MIDDLE EAST - MEDITERRANEAN TRAVEL & TOURISM

SCAN

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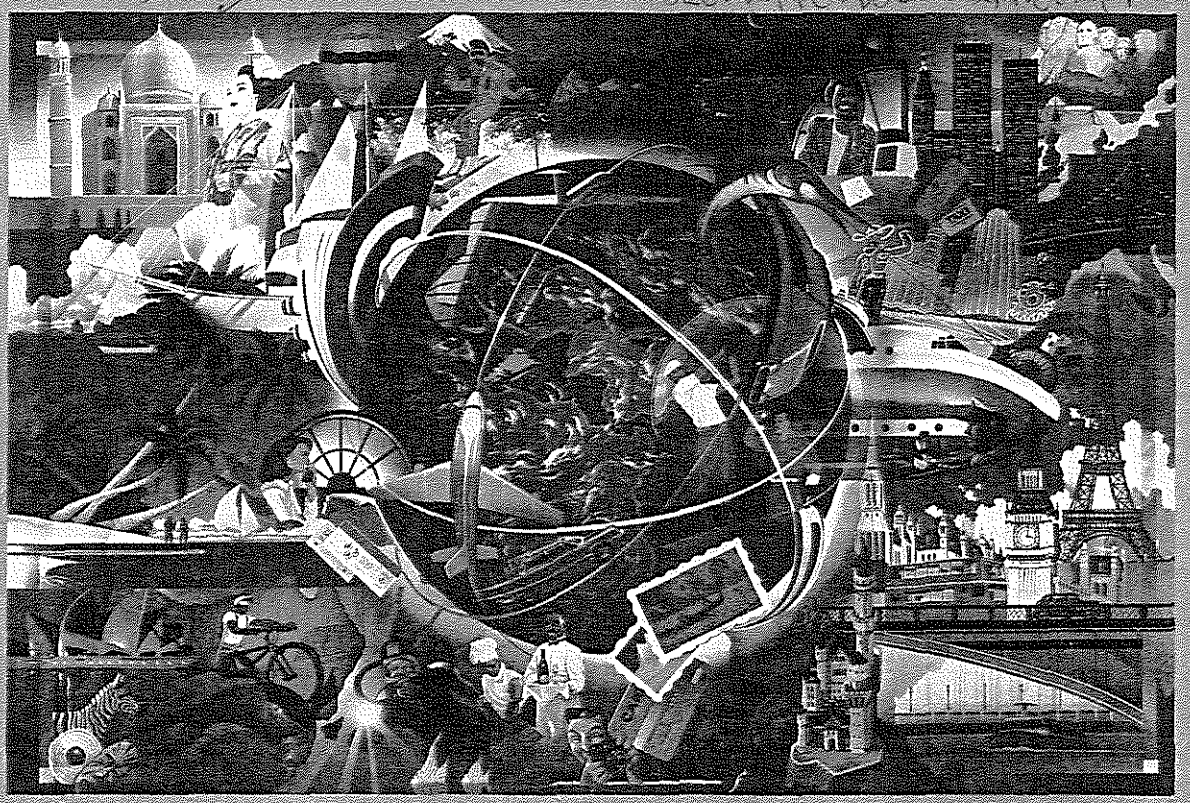

A NEW PERSPECTIVE

EXECUTIVE SUMMARY

World Travel & Tourism Council

GREEN GLOBE

THE WORLD'S LARGEST INDUSTRY AND GENERATOR OF JOBS

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iation • American Express Company • American International Group • AmericanTours International • Amsterdam Airport Schiphol

Inc. • BAA plc • The Boeing Company • British Airways plc • Budget Rent a Car Corporation • Canadian Pacific Hotels • Car

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• Diners Club International • East Japan Railway Company • Europcar International • Forte plc • Four Seasons Hotels and Resorts

o International • The Hertz Corporation • Hilton International • Holiday Inn Worldwide • Hotel Okura • Hyatt Hotels Corporation

• Inter-Continental Hotels Group • Jetour Corporation • Jupiters Limited • Karstadt AG • KLM Royal Dutch Airlines • Kuoni Trav

d • LET Argentina • Lufthansa German Airlines • Malaysian Airline System • Mandarin Oriental Hotel Group • Maredo Gaststätte

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• Singapore Airlines Limited • Sky Chefs • Steigenberger Hotels AG • Sun International • System One Corporation • The Taj Grou

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Inter-C

On the cover: *The World's Largest Industry* by David McMacken artistically depicts the wide range of direct and indirect products and services which are the Travel & Tourism industry; an industry which moves, accommodates, feeds and entertains hundreds of millions of people around the world; creates wealth and millions of quality jobs; and equally important, brings people and nations closer together.

Kuoni Trav

d • LET

Gaststätte

& Co.

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October 1995

The Vision

According to futurologist John Naisbitt, author of *Megatrends* and *Global Paradox*, three 'paradigm industries' will drive the service led economies of the 21st century — Telecommunications, Information Technology and Travel & Tourism.

Travel & Tourism is already the world's largest industry generating, directly and indirectly, more than 10% of GDP, employment, capital investment and tax revenues around the world in 1995. More significantly, Travel & Tourism is a high growth industry and is forecast to more than double in size over the next 10-15 years. This will represent a real rate of growth in output of some 5.5% a year through 2005.

The Middle East/North Africa Economic Summit, which was held in Casablanca in October-November 1994 bringing together heads of state and prominent business leaders from all around the world, identified Travel & Tourism as a key element of the Middle East peace process.

The Casablanca vision is the transformation of the wider Middle East-Mediterranean region — from Morocco to the Gulf — into a major growth area of the new world economic order. Travel & Tourism can play a pivotal role in this process, creating foreign exchange, jobs and investment, as well as social and environmental improvements, and stimulating a free flow of traffic to, from and within the region. This in turn would help fuel regional economic integration and peaceful development.

The Reality

Although the Middle East peace process has taken a quantum leap forward, it is still early days on the road towards a comprehensive and lasting peace. And the achievement of regional economic integration will be a progressive, step by step process.

Even the concept of a cohesive region is, at best, embryonic. No political or economic body binds the different countries of the wider Middle East-Mediterranean together, and the region comprises many different ethnic, geo-political and socio-cultural groups and sub-regions at very different levels of economic and Travel & Tourism development. New bonds need to be established, not just between countries directly involved in the peace process, but across the whole region.

There are other bridges to be crossed. The Middle East peace talks have raised awareness of the region and its undisputed Travel & Tourism potential — especially if its wealth of attractions can be marketed as part of a seamless, quality package. But safety and security concerns need to be addressed. Infrastructure and service levels need to be improved. And investment in Travel & Tourism needs to be increased. These and other measures will ensure the region's Travel & Tourism product becomes a serious competitor in the global marketplace.

Continued...

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World Travel & Tourism Council

The Middle East-Mediterranean region currently contributes 2.3% to global Travel & Tourism gross output and it accounts for a modest 4.9% share of international arrivals worldwide. These respective shares have shown little or no growth over the past ten years. Nevertheless, there are signs of a turnaround — largely as a result of the peace process — and prospects for Travel & Tourism growth to and within the region are considered to be fairly bullish. The global output contribution is forecast to almost double to some 4% by 2005 — increasing at almost four times the world average rate.

The Challenge

With foresight and leadership from the region's governments, businesses, investors and local communities, the growth and economic impact of Travel & Tourism could be very substantial — thus ensuring a level of economic development essential to long-term peace and stability in the region.

It would be naive to expect an instant realisation of the Casablanca vision. Nevertheless, there are a number of positive steps which can be taken — geared to the evolving political framework of the region — which will help pave the way forward. But these will require concerted efforts — not to mention a long-term commitment to the goal — on the part of both the public and private sectors working in partnership.

This report sets out a proposed strategy to increase the economic benefits of Travel & Tourism. It identifies a series of key initiatives designed to help the overall process and encourage synergies between the public and private sectors.

Most importantly, governments of the region should seize this historic opportunity and:

- **Formally recognise Travel & Tourism as a strategic economic development and employment priority and factor this into mainstream government policies for growth, trade, employment and investment;**
- **Pursue competitive and environmentally sustainable markets; and**
- **Eliminate barriers to the growth of the industry.**

This will help to ensure that Travel & Tourism can play a pivotal role in the economic resurgence of the Middle East-Mediterranean region.

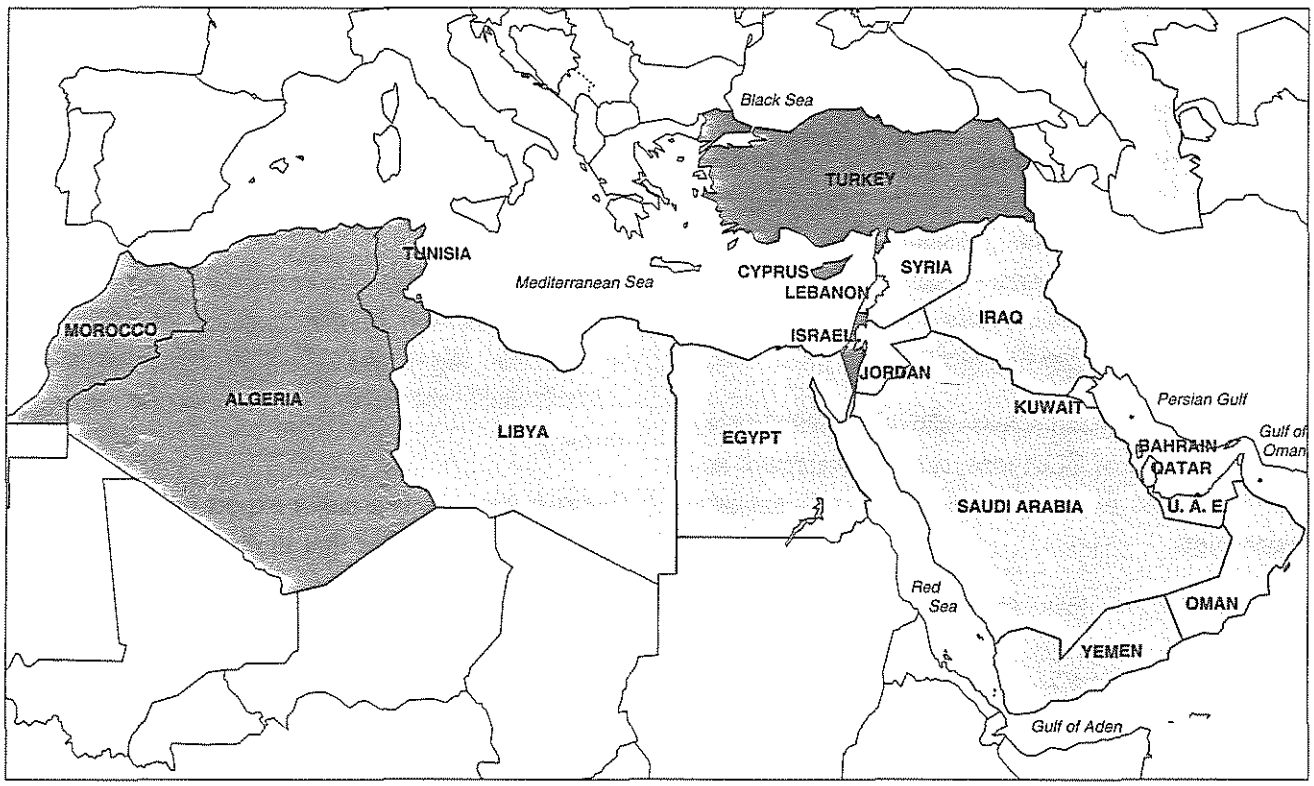
Robert H. Burns
Chairman

Geoffrey H. Lipman
President

MIDDLE EAST - MEDITERRANEAN (MEM) TRAVEL & TOURISM

The region covered by this Report is referred to as the Middle East-Mediterranean (MEM), comprising — for the purposes of the Report — the following three sub-regions:

- ***North Africa***: Algeria, Morocco, Tunisia.
- ***Eastern Mediterranean***: Cyprus, Israel, Turkey.
- ***Middle East***: Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Palestinian Territories*, Qatar, Saudi Arabia, Syria, United Arab Emirates, Yemen.



This particular breakdown was adopted for a number of reasons. Most importantly, it is based on accepted World Tourism Organization (WTO-OMT) definitions, which reflect traditional political realities, thereby facilitating the compilation and analysis of historical statistical data. WTTC/WEFA economic data has been adapted to this "norm", but can be recalculated to match evolving sub-regional realities. The only deviation from WTO-OMT definitions is WTTC/WEFA's non-inclusion of Sudan in the North Africa sub-region.

Moreover, there is not yet any firm basis for the identification on a sub-regional basis of the emerging socio-political realities. These definitions will, undoubtedly, change over time as the peace process evolves.

*Palestinian Territories: Israeli occupied with interim status subject to Israeli/Palestinian negotiation — final status to be determined.

TRAVEL & TOURISM'S

ECONOMIC IMPACT

Travel & Tourism — encompassing transport, accommodation, catering, recreation and services for travellers — is the world's largest industry and employment generator.

The Middle East-Mediterranean region will account for an estimated US$ 78.7 billion of Travel & Tourism gross output in 1995, which is 2.3% of the world total. This share has declined over the past three years — essentially due to the fall in oil prices — from US$ 91.0 billion in 1992, or 2.8% of global gross output.

Travel & Tourism contributes, directly and indirectly, more than 10% of GDP, jobs, capital investment and tax revenues to world, regional and national economies.

In the Middle East-Mediterranean, Travel & Tourism is expected to generate, both directly and indirectly, 8.7% of GDP, 10.1% of employment, 8.5% of capital investment and 9.8% of indirect business taxes in 1995.

Travel & Tourism is a high growth industry which is projected to more than double in size over the next decade. Together with Telecommunications and Information Technology, it is poised to be one of the three key industries leading the service led economies of the 21st century.

In the Middle East-Mediterranean, Travel & Tourism is expected to grow its total direct and indirect output contribution by more than 207% (in real terms) over the next decade — or at more than four times the world average — to over US$ 332 billion (gross output).

Travel & Tourism is a powerhouse in terms of employment, creating quality jobs across the full employment spectrum. One in nine jobs worldwide is either directly or indirectly generated by Travel & Tourism — many of them in small businesses, in rural areas and city centres where structural unemployment is at its highest, and where the level of economic development is at its lowest.

In the Middle East-Mediterranean, the employment contribution of the industry is almost as impressive. More than one in ten jobs result directly and indirectly from Travel & Tourism activity.

Travel & Tourism is a major export industry, generating foreign exchange that is directly injected into the national economy.

In the Middle East-Mediterranean, the industry is expected to earn some US$ 11.3 billion in Travel & Tourism services exports and US$ 6.4 billion in Travel & Tourism merchandise exports in 1995.

Travel & Tourism is a major activator of small and medium sized enterprises. It is also a catalyst for construction, financial services and communications.

In the Middle East-Mediterranean, the industry will generate an estimated US$ 19.0 billion in 1995 of investment in infrastructure, plant and capital equipment from suppliers. This is only 2.7% of global investment in Travel & Tourism, but it represents 8.5% of total capital investment in the region.

TRAVEL & TOURISM'S

POLICY AGENDA

As WTTC has developed its economic analysis of Travel & Tourism, we have also identified a number of basic policy priorities, in order to help governments harness the industry's economic dynamism and increase overall growth and job creation. We commend these to the governments of the Middle East-Mediterranean region:

1

MAKE TRAVEL & TOURISM A STRATEGIC ECONOMIC DEVELOPMENT AND EMPLOYMENT PRIORITY

- Recognise the industry's economic and social contribution by including Travel & Tourism in mainstream government programmes for job creation, export promotion and investment stimulation.
- Develop National Satellite Accounts for Travel & Tourism.
- Establish a regional mechanism for cooperation between the public and private sectors and ensure effective regional coordination on issues of common concern that cannot be dealt with at national level only or by existing sub-regional or sectoral fora.

