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# Tourism in the MED 11 Countries

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## Abstract

For the last two decades, MED11 countries (Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestinian Autonomy, Syria, Tunisia and Turkey) have recorded the highest growth rate in inbound world tourism. In the same time, domestic tourism in these countries was growing very fast. MED 11 tourism performances have been astonishing in light of the security risks, natural disasters, oil prices rises and economic uncertainties of the region. The last financial crisis had no severe consequences on this development, which confirmed the resilience of tourism and the huge potential of the MED 11 countries in this sector. This trend was abruptly halted in early 2011 during the Arab Spring, but could resume when the situation stabilizes. This paper questions whether this trend will continue in the period up to 2030 and, for that, provides four different possible scenarios for the development of the tourism sector in MED11 for 2030: (i) reference scenario, (ii) common sustainable development scenario, (iii) polarized (regional) development scenario and (iv) failed development - decline and conflict – scenario. In all cases, international and domestic tourism arrivals will grow. However, security and adjustment to climate change remain the main factors that will strongly influence the development of the tourism sector in MED11 countries.

## Executive summary

For the past two decades, the MED 11 countries (Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria, Tunisia and Turkey) have recorded the highest growth rates of inbound world tourism. MED 11 tourism performances have been astonishing in light of the security risks, natural disasters, oil price hikes and economic uncertainties of the region. The financial crisis of 2008-2009 had no severe consequences on this development, which confirmed the resilience of tourism and the huge potential of the MED 11 countries in this sector. This trend was abruptly interrupted in early 2011 during the Arab Spring, but is likely resume when the situation stabilizes.

This MED 11 tourism growth contrasts with the weaker development of tourism in the EU member countries of the Mediterranean northern rim[1] 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 infrastructures, transportation, accommodation, food and beverage services, recreation and entertainment, travel agencies or tour operators and a large share of handicrafts activities, culture and heritage, etc. In 2010, the tourism industry in the MED 11 countries represented, directly and indirectly, 10.9% of GDP on average, confirming its key economic importance for these countries. Individual country shares ranged from a high 20.4 % in Jordan to a low 6.3 % in Israel. Direct and indirect tourism employment, including jobs indirectly supported by the industry, significantly contributed to overall employment in the MED 11 (13.58% of total in 2010). However, the growth in tourism employment is slower than the increase in international tourist arrivals.

Capital investment, especially in transport and the diffusion of information and communication technologies (ICT), will affect the future of tourism in the MED 11. The level of investment is, for example, reflected in the number of bed-places in hotels and similar establishments in the MED 11. All MED 11 countries initiated ambitious development programs after 1995; and government expenditures 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 the MED 11 ranks rather low internationally in all the sub-indexes concerning tourism, i.e. regulatory frame-

[1] Mediterranean Northern rim: Cyprus, Spain, France, Greece, Italy, Malta, Monaco, Portugal, Slovenia.

work, business environment and infrastructure and human, cultural and natural resources in tourism.

Over the last 20 years, Mediterranean tourism has been dominated by developments in the northern rim of the Mediterranean. This paper questions whether this trend will continue in the period up to 2030. Three major areas need policy makers' attention and are the key issues for the prospective scenarios.

First, Mediterranean tourism is changing and policymakers need to ease policies that restrict travel, because they discourage foreign direct investment in tourism and limit MED 11 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) tourism, which has very promising perspectives. Investments in tourism equipment and infrastructures in the south should reflect this tendency.

Second, the use of information and communication technologies (ICT) may offer a more equitable division of the benefits from tourism between the various actors of Mediterranean tourism, especially if micro and small enterprises fully adopt the use of ICT services. The lack of highly developed ICT facilities is perhaps the main reason why the MED 11 countries are placed lower in the ranks in Competiveness Index Reports. Inadequate tourism training as well as 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 employees.

Third, the spectacular development of new products and services such as nautical, medical, religious and cultural tourism as well as cruises should lead to the reexamination of the homogenous brand identity of the Mediterranean as a sea, sand, and sun destination. Such a shift in visions would particularly benefit the small and medium-sized enterprises of the Mediterranean destinations, and would benefit from the support of local authorities.

The paper provides four different possible scenarios for the development of the tourism sector in the MED 11 for 2030. Scenario analysis is used here to better understand, analyze and describe the conduct of complex systems consistently 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) polarized (regional) development scenario and (iv) failed development - decline and conflict – scenario - are tools for strategic analysis, and summarize different sources of information concerning the future of the tourism sector in the MED 11 countries.

Security and adjustment to climate change are two factors that will strongly influence the development of the sector. Political instability has disastrous effects for international tourist arrivals as was evidenced by the events of early 2011 in North Africa and Middle East. The impact of climate change on travel and tourism could be very serious on elements such as sea level, water availability for tourism, and 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.

The first scenario is a "business-as-usual" scenario, which describes the development of the tourism sector based on the maintenance of current trends, which means a continuation of market liberalization, infrastructure development and marketing policies. In this scenario, the number of tourists (domestic and international) will reach 381 million by 2030. At the 2030 horizon, this represents 293 billion in 2010 USD domestic & international tourism receipts and 12% of the GDP. Transport and tourism investments may reach 151 billion 2010 USD and the number of employees working directly or indirectly in the tourism sector is likely to reach 19.1 million people, or around 14 % of the labor force in 2030.

The Common (Sustainable) Development Scenario offers the best possibilities for tourism co-operation and development between the MED 11 countries and Europe. This scenario stresses successful efforts to adjust to climate change. It reflects a close cooperation between the tourism trade and the local authorities around the Mediterranean to develop innovative products. In this scenario, the number of tourists (domestic and international) may reach 415 million by 2030. This means 319 billion 2010 $USD in domestic & international tourism receipts and 14% of the GDP. The transport and tourism investments may attain 188 billion 2010 USD and the number of employees working directly or indirectly in the tourism sector is likely to reach 22.8 million people or more than 15 % of the labor force.

Scenario 3, "Polarized Regional Development," reflects a mode of development that focuses more on intra-regional development rather than on improved interaction with the EU. In this scenario, the number of tourists (domestic and international) may reach 413 million by 2030. This represents 318 billion 2010 USD in domestic & international tourism receipts and 14% of the GDP. The transport and tourism investments may attain 151 billion 2010 USD and the number of employees working directly or indirectly in the tourism sector may reach 20.8 million people or around 14.5 % of the labor force.

The fourth and last scenario, "Decline and Conflict," involves a more pessimistic view of the future for the MED 11 with a radicalization of conflicts, leading to the failure of the democratic transition process and a further decline of sustainable development. In these conditions, most of the MED 11 countries face economic, social and political volatility and 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 283 million by 2030. This means 218 billion 2010 USD in domestic & international tourism receipts and 10.5% of the GDP. Investments may reach only 113 billion 2010 USD and the number of employees working directly or indirectly in the tourism sector is likely to reach 17.7 million people, no more than 12.5% of the labor force.

# 1. Review of the MED 11 Tourism Sector in 2010

The first chapter of this report identifies the threats and opportunities and strengths and weaknesses which will have an influence on the future of Mediterranean tourism. The methodology elaborated by Oxford Economics – World Travel and Tourism Council (OE/WTTC) for the UNWTO is used to present the economic contribution of travel and tourism in the MED 11 countries. This methodology is anchored in the international standard for Tourism Satellite Accounting (TSA) approved by the Statistics Commission of the United Nations in 2000.

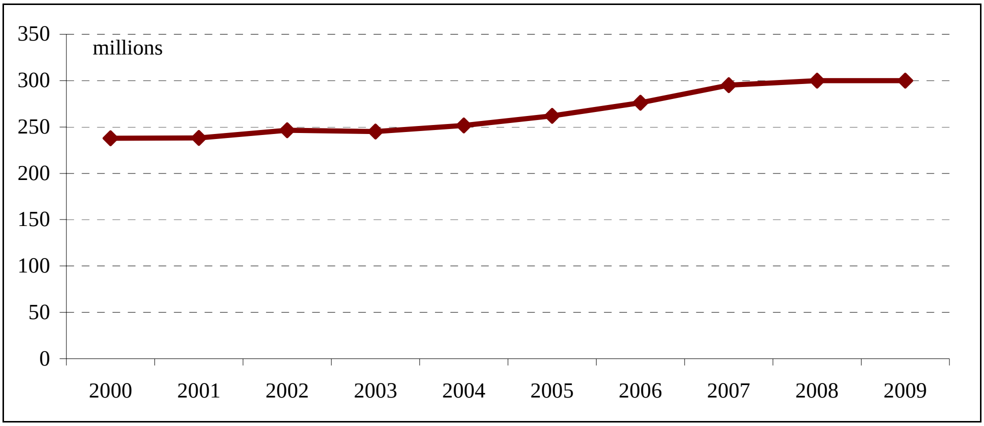
## 1.1. International tourist (overnight visitors) arrivals in the MED 11 region

Continuing trends from 1990, 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 beyond 2010. This conclusion was reached after analyzing several quantitative indicators collected from UNWTO, WTTC, IMF and country sources.

