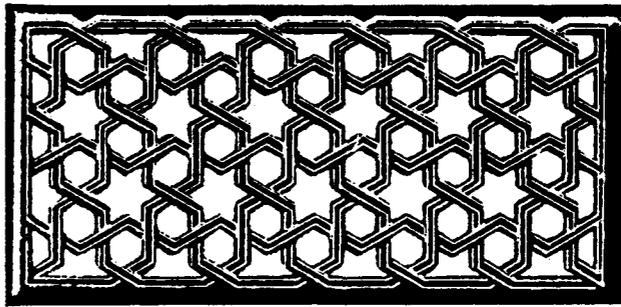


POLICY FOCUS

**TOURISM COOPERATION
IN THE LEVANT**

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THE AUTHOR

Patrick Clawson is a senior fellow at the National Defense University's Institute for National Strategic Studies. From 1981-92, Dr. Clawson was a research economist for four years each at the International Monetary Fund, the World Bank, and the Foreign Policy Research Institute, where he also served as the editor of *Orbis*. He was also a fellow at The Washington Institute in 1989 and 1992.

Dr. Clawson's most recent books are *Iran's Strategic Intentions and Capabilities* (Washington, D.C.: Institute for National Strategic Studies, 1994) and *How Has Saddam Hussein Survived? Economic Sanctions 1990-93* (Washington, D.C.: Institute for National Strategic Studies, 1993). He is also the author of three previous Washington Institute publications, *Iran's Challenge to the West: How, When, and Why* (1993); *Economic Consequences of Peace for Israel, the Palestinians, and Jordan* (with Howard Rosen, 1991); and *Unaffordable Ambitions: Syria's Military Build-Up and Economic Crisis* (1989). His articles have appeared in *Foreign Affairs*, *International Economy*, *The International Journal of Middle East Studies*, *The Middle East Journal*, and other periodicals.

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EXECUTIVE SUMMARY

Tourism offers an opportunity to promote the economic development of the Levant, demonstrate the material rewards of peace, and forge cooperation between Israel and its neighbors. To be economically sound, however, regional cooperation must generate *additional* tourism, rather than redistributing existing visitors. Foreign governments and international aid agencies can encourage tourism and regional cooperation by sharing their experience and funding marketing campaigns, research, and training.

Tourists visit the Levant for religious/ethnic reasons, to relax, and/or to see sights. The three primary groups of visitors are Arabs and other Muslims; Europeans; and long-distance travelers from North and South America and East Asia. Most Europeans travel to the Levant for relaxation, but long-distance visitors are more likely to come for regional tourism, and represent a potential market for regional cooperation.

Tourism is extremely sensitive to perceptions of personal and regional security. Jewish tourism to Israel is fairly constant, but Christian tourism is expected to pick up significantly as the region becomes more peaceful. The international community can provide assistance with border crossings, which generally do not function as smoothly in the Middle East as airport clearance, although more as a result of bureaucratic rather than security considerations.

The West Bank economy is so small that even a small share of tourism growth could be quite significant. The nascent Palestinian tourism industry will cater primarily to religious Muslims and Arabs from the Gulf, who will want to stay in the West Bank but may take day trips to Israel. It will depend on Israel and Jordan to provide easy access through Jerusalem and to international airports. This means the Israeli government will likely insist on knowing who enters the Palestinian area. Israelis worry that large numbers of lower-income Arab/Muslim visitors could strain the capacity of the old city of Jerusalem without spending much money, and some fear a culture clash and security threat from devout Muslims.

The Israeli tourism industry ended more than a decade of stagnation in 1993, and expects solid growth in 1994. Egypt could expand its critical tourism sector by developing natural sites like the Red Sea and Sinai to complement the "monuments" in the Nile Valley. Jordan and Syria also stand to benefit from an increased number of visitors to the region.

Ultimately, tourism revenue is largely a function of the level of development in a country, and while privatization is preferable to public sector investment in hotels and restaurants, governments and aid agencies can fund infrastructure for remote tourism sites, research on markets and production technology for artisans, and training for workers, who remain the tourism industry's most important resource.

The most promising peace-driven projects are in the Aqaba region, focusing on environmental cleanup, port relocation, and a jointly-administered airport. Investing in border areas is also a useful way to discourage their militarization and facilitate communication and cooperation.

TOURISM COOPERATION IN THE LEVANT

Tourism offers a wide variety of opportunities for the economic development of the Levant. More importantly from the perspective of the international community, it holds the prospect of demonstrating the material rewards of Arab-Israeli peace. Many of those rewards will come automatically, as a more peaceful environment encourages more visitors and stimulates private sector investment in tourism facilities. In addition, there are a variety of ways in which government action and donor assistance could further encourage tourism.