2

PURSUE COMPETITIVE AND ENVIRONMENTALLY COMPATIBLE MARKETS

- Open up markets — increasing commitment to GATS: liberalise air transport and telecommunications.
- Encourage product quality improvements in Travel & Tourism and enhance promotions and marketing for international competitiveness.
- Establish a policy framework for sustainability and encourage industry environment initiatives.

3

ELIMINATE BARRIERS TO GROWTH

- Improve and expand infrastructure by increasing airport capacity and modernising air traffic control systems and structures.
- Simplify immigration controls and border clearance, introducing *FAST* systems where feasible.
- Tax intelligently for growth and exports.
- Invest in human resource development.
- Enhance safety and security.

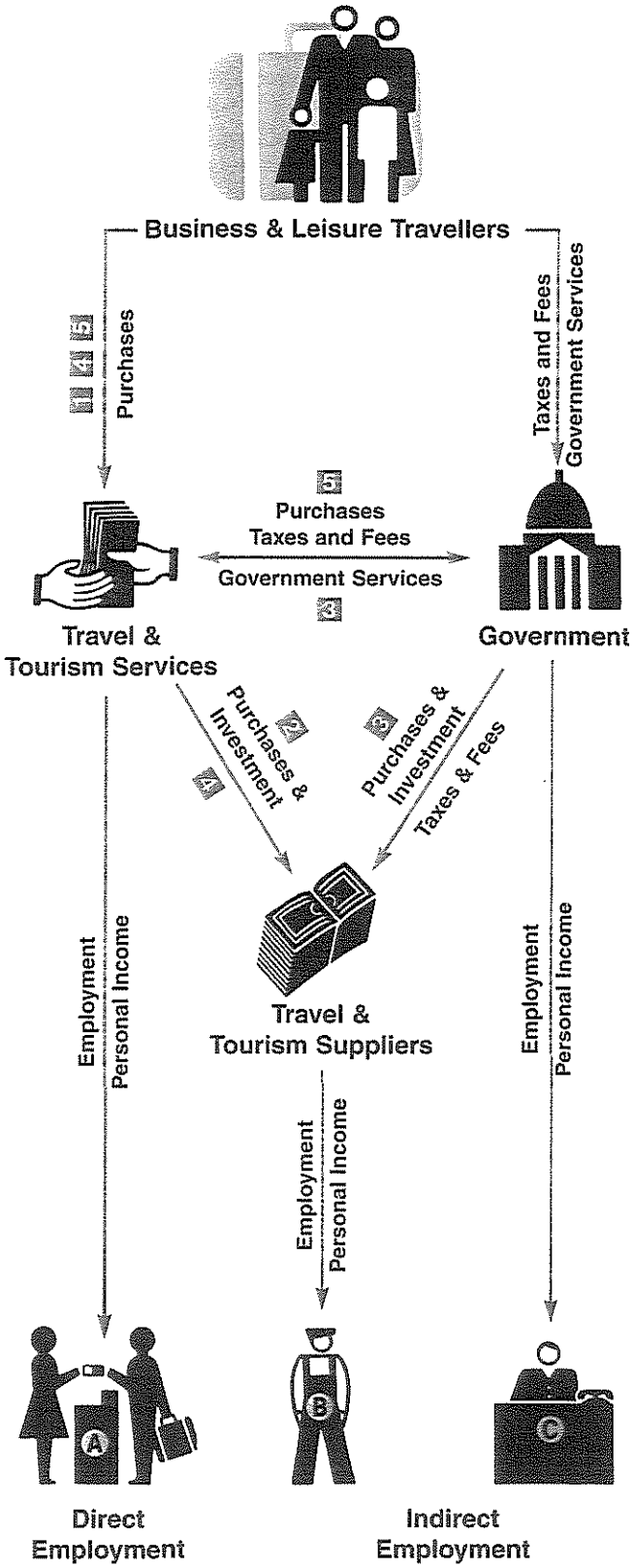
THE ECONOMICS OF

WTTC/WEFA Group research quantifies the *direct* impact of visitor spending as well as the *indirect* impact associated with capital investment, government expenditures, foreign trade and business sales, in the same way as governments measure other industries in charts of national accounts:

1. ***Consumer Expenditures*** on transportation, accommodation, catering/retail, recreation and travel related services by people worldwide.
2. ***Capital Investment*** made by Travel & Tourism companies in buildings and equipment.
3. ***Government Expenditures*** (operating and capital) which make Travel & Tourism possible.
4. ***Foreign Trade*** generated by international visitor expenditures and sales of Travel & Tourism merchandise.
5. ***Business Expenditures*** represents travel by companies and governments to support their daily operations.

The research also identifies the direct and indirect employment which results from these current and capital expenditures:

- (A) People involved in providing Travel & Tourism services to consumers, business travellers and government travellers such as airline pilots, hotel clerks, car rental agents, tour operators and retail merchants.
- (B) People involved in construction and manufacturing of Travel & Tourism buildings, equipment and supplies like hotels and resorts, aircraft, automobiles and food/beverages.
- (C) People involved in providing Travel & Tourism government services such as tourism promotion offices, transportation agencies and park services.

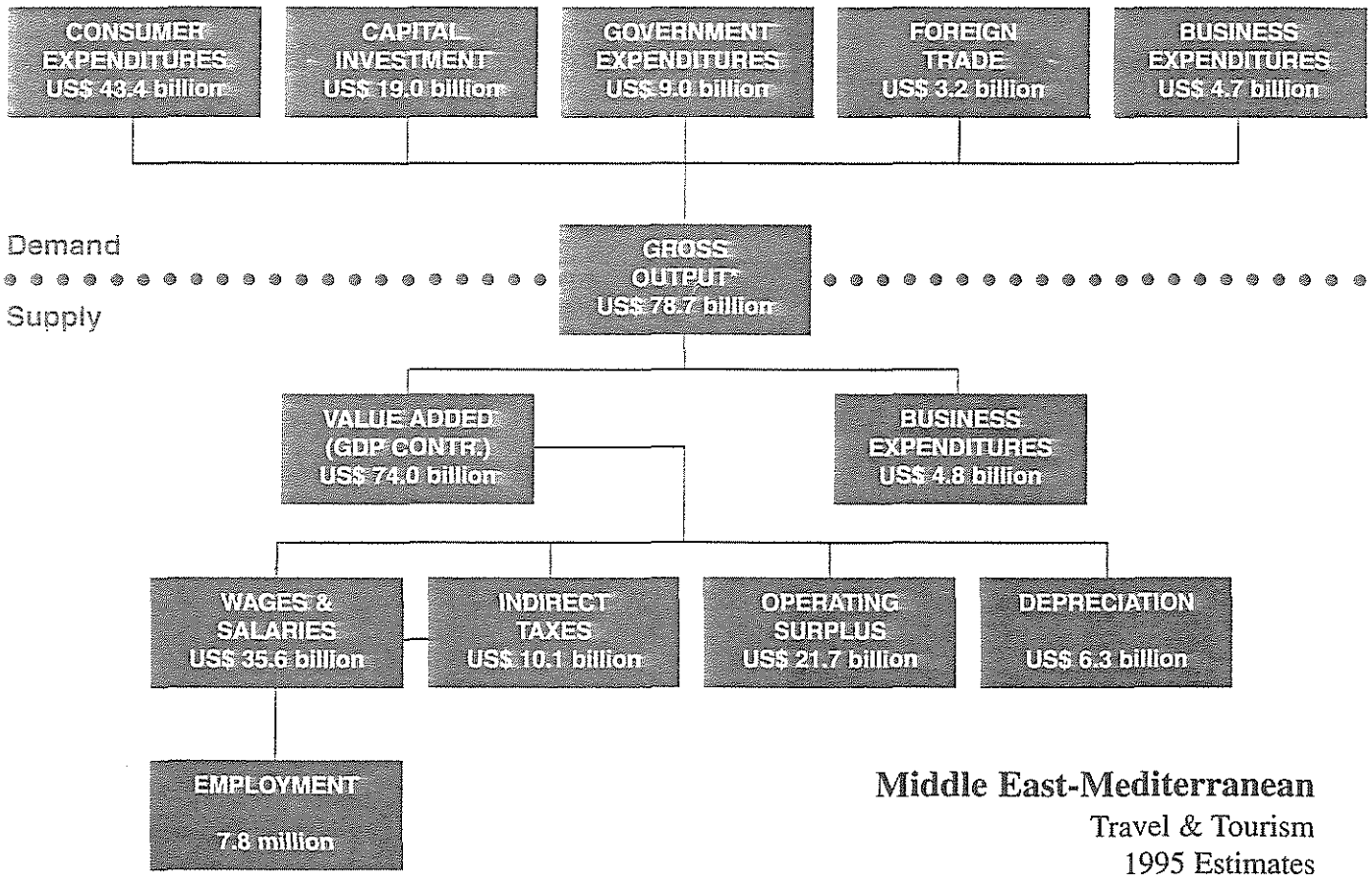


Research from WTTC and The WEFA Group is designed to be the methodological equivalent of the future National Satellite Accounting System for Travel & Tourism which is being developed by the Organisation for Economic Cooperation and Development, the United Nations, the World Tourism Organization and other international and national statistical bodies.

For this reason, the research approach is fully in line with generally accepted national account methodology. It was established in 1989 and enhanced in 1993-94, and it now includes improvements resulting from consultation with the international research community. Source data on consumer, investment, government and business spending patterns was gathered directly from government and private sector and academic sources. Foreign trade data was obtained from the UN.

All economic concepts are based on national accounting rules for the establishment of gross domestic product (GDP). The methodology also employs state-of-the-art input/output models, used by national governments to determine the total impact of economic policy. These models are used extensively to link the industry's GDP contribution and its supply-side accounts, including employment. The complete methodology is available on request.

Country and regional results are currently compared using standard currency exchange methods. In the future, WTTC will be providing additional country comparisons based on Purchasing Power Parity (PPP) methods, which equalise the differing costs of living between countries. PPP has been accepted among international organisations as a better comparison of economic output.

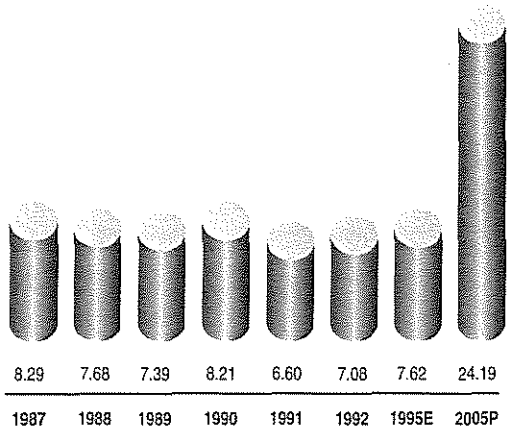


Middle East-Mediterranean
Travel & Tourism
1995 Estimates

*Gross output includes subsidies of US$ 0.7 billion

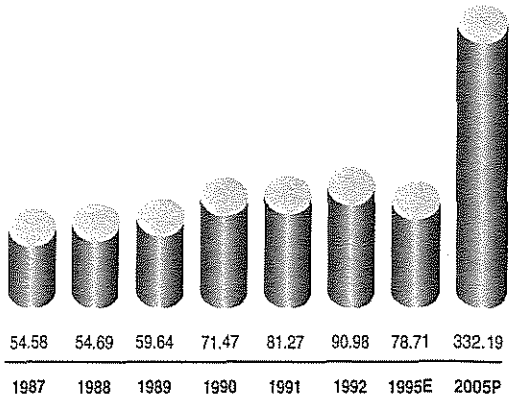
GROSS OUTPUT - NORTH AFRICA

Travel & Tourism
Gross Output
(Bn US$)



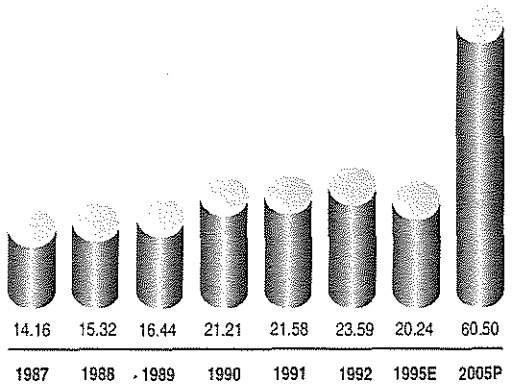
GROSS OUTPUT - MEM REGION

Travel & Tourism
Gross Output
(Bn US$)



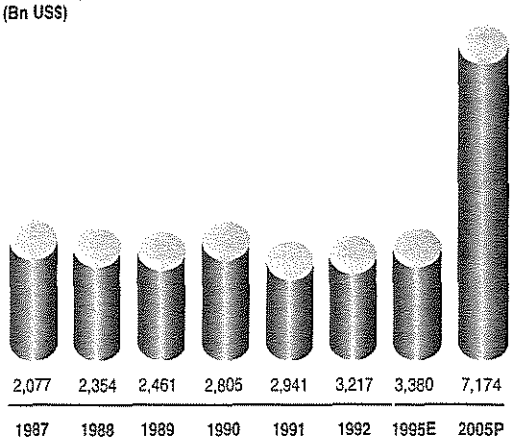
GROSS OUTPUT EASTERN MEDITERRANEAN

Travel & Tourism
Gross Output
(Bn US$)



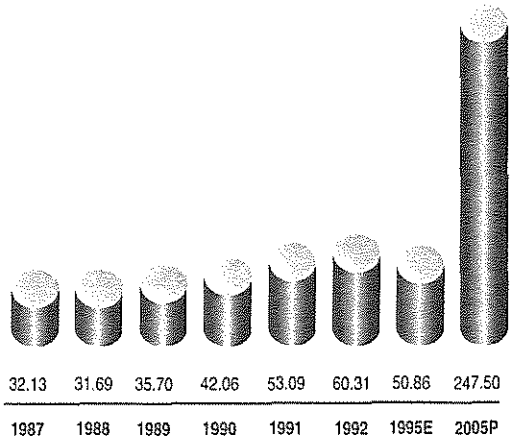
GROSS OUTPUT - WORLD

Travel & Tourism
Gross Output
(Bn US$)



GROSS OUTPUT - MIDDLE EAST

Travel & Tourism
Gross Output
(Bn US$)



CREATING WEALTH

Travel & Tourism in the Middle East-Mediterranean (MEM) is expected to produce some US$ 78.7 billion of gross output in 1995. This will include:

- US$ 43.4 billion of personal Travel & Tourism consumption within the region by local residents, or 10.4% of total personal consumption.
- US$ 19.0 billion of capital investment in Travel & Tourism plant and equipment (8.5% of total capital investment) by companies involved in Travel & Tourism by governments and local residents.
- US$ 9.0 billion of government expenditures to provide services to the industry and its visitors, as well as to pay for government employee travel.
- US$ 3.2 billion of foreign trade surplus earned from international visitor spending in the region and the sale of Travel & Tourism merchandise to foreign countries (exports) above the amount spent by residents travelling abroad and purchase of "Travel & Tourism" merchandise from foreign countries (imports). This compares with a deficit of US$ 90.0 billion on the region's overall trade account — forecast to increase to US$ 515.3 billion by 2005.
- US$ 4.8 billion of business travel expenditures — by companies within the region.

