Tourism in Arab South Mediterranean Countries: The Competitiveness Challenge

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Abstract

Given the dramatic development of technology and transportation, the variety of destinations competing for domestic and international travelers is now much broader than in the past. The pressure exerted by competition is compelling Arab South Mediterranean Countries governments to reevaluate the existing tourism resources and to capitalize on them in order to maintain a competitive edge. The objective of this paper is to provide policy makers in the considered region of the world with a methodical approach toward managing their tourism activities. The approach adopted provides some insights into the role of the competitive advantage in shaping the tourism policy. In the process, the utility of the shift-share technique toward that end is explored to understand what decides comparative advantages in tourism and to investigate the interface between specialization (measured by the revealed comparative advantage) and level of development in Arab South Mediterranean Countries tourism industry.

السياحة في الدول العربية جنوب البحر الأبيض المتوسط: تحدي التنافسية

ملخص

تسبب التطور الكبير في التقنيات والنقل في إفراز مجموعة متنوعة من الوجهات السياحية المنافسة على الصعيدين المحلى والدولي أوسع بكثير مما كانت عليه في الماضى .فالضغوطات التى تمارس اليوم من قبل المنافسة على الدول العربية المتواجدة حول جنوب البحر الأبيض المتوسط تفرض على الحكومات إعادة تقييم الموارد السياحية الموجودة في ظل استراتيجية تمكن من الحفاظ على ميزة تنافسية. تهدف هذه الورقة إلى تزويد صانعي السياسات في الدول المعنية بمعطيات موضوعية حول مقومات الميزة النسبية للقطاع السياحي تساعد على ترشيد إدارة هذا القطاع.

1. Introduction

At a time when tourism is the preeminent global industry and one of the most remarkable socio-economic phenomena, the Mediterranean basin, with its attractive landscapes, cultural heritage, traditional lifestyles together with a mild climate and beaches, is considered to be the most popular destination worldwide, accounting for 30% of international tourist arrivals and a third of total tourism revenues. In this area, tourism is regarded as a very significant economic activity contributing foreign exchange, increasing employment, stimulating new economic activity, leading to further economic gains and enforcing the political leaders in both, the country of destination and the country of origin to establish good governance, approve more civil rights or open the country for international trade.

These assumed effects are particularly relevant for Arab South Mediterranean Countries (ASMCs), which often have high rates of unemployment, relatively low levels of GDP per capita, problematic governments and difficulties in entering international trade.

Because the traditional sun, sand, and sea mass tourist product of the south Mediterranean is experiencing a crisis with subsequent market shifts toward other regions and alternative tourist products, the region has begun to lose its share of the international travel market to upcoming destinations, especially the Asia-Pacific region. The time is ripe for ASMCs in particular to evaluate their tourist industries in the context of long run development strategies and to identify the elements that compose their competitiveness in the global tourist market. By competitiveness we mean a “destination’s ability to create and integrate value-added products that sustain its resources while maintaining market position relative to competitors” (Hassan, 2000).

Indeed, given the dramatic development of technology and transportation, the variety of destinations competing for domestic and international travelers is now much broader than in the past. The pressure exerted by competition is compelling ASMCs governments to reevaluate the existing tourism resources and to capitalize on them in order to maintain a competitive edge.

The objective of this paper is to provide policy makers in the ASMCs with a methodical approach toward managing their tourism activities. The approach adopted provides some insights into the role of the competitive advantage in shaping the tourism policy. In the process, the utility of the shift-share technique toward that end is explored to understand what decides comparative advantages in tourism and to investigate the interface between specialization (measured by the revealed comparative advantage) and level of development in ASMCs tourism industry.

The paper is organized as follows: Section 2 provides two aspects of competitiveness for a set of 9 Arab south Mediterranean destination countries in tourism and travel related services; Section 3 examines the ASMCs’ specialization on the ground component of the tourism industry by means of the index of revealed comparative advantage; of, Section 4 utilizes the shift-share analysis technique for the number of tourists coming to some ASMCs from countries located in Mediterranean area over the period of 1999-2003 to evaluate their competitive position; Section 5 draws the main conclusions.

2. The Evolution of ASMCs Tourism Competitiveness

One of the goals of tourism development is to create more valuable tourism products and services for potential and current tourists so that destinations receive social and economic benefits. To achieve these goals, there is a need for a clearer understanding of the ability of the tourism destination to compete effectively in an increasingly saturated market. As stressed by Hassan (2000), the planning and promotion of tourism destinations should be guided by a systematic analysis of the destinations' competitive factors and development strategies. Such analysis can contribute to creating and integrating value-added tourism resources for enhancing destination competitiveness.