Contrary to some assumptions, the MED 11 region has not lost its share of the world tourism market in favor of upcoming destinations, such as the Asia-Pacific region. International tourist arrivals in MED 11 (17.08 million in 1990 and 82.3 million in 2010) rose by 365% between 1990 and 2010 (Table1) compared with 214% globally (419.4 million arrivals in 1990 and 898.8 million estimated for 2010).

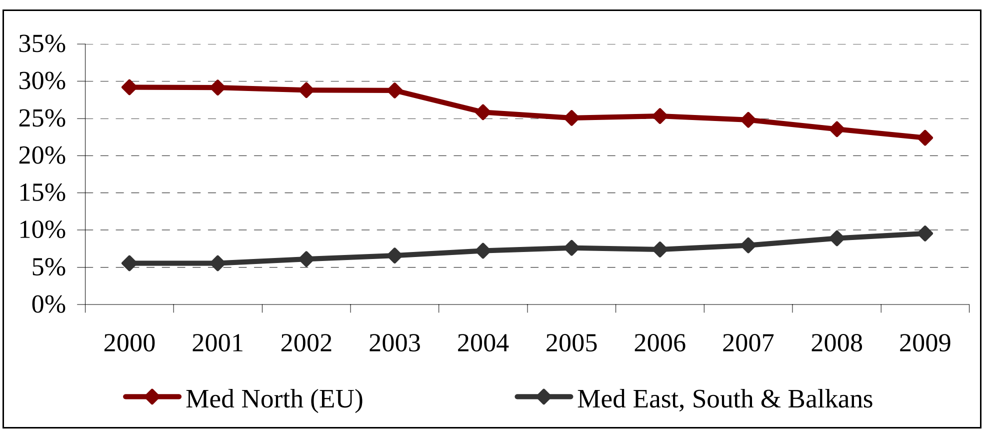
During this period, the tourism increase was particularly strong in Egypt (424%) and Turkey (480%). These two countries surpassed the growth of tourism in Morocco and Tunisia and became the champions of the East and South Mediterranean tourism. In 2010, Egypt welcomed more than 14.9 million visitors (figure revised in January 2011) and Turkey had more than 27.8 million international visitors, making Turkey the 7$^{th}$ top destination in the world after three other Mediterranean countries (France, Spain and Italy). The Turkish political choice to make tourism a national priority in the early 1980s is now bearing fruit. Egypt is ranked the 19th top world tourism destination. On the other hand, Jordan experienced very strong tourism development between 1990 – (the year of its tourism takeoff) and 1995. Its growth (1,185%) has been quite regular since 2000: more than 3.8 million visitors were expected in 2010, placing Jordan in the top 50 world tourist destinations; despite being in the last position on this list.

**Figure 1. Overall tourism in the Mediterranean region**




*Notes*. Northern rim: Andorra, Cyprus, Spain, France, Greece, Italy, Malta, Monaco, Portugal, Slovenia; Southern and Eastern rims: Albania, Algeria, Bosnia, Croatia, Egypt, Israel, Jordan, Kosovo, Lebanon, Libya, Macedonia, Morocco, Mauritania, Montenegro, Palestine, Serbia, Syria, Tunisia, Turkey.
*Source*: META estimates.

**Figure 2. Distribution of the world shares of tourism markets between the Northern and Southern Mediterranean rims**




*Source*: META estimations.

Morocco (ranked 26th in the ranking of the world top destinations in 2009) reached 9.4 million international visitors in 2010. This growth increased after 2000, when its strategy for the development of tourism "Vision 2010" was initiated. Tunisia (34th in the world rank of top destinations) has recorded consistent growth since 1990, which slowed after 2006.

**Table 1. MED 11 International tourist arrivals ('000)**

| Countries | 1990 | 1995 | 2000 | 2005 | 2009 | 2010 est. |
|---|---|---|---|---|---|---|
| Algeria | 137 | 520 | 866 | 1443 | 1912 | 1448 |
| Egypt | 2411 | 2871 | 5506 | 8608 | 11914 | 14900 |
| Israel | 1063 | 2215 | 2672 | 1916 | 2321 | 2753 |
| Jordan | 572 | 1075 | 1427 | 2987 | 3789 | 7348 |
| Lebanon | 210 | 450 | 742 | 1140 | 1851 | 2120 |
| Libya | 96 | 56 | 174 | 170 | 260 | 271 |
| Morocco | 4024 | 2602 | 4420 | 6077 | 8341 | 9600 |
| Palestine | .. | .. | 1055 | 88 | 391 | 520 |
| Syria | 562 | 815 | 3015 | 5838 | 6092 | 7950 |
| Tunisia | 3204 | 4120 | 5244 | 6975 | 6904 | 7613 |
| Turkey | 4799 | 7083 | 10428 | 21125 | 25506 | 27825 |
| *TOTAL MED11* | *17078* | *21807* | *35549* | *56367* | *69281* | *82348* |

*Source*: UNWTO, WTTC.

In Algeria, international tourist arrivals rose by a factor of 10, albeit from a low starting point. Tourism in this country has been hampered by political instability. Algeria is one of the few MED 11 countries where tourism suffered greatly from the 2008 world economic crisis: tourist arrivals in 2010 fell sharply and scarcely exceeded the international tourist arrivals of 2005.

In Lebanon, the civil war ended in 1990 and 1995 marked the year of the rebirth of its tourist industry. During the last decade, the growth of tourism was one of the fastest in the world and in the MED 11 region. The number of international tourist arrivals is estimated to exceed 2.1 million in 2010. Syria, with more than 1.315% growth between 1990 and 2010, started to open itself to international tourism after 1995. Tourism boomed until 2000. After a slowdown between 2004 and 2008, it set out again with a very strong rise in 2009 and the country could reach 7.95 million tourist arrivals in 2010.

Reliable statistics for tourism in Palestine are only available since 2001 and show a very encouraging level of growth in international tourist arrivals from 2003 (370,000 arrivals) to 2010 (520,000). Israel, a mature destination since the beginnings of the 1970s, had a 270% growth rate in tourism for the 1990-2010 period and 103% for 2010-2000 (2.7 million arrivals in 2010). In the Libyan Arab Jamahiriya, Oxford Economics estimated a growth in international arrivals of 182% between 1990 and 2010.

Europe is the main generating market of the whole MED 11 (58% of international tourist arrivals in 2007, with higher percentages for Turkey, 82% and Egypt, 72%)[2]. The rise of tourist arrivals from new emerging markets such as India, Brazil, China, and Russia have a still small but growing impact in all MED 11 destinations except for Turkey, which attracts a substantial number of Russian tourists.

## 1.2. Other International Tourism Indicators

The average length of international overnight stays in the MED 11 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 nineties.

The interregional tourism within the MED 11, i.e. among MED 11 countries, 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). 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 not included in the UNWTO regional classification of member countries), and around 30% came from the MED 11 countries (including Israel and Turkey). Yet some travel restrictions and political concerns seriously limit interregional tourism. For instance, Morocco has not been open 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% originate from neighboring countries; in Libya, less than 1% originate from Maghreb and Mashrek; in Algeria less than 3% originate from Mashrek and around 10% from other African countries, including North Africa.

[2] UNWTO, Compendium of tourism statistics data 2003-2007, Madrid, 2009

The predicted wide-ranging collapse of the tourism industry in the Middle East and North Africa after September 11th, 2001 did not take place, even if some countries were affected for a short period of time. The relatively big losers were countries with a limited orientation in market and tourist activities, especially western leisure tourism. The quick recovery could be in part connected 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 nationalities choose to travel here.

## 1.3. 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 MED 11 in 2010.

**Table 2. Domestic guests in hotels and similar establishments (estimates in millions)**

| **Countries** | **2000** | **2007** |
|---|---|---|
| Algeria | 2.10 | 2.00 |
| Egypt | 1.80 | 2.20* |
| Israel | 4.10 | 5.10 |
| Jordan | 0.30 | 0.60 |
| Morocco | 1.08 | 1.50 |
| Palestine | 0.05 | 0.05 |
| Syria | 0.68 | 0.68 |
| Tunisia | 0.90 | 1.25 |
| Turkey | 8.80 | 12.03 |
| *Total estimated MED 11* | *22.00* | *25.50* |

*Note*. * 2004.
*Source*: UNWTO.

Domestic tourism is very important in the MED 11 countries, but this is not yet reflected in their development and marketing policies and strategies. It is poorly measured in any case as few analyses have been done on this topic. Using WTO and WTTC data for all the Mediterranean countries (MED11 and Mediterranean

European members), domestic travel spending is expected to generate 58.0% of direct Travel & Tourism GDP in 2011 compared with 42.0% 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 expenditures are directly related to GDP, and according to UNWTO estimates, rise one and a half times as fast as GDP itself[3].