Travel & Tourism output in the MEM is small compared with the world total of US$ 3.4 trillion. It represents a 2.3% share. Moreover, after building to a peak of US$ 91.0 billion in 1992, the region's Travel & Tourism gross output has declined over the last three years — in absolute volume and as a share of global output.

However, there are clear signs of a turnaround. MEM Travel & Tourism is expected to grow by as much as 322.0% over the next ten years (or by 207.3% in real terms) — tripling its contribution to global output.

By 2005, the region is forecast to earn US$ 43.9 billion from international visitor spending (up by 290% over the US$ 11.3 billion projected for 1995). This will far exceed the US$ 15.3 billion spending abroad by MEM residents (up from US$ 4.5 billion in 1995). The resulting surplus of US$ 28.6 billion (US$ 6.7 billion in 1995) on the region's balance of Travel & Tourism account drops to US$ 10.7 billion (US$ 3.2 billion in 1995) when Travel & Tourism merchandise trade is included.

CREATING JOBS

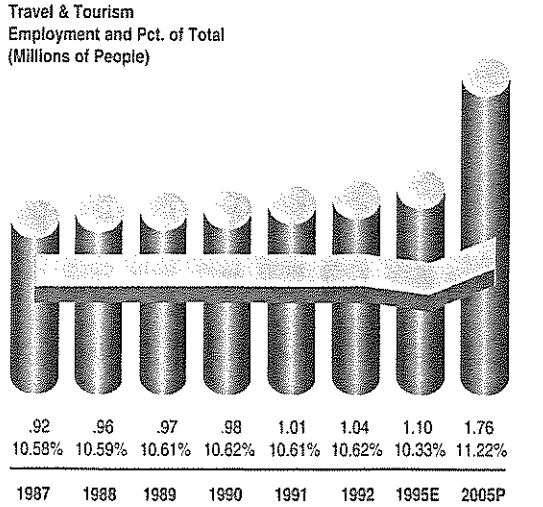
An estimated 7.8 million jobs are expected to be generated, either directly or indirectly, by MEM Travel & Tourism in 1995, across a broad spectrum of economic activities. This represents just over 10% of the region's total workforce — or one in ten jobs. This share is expected to rise to one in nine jobs, or a total of 11.1 million, by 2005. This represents an increase of 3.3 million jobs — 334,000 new jobs a year, or more than 900 a day.

These include jobs directly in Travel & Tourism — in hotels, restaurants, airlines and other transport companies — as well as jobs in other economic sectors indirectly linked to the industry. The latter include hotel construction, aircraft manufacturing and maintenance, automobile servicing and national government Travel & Tourism administrations.

The results of recent studies conducted in other parts of the world also suggest that, contrary to traditional thinking, jobs in Travel & Tourism pay above the national average for industry in general. One reason for this is that Travel & Tourism is a high tech employer in such areas as computerised global distribution systems and aircraft operation.

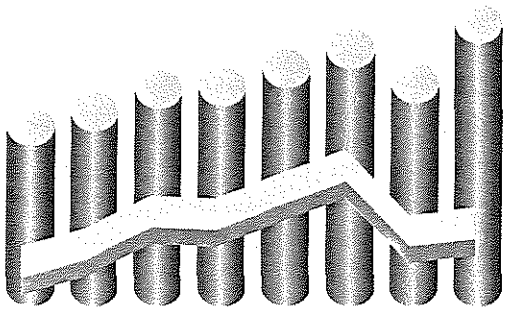
At the same time, Travel & Tourism also generates a large number of the low-tech, entry-level service jobs that are so important in addressing structural unemployment, particularly in city centres and rural areas where these problems are often the most acute.

EMPLOYMENT - NORTH AFRICA



EMPLOYMENT - EASTERN MEDITERRANEAN

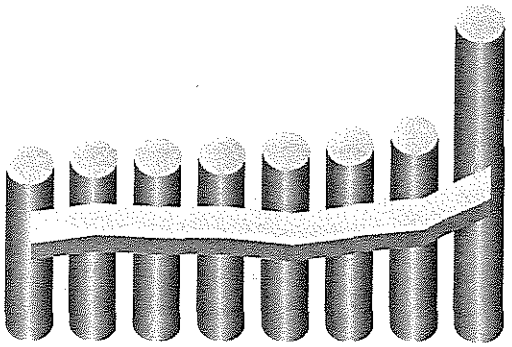
Travel & Tourism
Employment and Pct. of Total
(Millions of People)



1987	1988	1989	1990	1991	1992	1995E	2005P
1.57	1.71	1.93	1.96	2.13	2.32	1.99	2.57
8.49%	9.11%	10.17%	10.09%	10.91%	11.71%	9.53%	9.80%

EMPLOYMENT - WORLD

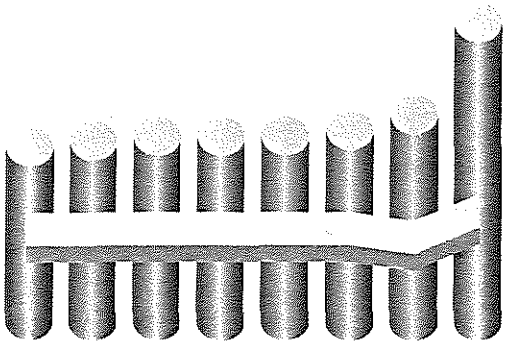
Travel & Tourism
Employment and Pct. of Total
(Millions of People)



1987	1988	1989	1990	1991	1992	1995E	2005P
172.6	180.0	182.7	185.9	185.4	192.1	212.2	337.9
10.2%	10.5%	10.4%	10.4%	10.2%	10.5%	10.7%	11.8%

EMPLOYMENT - MIDDLE EAST

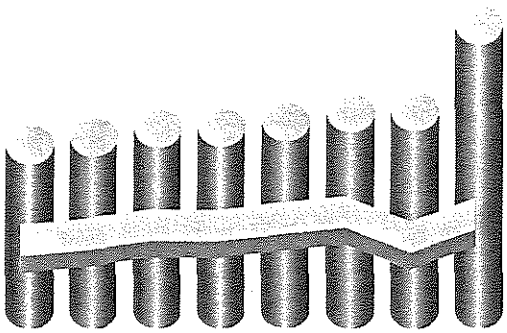
Travel & Tourism
Employment and Pct. of Total
(Millions of People)



1987	1988	1989	1990	1991	1992	1995E	2005P
3.98	4.11	4.22	4.23	4.23	4.37	4.72	6.82
10.58%	10.59%	10.61%	10.62%	10.61%	10.62%	10.33%	11.22%

EMPLOYMENT - MEM REGION

Travel & Tourism
Employment and Pct. of Total
(Millions of People)



1987	1988	1989	1990	1991	1992	1995E	2005P
6.47	6.77	7.12	7.17	7.37	7.74	7.81	11.15
9.98%	10.18%	10.46%	10.47%	10.70%	10.93%	10.11%	10.86%

ADDING VALUE

GDP is a much more accurate and reliable indicator of Travel & Tourism's net worth to the Middle East-Mediterranean economy than measures traditionally applied — such as visitor and tourist arrivals, bednights, or even international Travel & Tourism receipts. Unlike these other statistics, GDP provides an economic measure that can be directly compared with other sectors of the region's economy.

In 1995, Travel & Tourism in the Middle East-Mediterranean is expected to generate a gross domestic product (GDP) of US$ 74.0 billion, or 8.7% of the region's total GDP. This compares with a global share of 10.9% for Travel & Tourism worldwide. The Middle East subregion will produce close to two thirds of the total Travel & Tourism GDP share for the whole region.

- North Africa: US$ 7.3 billion (9.9%)
- Eastern Mediterranean: US$ 17.5 billion (23.6%)
- Middle East: US$ 49.1 billion (66.4%)

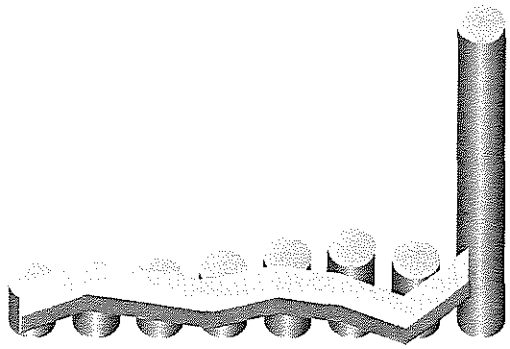
On the demand side, MEM Travel & Tourism GDP comprises 10.4% of total personal consumption, 3.0% of total government expenditures, 8.5% of capital investment and a trade surplus totalling US$ 3.2 billion.

On the supply side, the region's GDP includes US$ 35.6 billion of employee compensation (8.7% of total compensation), US$ 10.1 billion of indirect taxes (9.8% of total), US$ 21.7 billion of operating surplus (8.2% of total) and depreciation of US$ 6.3 billion in 1995.

As soon as National Satellite Accounts for Travel & Tourism are established for the different states in the Middle East-Mediterranean, the industry's GDP contribution will become an institutional component of the statistical and policy framework of the region's governments.

GDP - MIDDLE EAST

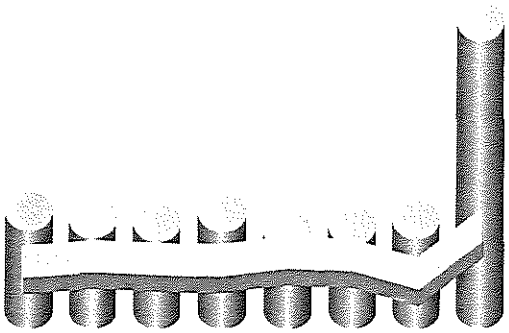
Travel & Tourism
GDP and Pct. of Total
(Bn US$)



1987	1988	1989	1990	1991	1992	1995E	2005P
30.96	30.57	34.40	40.48	51.14	58.12	49.09	239.33
8.71%	9.32%	9.09%	8.83%	9.25%	9.01%	8.39%	9.71%

GDP - NORTH AFRICA

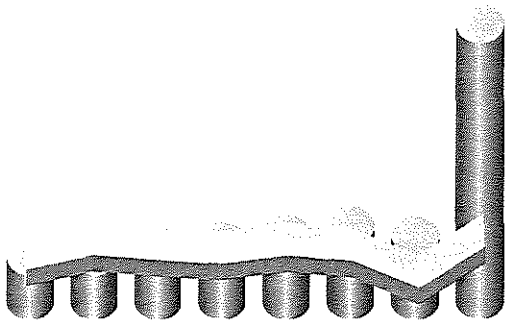
Travel & Tourism
GDP and Pct. of Total
(Bn US$)



1987	1988	1989	1990	1991	1992	1995E	2005P
7.99	7.40	7.12	7.90	6.36	6.81	7.35	23.39
8.72%	8.86%	8.80%	8.75%	8.98%	8.89%	8.40%	9.74%

GDP - MEM REGION

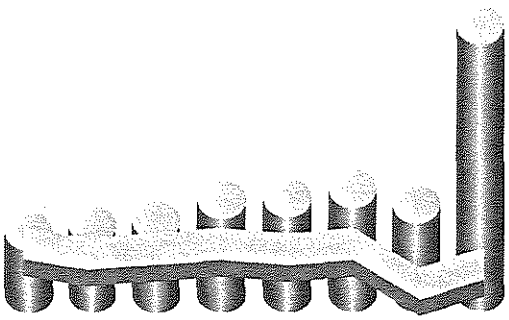
Travel & Tourism
GDP and Pct. of Total
(Bn US$)



1987	1988	1989	1990	1991	1992	1995E	2005P
51.28	51.28	55.81	66.82	76.29	85.42	73.96	315.02
9.20%	9.59%	9.46%	9.35%	9.59%	9.42%	8.69%	9.82%

GDP - EASTERN MEDITERRANEAN

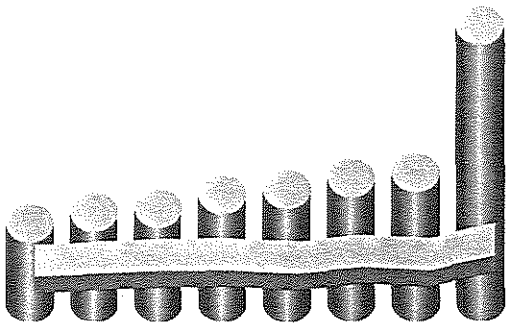
Travel & Tourism
GDP and Pct. of Total
(Bn US$)



1987	1988	1989	1990	1991	1992	1995E	2005P
12.33	13.31	14.29	16.43	18.79	20.49	17.51	52.31
11.14%	10.77%	10.95%	11.11%	10.94%	11.09%	9.78%	10.41%

GDP - WORLD

Travel & Tourism
GDP and Pct. of Total
(Bn US$)



1987	1988	1989	1990	1991	1992	1995E	2005P
1,832	2,082	2,177	2,481	2,605	2,852	2,982	6,334
10.7%	10.8%	10.9%	10.9%	10.8%	11.0%	10.9%	11.4%

INVESTING CAPITAL

There are two kinds of Travel & Tourism investment: public and private. Public capital investment tends to be associated with basic infrastructure — airports, ports, road and highway construction — while private capital investment usually includes aircraft, hotels and resorts, caravans, ships/ferries, buses and even holiday homes.

Capital investment in Travel & Tourism is usually a good barometer of the industry's prospects for growth over the short and medium term. In 1995, Travel & Tourism investment in the Middle East-Mediterranean is estimated at US$ 19.0 billion, or 8.5% of total capital investment. This can be broken down between the three different sub-regions as follows:

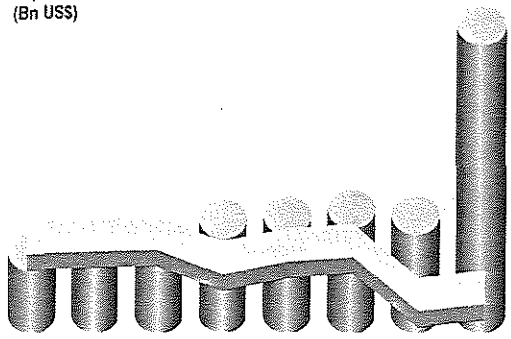
- North Africa: US$ 1.7 billion (8.9%)
- Eastern Mediterranean: US$ 5.2 billion (27.4%)
- Middle East: US$ 12.1 billion (63.7%)

Longer term, prospects for the industry are even more bullish, with investment in Travel & Tourism projected to grow by 293.2% (in real terms) to US$ 102.6 billion by 2005. The Middle East sub-region, which already accounts for two thirds of total capital investment in Travel & Tourism in the region, should attract the most rapid growth.

Travel & Tourism investment worldwide is estimated at 11.4% of global capital investment in 1995, and is forecast to rise to 11.8% by 2005.