A number of studies have than introduced and applied the concept of competitiveness in the area of tourism destinations (Crouch and Ritchie, 1999; Kozak and Rimmington, 1999; Buhalis, 2000). The major interest of the existing studies has been to investigate how destination competitiveness can be sustained as well as enhanced while maintaining a market position among other destination competitors. Additionally, studies have investigated the key determinants, environmental factors or strategies that affect the enhancement of destination competitiveness.

In this section, based on Hazari *et al.* (2003), two aspects of competitiveness for a set of 9 Arab south Mediterranean destination countries in tourism and travel related services were examined.

2.1. Overall external competitiveness in tourism

This is the first step towards our investigation in tourism of those ASMCs for which data are available. Based on Hazari *et al.* (2003), indices of competitiveness were calculated. These indices give the much needed information to discern whether a country is more competitive in comparison to another country. The external competitiveness of a country's tourism industry is defined as that country's ability to retain or increase its market share of tourism exports in terms of ground and travel components. This rather general concept encompasses price differentials coupled with exchange rate movements, productivity level of various components of the tourism industry (transport, accommodation, tour services, restaurants, and entertainment) and qualitative factors affecting the attractiveness of a destination. The following index was calculated aiming at analyzing a country net performance in tourism:

$$CR_{tj} = \frac{X_{tj} / M_{tj}}{X_{tz} / M_{tz}} \qquad (1)$$

where CR_{tj} is labeled coverage ratio[(1)] for country *j*'s tourism industry relative to the reference area z. X_{tj} denotes exports of tourism services by country *j*, M_{tj} the imports of tourism services by country *j*, X_{tz} the total exports of tourism services by the reference area (world and Med-area), M_{tz} the total imports of tourism services by the reference area. Thanks to the absence of the data on volume price distribution in traded services, market shares were expressed in this index in value term. It is clear that the numerator of this index equation shows the exports of tourism divided by the

imports of tourism by country *j* as a share of the denominator which represents the total tourism exports of the region divided by the total imports of the region. There are three possible cases can be distinguished:

- **Case 1:** $CR_{tj} = 1$; country j will be said to be in equilibrium in the sense that it has the coverage ratio as the entire reference area.
- **Case 2:** $CR_{tj} > 1$; in this case, country j is said to have competitive advantage in tourism in the sense it has a surplus relative to the reference area z.
- **Case 3:** $CR_{tj} < 1$; in this case, the country is said to have no competitive advantage in tourism since it has a deficit relative to the reference area z.

Here the reference area is the Mediterranean countries area which is relevance in this paper. As can be noticed in Table 1 and Figures 1-2, Morocco has the best net performance among the ASMCs, in tourism trade with the Mediterranean area countries reached about 6.4 in year 2004, followed by Tunisia which realized almost 5.4 in the same year. Both of them have a competitive advantage very near to what Turkey has got. Also Egypt has a relatively high competitive advantage reached 4.6 in year 2004 which is more or less very close to those of Greece and Spain.
While Jordan, and Syria have a relatively low competitive advantage reached more than two in year 2004, followed by Lebanon (1.6), Libya, Palestine and Algeria have no competitive advantage in tourism among the countries of Mediterranean Area in year 2004.

However, according to the *CR* index, a country is considered as competitive in the combined (ground and travel) components in the tourism industry when it gathers between a growing market share in exporting tourism services and a high degree of net performance (coverage ratio).

As Table 1 shows, only Jordan which has moved from a poor situation in which it was not heavily involved in the tourism industry in Mediterranean area and its contribution was weak to a relatively good situation in which it increasingly became much more involved. Since the early 1990's, countries such as Tunisia and Egypt have become increasingly involved in tourism, although they witnessed a decline in the mid 1990's, but they have been quickly recovered gathering between a growing market share in exporting tourism services and a high coverage ratio.

Meanwhile, Syria witnessed a decline in the external competitiveness relative to Mediterranean area after getting competitiveness in the med 1990s. As for Morocco, although it has the best coverage ratio, it has not external competitiveness relative to Mediterranean area, owing to a continuous losing of market share in exporting tourism services.