## 1.4. Expenditure by International and Resident Visitors in the Country

During the period of 1990-2010, international tourism receipts[4] in the MED 11 in constant dollars of 2000, increased by 384%, twice more than 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. As such, the share of MED 11 in the world receipts rose from 3.7% in 1990 to 7.5% in 2009 and is expected to remain at that level in 2010. A drop is expected for 2011 in light of the political instability of the region.

The total value of these receipts in MED 11 has nearly quadrupled between 1990 and 2010, when they reached US$ 49.853 billion. Countries such as Lebanon (1,142%) or Syria (829%) saw their receipts booming. For Algeria, Libya and Palestine, data obtained have to be analyzed according to their geopolitical realities. For Turkey (417%), Egypt (339%), Morocco (339%), and Jordan (253%), the increase in receipts reflects their successes on the world tourism markets. Only Israel (183%) and Tunisia (230%) have seen more moderate increases: their tourist industry has reached some maturity in their current model of tourism development. They need innovative initiatives to go beyond.

The development of total personal expenditure confirms the exceptional development of domestic tourism spending in the MED 11 during the last two decades. In 2010 it reached about 3.5 times the levels of 1990. Some countries such as

[3] For interregional tourism, i.e. tourism from neighboring countries, this elasticity is estimated at 1.2 and for interregional or intercontinental tourism, it is 0.9.
[4] This series excludes the effect of price changes.

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. Today, domestic tourism in all MED 11 countries is more important than international tourism for their economies: in 2010, tourist services exports reached 49.853 billion US$ compared to US$ 63.061 billion of residents' expenditure. However 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. In Libya, international tourism is still very small and accounts for only 9% of total tourism expenditures. It is worth noting that domestic tourism induces, per 1 US$ spending, more job creation and SME development than international tourism.

**Table 3. Expenditures by international visitors (2000 US$ billions)**

| Countries | 1990 | 1995 | 2000 | 2005 | 2009 | 2010 est. |
|---|---|---|---|---|---|---|
| Algeria | 0.113 | 0.128 | 0.545 | 0.755 | 0.875 | 0.788 |
| Egypt | 2.629 | 3.888 | 4.657 | 9.081 | 9.272 | 8.912 |
| Israel | 2.295 | 3.547 | 4.611 | 3.455 | 3.861 | 4.211 |
| Jordan | 1.012 | 1.045 | 0.935 | 1.606 | 2.452 | 2.561 |
| Lebanon | 0.912 | 0.982 | 0.893 | 5.685 | 9.465 | 10.417 |
| Libya | 0.020 | 0.010 | 0.080 | 0.304 | 0.09 | 0.090 |
| Morocco | 1.472 | 1.363 | 2.280 | 4.303 | 5.024 | 4.986 |
| Palestine | .. | .. | 0.226 | 0.210 | .. | .. |
| Syria | 0.270 | 1.306 | 1.082 | 1.716 | 2.143 | 2.239 |
| Tunisia | 1.122 | 1.507 | 1.977 | 2.361 | 2.704 | 2.579 |
| Turkey | 3.136 | 4.891 | 8.467 | 13.561 | 14.051 | 13.07 |
| TOT. MED 11 | 12.981 | 18.667 | 25.753 | 42.948 | 49.937 | 49.853 |
| | | | | | | |
| World | 348.825 | 452.962 | 571.469 | 642.051 | 664.194 | 670.114 |
| % MED 11 | 3.7% | 4.1% | 4.5% | 6.7% | 7.5% | 7.4% |

*Source*: UNWTO& WTTC.

## 1.5. Importance of Tourism Activity in the MED 11 Economies

Various estimated indicators illustrate the importance of the tourism sector in the overall MED 11 economy[5].

[5] 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

### 1.5.1. Tourism in GDP

The weight of tourism – defined as the activities of traditional tourism providers (e.g. lodging, 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 almost 3 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 fell from 7.8% of GDP in 1990 to 6.3% of GDP in 2010, reflecting the maturity of the tourism sector and the fact that other economic sectors have grown faster than tourism. In Algeria and Libya, the development of the tourism sector must be perceived against the background of a rapidly growing energy sector. 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.

**Table 4. Macroeconomic weight of the MED 11 (percentage of tourism and travel in GDP economy)**

| Countries | 1990 | 1995 | 2000 | 2005 | 2010 |
|---|---|---|---|---|---|
| Algeria | 5.5 | 5.6 | 7.5 | 6.5 | 5.8 |
| Egypt | 8.8 | 10.2 | 11.4 | 15.7 | 12.9 |
| Israel | 7.8 | 8.4 | 8.3 | 6.7 | 6.3 |
| Jordan | 24.3 | 21.0 | 16.3 | 18.5 | 20.4 |
| Lebanon | 9.0 | 9.6 | 9.3 | 31.2 | 37.6 |
| Libya | 60.0 | 6.0 | 11.4 | 12.3 | 9.3 |
| Morocco | 10.4 | 10.3 | 12.3 | 14.9 | 14.1 |
| Palestine | n.a. | n.a. | n.a. | n.a. | n.a. |
| Syria | 7.5 | 12.5 | 11.5 | 12.0 | 12.0 |
| Tunisia | 16.5 | 17.5 | 18.4 | 18.5 | 16.1 |
| Turkey | 7.9 | 10.5 | 9.9 | 11.4 | 9.7 |
| *MED 11 average* | *10.0* | *10.0* | *10.0* | *10.0* | *9.1* |

*Source*: WTTC, UNWTO - Estimates for 2010.

In Turkey, the importance of the tourism sector has fluctuated somewhat due to the instability of the local currency. However, it was considerably higher in 2010

when appropriately defined. Tables 4 and 5 concern the economic impact and balance of payment contribution of tourism in the MED 11 from 1990 to 2010 and the importance of tourism in total employment. Nonetheless the changes within each country are greatly differentiated, with fluctuations connected to the ongoing socio-economic changes.

(9.7% of GDP) than it was in 1990, when it stood at 7.9%. In Tunisia, the sector remained at about 16% during the period under consideration, suggesting that it grew in line with the entire economy.

Compared with the share of tourism in the world economy (estimated at ca. 9% in 2010), the MED 11 average of about 10% between 1990 and 2005 (despite dropping to 9.1% in 2010 as a result of the crisis) confirms its importance for this particular region.

### 1.5.2. Tourism in the balance of services

Tourism-related export earnings (good and services) are expected to generate 6.1% of exports in 2010. Except for in Algeria, Libya and Israel, tourism is a major balance of payments item, especially with respect to trade in services (Table 5)[6].

**Table 5. MED 11 Tourist receipts as share of service receipts in the balance of services[7] (in %)**

| 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*: WTTC, UNWTO – estimates for 2010.

[6] 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.

[7] E.g. the difference between funds received by a country when exporting services and the funds paid for importing services.

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 the growth was more gradual.

It may be also interesting to observe the weight of services in comparison with the export of goods in the MED 11 between 1990 and 2009. In those MED countries where tourism is important, this weight is higher. On the contrary, in the oil-producing countries of Algeria and Libya, this percentage is insignificant.

### 1.5.3. Employment

Direct and indirect tourism employment (Table 6) makes a very significant contribution to overall employment in the MED 11. Tourism employs about half as many people as agriculture in the MED 11. The average for MED 11 grew from 9.5% to about 13.5% during the period of 2005-2010. Tourism contributes to about one fifth of total employment in Jordan, about 15% in Tunisia, only slightly less in Syria, and more than one tenth of the total employment in Morocco and Egypt. The share of tourism in total employment is decreasing in Israel, Libya, and Turkey.

**Table 6. MED 11 Employment in the tourist sector as a share of total employment**

| **Countries** | **1990** | **1995** | **2000** | **2005** | **2010** |
|---|---|---|---|---|---|
| Algeria | 4.8 | 4.9 | 6.6 | 5.6 | 5.1 |
| Egypt | 7.4 | 8.6 | 9.6 | 13.0 | 10.9 |
| Israel | 9.5 | 10.1 | 10.1 | 8.2 | 7.8 |
| Jordan | 22.2 | 19.2 | 14.9 | 16.9 | 18.8 |
| Lebanon | 8.5 | 8.8 | 8.8 | 31.2 | 38.0 |
| Libya | 5.7 | 8.7 | 11.4 | 12.1 | 9.0 |
| Morocco | 8.9 | 8.9 | 10.6 | 14.7 | 12.2 |
| Palestine | n.a. | n.a. | n.a. | n.a. | n.a. |
| Syria | 7.8 | 13.3 | 11.8 | 12.5 | 12.5 |
| Tunisia | 15.3 | 16.3 | 17.2 | 16.5 | 15.1 |
| Turkey | 5.3 | 6.4 | 5.4 | 7.7 | 6.4 |
| *Average MED11* | *9.54* | *10.52* | *10.64* | *13.84* | *13.58* |

*Source*: WTTC, UNWTO- Estimates for 2010.