International tourism is a large and growing global industry. According to the World Tourism Organization (WTO), international tourism receipts rose 9 percent in 1993 to \$324 billion. International tourist arrivals rose 3.8 percent in 1993 and will rise an average of 4.1 percent annually throughout the decade.¹ Moreover, the fundamental dynamics underlying these trends are likely to continue: the real cost of travel should continue to fall, leisure time should increase, real income should rise (and being a luxury good, spending on tourism should rise more than 1 percent for each 1 percent increase in income), and as global trade increases, international business travel should continue to grow.

Tourism in the eastern Mediterranean is doing particularly well. It is close to the large European market that provides the vast majority of its visitors, and given its historic sites and natural beauty, it is also well-positioned to attract visitors from the Americas and East Asia. The number of hotel rooms in the region rose 84 percent from 1981 to 1991 (see table below).² Hotel rooms in Greece, the region's tourism superpower, rose 63 percent from 1981 to 1991. With sound economic policies and a vigorous government program to encourage the tourism industry, Turkey recorded an astounding 253 percent growth in hotel rooms over the same period, which amounts to 13.5 percent annual growth for ten consecutive years.

Against this upbeat background, the Levant has a mixed growth record in tourism. Egypt has done particularly well, with the number of hotel rooms growing 176 percent during the 1980s. Jordan and Syria have turned in solid though unexceptional performance. Israel, however, has done poorly, with the number of hotel rooms actually falling from 1981 to 1991 (although this figure may exaggerate the problem because Israel has shifted toward the higher end

¹ *Financial Times*, January 5, 1994.

² The number of hotel rooms is not the ideal measure of the size of the tourism industry—occupancy rates vary, luxury hotel rooms earn more than inexpensive ones, and hotels are hardly the only element in the tourism industry. Nevertheless, they are useful for comparing the size of the industry in different countries because most other indicators are subject to great variation depending on national statistical procedures. In some countries, for example, data on international arrivals includes large numbers of incoming or transiting workers. Other statistics, particularly figures on international tourism receipts shown in balance-of-payments data, are largely estimated, sometimes using crude procedures.

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of the market and is getting more revenue from each tourist). As a result of declining capacity in Israel and rising capacity elsewhere, Israel's share of Levantine hotel rooms fell from 46 percent in 1981 to 27 percent in 1991.

Hotel Rooms in the Eastern Mediterranean, 1981 and 1991³

| | <u>1981</u> | <u>1991</u> | <u>% Change</u> |
|-------------------------------|-------------|-------------|-----------------|
| Levant | 65,298 | 106,167 | + 63 |
| Egypt | 19,529 | 53,959 | +176 |
| Eastern Levant | 45,769 | 52,208 | + 14 |
| Israel (incl. East Jerusalem) | 30,150 | 28,515 | - 5 |
| West Bank and Gaza | 2,000 | 2,000 | — |
| Jordan | 4,416 | 7,733 | + 75 |
| Syria | 9,203 | 13,960 | + 52 |
| North East Mediterranean | 176,617 | 338,333 | + 92 |
| Turkey | 26,704 | 94,383 | +253 |
| Greece | 149,913 | 243,950 | + 63 |
| Total | 241,915 | 444,500 | +84% |

Tourism and Security

The single most important factor in understanding Levantine tourism trends is the perception of security. Israeli Foreign Minister Shimon Peres has lamented the fact that "the region has not fulfilled its potential for tourism" and contends that "the root of the problem is violence."⁴ Tourism is extraordinarily sensitive to the reality and perception of personal security. For example, a wave of publicity about attacks on individuals, whether political or merely criminal, causes tourism to fall quickly.⁵

Tourism is also sensitive to the state of national security, meaning not only war and peace but also the perception of how a country fits into the international scene. Vacationers and business travelers prefer to visit countries whose governments appear to promote peace and justice and maintain good relations with their own. On both the personal and national security fronts, Israel suffered image problems in the 1980s, ranging from the war in Lebanon from 1982-83 to the *intifada* from 1987-92. In contrast, Egypt benefited from Camp David and its blossoming relationship with the West. The lesson for the late 1990s is simple: peace facilitates tourism, while conflict impedes it.

At the same time, no Middle Eastern government will allow its tourism industry to dictate national security policy, or make major changes in anti-terrorism measures like border inspections and visa control in order to accom-

³ World Tourism Organization, *Compendium of Tourism Statistics*, 13th and 7th eds.

⁴ Shimon Peres, *The New Middle East* (New York: Henry Holt and Company, 1993), p. 150.