Table 1: Tourism competitiveness index (CR) in Mediterranean Area

COUNTRY	1980	1985	1990	1995	2000	2003	2004
Algeria	0.31	0.12	0.40	-	-	-	-
Egypt	3.23	3.08	7.91	1.97	3.78	3.32	4.56
Jordan	1.32	0.96	1.41	1.46	1.93	2.25	2.38
Lebanon	-	-	-	-	-	2.07	1.60
Libya	0.02	0.00	0.01	0.03	0.18	0.35	0.34
Morocco	4.25	5.40	6.36	4.02	4.47	5.62	6.39
Syria	0.81	0.92	1.19	2.37	1.51	1.06	2.59
Tunisia	5.91	3.48	5.29	5.72	5.98	5.04	5.43
Palestine	-	-	-	1.48	0.96	-	-
Turkey	2.88	2.64	5.75	5.10	4.16	5.98	5.89
Israel	1.09	1.62	0.90	1.32	1.36	0.78	0.80
Cyprus	3.32	3.82	6.56	5.11	4.38	3.28	2.59
Malta	5.68	2.43	3.36	2.89	2.84	3.09	2.85
Austria	1.89	1.44	1.61	1.16	1.10	1.13	1.27
Belgium	-	-	-	-	-	0.64	0.62
Denmark	-	0.74	0.84	0.81	0.73	0.76	0.73
Finland	1.06	0.51	0.40	0.68	0.71	0.73	0.69
France	1.26	1.36	1.52	1.58	1.61	1.50	1.33
Germany	0.27	0.29	0.34	0.28	0.33	0.34	0.37
Greece	5.15	3.04	2.20	2.93	1.89	4.24	4.14
Ireland	0.91	1.01	1.16	1.02	0.97	0.78	0.77
Italy	4.30	3.48	1.48	1.82	1.64	1.45	1.62
Luxembourg	-	-	-	1.33	1.20	1.18	1.18
Netherlands	0.43	0.43	0.52	0.53	0.55	0.60	0.59
Portugal	3.62	3.77	3.80	2.16	2.20	2.63	2.65
Spain	5.19	6.32	4.05	5.24	4.70	4.18	3.47
Sweden	0.40	0.47	0.43	0.60	0.47	0.61	0.57
U.K	0.99	0.88	0.79	0.77	0.53	0.45	0.47

Reference Area: Mediterranean Area. Source: Authors calculations using the IMF database (2005).

All in all, these findings considered as evidence of open competition in tourism field among Mediterranean countries including ASMCs. In the following section, we move one further step towards more close investigation of competitiveness in tourism and travel components, studying the role of real exchange rate movements in determining ASMCs competitiveness.

2.2. Real exchange rate and destinations competitiveness

In general, competitiveness consists of two major components; a price and non-price component. It is understood that the real exchange rate (RER) influences the price component rather than the non-price component (quality, brand image, and marketing) which imposes considerable impact on trade and tourism services. Basically, there are three elements constituting the price of tourism; the cost of travel to the country of destination, the exchange rate differentials between the origin country and the destination country and the cost of goods and services incurred after arrival.

In addition, consumer theory establishes that in order to take a decision to travel abroad, the international tourists should investigate certain price indices depending on their country of origin, consumption pattern, and the nature of their destination. However, this is not an easy task because the effect of price changes is far more complex in tourism sector than the other economic sectors. This difficulty arises

from the complexity of defining tourism prices which is a function of a package or a bundle of goods and services consumed by each tourist. Indeed, price indices for tourists simply do not exist (Witt and Witt, 1992). Edwards (1988) emphasizes the point that no country has an adequate price series representing costs to tourists. Hazari and Sgro (2004) claimed that it is difficult to obtain such a volume of data for a large sample of countries and for such a long observation period. Furthermore, it is not just destination holiday prices which are important but also, relative price differences between the destination and the origin country which resulted basically from the movements of the price level factor and nominal exchange rate factor. Both of them tend to move in opposite directions. However, when the two impacts exactly offset each other, then relative prices remain unchanged. This implies that changes in relative prices reflect either a short term or a long term imbalance between relative rates of inflation and exchange rates. This means that it is the actual movements in real exchange rates which provide a more reliable estimate.