Employment in the tourism sector in the MED 11 grew by 152% between 1990 (3.6 million employees) and 2000 (5.5 million) and again by 144% between 2000 and 2010 (7.9 million). The countries with the greatest numbers of people working in the tourism industry are Turkey with 1,388,700 jobs and Morocco with 1,334,300 jobs. Over 1990-2010, total employment in this sector grew by 219%, whereas tourist arrivals grew by 404%. This means that productivity per employee almost doubled.

Unquestionably, tourism is a labor-intensive industry. At the same time, progress has been made in its productivity, mainly in the large companies investing in hotel and leisure equipment and accommodation, similar to more advanced countries. These companies operate with a more efficient labor pattern (higher productivity) than the myriad of small and medium-size (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 the MED 11, the share of employment in larger companies is higher (30% vs. 20% in both Mediterranean rims).

### 1.5.4. Capital Investment in tourism and government tourism expenditure

At the global level, investments in tourism and travel represent a little less than 10% of overall investments. This share increased from 8.6% in 1990 to 9.2% in 2010, with a peak of 10% in 2007.

The share of MED 11 countries 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 (2.92% of global investments in the tourist industry)

Except for 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 absolute numbers, MED 11 investments in tourism tripled between 1990 and 2010 and doubled between 2000 and 2010.

These investments are now mainly in transportation infrastructure, tourism equipment and technological innovations. Algeria has increased its investment in the tourist industry by a factor of ten between 2005 and 2010, mainly thanks to its transportation policy (rail and roads) which, in the long run, may facilitate tourism's take-off. The vision of a strong tourism industry in Algeria has had a leveraging effect in 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 MED 11 countries. Investments in tourism in absolute terms are growing steadily in Syria, Jordan, Lebanon, Tunisia and Turkey; in Israel, they have stagnated for the last few years.

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

| **Countries** | **1990** | **1995** | **2000** | **2005** | **2010 est.** |
|---|---|---|---|---|---|
| Algeria | 7.4 | 4.3 | 6.2 | 8.6 | 3.9 |
| Egypt | 10.8 | 12.1 | 15.0 | 13.1 | 11.4 |
| Israel | 10.9 | 10.3 | 11.0 | 8.8 | 7.6 |
| Jordan | 27.7 | 14.8 | 19.7 | 16.5 | 12.8 |
| Lebanon | 7.4 | 12.2 | 11.8 | 12.3 | 10.5 |
| Libya | 9.3 | 22.5 | 30.4 | 31.2 | 24.1 |
| Morocco | 13.8 | 13.1 | 13.1 | 12.1 | 10.9 |
| Syria | 2.9 | 4.6 | 5.7 | 6.9 | 6.1 |
| Tunisia | 19.5 | 17.7 | 18.9 | 17.0 | 13.1 |
| Turkey | 11.8 | 11.0 | 14.6 | 14.8 | 11.6 |
| *World average* | *8.6* | *8.2* | *8.9* | *9.8* | *9.2* |

*Source*: WTTC.

The investment data used so far includes FDI – foreign direct investment - in the MED 11. The data available suggests that the share of the total FDI originating from the European Union and allocated to tourism in MED 11 is less than 10%. Since 2005, Morocco has been positioned as the preferred destination for FDI. Despite their potential, some MED 11 countries suffer from a lack of interest on the part of international investors.

Investments in transportation and ICT will affect the future of tourism. For example, Turkey is now the 10th Top Destination in the world as ranked by Facebook users[8]. There is no data available on capital investment in ICT for tourism purposes in the MED 11 region. However, the multiplication of projects and programs indicates the accelerated spread of these technologies in this region between 2005 and 2010[9]. ICT allows for better accessibility of the MED 11 destinations and a reduction in the costs of travel products, especially by reducing the role of foreign travel agents and tour operators. Thus ICT may re-equilibrate the influence of national providers in the distribution systems, as they can deal with their clientele directly and have less of a need for international operators. The MED 11 countries are adopting these new technologies to grasp the opportunities they offer. New types of investment are necessary to avoid the risk of marginalization and they are also included into government tourism expenditures.

However, according to ANIMA- the Mediterranean Investment Network, in recent years, tourist investments in the MED 11 region have attracted fewer projects:

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[8] Source: eMarketer.com from Inside Facebook by company blog, Aug.3, 2010
[9] The development of ICT in the MED 11 is elaborated in detail in Abbasi (2011).

19 projects in 2009, as compared to more than 40 per annum on average in 2004-2008. This drop continued in 2010 and is expected to deteriorate further in 2011.

The level of investment is also reflected in the number of bed-places in hotels and similar establishments in the MED 11 as shown in Table 8. Turkey recorded the highest number of beds (563,252 in 2008) and their highest increase since 2000 (+56%).

**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 | .. |
| Egypt | 128,957 | 227,222 | 341,552 | 380,382 | 421,694 | .. |
| Israel | 75,100 | 106,782 | 126,831 | 128,356 | 128,35 | .. |
| Jordan | 20,613 | 34,433 | 40,480 | 42,381 | 43,922 | 44,371 |
| Lebanon | 16,419 | 25,450 | 28,953 | 29,071 | 30,062 | .. |
| Libyan Arab Jamahiriya | .. | 19,969 | 21,404 | 26,423 | 27,334 | .. |
| Morocco | 90,511 | 94,652 | 124,27 | 143,221 | 152,936 | .. |
| Palestine | 6,434* | 10,063 | 7,923 | 8,901 | 8,985 | .. |
| Syrian Arab Republic | 31,449 | 34,209 | 43,262 | 47,077 | 48,585 | 51,023 |
| Tunisia | 161,498 | 197,453 | 229,837 | 235,727 | 238,495 | .. |
| Turkey | 280,463 | 322,334 | 481,704 | 530,763 | 563,252 | .. |

*Note*. * 1994.
*Source*: UNWTO, Statistics and Satellite Tourism Accounts.

### 1.5.5. Government expenditures in tourism

Government expenditures in tourism quadrupled between 1990 and 2010, from 1,461 million US$ to 6,086 million US$, reflecting the priority given to this industry. All MED 11 countries started ambitious development programs after 1995 "based especially on the diversification of the offer, the modernization of the local tourist sector, and an enlarged opening to the private sector and to foreign investors" according to ANIMA – Mediterranean Investment Network[10]. For example, within its PROTIC program, Morocco planned to equip 80,000 SMEs with ADSL (bandwidth) until 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 initiative

[10] Anima, The Mediterranean between growth and revolution, Foreign Direct Investments and partnerships in MED countries in 2010, Marseilles, March 2011.

and the development of foreign investment. Even so, the weight of the public sector and the administrative framework remains important in Algeria, Libya, and Syria.

Tourism marketing and promotion constitutes a significant share of government expenditures. In 2004, UNWTO attempted to survey the structure and budgets of the national tourism organizations around the world but Tunisia was the only country in the region which responded. Tunisia spent US$ 7.6 per one tourist arrival (world average US$ 2.9) and US$ 4.5 per one inhabitant (world average US$ 2.9). For one US$ of budget spending for tourism, the international tourist receipts are US$ 52 (world average US$ 383)[11].

The share of government expenditures on tourism as a percentage of total government expenditures 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 expenditures, there may be scope for increasing expenditures to reinforce the competiveness 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 MED 11 countries themselves and with the Mediterranean countries of the northern rim.

The implementation of tourism development programs must demonstrate continuity and coherence. Building strong national tourism administrations can help to maximize the potential of tourism to generate wealth and create jobs. Tourism is one of the most complex economic sectors, requiring close coordination with other government policies. Therefore it is 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 MED 11 with the spread of Association agreements with the European Union where tourism is now considered a priority since the Treaty of Lisbon entered into force on 1 December 2009 and the greater importance given to the private sector itself as a growth mobilizer. Tourism policies and strategies may be pushed at regional levels within the countries with shared norms and standards.

[11] Source: OMT-UNWTO, Structures et budgets des organisations nationales de tourisme 2004-2005, Madrid, 2008.

**Table 9. 11 MED countries Government Tourism Expenditures in 2010 (share of total government expenditure)**

| Countries | 1990 | 1995 | 2000 | 2005 | 2010 est. |
|---|---|---|---|---|---|
| Algeria | 0.9 | 0.9 | 1.0 | 1.0 | 1.1 |
| Egypt | 4.3 | 6.3 | 6.5 | 6.5 | 6.7 |
| Israel | 2.1 | 2.1 | 2.0 | 2.0 | 2.0 |
| Jordan | 11.5 | 10.4 | 10.1 | 10.3 | 10.4 |
| Lebanon | 13.5 | 8.9 | 9.0 | 9.0 | 9.1 |
| Libya | 1.0 | 2.5 | 2.7 | 2.6 | 2.6 |
| Morocco | 4.1 | 3.8 | 3.4 | 3.5 | 3.5 |
| Syria | 1.9 | 2.7 | 3.0 | 3.0 | 3.1 |
| Tunisia | 6.5 | 6.6 | 7.0 | 7.2 | 7.3 |
| Turkey | 0.7 | 0.7 | 0.5 | 0.5 | 0.5 |
| *MED 11 average* | *4.65* | *4.49* | *4.52* | *4.56* | *4.63* |

*Source*: WTTC.

