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STATISTICAL, ECONOMIC AND SOCIAL RESEARCH  
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# OIC OUTLOOK

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## INTERNATIONAL TOURISM IN OIC MEMBER COUNTRIES

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# OIC OUTLOOK

## INTERNATIONAL TOURISM IN OIC MEMBER COUNTRIES

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### INTRODUCTION

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Since 1950 tourism has experienced remarkable and continuous growth and made its place among the largest and fastest growing sectors within the economy around the globe. According to the data obtained from the World Tourism Organization (WTO) the number of international tourist arrivals with an average annual growth rate of 6.6% increased from 25.3 million in 1950 to 846 million in 2006. During this period the international tourism receipts recorded an annual growth rate of 11.3% and in 2006 accounted to US\$ 741.2 billion and the receipts per arrival were US\$876. Europe and the Americas accounted to 96% of the total tourism market in 1950 but in 2006 this figure fell back to 70.6% in favor of the developing regions of Asia and the Pacific, the Middle East and Africa.

The diversity around the globe and the rich geographical and cultural heritage that they bear bring up a remarkable tourism potential in OIC member countries. On the contrary, this potential is not being fully utilized as the OIC countries have a modest share in the world tourism market and the bulk of the OIC tourism is concentrated in a few member states. It should be noted that if properly planned and organized, tourism, as a sector, can play a very significant role in the socio-economic development phenomena of OIC countries.

In this context, this report attempts to review the current situation and the economic role of tourism in OIC countries by using the two major indicators of measuring international tourism, i.e. international tourist arrivals and international tourism receipts. The report will also highlight some of the challenges faced by the OIC countries in terms of tourism development and suggest some recommendations to overcome these challenges.

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### INTERNATIONAL TOURISM IN OIC MEMBER COUNTRIES

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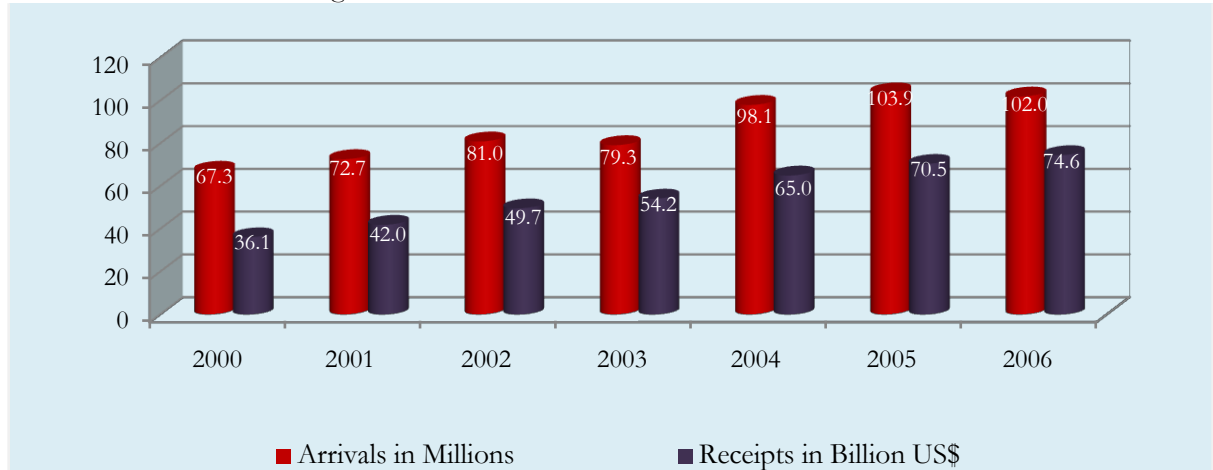
International tourism has become a major factor in the socio-economic development phenomena in the past few decades. In some developing countries around globe the development of tourism has resulted in generating new opportunities for revenue and employment. In the year 2000, for countries with available data, the international tourist arrivals in OIC member countries was 67.3 million and with an average annual growth rate of 7.2% reached 102 million. Compared with the average growth rate for the world it is clearly seen that the OIC member countries recorded a much higher rate for the same period which was 3.2%. Regions considered being traditionally tourist receiving also lagged behind the OIC member countries, Europe recorded an average growth rate of 2.7% and the Americas recorded a growth rate of 1%. However, the share of OIC countries in the world market remained at only 9.8% in 2000, and this share increased to 12% in 2006.

In the same period the OIC countries, for which data are available, generated revenue of US\$74.6 billion corresponding to an average annual growth of 12.8% compared to the revenue of US\$ 36.1 billion in 2000. Although this rate was higher than the world and other regions in the same period, the share of OIC countries in the world market was 7.6% and 10.1% for the years 2000 and 2006 respectively, and this accounted to an increase of 4.9%.