CAPITAL INV. - EASTERN MEDITERRANEAN

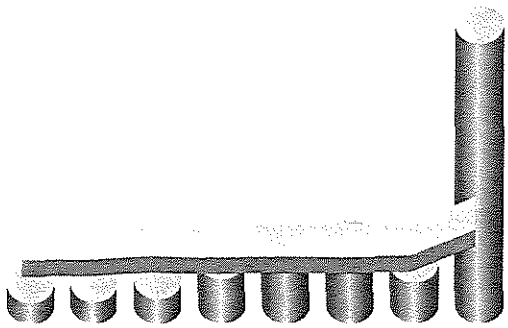
Travel & Tourism
Capital Investment and Pct. of Total
(Bn US$)



1987	1988	1989	1990	1991	1992	1995E	2005P
3.27	3.51	3.52	4.94	5.13	5.51	5.16	15.04
13.10%	13.18%	13.26%	12.30%	12.80%	12.99%	10.92%	11.20%

CAPITAL INV. - MIDDLE EAST

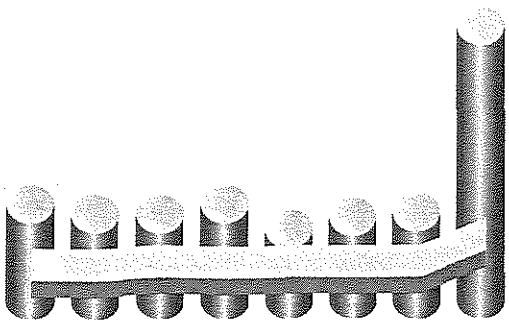
Travel & Tourism
Capital Investment and Pct. of Total
(Bn US$)



1987	1988	1989	1990	1991	1992	1995E	2005P
6.25	6.36	7.39	13.07	16.15	19.22	12.12	82.17
7.75%	7.75%	7.85%	7.80%	7.83%	7.82%	7.85%	8.50%

CAPITAL INV. - NORTH AFRICA

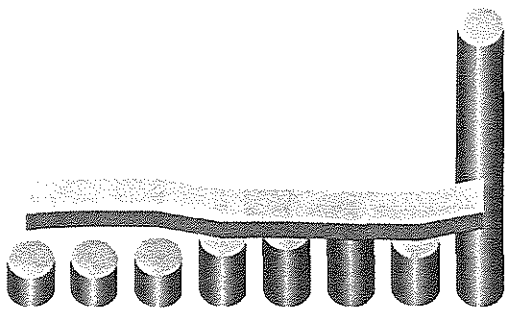
Travel & Tourism
Capital Investment and Pct. of Total
(Bn US$)



1987	1988	1989	1990	1991	1992	1995E	2005P
1.89	1.71	1.70	1.90	1.40	1.64	1.73	5.37
7.75%	7.75%	7.85%	7.80%	7.83%	7.82%	7.85%	8.50%

CAPITAL INV. - MEM REGION

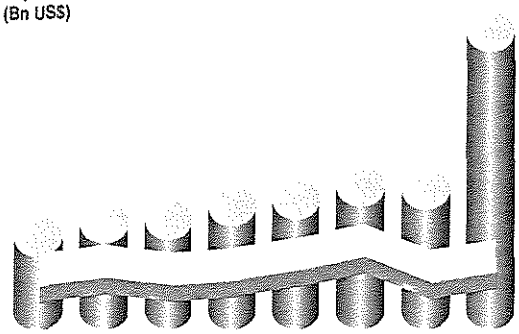
Travel & Tourism
Capital Investment and Pct. of Total
(Bn US$)



1987	1988	1989	1990	1991	1992	1995E	2005P
11.40	11.57	12.61	19.90	22.68	26.37	19.00	102.58
8.78%	8.86%	8.86%	8.58%	8.59%	8.53%	8.50%	8.82%

CAPITAL INV. - WORLD

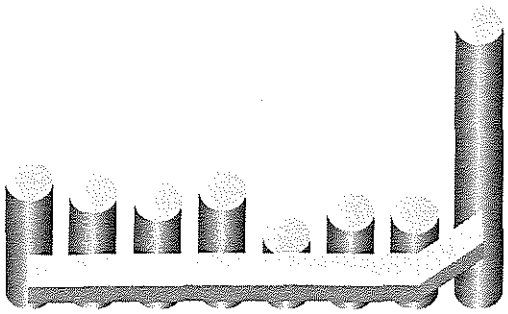
Travel & Tourism
Capital Investment and Pct. of Total
(Bn US$)



1987	1988	1989	1990	1991	1992	1995E	2005P
431	507	525	605	644	718	701	1620
11.3%	11.6%	11.3%	11.5%	11.5%	12.4%	11.4%	11.8%

INDIRECT TAXES - NORTH AFRICA

Travel & Tourism
Indirect Taxes and Pct. of Total
(Bn US$)



1987	1988	1989	1990	1991	1992	1995E	2005P
1.24	1.10	1.01	1.13	.62	.90	.87	3.01
8.79%	8.81%	8.83%	8.84%	8.86%	8.84%	8.85%	10.29%

GENERATING TAXES

Travel & Tourism generally pays three major types of taxes: indirect taxes (e.g. VAT), direct corporate taxes based on profits and personal income taxes based on employee compensation. In some MEM countries, there is no taxation at all. In others, personal taxation does not exist and the imposition of corporate taxes is not automatic. As a result, it is only really possible to measure indirect taxes across the region.

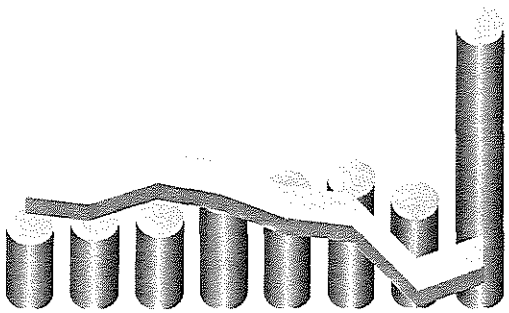
In 1995, Travel & Tourism is expected to contribute US$ 10.1 billion in indirect business taxes in the Middle East-Mediterranean, or 9.8% of total indirect taxation. By 2005, the industry's contribution is expected to rise to 10.9%, or US$ 44.1 billion. After accounting for inflation, this will represent a real increase of 218.8% over the next ten years.

These figures do not include the rapidly proliferating charges and user fees that are levied directly on travellers — such as immigration and departure taxes, and airport security charges.

It is interesting to note that Travel & Tourism's contribution to indirect business taxation varies across the MEM region. In North Africa and the Middle East, the share averages around 8.9% — compared with an 8.4% share of GDP and a 2.7% contribution to government expenditures. In the Eastern Mediterranean countries, on the other hand, the indirect business taxation share for Travel & Tourism rises to 12.1% — as against 9.8% for GDP and 4.5% for government consumption. In other words, the tax burden is higher and out of line with Travel & Tourism's GDP contribution.

INDIRECT TAXES - EASTERN MEDITERRANEAN

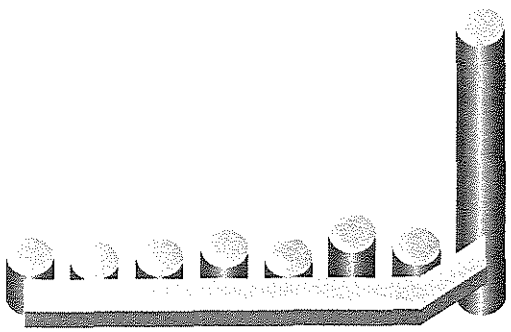
Travel & Tourism
Indirect Taxes and Pct. of Total
(Bn US$)



1987	1988	1989	1990	1991	1992	1995E	2005P
2.57	2.74	2.87	3.77	3.96	4.40	3.53	10.35
17.35%	16.94%	18.13%	17.44%	16.13%	15.73%	12.13%	13.48%

INDIRECT TAXES - MIDDLE EAST

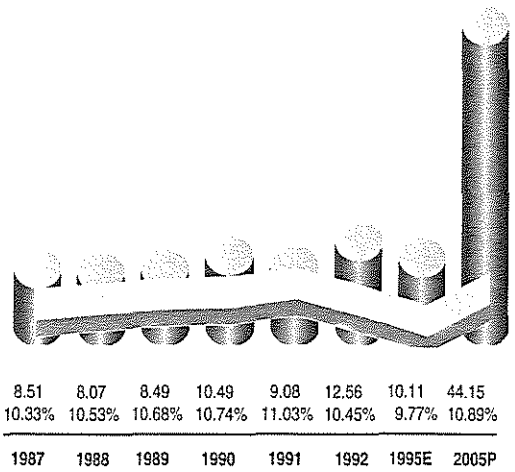
Travel & Tourism
Indirect Taxes and Pct. of Total
(Bn US$)



1987	1988	1989	1990	1991	1992	1995E	2005P
4.70	4.22	4.62	5.59	4.50	7.26	5.72	30.79
8.79%	8.81%	8.83%	8.84%	8.86%	8.84%	8.85%	10.29%

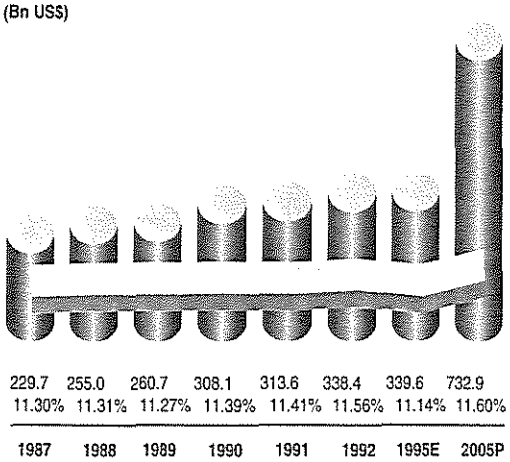
INDIRECT TAXES – MEM REGION

Travel & Tourism
Indirect Taxes and Pct. of Total
(Bn US$)



INDIRECT TAXES – WORLD

Travel & Tourism
Indirect Taxes and Pct. of Total
(Bn US$)



ENGAGING GOVERNMENT

Like consumer expenditures, government expenditures which fall under the Travel & Tourism heading are quite diverse and include such categories as highways, aviation and railways administration, immigration and customs services, park services, tourism offices, promotion and many other items. Revenues such as national park fees, which are collected directly from tourists, are subtracted from these figures. Travel expenses related to government employee relocation or military personnel movements are not considered as government-related business travel.

National, regional and local governments in the Middle East-Mediterranean are expected to spend some US$ 9.0 billion, net of collections, in 1995 to provide support services for Travel & Tourism activities — such as marketing, promotions, air traffic control, park administration, etc. — and to pay for government related business travel for their employees. The total, nevertheless, represents a modest 3.0% of total public sector expenditure in the region for the same year. It is expected to be split:

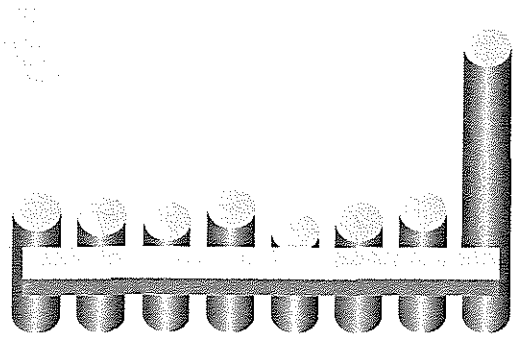
- North Africa: US$ 0.4 billion (4.4%)
- Eastern Mediterranean: US$ 2.1 billion (23.3%)
- Middle East: US$ 6.5 billion (72.2%)

By 2005, the respective shares are forecast to increase to US$ 1.0 billion for North Africa, and to US$ 6.0 billion and US$ 20.6 billion for the Eastern Mediterranean and Middle East sub-regions respectively. This will result in a total across the wider region of US$ 27.7 billion — unchanged at 3.0% of total government spending.

On a global basis, government spend per country is expected to average 6.6% of the national fiscal budget on Travel & Tourism related expenditures in 1995.

GOVT. EXPENDITURE - NORTH AFRICA

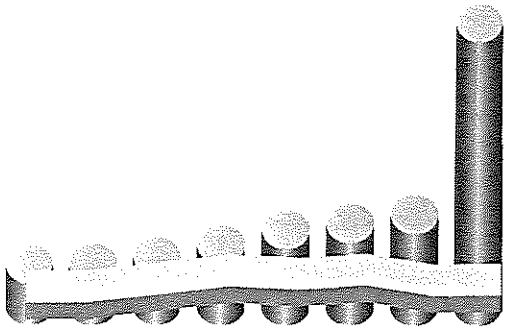
Travel & Tourism
Government Expenditures and Pct. of Total
(Bn US$)



	1987	1988	1989	1990	1991	1992	1995E	2005P
	.40	.38	.36	.41	.32	.36	.40	1.04
	2.74%	2.74%	2.74%	2.74%	2.74%	2.74%	2.74%	2.74%

GOVT. EXPENDITURE - MEM REGION

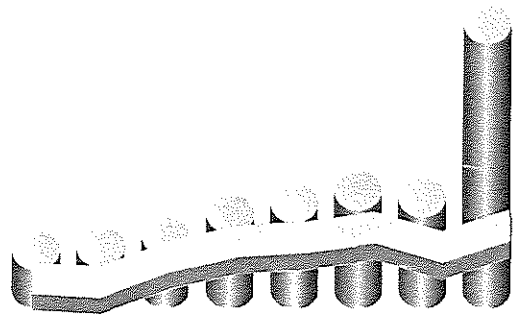
Travel & Tourism
Government Expenditures and Pct. of Total
(Bn US$)



	1987	1988	1989	1990	1991	1992	1995E	2005P
	4.11	4.16	4.85	5.97	7.52	8.13	9.00	27.68
	2.94%	2.95%	3.02%	3.10%	3.07%	3.11%	3.01%	3.02%

GOVT. EXPENDITURE - EASTERN MEDITERRANEAN

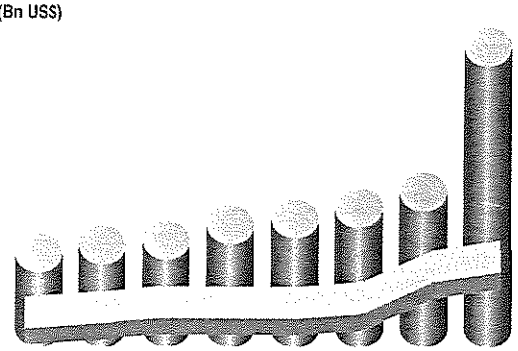
Travel & Tourism
Government Expenditures and Pct. of Total
(Bn US$)



	1987	1988	1989	1990	1991	1992	1995E	2005P
	.88	.95	1.19	1.72	1.97	2.25	2.09	6.05
	4.08%	4.03%	4.38%	4.60%	4.66%	4.79%	4.52%	4.83%

GOVT. EXPENDITURE - WORLD

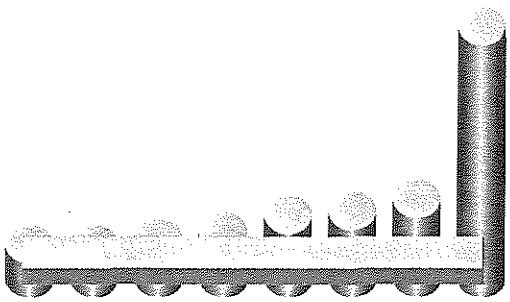
Travel & Tourism
Government Expenditures and Pct. of Total
(Bn US$)



	1987	1988	1989	1990	1991	1992	1995E	2005P
	171	190	199	235	250	273	310	641
	5.7%	5.8%	5.9%	5.9%	5.9%	6.0%	6.6%	6.8%

GOVT. EXPENDITURE - MIDDLE EAST

Travel & Tourism
Government Expenditures and Pct. of Total
(Bn US$)



	1987	1988	1989	1990	1991	1992	1995E	2005P
	2.84	2.83	3.29	3.84	5.24	5.53	6.52	20.60
	2.74%	2.74%	2.74%	2.74%	2.74%	2.74%	2.74%	2.74%