⁵ Reuter, April 27, 1994, quoted El Al President Rafi Harlev as saying that bookings for the summer tourist season had fallen off sharply after the February Hebron massacre, and that a peace treaty could make the difference between profit or loss for the airline.

moderate that industry. Rather, the industry must work within security requirements and cooperate closely with security personnel. Given the sensitivities involved, it seems unlikely that the international community can take the lead in pushing for regulatory changes that promote tourism without host governments first being convinced of the positive impact on security concerns.

It is possible, however, to accommodate tourism without compromising security. The international community can help by offering its experience with, for example, border crossings such as the old inter-German frontier. One obvious example of an irksome barrier unrelated to security is the extremely limited hours during which the Allenby bridge across the Jordan River is open. There is no security rationale for the Israeli army closing the bridge on Saturdays, Jewish holidays, and every afternoon and evening. The issue is political and administrative, not security-related; the Israeli Airport Authority, which controls the border crossings with Egypt, operates around the clock and keeps these crossings open much longer. It is difficult to see why the Airport Authority could not be given similar responsibility for any crossings from Israel into Jordan, and serve as Israel's lead administrative agency for any crossings from the Palestinian autonomous area into Jordan.

The Politics of Functional Cooperation

As the data on hotel rooms show, Israel is no giant in the tourism industry compared to its neighbors. Indeed, Amman has more hotel rooms than West Jerusalem, and there are more hotel rooms on Nile River cruise boats than in Tel Aviv and West Jerusalem combined (see table below). In fact, even these statistics overstate Israel's relative size as an international tourist destination, because Israel has much more internal tourism than its neighbors. Israelis do more business travel, can afford to take more vacations, and cannot visit contiguous countries as easily as most of their neighbors. In 1992, Israelis themselves accounted for 39 percent of the person-nights in Israeli hotels, including 47 percent of the person-nights in hotels outside of Jerusalem (but only 14 percent in Jerusalem).⁶

Hotel Rooms in Selected Areas of the Levant, 1992-93⁷

| | |
|-----------------------------------|--------|
| Tel Aviv | 4,304 |
| West Jerusalem | 4,922 |
| East Jerusalem | 1,988 |
| Cairo | 18,356 |
| Nile River cruise boats | 9,541 |
| Amman | 4,997 |
| Aqaba Gulf Area | 8,544 |
| Israel (Eilat) | 4,447 |
| Egypt (including St. Catherine's) | 2,826 |
| Jordan (including Petra) | 1,271 |

⁶ Israel Ministry of Tourism, *Tourism and Hotel Services Statistics Quarterly*, August 1993, Table 26.

⁷ Ibid.; Egyptian Hotel Association, *Egyptian Hotel Guide 1993-94*; Jordan Ministry of Tourism data provided January 1994.

The fact that Israel is no Levantine tourism powerhouse makes tourism a promising area in which to forge cooperation between Israel and its neighbors. In most other areas in which functional cooperation—that is, incremental, mutually advantageous measures in politically less-sensitive areas—is proposed, Israel is an elephant whose actions, no matter how well intentioned, worry the smaller animals around it. After all, Israel's \$63 billion GNP is larger than that of all its neighbors combined, and overwhelming compared to Jordan's \$4 billion GNP. Compared to the 15-to-1 gap in gross national product (GNP), the 4-to-1 gap in hotel rooms between Israel and Jordan is psychologically less troubling to the Jordanians. Similarly, Egypt has a nearly 2-to-1 gap with Israel in GNP, but an almost 2-to-1 advantage over Israel in tourism.

However, functional cooperation is not universally accepted as a means of promoting peace. Some Arab governments and segments of the Arab public have long preferred to postpone any cooperation, no matter how profitable it might be for them, as a means of increasing pressure on Israel for a comprehensive political settlement. In that atmosphere, proposing interim cooperation on tourism is not politically neutral. Some actors may be prepared to *plan* now, but will insist that *execution* await further progress in the peace process. This may be particularly true of high-visibility ventures such as the Eastern Mediterranean Tourism Authority (EMTA), which was established in November 1993 in an accord signed by the Egyptian, Israeli, and Turkish tourism ministers to promote the region to consumers.

REGIONAL VS. NATIONAL TOURISM

Any effort in regional tourism cooperation like the EMTA needs to be grounded in a solid understanding of the potential market. In particular, a clear distinction should be made between "regional tourism" and "national tourism." The former involves visiting a number of sites scattered across a region—for example, a two-week vacation that includes Damascus, Petra, Jerusalem, and the pyramids. By contrast, "national tourism" means visiting one or more places within one country—for example, a charter flight directly to a Red Sea beach resort for a week in the sun, or two weeks traveling around Israel and visiting Tel Aviv, Haifa, Tiberias, Jerusalem, Masada, and Eilat.