In 2001 the number of tourist arrivals in OIC member countries increased by 8.1% and reached 72.7 million. This figure of 72.7 million arrivals generated US\$ 42 billion corresponding to an increase of 16.3% compared to the year 2000. In the light of these figures, the share of OIC

countries in the world market stood at 10.6% for tourist arrivals and 9.1% for receipts in the subject year.

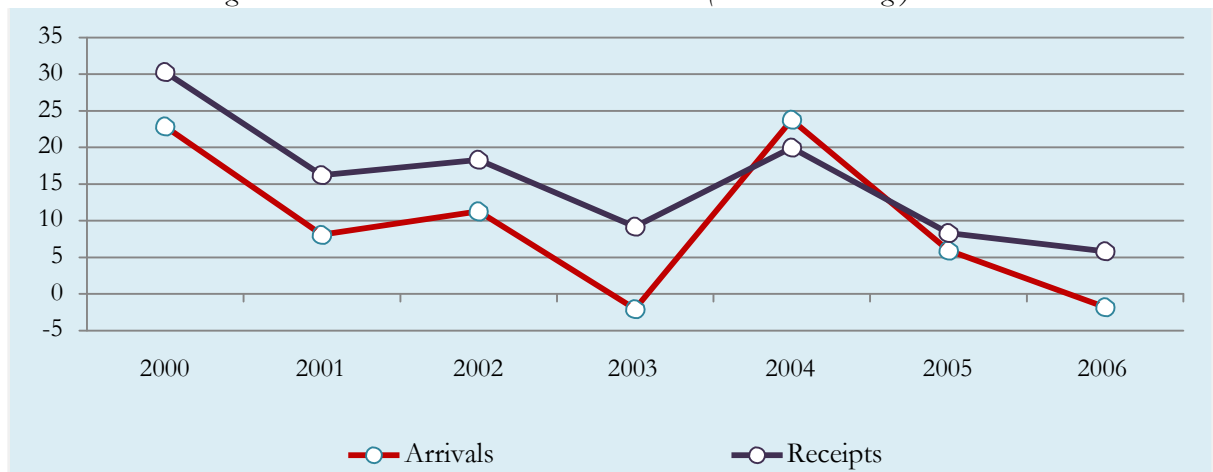
Figure 1: International Tourism in OIC Countries



Source: International Tourism in the OIC Countries: Prospects and Challenges, SESRIC Report, 2008

With an increase of 11.3% the OIC member countries moved up to 81 million in terms of tourist arrivals in 2002, corresponding to a share of 11.5% in the world market. Tourism receipts increased by 18.3% and reached US\$ 49.7 billion equivalent to a 10.3% share in the total world market. In 2003, however, there was a slight deterioration in the tourism sector in OIC member countries. The number of tourist arrivals in this year moved back to 79.2 million with a decrease of 2.1%. Even though there was a drawback in the number of tourist arrivals to the OIC countries in 2003, the revenue generated during this year amounted to 54.2% -9.2% higher than that of 2002- and accounted to a share of 10.3% in the world market.

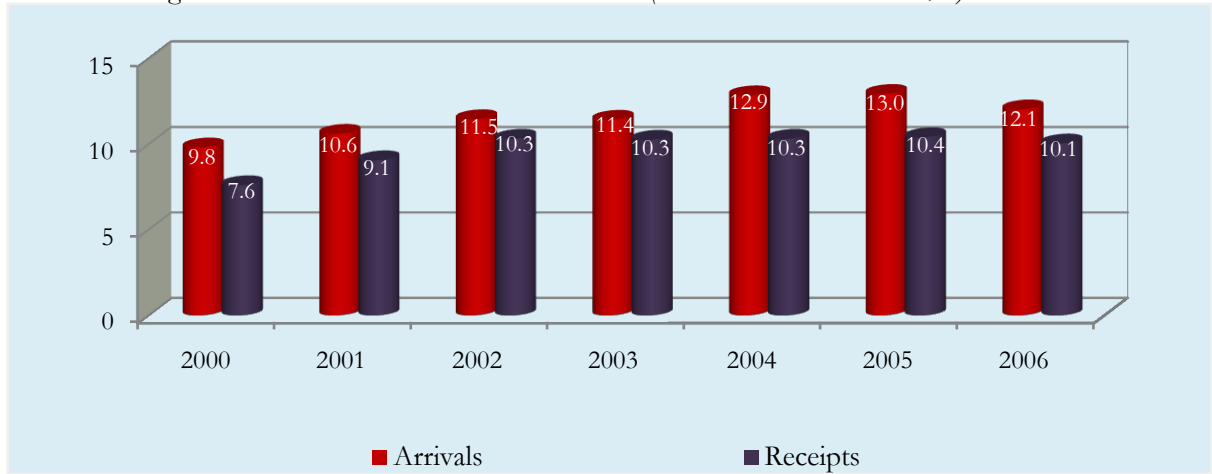
Figure 2: International Tourism in OIC Countries (Annual % Change)