NORTH AFRICA

Algeria, Morocco, Tunisia

	1987	1988	1989	1990	1991	1992	1995E	2005P
Economy - US$ (Billions)								
Private Consumption	42.60	41.68	41.09	46.16	38.26	41.40	45.02	116.11
Government Consumption	14.53	13.78	13.31	15.14	11.78	13.01	14.51	37.87
Investment	24.36	22.01	21.69	24.33	17.91	20.99	22.03	63.17
Net Exports	10.06	6.07	4.83	4.60	2.84	1.22	5.94	22.88
Exports	28.78	24.50	24.07	28.03	20.97	23.75	27.57	76.15
Imports	18.72	18.43	19.24	23.43	18.12	22.53	21.63	53.27
Gross Domestic Product	91.55	83.55	80.92	90.23	70.79	76.62	87.51	240.02
Compensation	14.67	13.23	14.14	32.11	50.92	27.27	42.09	106.92
Depreciation	10.93	10.97	10.30	10.84	3.40	8.20	7.22	22.26
Operating Surplus	51.59	46.58	44.82	34.07	9.42	30.89	28.04	81.04
Indirect Business Taxes	14.06	12.52	11.41	12.78	6.96	10.15	9.78	29.2
Employment (Millions)	8.71	9.06	9.18	9.28	9.51	9.79	10.66	15.66
Travel & Tourism - US$ (Billions)								
Private Consumption	4.46	4.35	4.30	4.84	3.98	4.31	4.69	12.09
Government Consumption	0.40	0.38	0.36	0.41	0.32	0.36	0.40	1.04
Investment	1.89	1.71	1.70	1.90	1.40	1.64	1.73	5.37
Net Exports	-1.29	-0.46	-0.57	-1.26	-0.24	-0.20	-0.28	-0.53
Exports	1.89	1.60	1.39	1.43	1.15	1.42	1.49	25.25
Merchandise	1.20	0.97	0.84	0.87	0.71	0.86	0.80	14.96
Services	0.69	0.63	0.55	0.56	0.44	0.56	0.69	10.28
Imports	0.67	0.68	0.65	0.61	0.50	0.69	0.48	2.32
Merchandise	0.57	0.59	0.56	0.49	0.39	0.49	0.38	1.80
Services	0.10	0.09	0.09	0.12	0.10	0.21	0.10	0.52
Gross Domestic Product	7.99	7.40	7.12	7.90	6.36	6.81	7.35	23.39
Business Sales	0.30	0.27	0.27	0.31	0.24	0.26	0.26	0.80
Gross Output	8.29	7.68	7.39	8.21	6.60	7.08	7.62	24.19
Compensation	1.12	1.02	1.10	2.56	4.44	2.32	3.50	10.62
Depreciation	1.09	1.19	1.07	1.13	0.39	0.85	0.64	1.84
Operating Surplus	4.52	4.08	3.93	3.06	0.90	2.74	2.30	7.89
Indirect Business Taxes	1.24	1.10	1.01	1.13	0.62	0.90	0.87	3.01
Employment (Millions)	0.92	0.96	0.97	0.98	1.01	1.04	1.10	1.76
T&T Accounts as % of National Accounts								
Private Consumption	10.47%	10.44%	10.47%	10.50%	10.41%	10.41%	10.41%	10.41%
Government Consumption	2.74%	2.74%	2.74%	2.74%	2.74%	2.74%	2.74%	2.74%
Investment	7.75%	7.75%	7.85%	7.80%	7.83%	7.82%	7.85%	8.50%
Exports	6.57%	6.54%	5.79%	5.09%	5.46%	5.96%	5.39%	33.15%
Imports	3.58%	3.69%	3.38%	2.58%	2.74%	3.08%	2.21%	4.36%
Gross Domestic Product	8.72%	8.86%	8.80%	8.75%	8.98%	8.89%	8.40%	9.74%
Compensation	7.66%	7.70%	7.77%	7.98%	8.72%	8.51%	8.31%	9.93%
Depreciation	9.98%	10.81%	10.36%	10.44%	11.57%	10.36%	8.92%	8.25%
Operating Surplus	8.76%	8.75%	8.77%	8.99%	9.55%	8.86%	8.21%	9.73%
Indirect Business Taxes	8.79%	8.81%	8.83%	8.84%	8.86%	8.84%	8.85%	10.29%
Employment	10.58%	10.59%	10.61%	10.62%	10.61%	10.62%	10.33%	11.22%

	1987	1988	1989	1990	1991	1992	1995E	2005P
Growth								
Private Consumption (Real)		-6.02%	-5.50%	7.96%	-20.87%	5.20%	1.25%	87.81%
Government Consumption (Real)		-8.70%	-7.59%	9.01%	-25.15%	7.33%	3.79%	90.08%
Investment (Real)		-13.00%	-4.51%	6.80%	-28.89%	13.79%	-1.96%	126.27%
Gross Domestic Product (Real)		-10.75%	-8.03%	6.34%	-22.55%	4.15%	0.52%	131.64%
Business Sales (Real)		-13.20%	-5.17%	8.66%	-24.21%	6.61%	-7.06%	120.03%
Gross Output (Nominal)		-7.38%	-3.74%	11.04%	-19.57%	7.23%	7.63%	217.51%
Gross Output (Real)		-10.84%	-7.93%	6.43%	-22.61%	4.24%	0.24%	131.24%
Employment		4.17%	1.46%	1.11%	2.54%	3.00%	5.91%	59.55%
Deflator (1995=100)	76.88	79.86	83.49	87.11	90.53	93.13	100.00	137.31
Other								
GDP per Employee (US$)								
Economy	10,508	9,221	8,813	9,728	7,442	7,827	8,207	15,325
Travel & Tourism	8,667	7,714	7,311	8,022	6,298	6,550	6,676	13,309
Ratio of T&T/Total	82.48%	83.66%	82.95%	82.47%	84.62%	83.69%	81.34%	86.85%
Compensation per Employee (US$)								
Economy	1,684	1,460	1,540	3,462	5,353	2,786	3,947	6,827
Travel & Tourism	1,219	1,061	1,129	2,603	4,399	2,231	3,174	6,041
Ratio of T&T/Total	72.43%	72.66%	73.29%	75.18%	82.18%	80.08%	80.42%	88.49%
Employment (1 in X)	9	9	9	9	9	9	10	9
Employment Created by $1 million GDP (Jobs)								
Economy	95	108	113	103	134	128	122	65
Travel & Tourism	115	130	137	125	159	153	150	75
Ratio of T&T/Total	121.24%	119.53%	120.56%	121.26%	118.17%	119.48%	122.94%	115.14%
Tax Burden (Indirect Tax Contr./GDP Contr.)								
	100.70%	99.45%	100.38%	100.98%	98.69%	99.45%	105.32%	105.60%
Travel & Tourism Capital Structure (US$ Billions)								
	22	24	21	23	8	17	13	37

EASTERN MEDITERRANEAN
Cyprus, Israel, Turkey

	1987	1988	1989	1990	1991	1992	1995E	2005P
Economy - US$ (Billions)								
Private Consumption	69.73	75.58	80.44	102.04	103.72	108.11	99.40	278.96
Government Consumption	21.51	23.66	27.20	37.25	42.23	46.87	46.26	125.18
Investment	24.97	26.62	26.56	40.13	40.11	42.38	47.21	134.26
Net Exports	-5.44	-2.27	-3.63	-13.48	-14.48	-12.66	-13.75	-35.75
Exports	25.22	31.23	31.45	36.22	40.34	45.56	56.17	156.39
Imports	30.67	33.50	35.08	49.69	54.81	58.22	69.93	192.13
Gross Domestic Product	110.74	123.59	130.49	165.90	171.75	184.71	179.12	502.66
Compensation	33.61	38.48	47.94	64.09	79.87	92.04	88.12	246.00
Depreciation	9.49	10.67	11.42	14.11	14.77	16.08	17.24	44.56
Operating Surplus	55.48	60.81	58.43	71.93	56.10	53.43	49.34	147.96
Indirect Business Taxes	14.82	16.20	15.81	21.60	24.58	28.01	29.06	76.76
Employment (Millions)	18.45	18.75	18.98	19.40	19.53	19.83	20.86	26.24
Travel & Tourism - US$ (Billions)								
Private Consumption	5.79	6.73	7.84	9.97	10.67	10.93	10.15	28.44
Government Consumption	0.88	0.95	1.19	1.72	1.97	2.25	2.09	6.05
Investment	3.27	3.51	3.52	4.94	5.13	5.51	5.16	15.04
Net Exports	2.39	2.13	1.74	1.81	1.02	1.87	0.11	2.78
Exports	5.98	6.18	6.07	7.40	6.87	8.24	7.45	21.61
Merchandise	0.47	0.61	0.59	0.67	0.74	0.81	1.04	2.82
Services	5.51	5.58	5.48	6.72	6.13	7.42	6.41	18.79
Imports	3.59	4.06	4.33	5.58	5.85	6.36	7.34	18.83
Merchandise	1.54	1.64	1.65	2.26	2.59	3.04	4.08	10.05
Services	2.05	2.42	2.68	3.32	3.27	3.33	3.26	8.79
Gross Domestic Product	12.33	13.31	14.29	18.43	18.79	20.49	17.51	52.31
Business Sales	1.83	2.00	2.15	2.78	2.79	3.03	2.73	8.19
Gross Output	14.16	15.32	16.44	21.21	21.58	23.59	20.24	60.50
Compensation	6.74	7.36	7.98	10.23	10.36	11.28	8.80	26.07
Depreciation	0.87	0.95	1.03	1.24	1.30	1.44	1.41	3.82
Operating Surplus	2.52	2.79	3.06	3.70	3.90	4.54	3.97	12.26
Indirect Business Taxes	2.57	2.74	2.87	3.77	3.96	4.40	3.53	10.35
Employment (Millions)	1.57	1.71	1.93	1.96	2.13	2.32	1.99	2.57
T&T Accounts as % of National Accounts								
Private Consumption	8.30%	8.90%	9.75%	9.77%	10.28%	10.11%	10.22%	10.20%
Government Consumption	4.08%	4.03%	4.38%	4.60%	4.66%	4.79%	4.52%	4.83%
Investment	13.10%	13.18%	13.26%	12.30%	12.80%	12.99%	10.92%	11.20%
Exports	23.70%	19.79%	19.31%	20.43%	17.04%	18.08%	13.27%	13.82%
Imports	11.69%	12.11%	12.35%	11.24%	10.68%	10.93%	10.50%	9.80%
Gross Domestic Product	11.14%	10.77%	10.95%	11.11%	10.94%	11.09%	9.78%	10.41%
Compensation	20.04%	19.13%	16.65%	15.96%	12.97%	12.26%	9.98%	10.60%
Depreciation	9.12%	8.93%	8.98%	8.79%	8.78%	8.93%	8.21%	8.56%
Operating Surplus	4.55%	4.58%	5.23%	5.15%	6.96%	8.49%	8.04%	8.29%
Indirect Business Taxes	17.35%	16.94%	18.13%	17.44%	16.13%	15.73%	12.13%	13.48%
Employment	8.49%	9.11%	10.17%	10.09%	10.91%	11.71%	9.53%	9.80%

	1987	1988	1989	1990	1991	1992	1995E	2005P
Growth								
Private Consumption (Real)		11.86%	11.46%	21.84%	2.98%	-0.37%	-13.49%	103.98%
Government Consumption (Real)		4.40%	19.75%	37.88%	10.33%	10.99%	-13.27%	110.72%
Investment (Real)		3.25%	-3.97%	34.35%	0.05%	4.30%	-12.83%	112.45%
Gross Domestic Product (Real)		3.93%	2.69%	23.59%	-1.92%	6.02%	-20.40%	117.52%
Business Sales (Real)		5.43%	2.69%	24.05%	-3.35%	5.49%	-16.15%	118.60%
Gross Output (Nominal)		8.16%	7.37%	29.01%	1.73%	9.30%	-14.19%	198.89%
Gross Output (Real)		4.13%	2.69%	23.65%	-2.11%	6.26%	-20.09%	117.67%
Employment		8.96%	13.05%	1.46%	8.79%	9.06%	-14.46%	29.45%
Deflator (1995=100)	76.88	79.86	83.49	87.11	90.53	93.13	100.00	137.31
Other								
GDP per Employee (US$)								
Economy	6,002	6,593	6,874	8,551	8,794	9,312	8,586	19,153
Travel & Tourism	7,871	7,799	7,407	9,413	8,820	8,820	8,812	20,331
Ratio of T&T/Total	131.14%	118.29%	107.76%	110.09%	100.29%	94.71%	102.63%	106.15%
Compensation per Employee (US$)								
Economy	1,822	2,053	2,525	3,303	4,089	4,641	4,224	9,373
Travel & Tourism	4,299	4,313	4,135	5,224	4,864	4,856	4,426	10,134
Ratio of T&T/Total	235.95%	210.08%	163.75%	158.16%	118.94%	104.63%	104.78%	108.11%
Employment (1 in X)	12	11	10	10	9	9	10	10
Employment Created by $1 million GDP (Jobs)								
Economy	167	152	145	117	114	107	116	52
Travel & Tourism	127	128	135	106	113	113	113	49
Ratio of T&T/Total	76.26%	84.54%	92.80%	90.84%	99.71%	105.59%	97.44%	94.21%
Tax Burden (Indirect Tax Contr./GDP Contr.)								
	155.80%	157.29%	165.51%	157.01%	147.46%	141.78%	124.09%	129.54%
Travel & Tourism Capital Structure (US$ Billions)								
	17	19	21	25	26	29	28	76

MIDDLE EAST

Middle East, including Egypt, excluding Iran & Israel

	1987	1988	1989	1990	1991	1992	1995E	2005P
Economy - US$ (Billions)								
Private Consumption	211.12	212.97	230.58	221.76	279.51	310.91	274.38	1248.80
Government Consumption	103.66	103.35	120.24	140.10	191.23	201.85	238.19	753.01
Investment	80.57	82.00	94.05	167.50	206.09	245.64	154.41	966.29
Net Exports	-40.04	-70.43	-66.69	-71.06	-123.47	-113.02	-82.17	-502.43
Exports	62.86	63.34	95.63	144.90	163.10	183.75	159.50	102.77
Imports	102.90	133.77	162.32	215.96	286.57	296.77	241.67	605.21
Gross Domestic Product	355.34	327.89	378.26	458.35	553.20	645.38	584.80	2465.66
Compensation	51.04	43.73	58.30	158.57	404.67	223.77	281.03	1097.66
Depreciation	41.99	42.89	47.74	54.22	23.43	67.65	47.87	228.10
Operating Surplus	206.71	191.48	217.57	177.56	72.63	269.73	188.49	834.43
Indirect Business Taxes	53.48	47.87	52.31	63.26	50.75	82.09	64.62	299.26
Employment (Millions)	37.62	38.75	39.76	39.83	39.83	41.16	45.67	60.81
Travel & Tourism - US$ (Billions)								
Private Consumption	22.10	22.24	24.14	23.27	29.11	32.38	28.57	130.03
Government Consumption	2.84	2.83	3.29	3.84	5.24	5.53	6.52	20.60
Investment	6.25	6.36	7.39	13.07	16.15	19.22	12.12	82.17
Net Exports	1.02	0.00	0.82	2.65	1.68	2.74	3.38	8.49
Exports	5.01	5.22	6.56	8.32	9.84	12.23	8.77	35.03
Merchandise	2.61	2.51	3.34	4.50	5.50	6.63	4.61	20.19
Services	2.40	2.71	3.21	3.82	4.33	5.60	4.16	14.83
Imports	3.99	5.22	5.74	5.68	8.15	9.49	5.39	26.54
Merchandise	3.39	4.54	4.96	4.56	6.46	6.61	4.24	20.57
Services	0.60	0.68	0.78	1.12	1.69	2.88	1.16	5.97
Gross Domestic Product	30.96	30.57	34.40	40.48	51.14	58.12	49.09	239.33
Business Sales	1.17	1.13	1.31	1.57	1.94	2.26	1.76	8.17
Gross Output	32.13	31.69	35.70	42.06	53.09	60.31	50.86	247.50
Compensation	3.91	3.37	4.53	12.66	35.30	19.04	23.35	108.97
Depreciation	4.19	4.63	4.94	5.66	2.71	7.01	4.27	18.83
Operating Surplus	18.10	16.76	19.09	15.97	6.94	23.90	15.48	81.22
Indirect Business Taxes	4.70	4.22	4.62	5.59	4.50	7.26	5.72	30.79
Employment (Millions)	3.98	4.11	4.22	4.23	4.23	4.37	4.72	6.82
T&T Accounts as % of National Accounts								
Private Consumption	10.47%	10.44%	10.47%	10.50%	10.41%	10.41%	10.41%	10.41%
Government Consumption	2.74%	2.74%	2.74%	2.74%	2.74%	2.74%	2.74%	2.74%
Investment	7.75%	7.75%	7.85%	7.80%	7.83%	7.82%	7.85%	8.50%
Exports	7.97%	8.24%	6.86%	5.74%	6.03%	6.66%	5.50%	34.08%
Imports	3.87%	3.90%	3.54%	2.63%	2.85%	3.20%	2.23%	4.39%
Gross Domestic Product	8.71%	9.32%	9.09%	8.83%	9.25%	9.01%	8.39%	9.71%
Compensation	7.66%	7.70%	7.77%	7.98%	8.72%	8.51%	8.31%	9.93%
Depreciation	9.98%	10.81%	10.36%	10.44%	11.57%	10.36%	8.92%	8.25%
Operating Surplus	8.76%	8.75%	8.77%	8.99%	9.55%	8.86%	8.21%	9.73%
Indirect Business Taxes	8.79%	8.81%	8.83%	8.84%	8.86%	8.84%	8.85%	10.29%
Employment	10.58%	10.59%	10.61%	10.62%	10.61%	10.62%	10.33%	11.22%