To the extent that the demand for regional tourism can be met without diverting from national tourism, regional cooperation is a winning strategy for the countries involved. But if regional tourism can be expanded only by reducing national tourism, then each country will worry that it may end up losing revenue. In other words, regional cooperation is attractive only to the degree that it generates *additional* tourism, rather than redistributing the existing flow.

The relative importance of tourism generation versus redistribution is largely a function of the Levantine tourism market. That market can be characterized in two ways: motivation and country of origin. Tourists' motivations for visiting the Levant can be divided into religious/ethnic, relaxation, and sightseeing. Some obvious examples are Diaspora Jews interested in visiting Israel to see what a Jewish state is like, Scandinavians seeking out a beach in mid-winter, and Japanese viewing 6,000-year-old monuments. Many tourists may combine a variety of motivations: for example, a born-again American Christian determined to visit Jesus' native land may

also want to see the pyramids while in the area. To the extent that religious/ethnic tourists are interested in seeing sights (for example, religious Muslims who may be enticed to see famous mosques in Damascus and Cairo as well as Jerusalem), they are likely to be good prospects for regional tourism.

As for Levantine tourists' countries of origin, the three principal groups are Arabs (and, to a lesser extent, other Muslims), Europeans, and long-distance travelers, such as East Asians and North and South Americans. Arabs are by far the largest group of tourists in Jordan (see table below). In Egypt, about half the tourists are European, one-third are Arab, and one-tenth are long-distance. In Israel, long-distance travelers are much more important, accounting for about 30 percent of visitors. These figures suggest that the dominant form of tourism in Jordan is relaxation tourism from the Gulf Arab countries; that in Egypt it is relaxation tourism from Arab and European countries and site tourism from European and long-distance travelers; and that in Israel it is religious/ethnic tourism from the United States and Europe, as well as site tourism from Europe.

1992 Tourist Arrivals by Region of Origin⁸

| | <u>Israel</u> | <u>Jordan</u> | <u>Egypt</u> |
|--------------------------------------|---------------|---------------|-----------------|
| Long-Distance | | | |
| Americas | 439,957 (29%) | 39,250 (6%) | 224,479 (7%) |
| Japan, Australia, and New Zealand | 32,781 (2%) | 10,337 (2%) | 88,261 (3%) |
| European and Arab | | | |
| Europe | 890,475 (59%) | 120,898 (18%) | 1,664,906 (52%) |
| Gulf Cooperation Council | 0 (—) | 490,629 (74%) | 382,737 (12%) |
| Other | 138,879 (10%) | 0 (—) | 846,557 (26%) |
| Total | 1,502,092 | 661,114 | 3,206,940 |

Long-Distance Tourism

It seems plausible that long-distance visitors are more likely to come to the Levant for regional tourism. That makes sense from a cost perspective, since long-distance tourists have to spend the most to visit the area and will want to see as much of it as possible. It also makes sense from a cultural perspective: whereas the European idea of a perfect vacation is to stay in one place and relax, Americans and Japanese are more inclined to run around and see the sights.

⁸ See *Tourism and Hotel Services Statistics Quarterly*; excludes cruise ships. Jordanian Ministry of Tourism data; assumes tourists arrive only from countries specified, and data on international arrivals from other countries include a large number of workers and other non-tourists. Egyptian Ministry of Tourism data provided January 1994. GCC and East Asia partially estimated from data on tourism nights. Of the "Other" category, about 675,000 (21 percent) are from Arab League member states, with Libya the largest single source.

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Increasing regional tourism from North America and East Asia will require marketing the region to consumers as a whole. The average American or Japanese considering a vacation may not realize how close the key historic sites in the Levant are to one another, and how easy it is to see the pyramids, the Holy Land, the Jewish state, Roman ruins, and exotic Arab markets all in two weeks. Until now, there has been little government encouragement for such regional marketing. Though private travel agents do a fair amount of regional marketing for combination Israel-Egypt trips, these efforts lack the coordination that comes with a government-sponsored campaign (e.g., a single marketing theme and slogan), and have generally not included Arab areas east of Israel such as the West Bank, Jordan, and Syria.

International donors can play a useful role in encouraging this kind of regional marketing by providing technical assistance on how to promote the Levant in their markets and seed money to begin an advertising campaign. If successful, some portion of the increased revenue generated by the campaign could be used to continue and expand advertising in future years. A regional authority such as the EMTA would make it easier to secure international assistance for regional promotion. If, however, other governments do not think it would be appropriate to join such an organization now, financial assistance might induce them to at least participate in a marketing campaign.