Source: International Tourism in the OIC Countries: Prospects and Challenges, SESRIC Report, 2008

In 2004 the OIC countries recorded an increase of 23.8% with the number of tourist arrivals in OIC countries reached 98.1 million and a higher share in the world market compared to 2003 with 12.9%. Revenue generated in 2004 amounted to US\$ 65 billion, which was 20% higher than 2003, but the share in the world market remained the same as the previous year at 10.3%. This recovery within the OIC member countries was mainly due to the strengthening witnessed particularly in countries such as Turkey, Malaysia, Indonesia, Syria and Egypt.

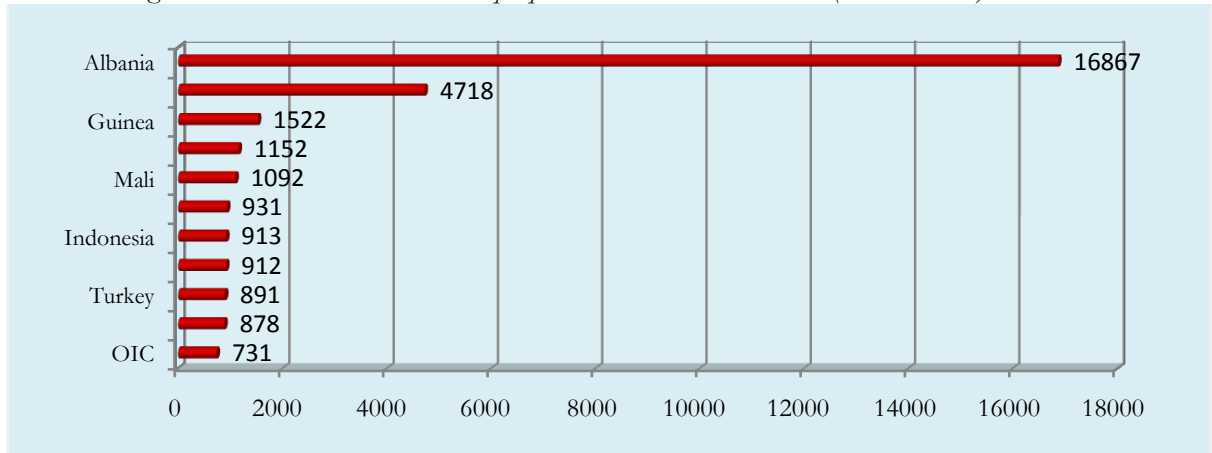
Figure 3: International Tourism in OIC Countries (Share in the World Market,%)



Source: International Tourism in the OIC Countries: Prospects and Challenges, SESRIC Report, 2008

2005 witnessed negative factors in terms of international tourism in countries such as Indonesia, Maldives and Bangladesh, affected by the tsunami disaster and other countries faced other negative factors generated from increase in oil prices, exchange rate fluctuations and uncertainty in politics and economy. Although these factors affected the situation of tourism, OIC countries with an increase of 5.9% reached a record high 104 million in terms of international tourist arrival composing 13% of the world tourism market. Furthermore, international receipts recorded at US\$ 70.5 billion with an 8.3% increase and made up 10.4% of the world market.

Figure 4: International Tourism Receipts per Arrival in OIC Countries (US\$ in 2006)