	1987	1988	1989	1990	1991	1992	1995E	2005P
Growth								
Private Consumption (Real)		-3.11%	3.79%	-7.57%	20.34%	8.13%	-17.83%	231.46%
Government Consumption (Real)		-4.01%	11.28%	11.68%	31.33%	2.61%	9.79%	130.24%
Investment (Real)		-2.01%	11.14%	69.56%	18.87%	15.71%	-41.28%	393.90%
Gross Domestic Product (Real)		-4.95%	7.64%	12.81%	21.56%	10.47%	-21.34%	255.05%
Business Sales (Real)		-7.57%	10.99%	15.27%	18.95%	13.08%	-27.27%	237.26%
Gross Output (Nominal)		-1.37%	12.66%	17.79%	26.23%	13.61%	-15.68%	386.68%
Gross Output (Real)		-5.05%	7.76%	12.90%	21.46%	10.44%	-21.48%	254.43%
Employment		3.19%	2.71%	0.26%	-0.01%	3.42%	7.89%	44.60%
Deflator (1995=100)	76.88	79.86	83.49	87.11	90.53	93.13	100.00	137.31
Other								
GDP per Employee (US$)								
Economy	9,446	8,461	9,514	11,508	13,888	15,678	12,804	40,550
Travel & Tourism	7,781	7,445	8,157	9,575	12,097	13,292	10,405	35,082
Ratio of T&T/Total	82.37%	88.00%	85.73%	83.20%	87.10%	84.78%	81.26%	86.52%
Compensation per Employee (US$)								
Economy	1,357	1,128	1,466	3,981	10,159	5,436	6,153	18,052
Travel & Tourism	983	820	1,075	2,993	8,349	4,353	4,948	15,974
Ratio of T&T/Total	72.43%	72.66%	73.29%	75.18%	82.18%	80.08%	80.42%	88.49%
Employment (1 in X)	9	9	9	9	9	9	10	9
Employment Created by $1 million GDP (Jobs)								
Economy	106	118	105	87	72	64	78	25
Travel & Tourism	129	134	123	104	83	75	96	29
Ratio of T&T/Total	121.40%	113.64%	116.64%	120.19%	114.80%	117.95%	123.06%	115.58%
Tax Burden (Indirect Tax Contr./GDP Contr.)								
	100.84%	94.55%	97.12%	100.09%	95.87%	98.18%	105.43%	106.01%
Travel & Tourism Capital Structure (US$ Billions)								
	84	93	99	113	54	140	85	377

MIDDLE EAST - MEDITERRANEAN (MEM) REGION

	1987	1988	1989	1990	1991	1992	1995E	2005P
Economy - US$ (Billions)								
Private Consumption	323.44	330.23	352.12	369.96	421.49	460.42	418.80	1643.87
Government Consumption	139.70	140.80	160.76	192.50	245.24	261.73	298.96	916.06
Investment	129.90	130.63	142.30	231.96	264.11	309.02	223.65	1163.72
Net Exports	-35.43	-66.63	-65.50	-79.93	-135.10	-124.46	-89.98	-515.29
Exports	116.86	119.07	151.14	209.15	224.41	253.06	243.25	335.31
Imports	152.29	185.70	216.64	289.08	359.51	377.52	333.23	850.61
Gross Domestic Product	557.62	535.03	589.68	714.48	795.75	906.71	851.43	3208.35
Compensation	99.32	95.44	120.38	254.77	535.46	343.08	411.24	1450.58
Depreciation	62.42	64.53	69.46	79.17	41.60	91.93	72.33	294.92
Operating Surplus	313.77	298.88	320.82	283.56	138.16	354.06	265.88	1063.43
Indirect Business Taxes	82.36	76.58	79.54	97.65	82.29	120.24	103.45	405.26
Employment (Millions)	64.78	66.56	67.92	68.51	68.88	70.79	77.20	102.71
Travel & Tourism - US$ (Billions)								
Private Consumption	32.35	33.32	36.28	38.09	43.76	47.62	43.41	170.56
Government Consumption	4.11	4.16	4.85	5.97	7.52	8.13	9.00	27.68
Investment	11.40	11.57	12.61	19.90	22.68	26.37	19.00	102.58
Net Exports	2.13	1.66	1.99	3.20	2.47	4.42	3.21	10.74
Exports	12.88	13.00	14.02	17.15	17.85	21.89	17.71	81.89
Merchandise	4.28	4.09	4.77	6.04	6.95	8.31	6.45	37.98
Services	8.60	8.91	9.25	11.10	10.90	13.58	11.26	43.91
Imports	8.24	9.95	10.72	11.86	14.50	16.55	13.21	47.70
Merchandise	5.49	6.76	7.17	7.30	9.44	10.13	8.69	32.42
Services	2.75	3.19	3.55	4.56	5.06	6.42	4.52	15.28
Gross Domestic Product	51.28	51.28	55.81	66.82	76.29	85.42	73.96	315.02
Business Sales	3.30	3.40	3.73	4.66	4.98	5.56	4.76	17.16
Gross Output	54.58	54.69	59.54	71.47	81.27	90.98	78.71	332.19
Compensation	11.77	11.75	13.61	25.45	50.10	32.64	35.64	145.66
Depreciation	6.15	6.77	7.04	8.03	4.40	9.30	6.33	24.48
Operating Surplus	25.14	23.62	26.08	22.73	11.74	31.17	21.74	101.37
Indirect Business Taxes	8.51	8.07	8.49	10.49	9.08	12.56	10.11	44.15
Employment (Millions)	6.47	6.77	7.12	7.17	7.37	7.74	7.81	11.15
T&T Accounts as % of National Accounts								
Private Consumption	10.00%	10.09%	10.30%	10.29%	10.38%	10.34%	10.37%	10.38%
Government Consumption	2.94%	2.95%	3.02%	3.10%	3.07%	3.11%	3.01%	3.02%
Investment	8.78%	8.86%	8.86%	8.58%	8.59%	8.53%	8.50%	8.82%
Exports	11.02%	10.92%	9.28%	8.20%	7.96%	8.65%	7.28%	24.42%
Imports	5.41%	5.36%	4.95%	4.10%	4.03%	4.38%	3.97%	5.61%
Gross Domestic Product	9.20%	9.59%	9.46%	9.35%	9.59%	9.42%	8.69%	9.82%
Compensation	11.85%	12.31%	11.31%	9.99%	9.36%	9.51%	8.67%	10.04%
Depreciation	9.85%	10.50%	10.13%	10.15%	10.58%	10.11%	8.75%	8.30%
Operating Surplus	8.01%	7.90%	8.13%	8.02%	8.50%	8.80%	8.18%	9.53%
Indirect Business Taxes	10.33%	10.53%	10.68%	10.74%	11.03%	10.45%	9.77%	10.89%
Employment	9.98%	10.18%	10.48%	10.47%	10.70%	10.93%	10.11%	10.86%

	1987	1988	1989	1990	1991	1992	1995E	2005P
Growth								
Private Consumption (Real)		-0.83%	4.12%	0.63%	10.55%	5.79%	-15.10%	186.13%
Government Consumption (Real)		-2.67%	11.50%	17.92%	21.37%	5.00%	3.16%	123.93%
Investment (Real)		-2.32%	4.25%	51.25%	9.65%	13.01%	-32.89%	293.19%
Gross Domestic Product (Real)		-3.72%	4.09%	14.75%	9.86%	8.85%	-19.37%	210.21%
Business Sales (Real)		-0.89%	4.81%	19.85%	2.80%	8.51%	-20.24%	162.69%
Gross Output (Nominal)		0.19%	8.87%	20.05%	13.70%	11.95%	-13.48%	322.01%
Gross Output (Real)		-3.55%	4.14%	15.07%	9.40%	8.83%	-19.43%	207.34%
Employment		4.73%	5.14%	0.70%	2.74%	5.00%	0.91%	42.85%
Deflator (1995=100)	76.88	79.86	83.49	87.11	90.53	93.13	100.00	137.31
Other								
GDP per Employee (US$)								
Economy	8,608	8,038	8,681	10,429	11,553	12,809	11,029	31,236
Travel & Tourism	7,929	7,572	7,838	9,318	10,355	11,042	9,474	28,248
Ratio of T&T/Total	92.11%	94.21%	90.28%	89.34%	89.63%	86.21%	85.89%	90.43%
Compensation per Employee (US$)								
Economy	1,533	1,434	1,772	3,719	7,774	4,847	5,327	14,123
Travel & Tourism	1,820	1,734	1,911	3,549	6,800	4,219	4,565	13,061
Ratio of T&T/Total	118.70%	120.96%	107.86%	95.43%	87.47%	87.05%	85.69%	92.49%
Employment (1 in X)	10	10	10	10	9	9	10	9
Employment Created by $1 million GDP (Jobs)								
Economy	116	124	115	96	87	78	91	32
Travel & Tourism	126	132	128	107	97	91	106	35
Ratio of T&T/Total	108.56%	106.15%	110.76%	111.93%	111.57%	115.99%	116.42%	110.58%
Tax Burden (Indirect Tax Contr./GDP Contr.)	112.30%	109.89%	112.84%	114.89%	115.09%	110.87%	112.50%	110.95%
Travel & Tourism Capital Structure (US$ Billions)	123	135	141	161	88	186	127	490

WTTC POLICY AGENDA FOR THE MIDDLE EAST-MEDITERRANEAN

Make Travel & Tourism a Strategic Economic Development and Employment Priority

Recognise the Industry's Economic and Social Contribution

WTTC/WEFA Group studies show that when the component parts of the industry — transport, accommodation and other related sectors — are measured together, Travel & Tourism's economic and social impact surpasses that of most other industrial activities. Not only does it represent a thriving export, creating billions of dollars of foreign exchange, but it is also a major generator of employment.

Moreover, Travel & Tourism has a quicker impact on growth than traditional manufacturing industries, since no lengthy time lags are necessary before new jobs are created and before extra purchasing power filters into the economy.

Travel & Tourism also provides support for small and medium sized enterprises, which are the backbone of modern business economies. And since Travel & Tourism is a service oriented and labour intensive industry, the jobs it generates are sustainable — even with the advancement of technology.

Indeed, Travel & Tourism is a useful complement to high tech industry because it can convert jobs from declining industries — for example, through rural tourism development. The industry stimulates investment and assists governments with regional development policies by helping to create jobs in rural areas and city centres, where unemployment or economic development problems can be most severe.

Travel & Tourism is also a catalyst for other key industries such as construction, telecommunications and financial services.

Governments of the Middle East-Mediterranean should acknowledge the economic and social contribution of Travel & Tourism — and notably, its potential to stimulate the economic development of the region.

Travel & Tourism should be included in mainstream programmes for job creation, export growth, infrastructure development and modernisation, and investment stimulation. A role for the private sector should be incorporated into any decision-making which impacts on the industry.

This should go hand in hand with the easing of restrictions on ownership and investment — both foreign and domestic — and the expansion of communications, cultural and trading links within the region, as well as with individual countries and economic groupings in other parts of the world.

Develop National Satellite Accounts for Travel & Tourism

Since Travel & Tourism is not specifically identified as an industry in national accounts and general economic indicators, its impact is often ignored or, at best, understated in analyses of economic performance.

In order to remedy this situation, a meeting of the United Nations (UN) Inter-Secretarial Working Group on National Accounts in 1993 recommended that governments create National Satellite Accounts for Travel & Tourism.

As an interim measure, WTTC has evolved a methodology — working with The WEFA Group — for the simulation of such accounts. This draws on national accounts data from the International Monetary Fund, the Organisation for Economic Cooperation and Development, the UN and a large number of national statistical agencies.

It is recommended that governments establish National Satellite Accounts (NSAs) for Travel & Tourism. Until such time as this is feasible, governments of the Middle East-Mediterranean region should work with WTTC to simulate NSAs, in order to ensure that the economic contribution of Travel & Tourism is closely monitored and measured as accurately as possible.

Establish a Regional Mechanism for Cooperation

The prospects of economic growth for the Middle East-Mediterranean are dependent on regional economic

integration and the development of communications, cultural and trade links between the region and other regions worldwide. The first step towards achieving this goal is regional cooperation.

There is already talk of creating one large general trading area along the lines of the Gulf Cooperation Council. As far as Travel & Tourism is concerned, there are added reasons for regional cooperation, as reflected by the trend in other parts of the world.

Not only does regional cooperation — for commercial as well as for political motivations — provide economies of scale, but it also helps create better marketing positioning for the region. Today's travellers are increasingly looking to include different countries in a particular region within a single trip.

Perhaps most importantly, Travel & Tourism is the one industry which can contribute to peace by bringing people together to increase understanding of cultural diversity and inter-relationships. Or put more simply, to help eliminate longstanding misperceptions and sow the seeds for peaceful co-existence.

In order to encourage continued practical working cooperation between public and private sector partners in the Middle East-Mediterranean, a new association should be created, the main role of which would be to address common concerns and policy matters that may impact on the growth of Travel & Tourism in the region.

WTTC believes that the proposed Middle East-Mediterranean Travel & Tourism Association (MEMTTA) deserves support. This would be open to several different categories of public and private sector membership — from governments to airlines and other transport companies, hotels and hotel groups, tour operators and retail travel agents. Associate members would be drawn from industries or sectors indirectly linked with Travel & Tourism, or from market source countries located outside the Middle East-Mediterranean region.

MEMTTA's main role should be to address issues concerning the environment, marketing and promotions — issues which cannot be dealt with at national level only or by existing sub-regional or sectoral fora. In addition, it could become a resource centre for market research — monitoring statistical data and other information on Travel & Tourism marketplace and supply trends for the benefit of the region's industry. The information could then be disseminated at low cost — in hard copy and electronically, through online systems — to both MEMTTA members and other interested parties.