The regional average for expenditure in the tourism sector (Table 9) amounts to 4.6% of total budget expenditure. It ranges from a low 0.5% in Turkey to more than 10% 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.

Air transport is also an important factor of the growth in tourism in the MED 11 countries. The opening up of air transport regulatory systems, the investments in airports and the launch or reinforcement of national and regional airlines, traditional flag carriers and low-cost carriers are positive signs. Some MED 11 national or Middle-East carriers are among the world's fastest growing airlines.

## 1.6. The MED 11 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[12].

[12] World Economic Forum, The Travel & Tourism Competitiveness Report 2011, Beyond the Downturn, February 2011.

The MED 11 countries are not among the most competitive tourism destinations in the world. Overall, they fell in the rankings between 2007 and 2010, with only Egypt and Syria regaining their positions between 2008 and 2009. 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 worst ranked index is the last one on human, cultural and natural resources (Algeria ranks 127th, Libya ranks 114th, Syria ranks 100th). 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. The country's human resources base is well evaluated, providing healthy and 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 39th, 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 continues to be a major concern, placing the country 73rd in the rankings for that sub index.

Tunisia is ranked 6th among Middle East and African countries and 44th overall, somewhat lower than in earlier surveys. Tunisia has benefited from a strong prioritization 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.

Egypt was ranked 64th overall in 2009, up two places from 2008. 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 prioritization, 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, ranked just behind Egypt, received a good evaluation of its cultural resources in 2008. The government has made the sustainable development of tourism activity a priority and protects the national environment. 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 the transport infrastructure. Turkey, ranked 56th, benefits from its rich cultural heritage. Nevertheless, analyzing 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.

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

| Countries | Rank 2007 | Rank 2008 | Rank 2009 | TTCI Global 2009 (Max: 7.00) | Sub - Index Regulatory framework, Rank 2009 | Sub – Index Business environment/infrastructure, Rank 2009 | Sub – Index H, N & C resources, Rank 2009 |
|---|---|---|---|---|---|---|---|
| Algeria | 93 | 102 | 115 | 3.31 | 108 | 98 | 127 |
| Egypt | 58 | 66 | 64 | 4.09 | 52 | 65 | 73 |
| Israel | 32 | 35 | 36 | 4.50 | 37 | 39 | 51 |
| Jordan | 46 | 53 | 54 | 4.25 | 36 | 67 | 54 |
| Lebanon | .. | .. | .. | .. | .. | .. | .. |
| Libya | .. | 104 | 112 | 3.38 | 97 | 109 | 114 |
| Morocco | 57 | 67 | 75 | 3.86 | 64 | 78 | 83 |
| Palestine | .. | .. | .. | .. | .. | .. | .. |
| Syria | .. | 94 | 85 | 3.73 | 68 | 82 | 100 |
| Tunisia | 34 | 39 | 44 | 4.37 | 31 | 49 | 56 |
| Turkey | 52 | 54 | 56 | 4.20 | 63 | 60 | 49 |

*Source*: World Economic Forum, Travel & Tourism Competitiveness Reports.

## Possible new forms of tourism: Cruises and religious tourism

### *Maritime cruises*

The Mediterranean Sea is an important area of maritime traffic. It is currently witnessing the strong development of cruising and, to a lesser extent, yachting. although their growth has been slowing due to the negative environmental impacts. Cruises create a market of high potential in the MED 11 and land excursions from cruise ships have only a small impact on the environment, even if they bring less economic benefits for the destination countries, as much of the hospitality expenditures are off-shore.

The Mediterranean, 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 had a weak impact on embarkation in 2009. The expenditure carried out by these cruise passengers in the Mediterranean termini is up to 1.4 billion € and the value added - 600 million €. This expansion is largely thanks to cruise companies which invest massively in new models of ships with impressive tonnages. The tendency to gigantism will quickly require the adaptation of the Mediterranean ports to larger tonnages.

Tourism in the MED 11 region is still highly dependent on tour operators in European countries. Price competition is intense. Tourism development projects in the MED 11 region have been increasingly shaped as coastal resort complexes and all-inclusive packaged tours, providing a range of on-site services highly dominated by few international tour operators. As a result, standardized 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 utilizing e-tourism. Ideally MED 11 countries need to go for alternative sources of higher value added and more information based–tourism. They should look for more unique selling propositions by the destinations based on culture and nature.

*Religious 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 the Middle Eastern region itself. According to the UNWTO and UNESCO, religious tourism, particularly pilgrimage routes and itineraries, can revitalize territories by aiming for quality and the multiplication of partnerships, for example, through the creation of "clubs of producers" associated with religious tourism. This revitalization 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[13].

[13] See Report on the characteristics, trends and prospects of religious tourism in the Middle East and North Africa, UNWTO, Commission for the Middle East, Thirty-fourth meeting, Sana’a, Yemen, 22-23 June 2010, Policy Paper 5(a), Madrid, May 2010.

## 1.7. Identification of the Environmental Drivers that Could Contribute to the Sustainable Development of Tourism

Most of the tourism repercussions for the environment are accentuated by the seasonal nature of this activity in the Mediterranean: accommodation, facilities, transport networks, water supply and waste services 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 MED 11. This hampers the foresight analyses of the tourism sector, including the UNEP's CAR Blue Plan[14].

*Seasonal stress on water resources*

The MED 11 ecosystems encounter a 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 agriculture. This affects, among others, such tourist facilities as balneotherapy, swimming pools, golf (which requires 10.000 $m^3$/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 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 therefore is not likely to be a binding limiting factor for tourism development in general. Yet there are localized shortages, such as in Marrakech in Morocco or Tozeur in Tunisia, where localized solutions will need to be found unless the prospects for the tourism sector will be dimmed.

*Other environmental drivers*

Other parameters of the environmental impact of the tourist industry are: the use of land by one tourist bed estimated by the Plan Bleu - MAP at 30 $m^2$ for a hotel and at 100 $m^2$ for a holiday home, the type of construction (collective or individual, re-using existing construction or new constructions, reversibility of the

[14] Plan Bleu, 2009 Activity Report, Sophia-Antipolis, France, 2010.

installations), the situation (natural site or in town) or the landscaping (using of local materials, exotic plant species).

The spreading 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. The Moroccan and Egyptian Mediterranean coasts are currently facing the uncontrolled development of holiday houses. 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 induced by tourism activities 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 two-fold: the development of harbors and dikes upsets the coastal currents and reduces the natural protection of beaches by destroying the Posidonia 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.

Yachting in the MED 11 countries is also developing very quickly because of the saturation of harbors in the north-west and the increased access to boat rental. There is a serious 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 harbors (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, fuel supply) contributes to chemical and bacteriological pollution.

Waste discharge presents another major problem. The UNWTO 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 emphasizing water use education should feature prominently on the development and implementation of national tourism strategies.

*Urbanization and tourism development: Mega – destinations or diffuse tourism?*

Tunisia has urbanized 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 (called the Mediterranean Pearl). The absence of a coherent urbanization 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.

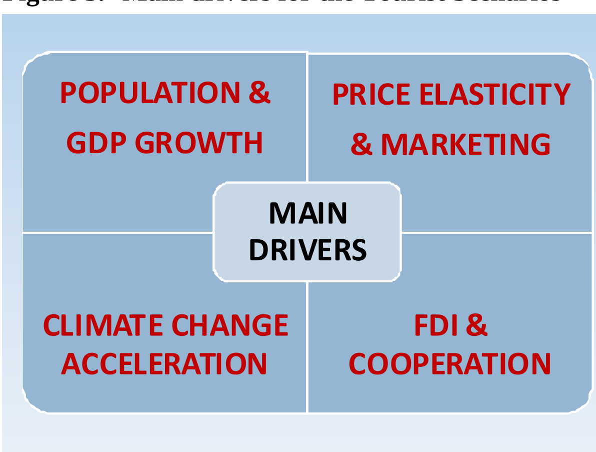
However, mega-destinations often offer public services such as health, transport, leisure and culture, and even education and training for both tourists and the residents, which is positive in terms of addressing climate change. Diffuse tourism involves more damage for the environment: urban scattering, 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 MED11 coastal areas means that policymakers must work to find a balance between environmental pressures and social and economic progress.