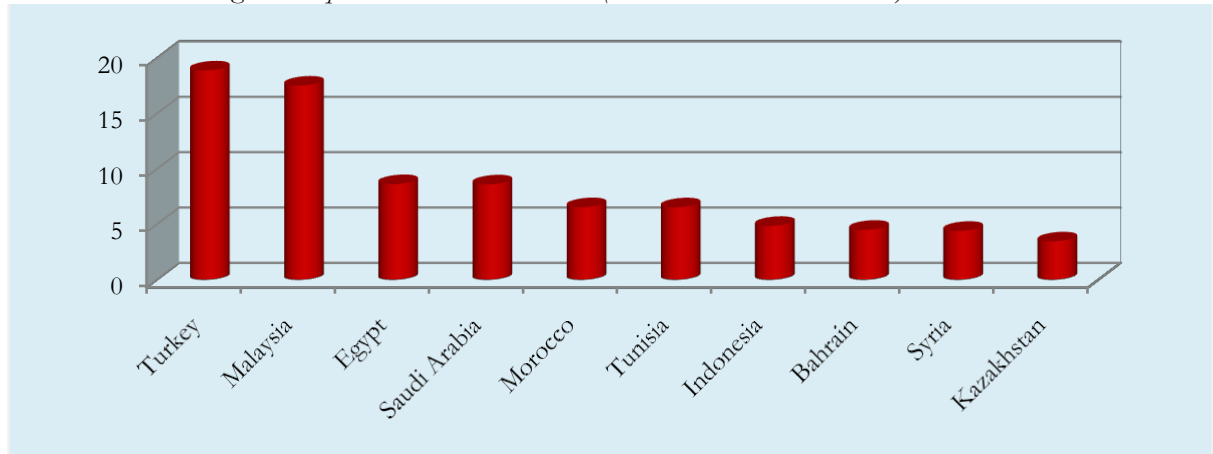
Source: International Tourism in the OIC Countries: Prospects and Challenges, SESRIC Report, 2008

According to the latest data available, in 2006 the number of international tourist arrivals in OIC countries decreased by a rate of 1.8% to 102 million. As a result of this decrease the share of OIC countries in the world market slid back to 12.1%. The international tourism receipts of OIC countries increased by 5.8% and amounted for US\$74.6 billion in 2006, but on the other hand this rise did not have an effect on the share in the world market which decreased to 10.1% to a level lower than that recorded in 2005.

Considering that every country has its own characteristics in touristic activities such as purpose of visit, period of stay, distance, and shopping opportunities, the receipts per arrival recorded on the individual country level is different from the similar trends recorded with regard to the tourist arrivals and receipts for OIC countries as a whole. The order of countries regarding receipts per arrival can be seen in Figure 4.

Figure 5 shows the top 10 destinations of the OIC with regard to international tourist arrivals. It shows that the bulk of international tourist arrival is concentrated in a few number of OIC countries. The figure shows the top 10 OIC destinations and the number of international tourist arrivals in these countries accounted to 84.1 million which makes up 82.5% of the total arrivals in OIC countries in 2006.

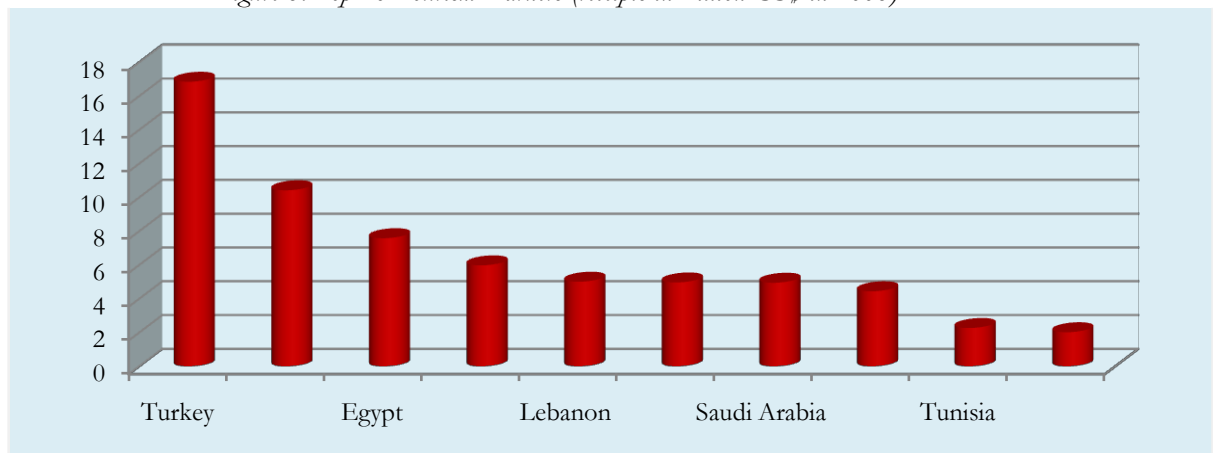
Figure 5 Top 10 Tourism Destinations (Arrivals in Millions in 2006)



Source: International Tourism in the OIC Countries: Prospects and Challenges, SESRIC Report, 2008

The situation, however, is the same in terms of international tourism receipts. Figure 6 shows the top 10 tourism earners among OIC countries. The top 10 earners generated revenue amounting to US\$ 64.5 billion, corresponding to 86.5% of the total receipts of OIC countries in 2006.