Whatever its eventual scope, it is essential for MEMTTA to be more than simply a partnership between the different governments of the Middle East-Mediterranean. The association needs to reflect the increasing links between the public and private sectors which are, after all, so interdependent. Moreover, MEMTTA would help provide a meaningful role for the private sector in all discussions and policy decision-making affecting the industry at national and regional levels.

ACTION

- Recognise the industry's economic and social contribution by including Travel & Tourism in mainstream government programmes for job creation, export promotion and investment stimulation.
- Develop National Satellite Accounts for Travel & Tourism.
- Establish a regional mechanism for cooperation between the public and private sectors and ensure effective regional coordination on issues of common concern that cannot be dealt with at national level only or by existing sub-regional or sectoral fora.

Pursue Competitive and Environmentally Compatible Markets

Open up Markets

The establishment of the General Agreement on Trade in Services (GATS) and the World Trade Organization (WTO) was one of the main achievements of the Uruguay Round. The agreement attempts to create a level playing field — a common set of game rules — for services. But it is not just a framework agreement. Rather, it represents a commitment by almost every important trading country in the world to liberalise and guarantee access to foreign service suppliers in virtually all service industries, including Travel & Tourism.

WTO/GATS should provide an added boost to the world economy and will promote the expansion of Travel & Tourism services through its multilateral rules and liberalisation of market access. Increased trade encourages business trips and growing disposable income expands leisure travel. Protectionism has the reverse effect.

WTO/GATS should help overcome protectionism, which is clouded by discriminatory practices and lack of transparency. In Travel & Tourism, this is reflected by restrictions such as high taxes on imports of certain products, on the repatriation of profits and on the use of expatriate manpower.

However, of the 20 countries covered in this report, only eight are full members of the World Trade Organization — Bahrain, Cyprus, Egypt, Israel, Kuwait, Morocco, Tunisia and Turkey. Along with Algeria, these eight participated in the Uruguay Round and, with the exception of Cyprus, presented schedules of commitments in Travel & Tourism related services in the GATS negotiations.*

Several MEM countries are in the process of acceding to the WTO. Developing states can expect to benefit the most from membership and implementing GATS. The agreement will strengthen their ability to compete — enabling them to negotiate more effectively what they want from the developed countries in exchange for opening their markets. It also provides them with greater access to technology and know-how from developed countries; to distribution channels and information networks; to reduced export barriers; or even the freedom to deploy not only key personnel but also regular personnel in the main Travel & Tourism generating countries.

The principal Travel & Tourism sub-sectors covered by GATS relate to 'core' tourism services — provided by hotels and restaurants, travel agencies and tour operators, tourist guides, convention organisers, etc. But a number of commitments have also been made with respect to hotel and resort development, recreational and sporting services, computer reservation systems, and the selling and marketing of air transport services.

WTO/GATS can help states to deal constructively with many of the problems of Travel & Tourism development. And it could allow more Travel & Tourism accrued wealth to be retained in the countries of the region.

Travel & Tourism policy makers in the WTO member countries of the Middle East-Mediterranean now need to pursue the development of national Travel & Tourism master plans and strategies to strengthen their comparative and competitive advantages. These need to be coordinated with the private sector, since the aim of GATS is also to improve market conditions for the private sector to do business.

Those countries that have not committed to WTO — nor to the schedule of commitment in Travel & Tourism services — should reconsider their positions and act as soon as possible to rectify this situation. They should be prepared for market opening requests that may come from other countries.

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* Algeria — along with Oman, Qatar and the United Arab Emirates — has the status of observer in the WTO General Council. While Algeria presented a tourism schedule and made commitments in the Uruguay Round, the entry into force of this schedule is pending Algeria's full membership in WTO.

Liberalise Air Transport

Air transport is vital to the development of Travel & Tourism. Many of the world's leading Travel & Tourism destinations — and the Middle East-Mediterranean region is no exception — depend on air services for the vast majority of their tourist arrivals. Moreover, the importance of aviation's economic benefits to a country or local region can be assessed from the rapid growth of international businesses — particularly those with high value or technologically advanced products — around major airports. Industry also benefits from the easy accessibility of transport for both employees and freight.

All the available evidence points to a close synergy between economic growth and air transport activity. Airlines have traditionally been the driving force behind the promotion and development of many travel destinations and many travel distribution networks. Air transport acts as an economic catalyst by moving products quickly over large distances, thus increasing overall efficiency and contributing to the growth in existing industries, as well as opening up new market opportunities.

As argued in the WTTC report, *The Way Forward: Multilateral Air Transport Liberalisation*, restrictive or protective aviation policies significantly inhibit the development of Travel & Tourism and its potential economic contribution. Globalisation of economies, freer trade, changing market dynamics as well as privatisation and restructuring of airlines, airports and related travel companies are rapidly combining to put significant pressure for liberalisation of traditional air transport regulatory regimes.

The protection of national airlines is often in conflict with the larger economic benefits to be derived from the expansion of Travel & Tourism, with the jobs and economic growth it generates. Research undertaken by WTTC's Economic Advisor, Stephen Wheatcroft, for the World Tourism Organization, suggests that for every job saved in a "tourism" economy to protect a national airline, up to five can be lost as a result of reduced traveller spending on fares, rooms, meals, entertainment, shopping and the like. This can also mean less investment in hotel construction, telecommunications links and resort development.

In many regions of the world, the trend is for progressive liberalisation of controls on entry, price and capacity, for airline privatisation, drastic reduction of state aid and encouragement of cross-border investment under fair competition rules.

The MEM region cannot afford to ignore this changing global air transport dynamic. Governments should establish a programme for progressive liberalisation, using as a model the phased liberalisation of the European Union internal market. Overflight and full commercial operating rights within and beyond the region should be an early goal. If the Middle East-Mediterranean does not take positive steps to liberalise air transport, it will hold back the Travel & Tourism development of the entire region.

Restraints on investment, ownership and establishment rights should also be removed and state aid to national airlines — including subsidies and state ownership — eliminated, recognising that this may take some time.

In liberalising air transport, it is also important for governments of the region to ensure good inter-modal transport links, including transfer connections between airports and city centres.

Deregulate and Modernise Telecommunications

One other important communications link is telecommunications. In most countries of the Middle East Mediterranean region, telecommunications infrastructure needs considerable improvement and expansion.

An increasing share of Travel & Tourism operations — and virtually all distribution and sales transactions — flow through telecommunications circuits. Where these are monopoly controlled, there are often high costs, restrictions on access and unreasonable operating conditions. This in turn limits the potential for the market oriented expansion of Travel & Tourism, with negative national and international economic impacts.

With the phenomenal growth in cellular technology, it is also important for travellers to stay in touch while away from home. Wireless technology allows this, but number portability and network transparency and interoperability are of vital importance in this particular field.

Governments of the Middle East-Mediterranean region should improve and expand all telecommunications infrastructure and liberalise telecommunications links, in order to upgrade and increase traffic on existing systems and reduce charges. Market entry should be equal, free and open for all providers.

Encourage Product Quality Improvements

The increased trade links and commercial opportunities in the Middle East-Mediterranean region as a result of the peace process have already started to — and will increasingly — stimulate corporate travel to and within the region. However, forecasts suggest that over the next ten years, the fastest growing sector of the market will be leisure travel.

Evolving Markets

• Inter-regional

As far as early growth prospects are concerned, Europe looks to be the most promising market from outside the region. Europeans are already generally well-travelled and in search of new destinations and new travel experiences. Moreover, the Middle East-Mediterranean is relatively close to Europe in terms of flying time, yet it offers the same kind of cultural diversity and range of holiday attractions as does the Far East/Southeast Asia.

While more difficult to tap, because of the long travelling distances and higher costs involved, North America should also be a good leisure source market for many countries in the region, not least for religious and ethnic tourism. But increasingly important in the longer term will be the Far East and Southeast Asia. Improved air links from this part of the world are already stimulating passenger flows into the Middle East-Mediterranean, whether pilgrimage traffic, business travel or the holiday market.

• Intra-regional

Intra-regional markets are, nevertheless, expected to grow the fastest over the next ten years. There are a number of different markets to be tapped. The Arab travel market is especially attractive since it has very

different seasonal travel patterns to that of western markets — and notably, Europe, the major source for many countries in the region — so this has obvious benefits for maximising productivity.

An important development, too, is the emergence in recent years of the middle class Arab tourist. In the past, travel among Arabs tended to be confined to wealthy families, or young men visiting cities. The middle class Arab traveller is more likely to stay in hotels, rather than renting apartments as wealthy Arab families tend to do. Moreover, there is a high level of repeat visitors among Arab travellers, and they have a longer than average length of stay.

The Israeli market is also one which could show very strong growth over the foreseeable future — assuming that the country's citizens are permitted to travel freely in the future as a result of the peace process. More than one million Israelis already travel abroad every year, and Israelis have the highest travel buying power in the region.

• Senior citizens

The senior travel market is one of the fastest growing sectors of the international travel market, according to a recent study commissioned by the European Travel Commission (ETC) from the UK-based Aviation and Tourism International. The European seniors market, for example, grew by around 10% from 1988 to 1991 and is now approaching some 200 million trips a year — of which about 50 million are international. Similar growth rates have been experienced in North America and Japan.

International travel among the 55-plus age group is forecast to increase by close to 80% from 1995 to 2000.

The attraction of the older travelling market — and its growth — is boosted by the fact that it will soon encompass 'baby-boomers' born after the second world war and who are today fast approaching their 50s. The over-55s generally have better health, and more disposable time and income than their parents ever had at the same age.

In addition, many seniors are already fairly experienced travellers, having grown accustomed to holidays as an integral part of their lifestyle, and they do not need to travel during peak periods. So they represent an attractive market for suppliers in the industry.

• Youth

Although world populations are ageing and there have been signs of a decline in international travel by young people aged 15-26 over the last few years, the findings of another ETC survey suggest that the future prospects for international travel among this age group are surprisingly bullish.

Total annual trip volume by young Europeans, for example, is forecast to rise from today's level of around 219 million to some 242 million by the end of the decade. Of these, about 7 million will be to destinations outside Europe.

In addition, a further 4 million or so trips — representing a growth of some 5% a year — will be made annually, by the year 2000, by young overseas travellers to Europe and the wider Mediterranean region. The emerging Far Eastern and Southeast Asian markets are expected to generate the strongest percentage growth over the period.

More Products

There are a number of new product opportunities that can be tapped by the Middle East-Mediterranean region over the coming years. The most important of these are:

• Religious tourism

The MEM region is the birthplace of three of the world's great religions. Intra-regional religious tourism should be facilitated by the opening up of new land borders for tourism, vehicles and merchandise, between Israel and its neighbouring countries, from Jordan to Egypt through Israel in the south, and from Syria and Lebanon to Egypt through Israel.

Muslims can one day be expected to flock to Israel and Palestine, both on their way to Mecca and to pray in Jerusalem — including from Turkey and North Africa, as well as the Middle East, as well as non-Arab countries in Southeast Asia. Christian pilgrimage to the region will increase from all parts of the western world and Eastern Europe, together with Copts from Egypt and Orthodox Christians from as far away as Central Asia and the Far East. Jewish pilgrims' traffic can also be expected to grow — not only to Israel, but also to the surrounding Arab countries, as well as North Africa and the Gulf.

• Cruising

World cruising is undergoing a period of fairly strong growth, although there appears to be some degree of saturation as far as traditional Mediterranean itineraries are concerned. This augurs well for new destinations in the Eastern Mediterranean. The planned development of anchorages, marinas and facilities within existing ports on the coast of Israel and in due course, Lebanon

and Syria, should not only improve yachting tourism, but also boost the movement of cruise-ships and ferries and open up opportunities for cruise itineraries.

Other countries, notably Egypt, Turkey, Tunisia and Morocco, are also developing or planning yachting marinas in coastal resorts. At the same time, given the popularity of Nile cruises, there are plans to develop a similar cruise business in the Gulf of Aqaba, with cruising between the three countries of Egypt, Israel and Jordan.

- Health tourism

There are a number of opportunities for the development of health tourism in the Dead Sea region of Israel, Jordan and Palestine. The Dead Sea waters are reputed for their curative effects.

Developments on the Israeli and Jordanian shores will open up the market. The potential for regional initiatives has also been earmarked by the different governments. There is talk of developing roads north and south of the Dead Sea to join Israel and Jordan, which could constitute a basis for the construction of a vacation and tourist region on the northern shore of the Sea, currently known as the 'Lowest Park in the World'.

- Conferences, Shopping and Gaming

Although the meetings, incentive travel, conferences and exhibitions market (MICE) in most major source countries has shown sluggish growth since the beginning of the 1990s, there are clear signs of an improvement. Moreover the Middle East-Mediterranean region stands to benefit more than many other destinations from future growth as it is a relatively new and untapped destination. Some countries in the region already boast sophisticated conference centres, fully equipped for large-scale international events; others are planning to develop them.

Given the attractions of the region, shopping can also be expected to attract a significant share of visitors. Similarly, the gaming market is showing signs of better than average growth in most parts of the world, as witnessed by the surge in development of casinos and other gaming facilities.

But most importantly, environmental tourism is likely to become a feature of the whole Travel & Tourism market in the future. The Middle East-Mediterranean region is fortunate in that much of it has been untouched by tourism until now. Today's tourists have travelled frequently beyond their native frontiers. They are better informed, more environmentally aware, and beginning to be motivated by principles as well as publicity. An increasing number are prepared to shun destinations that are polluted or overbuilt.

Given the wide range of growing market opportunities, governments of the Middle East-Mediterranean region should encourage the development of new Travel & Tourism products. This will help diversify market sources and spread Travel & Tourism flows more evenly on both a geographic and seasonal basis.

New products should take into account changing market demand and emerging niche markets — offering the opportunity for effortless transborder travel within one and the same trip — as well as highlighting the unique attributes and resources of the region and ensuring sustainability.

Enhance Promotions and Marketing

Increasing constraints on government budgets and a parallel trend towards privatisation and semi-privatisation of national tourism administrations have resulted in a reduction of public sector funding in some countries for marketing and promotional initiatives. This trend, although regrettable, is likely to spread to the Middle East-Mediterranean region.

At the same time there is growing pressure, in terms of marketing and distribution, on suppliers of Travel & Tourism products. A move towards individually tailored packages, rather than ready made products, means that consumers will increasingly be looking for flexibility, in terms of travel options, length of stay in different destinations, etc.

As far as the Middle East-Mediterranean region is concerned, travellers will also be looking to tailor their own seamless, transnational products, which combine a number of countries in one and the same trip, allowing them to cross borders without undue hassles at border controls. The more easily they can obtain what they want from Middle East-Mediterranean suppliers, the more competitive the region will be vis-à-vis other tourism regions of the world.

One way of maximising the impact of public sector funds is for governments to increase the number of joint regional campaigns — ideally, under the umbrella of a pan-regional association such as MEMTTA. These should also involve the private sector — both local inbound operators and hotel and resort groups in the Middle East-Mediterranean region, as well as tour operators in major source mar-

kets. This will help build up a dynamic local private sector.

In addition, to compete effectively in world markets, all areas of technology development for the distribution and marketing of the region's Travel & Tourism products should be explored and exploited to the full. These include the major global distribution systems (GDSs) and national destination databases accessible online by the travel trade, consumers and the Internet.

Promote Sustainability and Encourage Industry Environment Initiatives

Travel & Tourism is responsible for moving, accommodating, feeding and entertaining hundreds of millions of people each year. Ship building, hotel construction and travel infrastructure developments are integral parts of the operation. As markets open and business increases, there is a responsibility to ensure that development proceeds in harmony with the environment.