# 2. The MED 11 Tourist Scenarios 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 which can be used to support decision making rather than a method for producing precise forecasts. The framework of the MED 11 tourism scenarios is strictly connected with the global scenarios elaborated by the MEDPRO project[15]: reference scenario, common development (sustainable), polarized (regional) development and failed development (decline and conflict). How can these scenarios be translated to tourism?

Tourism growth is determined by drivers such as the population growth of a country and its neighbors, its GDP and those of its neighbors 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.

**Figure 3. Main drivers for the Tourist Scenarios**




*Source*: author's proposals.

[15] See MEDPRO, Scenario Building Committee Meeting, Roma, February 2011

The MED 11 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, the increase will remain high in absolute numbers. As observed during the period of 1990 to 2010, domestic and intraregional tourism may continue to be the main drivers of tourism development in the MED 11 countries until 2030.

"Travel preferences" are another driver. They are 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 middle and long term, such a policy would further undermine sector competitiveness.

National policies addressing climate change will also affect the tourism sectors. While other studies undertaken under the MEDPRO project will analyze the environmental challenges in the region, four issues appear of primordial importance for the tourist sector: (i) rising sea levels and the adjustment required to protect the coastline, including beaches, harbors 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 urbanization in the MED 11 countries; (iv) impact of the expected rise in energy cost on tourism.

## 2.1. Tourist arrivals in the med 11 region in the four scenarios

### 2.1.1. International tourism

**Scenario 1:** In the **Reference Scenario**, we adopt the scenarios developed by the WTTC following the methodology developed by Oxford Economics - OE (as presented in the Appendix 2)[16] until the year 2021. Extending these trends to 2030, international tourism in the MED 11 may reach 104.1 million international arrivals in 2015, 124.9 million in 2020, 153., million in 2025 and 191.7 million in 2030 (Table 11).

**Scenario 2:** The **Common (Sustainable) Development** scenario results in a stronger increase in international tourism. The MED 11 countries, benefiting from

[16] WTTC estimates growth of 4 to 5% annually on average

EU support, will offer more business travel and other opportunities such as tourism routes, international packages plus 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 organizations) will support such initiatives.

Diaspora tourism, as a consequence of more immigration to neighboring and northern Mediterranean rim countries, will positively impact tourism. Strong growth in the global economy means more trips from and to emerging countries such as China, India, South Africa and Brazil. More travel means greater energy needs; thus the tourism trade will push for initiatives in favor of low carbon or green practices.

**Scenario 3:** In the "**Polarized Regional Development**" scenario, stronger regional cooperation among the MED 11 countries in tourism would replace the strong relations with the EU that characterized the Common Development Scenario. The tourism sector will be very competitive and hard marketing practices will be required. Even if some MED 11 countries 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 Med 11 countries 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. The same trends will occur in Scenario 2, but in Scenario 3, the political and social weight of the offered services will be focused more on the intraregional needs. Depending on the political developments in the region, Israel could also benefit from increased regional tourism.

**Scenario 4**: "**Failed Development**": In this 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 littoral, leaving other regions behind. We will also see an accentuation of the negative impacts of climate change, the majority of MED 11 countries 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 industrialized and technologically advanced.

*Intraregional tourism within international tourist arrivals*

Today, only 15% of international tourist arrivals to the MED 11 come from the MED 11 region itself. Over the next twenty 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 Polarized Development,** where integration is higher, tourism arrivals of the MED11 countries may increase up to 25/30% of the total arrivals, i.e. give between 25 and 30 million tourist arrivals more in 2030. In the **Failed Development Scenario**, MED11 will lose shares in this market and the percentage of interregional tourists will not reach 15%.

**Table 11. MED 11 Scenarios total International tourists' arrivals (Millions)**

| Scenarios | 2010 est. | 2015 | 2020 | 2025 | 2030 |
|---|---|---|---|---|---|
| Scenario 1 Reference | 82.9 | 104.1 | 124.9 | 153.3 | 191.7 |
| Scenario 2 Common Development | 82.9 | 119.7 | 143.6 | 176.3 | 220.5 |
| Scenario 3 Polarized Development | 82.9 | 113.9 | 138.2 | 169.8 | 213.7 |
| Scenario 4 Failed Development | 82.9 | 90.9 | 105.8 | 119.3 | 133.9 |

*Source*: WTTC, author.

### 2.1.2. Domestic tourism

Domestic tourism expenditures in the MED 11 countries are directly related to income per capita and urbanization trends. In the various scenarios, we use the elasticity of about 1.5 suggested by the UNWTO[17] for domestic tourism.

In the **Reference Scenario,** the population of the MED 11 countries (low UN variant) is expected to grow by 19% from 2010 to 2030; urbanization is expected to reach 80% by 2030, in line with urbanization trends in the northern rim. Aver-

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

age GDP growth is assumed at 4% (2010-2020) and 3 % (2020-2030). We also believe that at least 40% of the urban population will take holidays outside of their main residence, i.e. 110 million people will take vacation[18]. If we add travel for other motives such as business travel, seminars and conferences, and visiting family to this figure, we obtain an estimate of 190 million of domestic tourism trips[19].

In the **Common Development Scenario,** GDP growth is higher (5% during 2010-2030) and urbanization accelerates. The population growth may be slower but female labor force participation may increase. This will not mean more domestic tourism, if not the contrary, people will choose to go abroad with the easing of international tourism restrictions. In the **Polarized Regional Scenario**, domestic tourism (as well as intraregional tourism within the MED 11 countries) 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 urbanization levels, less trade and business trips, and less income left for leisure and vacation; it may perhaps lead to more population growth as rural traditions are often associated with less educated women and numerous families.

Table 12 provides an overview of the results of the different scenarios for domestic tourism in the MED 11 countries.

**Table 12. Domestic tourism trips in the MED 11 countries (Millions)**

| **Years** | **Scenario 1 Reference** | **Scenario 2 Common Development** | **Scenario 3 Polarized** | **Scenario 4 Failed Development** |
|---|---|---|---|---|
| 2010* | **62** | 62 | 62 | 62 |
| 2015 | **90** | 100 | **105** | 80 |
| 2020 | **125** | 135 | **140** | 105 |
| 2025 | **160** | 170 | **175** | 135 |
| 2030 | 190 | 195 | **200** | 150 |

*Note*. * Most recent available data.
*Source*: UNWTO, UN, projections from author.

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[18] Which are still lower than in Europe, where 60% of the urban population takes a trip inside their country.

[19] If we compare these results with some European countries, in Spain (population: 46 million in 2011) 151 millions 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 underestimated, because the populations of the MED 11 countries look to be lodged in second homes, not registered rented houses, or stay with parents, relatives or friends.

### 2.1.3. Domestic and international tourism until 2030

The Reference Scenario assumes the substantial growth of the tourism sector in the MED 11 countries. The number of domestic and international tourists may reach 194 million in 2015, 249 million in 2020, 313 million in 2025 and 381 million in 2030 (Table 13). In comparison it was only 144 million in 2010. The Common Development Scenario is the most encouraging. On the whole, the domestic and international movement of tourists may reach 219 million in 2015, 278 million in 2020, 346 million in 2025 and 415 million in 2030. In the Polarized Regional Scenario, the number of domestic and international tourists may be equal to 218 million by 2015, 278 million by 2020, 344 million by 2025 and 413 million by 2030 but with a structural difference in the inbound markets (more arrivals from the MED 11 region) and a higher share of domestic tourism. Finally, in the "Failed Development Scenario," domestic and international tourists may reach only 170 million in 2015, 210 million in 2020, 254 million in 2025 and 283 million in 2030.

**Table 13. MED11 scenarios for Domestic & International tourists (arrivals in millions)**

| Scenarios | 2010 est. | 2015 | 2020 | 2025 | 2030 |
|---|---|---|---|---|---|
| Scenario 1 Reference | 144 | 194 | 249 | 313 | 381 |
| Scenario 2 Common Development | 144 | 219 | 278 | 346 | 415 |
| Scenario 3 Polarized Development | 144 | 218 | 278 | 344 | 413 |
| Scenario 4 Failed Development | 144 | 170 | 210 | 254 | 283 |

*Source*: UNWTO, WTTC, author.

## 2.2. Economic impacts of travel and tourism in med 11 scenarios

### 2.2.1. Expenditure by international and resident visitors

In the Reference Scenario, according to the World Travel and Tourism Council/Oxford Economics forecasts until 2020 and 2021 respectively and following the same methodology until 2030, Tourism & Travel expenditure[20] may be estimated at 144 billion US$ in 2015, 182 billion US$ in 2020, 231 billion US$ in

[20] See Annex 1 for Definitions and Methodology.

2025, and 293 billion US$ in 2030 (measured in terms of constant 2010 US$ – see Table 14).

Scenario 2 (Common Development) and Scenario 3 (Polarized 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.