Figure 6: Top 10 Tourism Earners (receipts in Billion US\$ in 2006)



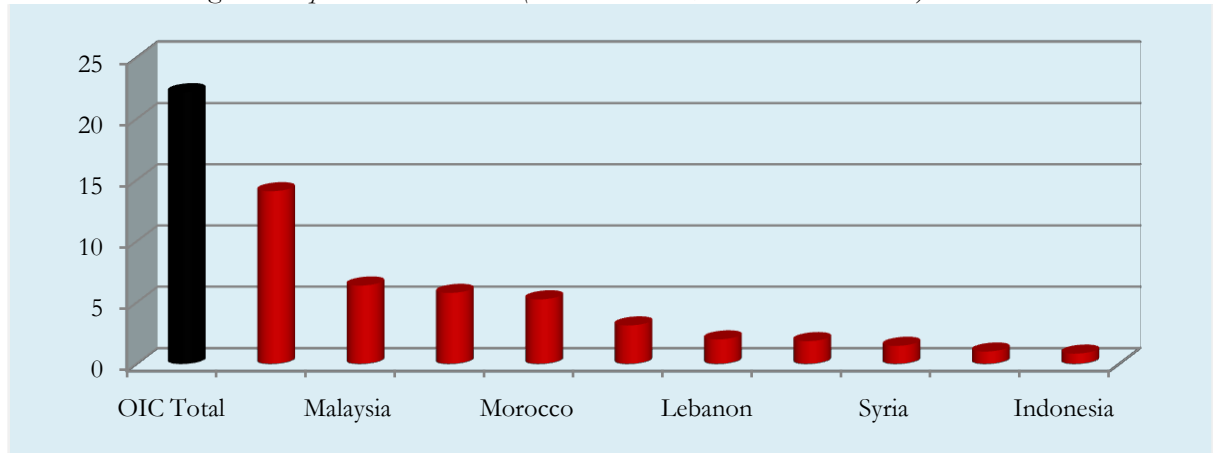
Source: International Tourism in the OIC Countries: Prospects and Challenges, SESRIC Report, 2008

Evaluation of the role of tourism within the economy is done by calculating the tourism balance, i.e. obtained by subtracting the international tourism expenditure<sup>1</sup> from the international tourism receipts. Other evaluations made are the relation of the balance of international tourism to GDP and to the total merchandise exports of a country. The relation to GDP shows the net contribution of the sector to the economy of the country and the relation to exports is considered as a source of foreign exchange earnings for the country. Figure 7 reviews the OIC

<sup>1</sup> International Tourism Expenditure covers expenditures of (outbound) visitors in other countries including their payments for lodging, food and drinks, fuel, transportation in the country, entertainment, shopping, etc. It includes expenditures made by overnight as well as same-day visitors but excludes the expenditures related to international transport made by resident visitors (for instance ticket expenditures of residents travelling with an international company), which are classified under a separate category called *International Fare Expenditure*.

countries as a whole and the top 10 OIC countries in terms of balance of international tourism. Except Jordan all countries in the top 10 are the same as the top 10 earners with only the UAE outside the top 10. The balance of the OIC countries in 2006 amounted to US\$ 22 billion. The high rate of balance of international tourism indicates the high share of receipts at the country level. But when we examine the net share of international tourism in GDP the picture takes on a different view.

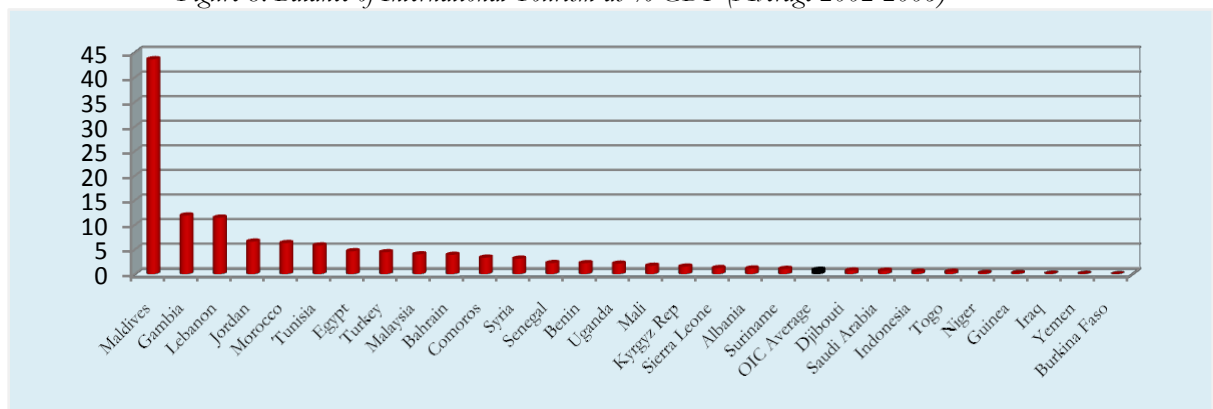
Figure 7: Top 10 OIC Countries (Tourism Balance, Billion US\$ in 2006)