Travel & Tourism has a key interest here: the environment is the core of its product and must be preserved for business sustainability as well as the global imperatives. This is clearly a prime consideration for the Middle East-Mediterranean, given the strong growth in Travel & Tourism projected over the next ten years. Natural resources could so easily be overburdened and carrying capacity limits rapidly exceeded without careful planning, management and controls. The environment is one of the major attractions of the Middle East-Mediterranean region and development in harmony with the environment is in the direct business interests of all involved in an industry which depends on clear air, clean water and unpolluted beaches for its continued product attraction.

In September 1995, the WTTC, the World Tourism Organization and the Earth Council issued "An Agenda 21 for the Travel & Tourism Industry". Taking the Rio Earth Summit Accords as its starting point, the document identifies main directions for Travel & Tourism's future sustainable development as well as objectives and priority actions for both public and private sector interests.

The bottom line calls for a balance of regulation, economic instruments and private sector voluntary initiatives; the translation of global concepts into local action; and public/private sector partnership as the driving force for sustainable Travel & Tourism development. The "Agenda" is being circulated to governments and the industry for consultation.

WTTC recently launched its GREEN GLOBE programme — backed by more than 20 Travel & Tourism industry associations — which aims to build an environmental ethic into all aspects of the Travel & Tourism business. It offers a practical programme for environmental self-improvement to Travel & Tourism companies of any size, type or location, drawing on a global database of best practice and a worldwide network of advisors.

More than 150 Travel & Tourism companies and government agencies have already subscribed to GREEN GLOBE, and there are ongoing initiatives in the Caribbean, Australia, Argentina and the Mercosur and Central and Eastern Europe.

Given that growth to some countries in the Middle East-Mediterranean region could be very strong over the next few years as a result of the peace process, special care should be taken to ensure that there is not excessive pressure on supply, in order to avoid the over-burdening of natural resources.

Governments should facilitate environmentally sustainable development through Travel & Tourism by implementing mechanisms to manage the level and type of development. The planning process requires public/private sector cooperation to ensure the flexible development of guidelines which respond to the needs and realities of the local market situation and a private sector committed to working with governments to ensure compatibility.

MEM governments should establish at regional and national levels a policy framework for sustainability, covering such areas as coastal preservation, land use, carrying capacity and waste/water/energy management.

But while governments should set the legislative framework, they should also encourage self-regulatory, industry environment initiatives, such as the WTTC's GREEN GLOBE.

ACTION

- Open up markets with a view to a longer-term commitment to GATS, and liberalise air transport and telecommunications.
- Encourage product quality improvements in Travel & Tourism and enhance promotions and marketing for international competitiveness.
- Establish a policy framework for sustainability and encourage industry environment initiatives.

Eliminate Barriers to Growth

Improve and Expand Infrastructure

Most Middle East-Mediterranean countries have had difficulty in attracting foreign investment in recent years. Inflows to the region have improved since the end of the Gulf war, and there has been a new surge of interest in the countries most closely involved in the peace talks. Yet past investments in the region have not matched those that have brought major economic gains to the Far East and Southeast Asia and notably, countries like China and Indonesia.

One reason for the historical lack of foreign interest is the inadequacy of basic infrastructure in certain countries of the Middle East-Mediterranean — a major barrier to the growth of Travel & Tourism. Admittedly, there are a large number of infrastructure projects underway or on the drawing board in the four countries so far involved in the peace process, financed by different governments and multilateral aid agencies. There are plans to develop major highways and railways, for example, linking the different countries of the region to improve intra-regional transport communications.

However, very basic infrastructure needs — the provision of water, sewage and electricity — still have to be addressed in some countries. These are essential to help promote the growth of Travel & Tourism.

Airport expansion is also very important since aviation is the arrival mode for the majority of international visitors to and within the Middle East-Mediterranean. Although parts of the region, notably the Gulf, boast very modern and efficient airports, the region as a whole is lagging behind in terms of airport development. There are no real integrated transport systems, nor links between public transport modes.

Air traffic control system modernisation is also a high priority as rapidly increasing traffic creates congestion in the air. The new satellite navigation systems, FANS (Future Air Navigation Systems), help to contain operating costs, improve safety and reduce airways congestion.

FANS is based on a group of carefully positioned satellites which are already in place. These satellites can communicate aircraft location precisely, supplementing ground based systems. FANS builds on existing systems and technologies without making them obsolete.

Governments of the Middle East-Mediterranean should expand and improve infrastructure, offering incentives for domestic and foreign private sector investment where appropriate — such as for the development of hotels, resorts and theme parks — not to mention the removal of ownership restrictions, investment licensing procedures, etc.

Governments also need to confront the increasing urgency for basic infrastructure improvements — such as in the areas of transport, communications, and the provision of such basic essentials as water and electricity.

Specific Travel & Tourism infrastructure priorities include improved airports, air traffic control and air navigation systems.

Simplify Immigration Controls and Border Clearance

The relatively high cost and difficulty of obtaining visas for travel to certain countries in the Middle East-Mediterranean region could become even more of a problem as regional cross-border tour programmes develop, since tourists will be obliged to apply separately for visas for each of the different countries.

In addition, border controls are currently very cumbersome and irritating for travellers. With the number of international air travellers expected to double over the next decade, and with pressures on budget and space resources, it will be increasingly important to reduce bureaucracy and red tape to a minimum while applying modern automation technology and business procedures for crossing international borders.

WTTC's efforts to speed up border clearance processes have led to the development of a new, inexpensive, efficient and secure high-tech automated border clearance system called FAST (the Future Automated Screening for Travellers).

FAST is an interactive system that uses biometric identification and advanced communications technology to identify a traveller, thus enhancing security while helping to expedite clearance. It is currently being tested by the US Immigration and Naturalization Service. Australia, Canada, Germany, The Netherlands and UK are considering similar schemes.

Given the often excessive prices charged and the time required to obtain visas, governments in the Middle East-Mediterranean region should make efforts to simplify procedures and contain costs.

They should keep abreast of technological developments in the area of border and immigration controls and adopt the FAST system wherever possible.

Tax Intelligently for Growth and Exports

In 1995, Travel & Tourism is expected to contribute US$ 10.1 billion in indirect business taxes in the MEM, or 9.8% of total indirect taxation. The industry should pay its fair share of taxes, but should not be burdened with discriminatory tax treatment in relation to other industries.

"Add-on taxes" and user fees are proliferating at airports, on air tickets, rental cars, hotel rooms and restaurant meals -- levied by local, state and federal authorities. They comprise one of the fastest growing areas of operating costs, and if unconstrained, can contribute to raising total trip costs to levels which depress demand, impairing international competitiveness in an industry which generates significant output and jobs.

International visitors are exports and should be dealt with like other export "products" which invariably enjoy exemptions, incentives and promotional support, rather than additional taxes.

Governments should apply the basic economic principles of taxation -- fair revenue generation, efficiency, equity, simplicity and effective stimulus to growth -- to Travel & Tourism.

Add-ons and special user charges must be controlled in all sectors and at all levels of tax jurisdiction. Taxes and user charges which are often applied to general funds should be funnelled back into the Travel & Tourism infrastructure.

Incentives and tax exemptions should be applied to stimulate growth and exports.

Invest in Human Resource Development

Education and training are high on the agenda of bilateral and multilateral aid agencies involved in the Middle East-Mediterranean. Yet, although there are a number of projects in this area, there has not been any comprehensive training needs assessment carried out to date.

While there is currently an abundant supply of labour in the Middle East-Mediterranean, there is a marked shortage of adequately trained personnel. Moreover, given the projected growth of Travel & Tourism over the next ten years, there are increasing concerns over the likelihood of labour shortages, especially among managerial and skilled workers. Admittedly, these shortages could partially be dealt with through the employment of immigrant workers from South and Southeast Asia — a practice that is already very common in parts of the region. But this will only really help ease the shortages among the unskilled workforce.

One project initiated by Club Méditerranée — for a University of Tourism for Peace in the region — is a first important step to filling some of the gaps at junior and middle management level. The initial plan is for university courses in Travel & Tourism to be run in four countries — Israel, Morocco, Palestine and Tunisia — although Jordan is also interested in participating. Courses will run for up to three years, enabling some 60-80 students a year to be educated in all sectors of the industry up to management level.

Middle East-Mediterranean governments should take a more active role in human resource development through the organisation of formal education and training programmes. These should improve general as well as vocational skills and quality of service. At the same time, they should increase public awareness of career options and opportunities in the Travel & Tourism industry, with special emphasis on school based career education programmes.

As far as possible, education and training programmes should be developed in partnership with the private sector to ensure they respond to industry needs and thus attract the right kind of people to the industry. Permanent education and training councils should be established to assess and promote the effectiveness of these programmes in meeting the labour needs of employers.

Joint collaboration with the private sector should also aim at improving the working conditions in Travel & Tourism and help define occupational standards. Training programmes should go hand in hand with clearly identified career paths, offering increased job security, career prospects and further on-the-job training.

WTTC recommends that a specific study be carried out to assess the long-term human resource needs of the Travel & Tourism industry in the Middle East-Mediterranean and to develop a plan of action to ensure these needs are met. This could be similar to other "Gearing Up For Growth" studies on Europe, Asia/Pacific and Latin America, undertaken by WTTC in collaboration with the American Express Foundation.

Enhance Safety and Security

The most significant threat to the growth of Travel & Tourism in the Middle East-Mediterranean is that of traveller safety and security — or even, just the perceived safety and security risk of travelling to and within the region.

All the forecasts of growth in this report assume an evolving climate of peace — however slow — with improved safety and security for travellers in the region. However, Travel & Tourism is a very visible industry, and tourists often become targets for outbreaks of violence aimed at national governments and the Middle East peace process. This will put great strains on certain governments and the peace accord, and could also damage the Middle East-Mediterranean's longer-term Travel & Tourism growth potential.

At the same time, despite attempts at derailing the peace process, the security environment in the Middle East is now generally more favourable for tourism than at any other time in the past half century. However, the image of the Middle East-Mediterranean region continues to suffer because of the region's poor track record in terms of safety and security.

While governments have the ultimate responsibility for ensuring traveller safety, the private sector also has an important role to play. In 1993, WTTC commissioned a global policy study of traveller safety which recommended an urgent need for reliable information to be made available to travellers on the security situation of particular destinations. In this context, a recently launched initiative by Kroll Associates (part-owned by WTTC Member American International Group) involves electronic distribution of safety and security information to travellers worldwide. In addition, WTTC is playing an active role in the World Tourism Organization's working programme on traveller safety, following the WTO-OMT conference held last year on the issue.

The governments of the Middle East-Mediterranean region should develop joint promotional campaigns to improve the safety and security image of the region and most importantly, to respond quickly and honestly to any incidents of violence that might occur. If Travel & Tourism is to be a major force in the region, peace is a sine qua non.

Improved security and safety measures by the Travel & Tourism industry itself and promotional campaigns can be useful but in the end, a peaceful environment is essential to Travel & Tourism development.

Governments should put programmes in place which aim to eradicate terrorism and ensure safety of travellers.

Governments and the industry should inform travellers of the greatly improved safety and security climate within the Middle East-Mediterranean region.

ACTION

- Improve and expand infrastructure by increasing airport capacity and modernising air traffic control systems and structures.
- Simplify immigration controls and border clearance.
- Tax intelligently for growth and exports.
- Invest in human resource development.
- Enhance safety and security.

TABLE 1

Key economic trends and forecasts for the Middle East-North Africa[a], 1991-96

Region	1991	1992	1993	1994	1995	1996
GDP (real % change)	3.4	7.5	2.0	0.8	2.2	3.8
Population (mn)	278.1	286.5	294.4	302.4	310.3	318.5
GDP (US$ bn)	523.2	559.3	560.3	575.3	576.1	605.9
GDP per head (US$)	1,881	1,952	1,903	1,903	1,857	1,903
Consumer price inflation (%)	26.9	21.4	14.6	21.6	22.1	19.9

The composition of the Middle East-North Africa region varies slightly from the region covered in the main body of this report. It includes Iran, but excludes Cyprus and Turkey. Forecasts as of March 7, 1995.
Source: Economist Intelligence Unit (EIU).

TABLE 2

International arrivals and tourism receipts in the Middle East-Mediterranean region, 1994

Destination	Arrivals, '000	Receipts, US$ mn
Turkey	6,031	4,500
Tunisia	3,856	1,302
Morocco	3,465	1,267
Cyprus	2,069	1,822
Egypt	1,765	1,385
Israel	1,747	2,395
Bahrain	1,489	215
United Arab Emirates[a]	1,104	187
Saudi Arabia	1,017	909
Algeria	872	45
Syria	736	655
Jordan	700	435
Oman	378	96
Iraq	330	12
Qatar	172	69
Kuwait	75	80
Yemen	67	38
Libya	62	4
Sudan	12	3
Total	**25,947**	**15,419**

[a] Dubai only. Source: Respective national tourism administrations; World Tourism Organization (WTO-OMT).

TABLE 3

Middle East-Mediterranean share of world international arrivals and tourism receipts, 1994

	Arrivals, '000	% of world share	Receipts, US$ bn	% of world share
North Africa	8,205	1.5	2,617	0.8
Eastern Mediterranean	9,847	1.8	8,717	2.6
Middle East	7,895	1.5	4,085	1.2
Total ME-M[a]	**25,947**	**4.9**	**15,419**	**4.6**

[a] Middle East-Mediterranean region. Source: WTO-OMT.

TABLE 4

Breakdown of Middle East-Mediterranean international arrivals and tourism receipts by sub-region, 1994

	% of total ME-M[a] region	
	Arrivals	Receipts
North Africa	31.6	17.0
Eastern Mediterranean	38.0	56.5
Middle East	30.4	26.5
Total ME-M[a]	**100.0**	**100.0**

[a] Middle East-Mediterranean region. Source: WTO-OMT.

TABLE 5

Forecasts of scheduled passenger traffic by region[a]

Region[a]	RPK billion			Average annual growth rate, %		Regional share of world traffic, %		
	1982 act	1993 est	2003 for	1982-1992	1992-2003	1982	1992	2003
Middle East	**33.2**	**58.4**	**100.0**	**4.8**	**6.0**	**2.9**	**2.7**	**2.9**
• International	26.2	49.0	88.0	5.5	6.5	5.3	4.6	4.5
• Domestic	7.0	9.4	12.0	1.7	3.5	1.1	0.9	0.8
Europe	**381.3**	**507.6**	**800.0**	**3.8**	**3.5**	**33.5**	**28.3**	**23.4**
• International	186.9	353.5	580.0	5.9	5.0	37.6	33.8	29.6
• Domestic	194.4	154.1	220.0	1.3	0.0	30.4	22.7	15.0
North America	**441.5**	**816.2**	**1,340.0**	**6.2**	**4.5**	**38.8**	**41.3**	**39.1**
• International	97.6	248.8	464.0	9.4	6.0	19.7	24.4	23.7
• Domestic	343.9	567.4	876.0	5.1	4.0	53.7	58.3	59.8
World	**1,136.8**	**1,970.8**	**3,425.0**	**5.6**	**5.0**	**100.0**	**100.0**	**100.0**
• International	496.5	1,045.6	1,960.0	7.0	6.5	100.0	100.0	100.0
• Domestic	640.3	925.2	1,465.0	4.3	4.0	100.0	100.0	100.0

a Region of airline registration, ICAO contracting states. act = actual; est = estimated; for = forecast.
Source: International Civil Aviation Organization (ICAO).

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