Religious/Ethnic Tourism

The large Jewish market for tourism to Israel will continue independent of the peace process and cooperation with Arab states. Christian tourism, on the other hand, is likely to pick up significantly as the region becomes more peaceful. Officials in the Israeli government and tourism industry feel that Christian religious tourism is closely linked to the perception of a just settlement of the region's disputes. They believe the recent establishment of diplomatic relations between Israel and the Vatican, as well as the prospect of a papal visit, could make a substantial difference in increasing the currently low level of Catholic religious tourism to the area, which they suspect is closely connected to a perception among many Catholics that Israel is not sympathetic to their concerns. Similarly, a settlement that persuades Coptic Pope Shenuda II to lift his ban on travel to Israel will likely encourage a large number of Egyptian Copts to visit in order to fulfill the religious injunction for rebaptism in the Jordan River.

Muslim religious tourism has grown sharply since 1967, as Muslims have become wealthier and a wave of religiosity has swept over the Islamic world. The *hajj* (pilgrimage) to Mecca now attracts about three times as many visitors from outside the Arabian peninsula as the 140,000-180,000 annual toll in the early 1960s, and those numbers would be higher were it not for official Saudi efforts to limit participation from some countries (including a quota system targeted primarily at Iranians).

"The position of Jerusalem in Islam has had its ups and downs," according to one Western scholar.⁹ There is no strong tradition of pilgrimage to Jerusalem in either Islamic law or practice (at one time Western scholars thought the Dome of the Rock had been built to divert the pilgrimage from

⁹ *The Encyclopedia of Islam*, new ed. (Leiden, Netherlands: E.J. Brill, 1986), vol. 5, p. 331.

Mecca, though that theory is now generally discredited). Although Jerusalem did not have a particularly large Muslim religious tourism trade before 1967, its status as an Islamic holy site has been thrust into prominence since it came under Israeli control. For example, King Feisal of Saudi Arabia frequently commented that he wanted to pray in Jerusalem before he died, and the Iranian government has undertaken an enormous publicity drive for a Jerusalem Day to dedicate Muslim efforts to restoring Muslim rule there.

Numerous Palestinians interviewed for this project envisioned large-scale Muslim religious tourism to Jerusalem (perhaps in the hundreds of thousands annually) as the mainstay of the nascent Palestinian tourism industry, because they would prefer to stay in Palestinian hotels, and some could be attracted to visit other religious sites in Bethlehem and Hebron.

Another school of thought—prominent among Israelis—is that Muslim religious tourism will be a relatively small portion of the tourists who come to Israel. The prototypical Muslim tourist is envisioned as an affluent (often non-Arab) businessman who would rather not go on *hajj* (which involves trekking with hundreds of thousands of other pilgrims for days under rather austere conditions) but who travels to Mecca at other times of year (on what is called *umrah*) and would then visit Jerusalem, staying at a luxury hotel. The Israelis would welcome these people because they will spend a lot of money and fit in well in a Westernized society.

On no other issue are perceptions and plans so diametrically different between Israelis and Arabs. The issue has the potential for creating problems unless there is more planning and consultation. While both sides agree on the desirability of moderate numbers of affluent Muslim religious visitors, attitudes differ profoundly toward larger numbers of lower-income visitors, who would strain the capacity of a crowded old city without spending much money. More important is the social and political impact of these visitors. Some Israelis—including some in the large orthodox Jewish community in Jerusalem—may dislike the presence of a large number of devout Muslims, with whom there could be a culture clash. They may also worry that visiting Islamist extremists could give support, psychological or otherwise, to cohorts in the Palestinian community.

At present, this is only speculation. Nevertheless, the gap in perceptions is troubling because the issue of access to holy places is so sensitive to all concerned. It is not comforting to hear prominent Palestinians assume as axiomatic that Israel will pose no impediment to as many Iranian pilgrims as wish to come, while prominent Israelis assume as equally axiomatic just the opposite. More consultation is needed to bridge the different views on this issue. Israeli and PLO negotiators meeting in Paris in late April agreed to establish a Palestinian Tourism Authority, allow free movement of tourists between Israel and the Palestinian-controlled territories, and recognize one another's tour operators, guides, and travel agencies.¹⁰

It is not clear whether the international community has a role in this process. The issue of an international role with regard to the holy places has been contentious in the past, and any attempt to discuss religious tourism could be seen as an indirect means of raising that issue. More recently, King Hussein has emphasized his concern about the Muslim holy sites in Jordan,

¹⁰ Reuter, April 21, 1994.

with some seeing in this an effort to maintain Jordan's involvement in the West Bank.