Source: International Tourism in the OIC Countries: Prospects and Challenges, SESRIC Report, 2008

The economic role of tourism sector in the OIC countries does not reflect the size or the prosperity of the economy. This could be seen from figure 8 which reflects the situation of the balance of international tourism as % of GDP as average of the period 2002-2006. Maldives with a share of 43.7% tops the list and is the only country with a share over 20%. As seen in figure 8 international tourism has an important contribution to the economy of countries among the top 10 OIC destinations the lowest being 3% and the highest being 7%. The figure also shows that some countries who have had balance deficits in term of international tourism have a share of only 1% net contribution by international tourism to the economy.

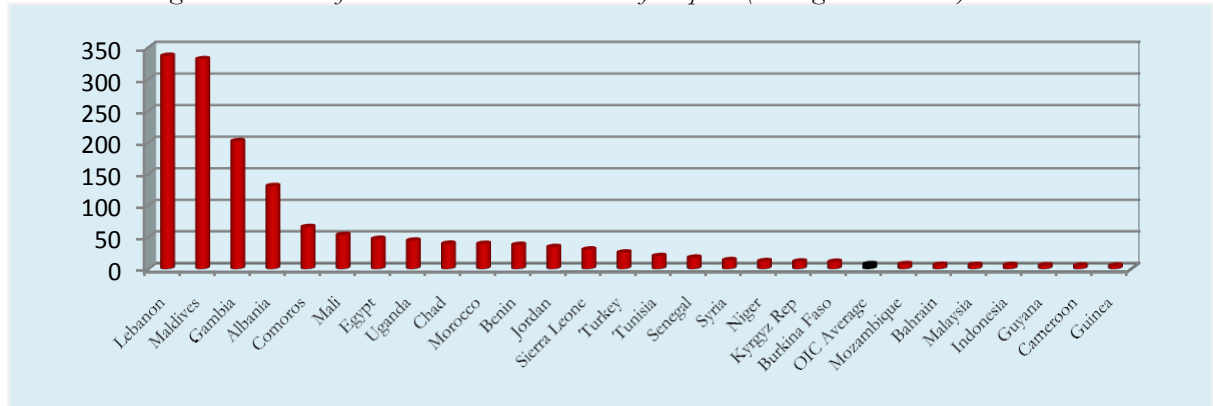
Figure 8: Balance of International Tourism as % GDP (Average 2002-2006)



Source: International Tourism in the OIC Countries: Prospects and Challenges, SESRIC Report, 2008

When examined, the share of international tourism in total merchandise exports is much higher and this shows that international tourism has a more significant role as a source of foreign exchange earnings. The average of the OIC countries in terms of international tourism receipts as % of exports was 8% in 2006 and thus 31 OIC countries were below this average. Figure 9 lists the OIC countries and the OIC average in descending order and as can be seen from the figure there are countries that generate foreign exchange earnings 2 or more times higher than exports through international tourism.

Figure 9: Balance of International Tourism as % of Exports (Average 2002-2006)

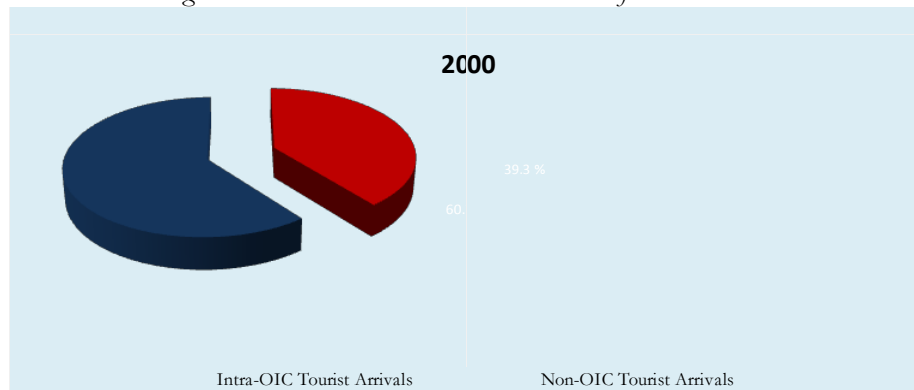


Source: International Tourism in the OIC Countries: Prospects and Challenges, SESRIC Report, 2008

### INTRA-OIC TOURISM

According to the data available for 40 countries the intra-OIC tourism accounted to 24 million in terms of tourist arrivals, and this corresponds to 39.3% of the total arrivals. In 2005 this figure increased by 62.5 % and reached 39 million corresponding to 44% of total arrivals (Figure 10).