**Table 14. Reference Scenario nº1: International Tourism Receipts (T&T Global expenditure in Billions US 2010 $)**

| in billion $ | 2000 | 2005 | 2010 | 2015 | 2020 | 2025 | 2030 |
|---|---|---|---|---|---|---|---|
| Algeria | 4.1 | 4.6 | 4.6 | 6.2 | 7.6 | 9.3 | 11.4 |
| Egypt | 11.3 | 18.5 | 20.6 | 27.4 | 36.9 | 49.7 | 66.9 |
| Israel | 10.5 | 9.3 | 10.5 | 13.6 | 17.0 | 21.3 | 26.6 |
| Jordan | 1.4 | 2.1 | 3.2 | 4.4 | 6.1 | 8.5 | 11.7 |
| Lebanon | 1.6 | 6.4 | 9.8 | 12.8 | 17.0 | 22.6 | 30.0 |
| Libya | 3.9 | 5.3 | 5.1 | 6.6 | 8.8 | 11.7 | 15.6 |
| Syria | 2.2 | 2.9 | 3.6 | 4.4 | 5.0 | 5.7 | 6.5 |
| Morocco | 4.6 | 7.1 | 8.5 | 11.9 | 15.0 | 18.9 | 23.8 |
| Syria | 2.2 | 2.9 | 3.6 | 4.4 | 5.0 | 5.7 | 6.5 |
| Tunisia | 3.6 | 4.5 | 4.9 | 6.7 | 8.0 | 9.6 | 11.4 |
| Turkey | 26.7 | 37.9 | 36.0 | 45.8 | 56.1 | 68.7 | 84.2 |
| *TOTAL* | *72.0* | *101.6* | *110.4* | *144.1* | *182.6* | *231.4* | *293.2* |

*Note.* * Palestine: no available figures.
*Source*: UNWTO estimates until 2010, WTTC forecasts until 2020, author.

**Table 15. MED11 scenarios: Domestic & International tourism receipts (Billions US 2010 $)**

| Scenarios | 2010 estimates | 2015 forecasts | 2020 forecasts | 2025 forecasts | 2030 forecasts |
|---|---|---|---|---|---|
| Scenario 1 | 110 | 144 | 182 | 231 | 293 |
| Scenario 2 | 110 | 163 | 203 | 255 | 319 |
| Scenario 3 | 110 | 162 | 203 | 254 | 318 |
| Scenario 4 | 110 | 126 | 153 | 187 | 218 |

*Note*. * For 10 countries, no available figures for Palestine.
*Source*: UNWTO estimates until 2010, WTTC forecasts until 2020, author.

### 2.2.2. Total Contribution of Tourism and Travel to MED 11 countries' 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 4.2% per annum from US$ 5,991.9bn (9.1% of GDP) in 2011 to US$ 9,226.9bn (9.6%) by 2021. 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 16).

**Table 16. Travel & Tourism Total Contribution to GDP (in %)**

| **Countries** | **2010** | **2015** | **2020** | **2025** | **2030** |
|---|---|---|---|---|---|
| Algeria | 7.3 | 7.2 | 7.5 | 7.8 | 8.0 |
| Egypt | 17.5 | 15.6 | 16.5 | 17.0 | 18.0 |
| Israel | 7.4 | 7.8 | 8.3 | 8.8 | 9.2 |
| Jordan | 20.2 | 19.6 | 19.7 | 19.7 | 20.0 |
| Lebanon | 33.7 | 33.2 | 34.3 | 32.0 | 30.0 |
| Libya | 3.2 | 2.8 | 3.9 | 6.0 | 8.0 |
| Morocco | 18.9 | 20.5 | 21.3 | 21.8 | 22.5 |
| Syria | 14.0 | 14.0 | 13.6 | 14.0 | 14.0 |
| Tunisia | 17.6 | 15.8 | 14.3 | 14.0 | 13.8 |
| Turkey | 10.0 | 9.6 | 8.9 | 8.6 | 8.5 |
| *Average for MED11* | *10.9* | *11.0* | *11.0* | *11.5* | *12.0* |

*Note*. * no available figures for Palestine.
*Source*: UNWTO estimates 2010, WTTC forecasts until 2020-2021, author for 2025 and 2030.

There will be minimal differences between the "**Common Sustainable Development**" and the "**Polarized Development**" scenarios, 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 MED 11 GDP. This quasi-stability of 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 MED 11 countries, which will approach a post-industrial stage of development and knowledge society.

### 2.2.3. Capital Investment in Tourism and Government Tourism Expenditure

What amount of private and public sector capital investments[21] is necessary to achieve the tourism growth rates estimated in the above scenarios up to 2030?

[21] Capital Investment includes fixed investment of Travel & Tourism service providers and government agencies to provide facilities, capital equipment and infrastructure for visitors.

The scenarios assume the necessary investments to reach their targets in domestic and international tourist arrivals. Countries that take higher risks in their capital investment strategies in tourism and travel may have higher rewards, but also a greater variability in those rewards. Mechanisms for risk sharing have to be developed and they are more likely to exist in the "**Common Development**" scenario than in the "**Polarized Regional Development**" scenario. Furthermore, under the "**Common Development**" 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 MED 11) will give more confidence to international investors. In the "**Polarized Regional 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) 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 "**Polarized Regional 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 neighboring countries. Then it is likely that in the "**Failed Scenario"**, capital investment will be 25% lower than in the "**Reference Scenario"** (Table 17).

**Table 17. Total MED 11 Capital Investment in tourism and government tourism expenditure (US$ million at current prices and exchange rates 2010)**

| | **2010 estimates** | **2015 forecasts** | **2020 forecasts** | **2025 forecasts** | **2030 forecasts** |
|---|---|---|---|---|---|
| Reference Scenario | 32117 | 47503 | 69834 | 102663 | 150924 |
| Common Development Scenario | 32117 | 59379 | 87293 | 128329 | 188655 |
| Polarized Development Scenario | 32117 | 47503 | 69834 | 102663 | 150924 |
| Failed Development Scenario | 32117 | 35627 | 52376 | 76997 | 113193 |

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 in promoting sustainable products and services helping to create the "green" use of natural and cultural resources. In scenario 3 "**Polarized 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 Internet and social networks.

### 2.2.4. Tourism Employment

Travel and tourism contribution to employment reached 12.3 million in 2010, i.e. 13.58% of total employment. The WTTC/OE projection until 2020 and the one created by the author of this study until 2030 gives tourism employment in 2015 of 13.4 million (ca. 14% of total employment), 15 million in 2020 (ca. 16% of total employment), 16.5 million in 2025 (ca. 17% of total employment), and 19.1 million in 2030 (ca. 19% of total employment)[22].

These figures are reflected in the "**Reference Scenario"** (Table 18). They are associated with labor productivity and tourism sector competitiveness as related to the number of employee per tourist. Labor productivity is increasing in the MED 11 countries, and it 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 labor-intensive relative to other traded sectors. Again, the "**Common Sustainable Development**" scenario includes a framework for job creation in green businesses which are more labor-intensive than traditional capital – intensive hotel chains or transnational companies, with the creation of more small and medium-size enterprises. The "**Polarized Development"** scenario may signify more jobs than in Scenario 1, as the productivity and competiveness will be smaller in this scenario. Finally, the "**Failed Development**" scenario provides for less employment compared to the other scenarios, but labor productivity in this scenario is mediocre and has a direct effect on the competitiveness of the tourism sector.

[22] The number of jobs generated directly by the Travel & Tourism industry plus the indirect and induced contributions.

**Table 18. Employment in the travel and tourist sector according to scenarios (Millions jobs)**

| Scenarios | 2015 forecasts | 2020 forecasts | 2025 forecasts | 2030 forecasts |
|---|---|---|---|---|
| *Reference* | 13.4 | 15.0 | 16.5 | 19.1 |
| *Common Development* | 16.6 | 18.4 | 19.9 | 22.8 |
| *Polarized Development* | 15.1 | 16.7 | 18.2 | 20.8 |
| *Failed Development* | 14.7 | 15.8 | 16.7 | 17.7 |

*Source*: WTTC, UNWTO, author – without Palestine, no data available.

## 2.3. The Tourism Scenarios – Qualitative Analysis

### 2.3.1. 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 liberalization and development and marketing policies. In this scenario, the movement of tourists (domestic and international) will reach 381 million by 2030.

Tourism Cooperation

- Little by little, within the ENPI process, Euro-Mediterranean Association Agreements will induce the creation of similar norms and standards in all the elements of the tourist products and services. However, this process is slower than in the case of 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 the cases of technical and health standards for consumer protection.
- The 2011 Arab revolution may accelerate the interest in this cooperation.
- Strengthening of tourism trade networks among travel agents, hoteliers and other entrepreneurs develop e.g. MEDITOUR (within ASCAME- Chambers of Commerce), UFTAA (travel agents), etc.
- The main unifying network, the Mediterranean Travel Trade Association (META), may manage to take off little by little and be operational by 2015 by setting up its own large Web 2 or Web 2.0 hub platform.