Relaxation Tourism

Those who visit the Levant for relaxation are more likely to stay in one spot than to travel around the region. Therefore, this market offers few incentives for regional cooperation. Much of the European market is served by package tours that bring travelers directly from the plane to a beach hotel, where they remain for their entire trip. There is some potential for day trips across international borders—for example, from Aqaba in Jordan to Mount Sinai in Egypt, or from the Egyptian Aqaba Gulf coast to Petra in Jordan. But these trips would test the limits of what can be done in a day, even if border crossings were not an issue. And day trips offer little economic advantage to the hosts.¹¹ More promising would be joint marketing of the Levant as a "fun in the sun" destination, along the lines of what the Caribbean nations have done. Their experience was that advertising the Caribbean as a whole increased travel to each country.

A number of Israelis and Jordanians worry that open borders will undermine their own position in the Gulf of Aqaba. The Jordanians worry that Israeli hotels offer better facilities and a more sophisticated and open atmosphere, including more access to alcohol and nightclub-style entertainment. The Israelis worry that the Jordanians offer cheaper prices and more value for the money. The healthier attitude often heard among both groups is "let the best competitor prevail."

In fact, the competitor who seems best positioned to dominate the Aqaba market is Egypt. Whereas the combined Israeli and Jordanian coast is less than forty kilometers and is marred by two oil terminals, two civilian ports, and a naval shipyard, Egypt's is much longer and unblemished by port pollution. The natural beauty of the Sinai mountains and historic Mount Sinai compete nicely with Jordan's Petra (Israel being virtually out of the running in this category). Moreover, Egypt combines Jordan's low prices with Israel's open atmosphere. Indeed, Egyptian officials see the southern Sinai as a major area for tourism development in the next decade. The Hilton hotel chain alone is building two more large luxury hotels in the area, to add to the Taba hotel that already successfully attracts Israeli tourists.

Gulf Arabs and expatriate residents of the Gulf are an altogether different market for relaxation tourism. They serve as the foundation for the Jordanian tourism industry and an important component of summer visitors to Cairo. Palestinians also expect to gain a considerable Gulf trade by exploiting the cool summer weather and relaxed social atmosphere that made Ramallah a pre-1967 Gulf tourism destination. In addition, there will be the curiosity factor about Israel: Gulf Arabs who are reluctant to stay overnight in Tel Aviv may feel more comfortable staying in the West Bank and making day trips to the beach and stores in Israel, or evening trips to nightclubs and cinemas.

¹¹ This raises the point that Jordan needs assistance in developing a price structure for Petra visitors that will not discourage current development, but will yield enough revenue to protect the historic sites, enclose more of the ruins, and return something to the treasury.

It is not clear to what extent the West Bank can attract Gulf visitors without diverting trade that would otherwise have gone to Jordan or Egypt. Perhaps a new low-cost location that is accessible by car will expand the Gulf tourist trade. On the other hand, given the economic difficulties in the Gulf, perhaps the Palestinians' gain will be the others' loss. As with the European market, a joint marketing campaign in the Gulf may be a good way to increase travel to the region as a whole.

The Beneficiaries of Increased Tourism

If these various opportunities are realized, the biggest proportional winners would, paradoxically, probably be those who in some ways have been discussed least—namely, the Palestinians. The Levantine tourism industry is already so large relative to the Palestinian economy that if the West Bank (or, less plausibly, Gaza) were able to capture even a small share in tourism growth, the impact could be quite significant. Indeed, a number of observers consider tourism to be one of the best prospects for the West Bank economy.

However, the Palestinian tourism industry will depend on the cooperation of Israel and Jordan to provide access; it will be difficult to develop if there are any barriers (e.g., checkpoints or border controls) in the area from Ramallah through Jerusalem to Bethlehem. The issue is not only—and perhaps not even primarily—control over East Jerusalem, but easy passage from the West Bank through the Jerusalem area. More broadly, West Bank tourism requires easy access to international airports. A special bus system that allows direct access to both Lod and Amman airports without separate border checks would be ideal. This will be difficult to arrange in conjunction with the other prerequisite for tourism development—no controls in the Jerusalem area. The latter requires that anyone entering the Palestinian areas be allowed to pass freely into Israel, which means the Israeli government will insist on having a say in who enters the Palestinian area.

While the Palestinians are poised to realize the largest potential benefit relative to the size of their economy, the other actors in the region also stand to gain. The small Jordanian economy should enjoy a large growth rate, and Syria, which has been on the sidelines of Western tourism because of the perception that it is less friendly to the West, could grow quickly given its wealth of tourist sites, including Damascus, Palmyra, the Craque des Chevaliers, and Aleppo. Israel has already reaped considerable benefit: 1993 saw a reversal of the stagnation that plagued its tourism industry for more than a decade, and the projections are for solid growth in 1994. Egypt could also continue its growth by developing natural sites like the Red Sea and the Sinai to complement “monument tourism” in the Nile Valley.