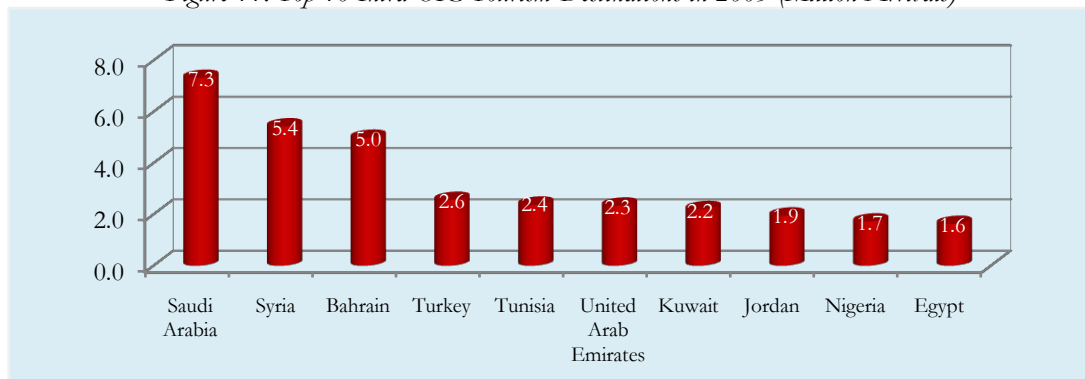
Figure 10: Intra-OIC Tourist Arrivals as % of Total Arrivals



Source: International Tourism in the OIC Countries: Prospects and Challenges, SESRIC Report, 2008

As is the situation in the top 10 tourism destinations, the bulk of intra-OIC tourist arrivals is concentrated in a few number of countries. Figure 11 shows the top 10 intra-OIC tourism destinations in descending order. The arrivals in these countries in 2005 had a share of 83.3% of the total intra-OIC tourist arrivals which is equivalent to 32.5 million arrivals.

Figure 11: Top 10 Intra-OIC Tourism Destinations in 2005 (Million Arrivals)



Source: International Tourism in the OIC Countries: Prospects and Challenges, SESRIC Report, 2008

In some countries the bulk of the international tourist arrivals is composed of the intra-OIC tourist arrivals and furthermore, except two countries namely turkey and Tunisia, the bulk of tourist arrivals is coming from countries in the same region.

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### CHALLENGES OF INTERNATIONAL TOURISM IN OIC MEMBER COUNTRIES

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Considering that OIC member countries have the capacity and potential of achieving a sustainable international tourism sector they face some challenges in doing so. These challenges vary in nature considering the diversity of OIC countries, the different natures of tourism that these countries are endowed with, differences in economic levels and levels of development. The challenges facing OIC countries can be summarized as follows:

**Lack of technical know-how and weak promotional activity.** The lack of knowledge of tourism and professionals accompanied by the absence or weak publicity promotion and deficient mass media exposure, generally caused by the low development of communication systems and technological services, are the main drawbacks faced although there is knowledge that tourism is an important source of foreign exchange earnings and the economic importance of the tourism sector.

**Lack of tourism-related infrastructures.** The insufficient communication networks and information systems accompanied by the lack of proper infrastructure needs such as hotels and transportation are the main drawbacks in terms of tourism infrastructure in OIC countries. These drawbacks cripple the possibility of achieving a sustainable tourism sector that meets the international standards required for facilities and services.

**Lack of investment in tourism.** Investment in service-oriented industries such as tourism is considered a high-risk activity. Considering this aspect of high-risk, it is naturally a very tough challenge for poor countries and least-developed countries of the OIC to generate capital for investment in the tourism sector.

**Lack of consistent tourism strategies and policies.** The lack of efficient administrative, regulatory and institutional frameworks for tourism activity in OIC countries along with the existence of difficulties in tourism policy-making causes conflicts between government administrations and private tourism agencies.

**Lack of tourism diversification.** Promotion of the current condition of tourism is quite a tough challenge for many countries that have a somewhat developed tourism sector. The emergence of new tourism destinations and the ongoing diversification of international tourism constrain OIC member countries in keeping up with modern tourism conditions and answering the needs and requirement of international tourists.