- 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 MED 11 countries in the Competitiveness Indexes remains unchanged.
- Price competition remains the main driver for a fast tourism recovery. These price cuts have a nefarious 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 dreadful results on the Mediterranean tourism conviviality. These destinations will develop hard marketing methods to attract clientele and investors with negative effects on their long term image.

New destinations and products

- New destinations may emerge, mainly in North Africa with the opening of Algeria and Libya for developing 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 the rural Mediterranean areas.
- Marketing strategies will become increasingly oriented towards emerging markets - mainly China, India, Russia, and Brazil and even South Africa.

Image of tourism in 2030

- With 293 billion US$ in tourism receipts, 12% of GDP, and 3% of the world's capital investments & government expenditure, tourism retains its political and geostrategic weight in the MED 11 countries in 2030.
- The main negative mirror image comes from climate change impacts and environmental contamination effects. Local pollutions may multiply on beaches, resorts, cultural and religious destinations, etc.

- Natural areas and parks may become a “Magic Skin”, except hotspots, often privatized to make money in the short term with ecotourism.
- Local and international NGOs will develop some projects of socially responsible tourism, but without sufficient assistance.
- Finally, MED 11 countries will not develop a common policy for a unique Mediterranean image.

Most significant threats

- Climate change: rising sea levels, 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 (as in Marrakech at the end of April 2011).
- Uprisings and more local insurgences due to food shortages and price increases.
- Repeated economic and financial crises but with a good resilience of the tourist sector.
- Government budget cuts in tourism education and training, and tourism marketing.

### 2.3.2. Common (Sustainable) Development Scenario 2

Scenario 2 “**Common (Sustainable) Development”** offers the best possibilities of tourism development and co-operation between the MED 11 countries and Europe. 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.

For tourism, it may also be called: “The wonderful Mediterranean scenario”. Furthermore in this scenario, after 2015, the climate change issues will be dealt with very rigorously at local, regional and national levels. In all the projections presented, this scenario creates more jobs; it requires more investments and a more strategic tourism development and management strategy with a sustained and responsible vision. In this scenario, the number of tourists (domestic and international) will reach 415 million by 2030.

Tourism Cooperation

- With a renovated Union for the Mediterranean and reinforced association agreements, the same norms and standards will apply to health and security, environment, social and labor, human resources, jurisdiction, etc. This gives full confidence to the status of tourism all around the MED11 countries and a good climate for investments, enterprises and job creation.
- The European Union, through different programs and financial instruments, will accelerate the modernization of tourism and ICT infrastructure in Med 11 countries; 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 programs in this area will be fully applied in MED 11 countries.
- 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 program.
- 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 programs 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 given to the projects of the Cultural Council of the UfM in charge of tourism and heritage.

Business climate and competitiveness

- Competitiveness Indexes will show improving results for the MED 11 countries on almost all indicators: particular attention will be given to tourism infrastructure/ transportation and natural resources.

- Some MED 11 countries will become World Tourism Champions such as Egypt or Turkey.
- Price competiveness and fare dumping will be softened by cooperation and fair competition rules.
- Tourism Foreign Direct Investors will consider MED 11 as an AAA investment area, the highest grade will be assigned to debt obligation by rating agencies.
- Good governance in MED 11 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- organizations in the management and marketing of the tourist destinations. 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 which 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 on two major tendencies: mega-destinations or diffused tourism in the MED 11 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.
- MED 11 tourism products with low carbon emissions will be offered in the inbound markets. Domestic tourism will follow this pattern and trend.
- Socially responsible lodging and tourism activities will become the mainstream of this sector.
- More innovative intercultural products such as museums, pilgrimages, festivals, etc., will become a common means of intercultural and inter-religious dialogue.
- Trans-Saharan routes and other common tourism paths and routes on cultural, natural and religious themes will develop.
- Innovative use of ICT in MED11 countries will increase.

- Human resources: respective academic and training programs 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.

<u>Image of tourism in 2030</u>

- As in the previous scenario, the tourism sector will have politically appropriate weight in the MED 11 countries.
- 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 behavior and visualization. The Mediterranean will be a sea that joins, rather than separates, its people.

<u>Most significant threats</u>

- MED 11 tourism 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 minimized if countered by balanced and well defined counter-terrorist measures that do not jeopardize 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).

### 2.3.3. Polarized Regional Development Scenario 3

Scenario 3 “Polarized Regional Development” is self-centered on the majority of MED 11 countries. The Mediterranean Sea is seen as *a dividing line between unchanging and inherently conflicting civilizations* (see Sessa, 2011, p.5). There is a component of an integrated Maghreb and Mashreq. In the best case, the Union of Arab Maghreb is working well and extended from Mauritania to Egypt. The challenge will be to empower regional integration in all its major attributes.

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 MED 11 countries and reinforce cooperation between tourism and hotel organizations on training and the quality of services and tourist products.
- Tentative cooperation on information and communication technologies with specialized platforms for travel agents, hoteliers, DMO, etc.
- The Euro-Mediterranean partnership between the European Union and some of the MED 11 countries will unhurriedly follow its course. Meetings between both Mediterranean rims will be reduced due to budget cuts.
- The UMA – Union of Arab Maghreb may develop special programs on tourism.
- UNWTO will follow some cooperation to fight against poverty and develop green tourism in the MED 11 countries. The Mediterranean Tourism Observatory may find its headquarters in one of the MED 11 countries.
- Growing role of Islamic cooperation institutions.

Business climate and competitiveness

- Competitiveness Indexes show better results for the MED 11 countries, mainly on indicators such as Policy Rules and Regulations, Safety and Security, Health and Hygiene, Government Prioritization 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 programs will receive less interest in the sea-sand-sun model for domestic and intraregional tourism.
- The development of rural and hinterland tourism with national entrepreneurship will receive 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 in some destinations.
- Promotion and marketing which 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 MED 11 countries 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 induce defiance towards some MED 11 destinations.
- 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 get less attention.
- European tourists will look more towards non-Med 11 Mediterranean island destinations such as the Caribbean or Canary Islands.

### 2.3.4. Scenario 4 Failed Development

The fourth scenario of “decline and conflict” involves a more pessimistic view of the future for the MED 11 countries with a radicalization 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 neighbors will worsen as well as between some North African countries. In these conditions, MED 11 countries will face economic, social and political volatility and tourism will face serious difficulties.

<u>Tourism Cooperation</u>

- The absence of a stable authority will undermine 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 programs.
- Drastic slowing down of the Euro-Mediterranean partnership between the European Union and some of the MED 11 countries. 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.

<u>Business climate and competitiveness</u>

- The Competitiveness Indexes will worsen for the MED 11 countries, with particularly poor indicators on education and training and availability of qualified labor.
- More entrepreneurial models linked to family economy to balance the failure of open development.
- Limited mobilization of civil society, including enterprises, on climate and environmental issues.

<u>New destinations and products</u>

- Some natural tourism hotspots will be preserved as national shrines (natural or religious).

- 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.
- Domestic and low cost tourism often seen as the better solution for developing this sector.

<u>Image of tourism in 2030</u>

- 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, “Polarized 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 MED 11 countries and the whole Mediterranean.

<u>Most significant threats</u>

- Reduction of the freedom of movement to fight terrorism and illegal immigration.
- Frequent terrorist attacks against tourists.
- Less attention to countering threats of global climate change.
- Serious environmental problems, dryness, 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.
- As in Scenario 3, European and North American tourists will look more towards non-Med 11 island destinations.
- Negative attitude of local populations towards foreign visitors: the “clash” of civilizations.

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# 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 |
| *Libyan Arab Jamahiriya*: | 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

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

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

*% share*: The share of Travel & Tourism spending or employment in the equivalent economy-wide concept in the published national income accounts or labor market statistics.

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

## III. Abbreviations

### A. Countries

*DZ*: Algeria

*EG*: Egypt

*IL*: Israel

*JO*: Jordan

*LB*: Lebanon

*LAJ*: Libyan Arab Jamahiriya

*MA*: Morocco

*PS*: Palestinian Autonomy - Palestine

*SY*: Syria

*TN*: Tunisia

*TR*: Turkey

### B. Acronyms

*ANIMA*: Mediterranean Investment Network

*AUT*: Arab Union for Tourism

*DMO*: Destinations marketing Organizations

*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*: | Organization 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 overnights 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, those expenditures associated with non-resident visitors are registered as “credits” in the BOP and refer 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 nonresident 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

## Competiveness Index

The Travel & Tourism Competitiveness Report has been prepared by the World Economic Forum since 2007. The Travel & 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; (3) The T&T human, cultural and natural resources sub-index.

*Reference: 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 MED 11 countries) and international tourism (from outside MED 11 countries). 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, Polarized 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 travelers 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.