Regulatory Issues

More flexible rules for airlines would provide an important boost to tourism in both Israel and Egypt. Each country has a host of regulations that effectively protect its national airline. The problems have been particularly severe in Israel, and are seen by many in the tourism industry as the key reason that Israel has not been able to live up to its tourism potential. The recommendations of the Sharon Committee, which was created by the

government to examine and liberalize air transport policy, would make quite a difference and seem likely to be adopted. But there are still a whole variety of steps that could be taken to ease regional tourism. In an ideal world, there would be no discrimination against so-called "triangle" travel—that is, arriving in Tel Aviv on Lufthansa, flying from there to Cairo on Air France, and then leaving Cairo on British Airways. Nor should there be any problems with triangle charter trips. That is not likely to happen any time soon, however, due to the vested interests in each country—meaning primarily the national airlines. As important as this issue is for the future of the tourism industry, it is a matter for each country to decide for itself or in negotiation with its neighbors, rather than a subject for international aid agencies.

The high price of Israeli hotel rooms is *prima facie* evidence that something is driving up costs. Without any clear evidence, the suspicion is that regulatory barriers are a significant factor. Industry representatives blame the high cost of labor, which absorbs 39 percent of hotel revenue.¹² If labor is to be rewarded with a high wage, it must be highly productive and agree to rules that require such productivity. Again, this issue is not appropriate for international aid agencies.

The international community could use its experience to help provide training for the various aspects of land border crossings—customs, passport control, and security—that are generally not as smooth in the Middle East as airport clearance. As noted earlier, this is more a function of administrative lethargy than security considerations. Some barriers to easy movement, such as visa requirements, are certain to remain, but the need for visas has not stopped several East Asian countries from developing a vigorous tourist trade. Consumers should be educated on how to negotiate these barriers. Indeed, joint marketing could point out that land travel is already much easier than many potential tourists seem to think. It is quite possible to make a land trip from Damascus to Amman to Jerusalem to Cairo with relative ease if one knows the procedures and prepares the proper paperwork. (The return trip, however, is much more difficult.)

Increasing the Value-Added from Tourism

Tourism revenue can be a mirage if a country lacks the local resources to supply what tourists want. The issue is largely a function of the general level of development in a country. The shampoo industry, for example, is not going to develop in response to the hotel trade, but if it already exists and has a high-quality product, it will find hotels as customers. The most important resource in the tourism industry is labor. Local managers, chefs, computer-literate reservations clerks (for hotels, airlines, and travel agents), and workers with foreign language skills need training. The international community could help finance training programs, which would then become largely self-financing through fees. The greatest need is in the Palestinian community, which currently relies primarily on the Bethlehem University program (which needs technical support itself). As the Palestinian tourism industry expands, more trained personnel will be needed. And based on past practice, there will

¹² Central Bureau for Statistics, *1991 Statistical Abstract of Israel*, Table 17.6, p. 486. Figure is for 1988, the last year for which data are available.

probably be employment opportunities for Palestinians in the Israeli tourism industry.

Another way to boost the value-added from tourism is through the promotion of handicrafts. The Levant has a rich artistic tradition to draw upon, including glassware, textiles, pottery, and Nablus soap. Artisans could increase their income if they were better informed about consumer tastes and produced items of practical value rather than simply souvenirs. They could also use training in new production technologies and new types of handicrafts that build upon traditional designs. The international community could finance training programs, cooperative marketing ventures, and shopping areas designed to highlight handicrafts, like those in Amman. The handicraft industry seems a particularly appropriate area to expand employment in the Palestinian community, since it should be quite possible to market to the already substantial volume of tourist traffic in Israel through the multitude of stores in the Jerusalem-Bethlehem area.

Public Investment in Tourism

Public sector investment in hotels and restaurants is inappropriate, given the range of potential problems (e.g., overstaffing, poor management, and corruption) and lack of benefits. The Jordanian and Egyptian governments are committed to privatizing their holdings in several major hotels, and it would be unfortunate if international aid agencies facilitated the construction of Palestinian hotels or the acquisition of new stakes in existing ones. Although the West Bank and Gaza lack the banking system and capital markets to provide loans that would normally be available for such projects, the international Palestinian community includes a number of businessmen quite capable of arranging financing for hotels. The larger problem should be addressed globally through the development of banks and capital markets, to which hotel builders would have the same access as any other potential borrower. It would be inappropriate to have any special rules—favorable or unfavorable—for lending to the tourism industry.

