrix of visitor demand derived from UNWTO statistics on the country of origin of foreign visitors (UNWTO WTTC/OE Yearbook of Tourism Statistics)[...] This allows to take account of projections of visitor imports (i.e. residents' spending abroad) in the countries providing most of a country's visitors, when making our projections of that country's visitor exports (WTTC, 2008).

This forecasting methodology is mainly useful in taking into account political and geostrategic events, such as the Arab Spring of early 2011 that can be expected to have a differentiated impact on the propensity to travel abroad of consumers and business travellers in different countries. (See World Travel & Tourism Council /Oxford Economics, Travel & Tourism Economic Impact Methodology, Methodology for producing the 2010 WTTC/OE TRAVEL & TOURISM ECONOMIC IMPACT RESEARCH using a simulated Tourism Satellite Account framework, OE, Oxford, March 2010)

Following the WTTC/OE methodology,

Once we have projections of travel & tourism demand components, we are able to construct projections of the supply-side of the tourism industry in exactly the same way as we construct the data for the industry's current contribution.

Using these forecast aggregates, the additional variable details must be estimated. Travel & tourism estimates are obtained by projecting the trends of the historical shares for each of the aggregates. For example, forecasts for investments are produced in a similar way to other components of T&T demand, with each component of private investment spending on Travel and tourism assumed to grow in line with the appropriate component of overall investment spending. Based on the results of the reference scenario, we have changed the level of the variables which drive the three other scenarios.

We have also to mention the methodology used by the MEDPRO team for the document WP 4a: MANAGEMENT OF RESOURCES AND ADAPTATION TO CLIMATE CHANGE (4a.3 Revised, July 2012) on Ecosystem attractiveness and coastal tourism demand. Their model seeks to address simultaneously three endogenous variables: (1) Touristic arrivals at a destination (the destination function); (2) Tourist expenditures; (3) Tourist preferences for trip characteristics with three equations in practice (3SLS estimation):

- Number of Arrivals = f(total expenditures, preference for the destination's characteristics);
(1)
- Total expenditures = f(macro-economic environment (socio-economics and demographics of the destination)); (2)
- Preference for the Destination = f(intrinsic recreational and environmental features of the selected destination) (3)



“This empirical strategy is motivated by two main requirements. The first one is econometrics-diagnostics based, since a simple linear model that explains arrivals in particular destinations as a function of selected explanatory variables, estimated by OLS, produces estimates, affected by heteroschedasticity and multicollinearity. The second responds to the attempt to construct and test an econometric model that describes and captures complex relationships in a better/more efficient way than a single, linear specification.”

“After several checks, we simultaneously estimate the following three equations model, where most variables are similarly expressed in logarithms, so that estimated coefficients can be interpreted as elasticity:

- $\text{Log}(\text{Coastal Arrivals}_i) = \beta_0 + \beta_1 \cdot \text{Log}(\text{Total Expenditures}_i) + \beta_2 \cdot \text{Log}(\text{Protected Areas}_i) + \beta_3 \cdot \text{Log}(\text{UNESCO Cultural Sites}_i) + \varepsilon_i$ (1a)
- $\text{Log}(\text{Total Expenditures}_i) = \beta_0 + \beta_1 \cdot \text{Log}(\text{Destination GDP per Capita}_i) + \beta_2 \cdot \text{Log}(\text{Coastal Population Density}_i) + \varepsilon_i$ (2a)
- $\text{Log}(\text{Protected Areas}_i) = \beta_0 + \beta_1 \cdot \text{Log}(\text{Annual Average Precipitation}_i) + \beta_2 \cdot \text{Log}(\text{Annual Average Temperature}_i) + \beta_3 \cdot \text{Log}(\text{Forest Area}_i) + \beta_4 \cdot \text{Log}(\text{Wetlands Area}_i) + \beta_5 \cdot \text{Log}(\text{Biodiversity Index for Mammals}_i) + \beta_6 \cdot \text{Log}(\text{Biodiversity Index for Birds}_i) + \varepsilon_i$ (3a)

“Equation (1a), the destination function, relates arrivals to “cultural services” provided by the destination coastal tourism: the percentage of the country territory destined to protected area and the number of UNESCO protected cultural sites, which usually also have environmental features. Equation (3a) explains the protected coastal areas surface in the destination country as a function of selected climatic, environmental variables and biodiversity indicators.”

(Onofri & al., 2012).



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About MEDPRO

MEDPRO – Mediterranean Prospects – is a consortium of 17 highly reputed institutions from throughout the Mediterranean funded under the EU’s 7th Framework Programme and coordinated by the Centre for European Policy Studies based in Brussels. At its core, MEDPRO explores the key challenges facing the countries in the Southern Mediterranean region in the coming decades. Towards this end, MEDPRO will undertake a prospective analysis, building on scenarios for regional integration and cooperation with the EU up to 2030 and on various impact assessments. A multi-disciplinary approach is taken to the research, which is organised into seven fields of study: geopolitics and governance; demography, health and ageing; management of environment and natural resources; energy and climate change mitigation; economic integration, trade, investment and sectoral analyses; financial services and capital markets; human capital, social protection, inequality and migration. By carrying out this work, MEDPRO aims to deliver a sound scientific underpinning for future policy decisions at both domestic and EU levels.

Title	MEDPRO – Prospective Analysis for the Mediterranean Region
Description	MEDPRO explores the challenges facing the countries in the South Mediterranean region in the coming decades. The project will undertake a comprehensive foresight analysis to provide a sound scientific underpinning for future policy decisions at both domestic and EU levels.
Mediterranean countries covered	Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria, Tunisia and Turkey
Coordinator	Dr. Rym Ayadi, Centre for European Policy Studies (CEPS), rym.ayadi@ceps.eu
Consortium	Centre for European Policy Studies, CEPS , Belgium; Center for Social and Economic Research, CASE , Poland; Cyprus Center for European and International Affairs, CCEIA , Cyprus; Fondazione Eni Enrico Mattei, FEEM , Italy; Forum Euro-Méditerranéen des Instituts de Sciences Economiques, FEMISE , France; Faculty of Economics and Political Sciences, FEPS , Egypt; Istituto Affari Internazionali, IAI , Italy; Institute of Communication and Computer Systems, ICCS/NTUA , Greece; Institut Europeu de la Mediterrania, IEMed , Spain; Institut Marocain des Relations Internationales, IMRI , Morocco; Istituto di Studi per l’Integrazione dei Sistemi, ISIS , Italy; Institut Tunisien de la Compétitivité et des Etudes Quantitatives, ITCEQ , Tunisia; Mediterranean Agronomic Institute of Bari, MAIB , Italy; Palestine Economic Policy Research Institute, MAS , Palestine; Netherlands Interdisciplinary Demographic Institute, NIDI , Netherlands; Universidad Politecnica de Madrid, UPM , Spain; Centre for European Economic Research, ZEW , Germany
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