**Lack of tourism safety.** Safety of visitors is a very important aspect in international tourism. the political unrests along with other problems related to safety are determinants of the flow of tourists to a country. This problem causes negative effects in OIC member countries on the international market and is among the primary problems that need to be solved.

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### CONCLUSIONS AND POLICY RECOMMENDATIONS

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Tourism activity has grown rapidly in the past few decades and become, as an industry, a very important source of foreign exchange earnings and opened new areas of employment to an extent that it is currently being incorporated and integrated in the development plans and strategies of many countries in the developing world. Tourism was concentrated in the developed regions of Europe and the Americas but lately it has been observed that with the occurrence of



new destinations in Asia and the Pacific, the Middle East and Africa the market share of these regions in world international tourism has started to increase.

There is a vast diversity of challenges faced by OIC countries as each country bears its own characteristics in tourism. Besides having different touristic features, the differences in the levels of economy and development and national policies also set ground for these challenges faced by OIC countries. The current tourism potential in many OIC countries and likely in the OIC countries as a whole is not fully utilized as tourism activity is concentrated in only a few number of countries within the OIC. To overcome the drawbacks and outrun the challenges faced by OIC countries in terms of tourism development there is a need of adopting long-term strategies along with medium-term and short-term plans and programmes at the national and regional levels and cooperation at the OIC level as a whole.

In order to achieve a sustainable tourism sector and overcome the related drawbacks there are two sets of recommendation that can be introduced to policy makers in OIC countries. These recommendations, that are at the national level and the OIC cooperation level, are as follows:

### **National Level**

- Sustainable tourism development should be included within the framework of national development plans and strategies. Development of tourism should be given interest in the economic, social, cultural and environmental aspects of tourism.
- Strategies for the development of a sustainable tourism environment should be specific and outlined in coordination with the private sector dealing with tourism activity. These strategies should also shed light on environmental sustainability and poverty alleviation.
- Preserving the environmental and cultural resources by creating public awareness through planning and policies is essential for development of new resources and strengthening the already existing ones.
- Tourism administration and regulations need to be developed and the standards of the basic infrastructure requirements to serve tourists should be developed to meet the world standards. Safety measures also need to be considered as they affect the reputation of the country and are a determinant in the choice of destination for international tourists. Cooperation between the transportation and tourism sectors to facilitate the movements of tourists should be developed.
- Considering that tourism is mainly a private sector activity there is a need to generate policies that will encourage the private sector to be more involved in touristic activities and hence be active in the development of a sustainable tourism environment in cooperation with the public sector.
- Education in the field of tourism and efficient use of the mass media will help in creating awareness related to the opportunities that tourism provides and promote the existing attractions and available tourism resources. Training programmes for people engaged in tourism activities should be provided by the national authorities. These programmes should target small and medium sized tourism enterprises in order to promote competitiveness in the tourism sector.

## **OIC Cooperation Level**

- In order to promote the cultural heritage, diversity and landmarks of the OIC countries at regional and international levels, joint programmes and promotional materials on tourism in the OIC countries should be made available for member countries and other countries around the globe.
- Data networks should be established to reveal the tourism opportunities in OIC countries and this can be made by developing tourism marketing and advertising facilities in OIC member countries.
- The internet is the major source of communication and information transfer in today's global world. In this context, an internet guide for tourism on the OIC member countries should be developed. This guide will be helpful in providing information about tourism facilities in OIC member countries on the regional level and on the global scale.
- To strengthen tourism marketing at the regional level and at the OIC level as a whole cooperation among the actors of tourism activities, especially the official bodies needs to be established.
- Cooperation in the fields of transport to ease the movement of tourists within the OIC region is a necessity. Considering that the main means of transport today is via air travel organizing this could be achieved through organizing direct flights by airlines of OIC member countries to capitals and major tourism destinations within the OIC.
- To enhance intra-OIC tourism regulations regarding visas and administrative travel procedures should be eased to allow the flow of tourists within the OIC region. An agreement to organize the visa arrangements among OIC member countries should be established.
- To encourage investment in tourism sector by investors from OIC member countries special and preferential facilities and treatments can be provided.
- Training programmes should be organized to facilitate the development of tourism by exchange of experts and research through networks among tourism training institutions in OIC member countries.
- The technical and financial programmes of international organization such as the World Tourism Organization and the International Financial Corporation of the World Bank will be helpful for OIC member countries with high tourism potential but low level of technical know-how in terms of planning and funding various tourism activities at the national and regional level.