While governments should not be expected to finance hotel construction, they will have to underwrite the development of infrastructure in remote tourism sites. It is unrealistic to expect the private sector to develop roads, sewers, water, electrical, and telephone service in isolated areas like Petra or the Dead Sea shore. The risks are too great, given that the demand for these services will be almost entirely a function of government policy toward tourism development. For example, investing in the construction of a private water system could prove unprofitable if the government imposed a moratorium on hotel development for environmental reasons. Therefore, it would be appropriate to consider loans from international aid agencies to public authorities for infrastructure at such sites. The most promising candidates are the Sinai, Petra, the Jordanian Dead Sea coast, and eventually the Palestinian Dead Sea coast. The Israeli Dead Sea coast already has 1,635 hotel rooms and is scheduled for a major expansion, which indicates the potential of the area.

There are many schemes for cross-border infrastructure projects. Few are likely to be constructed any time soon, however, given the high cost, political problems, and dubious rate of return. Many have tourism implications, particularly those at the head of the Gulf of Aqaba. Some of the

proposals for environmental cleanup would make a significant difference to the beaches and coral (and therefore to the diving industry). The proposed "peace port," strongly favored by Israeli Foreign Minister Shimon Peres, may be a necessity in the long term if Israeli and Jordanian tourism activities in this area are to be compatible with commercial shipping, but it is not clear whether it could ever pay for itself.¹³

The one infrastructure project with a strong tourism element that seems most urgent is the airport situation at the head of the Gulf of Aqaba. Israel is considering building a new airport in Eilat, which seems an extravagance given that there are already four airports within a 70-kilometer radius, including a clearly inadequate Israeli civilian airport on prime real estate near the beach and a well-used Israeli airbase. The best runways are at the Egyptian airport, which was developed by the Israelis as an airbase prior to Camp David. The Jordanian airport might also be suitable for the needs of Eilat, if the flight paths were changed to go over Israel rather than over the mountains near the end of the runway on the Jordanian side. In any case, it would be useful to consider the Swiss experience with France and Germany regarding dual-administered airports. Based on this model, a single airport with separate exits to Egypt, Israel, and Jordan in the terminal would be ideal. Specially fenced-off roads could then bring travelers from those exits to each country. The economic and political payoffs could be substantial. The international community could sweeten the pot by offering to finance on concessional terms an Israeli payment to Jordan or Egypt to cover Israeli use of the runways. Jordan or Egypt might find the offer tempting since the runways already exist and the money would amount to a windfall.

CONCLUSIONS: THE ROLE OF DONORS

Part of the donors' motivation for supporting Levantine tourism cooperation is the same as that for projects elsewhere in the developing world—namely, the promotion of economic development. A number of projects offer good prospects on strictly economic development grounds, such as infrastructure support for hotels and restaurants in the Petra area, around the Dead Sea, and in southern Sinai. But a more important motivation for the donors is the promotion of peace, and that implies both a level and type of support that might not be acceptable on the basis of economic criteria alone. The most promising peace-driven projects would seem to be in the Aqaba region: environmental cleanup, port relocation, and particularly consolidation of airport facilities. However, success in the peace promotion aspect of international aid for tourism relies on at least three elements:

- *Aid should bring prosperity to ordinary people.* That implies support for job creation and job training that might be too risky to justify otherwise. Examples include training programs for skilled workers in hotels and restaurants, and market information and financing for handicraft producers. The most obvious beneficiaries would be the Palestinians, because they have had the least access to such training in the past and because their support for peace is most closely linked to the prosperity it could bring. However, it will also be important to create skilled jobs in Jordan, because it would be politically

¹³ Peres, pp. 138-47. Perhaps either the port or the tourism will have to go.

dangerous for Jordan's 1.1 million refugees from 1948 to feel they have been forgotten in the rush to aid the West Bank, Gaza, and 1967 refugees.

- *Border areas should be targeted for development, so that they become zones that governments wish to protect, rather than areas in which armies can easily maneuver.* Consider the case of the Sinai peninsula. During the entire period from the British occupation of the 1880s through 1967, Sinai was isolated from the rest of Egypt. A special permit was required to visit the area, which was largely empty except for an Egyptian military presence. In essence, it was a battlefield waiting to be used. Now, the dense network of hotels in the south and the farms and villages in the north make the Sinai much less attractive as a battlefield, and there is a much greater price to be paid in the eyes of the world community when tanks overrun Hilton hotels filled with European tourists than when they speed through empty desert.

- *Cooperation among the governments in the region will build mutual confidence and create a network of ties that can be called upon in the event of a crisis to facilitate communications and avert misunderstandings.* Some of the most urgent cooperation is needed on regulatory issues like border crossings, where the role of the donors is likely to be limited to informing the parties how these problems are handled in other areas of the world. But donors could also make cooperation more attractive by offering grants that grow exponentially as governments increase their participation. In addition, they can sponsor new studies to identify investment projects with the highest economic potential. While this type of research is probably premature, it will be ready if and when the Levantine governments decide the time has come for such functional cooperation.

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