Therefore, in this section, real exchange rate was used as tool to examine how the destination's competitive position changes with regard to its movements. For that purpose and as in Hazari *et al.* (2003), the real exchange rate is defined as follows:

$$RER_j = 100 * \left(\frac{GDPcurr_j / GDPppp_j}{GDPcurr_w / GDPppp_w} \right) \quad (2)$$

where RER_j denotes real exchange rate relative to the world, $GDPcurr_j$ represents GDP of county j in international value (current international dollars and prices), and $GDPppp_j$ denotes GDP of county j in volume in terms of purchasing power parity (constant dollars and international prices), while $GDPcurr_w$ represents world GDP in international value, and $GDPppp_w$ denotes world GDP in volume in terms of purchasing power parity (PPP). In other word, this index expresses the relationship between GDP in current dollars and GDP in volume in PPP, both for the country in question and the world as a whole, based on the results of this index, a rise (fall) in the RER_j reflects a real appreciation (depreciation) in the currency of country j .

Table 2: Real Exchange Rate Data

	1995	1997	1999	2000	2001	2002	2003
Algeria	37.67	43.80	41.37	45.95	48.43	46.60	48.64
Egypt	43.50	53.08	57.81	62.21	61.55	53.46	43.90
Jordan	50.31	55.22	60.88	62.72	65.05	64.69	61.11
Lebanon	86.13	111.30	125.84	128.33	130.74	130.21	118.33
Libya	-	-	-	-	-	-	-
Morocco	49.49	48.72	49.67	47.34	46.83	48.13	51.54
Syria	32.25	39.56	41.63	47.32	50.25	50.15	49.15
Tunisia	50.28	49.69	51.02	46.07	46.61	47.85	50.21
Palestine	-	-	-	-	-	-	-
Turkey	62.31	64.66	65.49	66.93	53.42	62.26	71.33
Israel	111.25	126.21	122.36	125.98	130.95	120.67	116.92
Cyprus	106.22	103.47	104.85	96.43	98.84	-	-
Malta	77.13	76.70	80.72	78.05	84.45	86.25	97.98
Austria	152.62	137.27	134.87	120.10	122.58	130.77	147.76
Belgium	148.62	133.22	134.04	118.92	121.11	129.34	145.93
Denmark	168.58	158.58	160.39	142.89	147.27	156.28	177.65
Finland	156.06	144.19	143.64	130.45	135.57	143.39	159.81
France	149.26	140.19	140.39	124.14	126.64	134.13	151.02
Germany	159.49	142.25	140.65	123.43	125.48	133.41	149.07
Greece	99.32	102.17	96.20	86.91	89.51	97.00	111.16
Ireland	123.54	130.62	128.10	117.07	121.13	126.93	144.94
Italy	105.78	116.62	117.99	105.69	108.89	117.03	133.48
Luxembourg	154.19	134.53	132.90	112.53	118.15	119.83	134.92
Netherlands	147.43	132.71	132.24	120.97	126.14	134.44	152.57
Portugal	94.77	91.70	94.23	84.86	88.73	97.56	111.03
Spain	111.96	106.43	108.19	98.27	102.30	111.65	129.51
Sweden	167.18	170.88	167.62	155.81	145.85	156.38	178.91
U.K	114.77	135.02	144.50	140.15	141.74	152.15	158.38

Reference Area: World
Source: Authors calculations using World Development Indicators, World Bank database (2005).

As can be seen in Table 2, there were remarkable fluctuations in the real exchange rate during the period 1995-2003. The currency fluctuations have had an impact on the indicator of the countries' competitive position in the tourism industry, which is defined as the ratio of tourism balance in the travel and transport of passengers' items of each country's balance of payments to total international trade flows in tourism:

$$POS_{vj} = \frac{\left(X_{vj} - M_{vj}\right)}{\left(\frac{X_{vw} + M_{vw}}{2}\right)} \tag{3}$$

where X_{vj} and M_{vj} are the country's receipts (exports) and payments (imports) on international tourism and transport of passengers, while X_{vw} and M_{vw} are world's international receipts (exports) and payments (imports) on international tourism and transport of passengers.

As can be seen in Figure 1 in appendix, the trends of these two ratios moved in opposite directions for most ASMCs countries, i.e an appreciation of the RER is usually followed by a fall in POS and vice versa. This figure depicted the values of POS indicator twelve-months ahead of the RER index. This matches what Edwards (1976) justified in his suggestion that price changes anticipate travel by approximately twelve months on the basis that countries tend to get a reputation for being expensive after the event, not while it is happening.

Syria, Jordan, and Egypt showed a similar pattern which witnessed a continuous appreciation most of the period. An appreciation of the real exchange rate damages their international competitiveness during such period. Then the period ended by subsequent depreciation. The degree of the depreciation was significant in Egypt case followed by Jordan and to less extent in Syria.

By contrary, Tunisia, Morocco and Algeria show the other way around which reflected a pronounced fluctuation ended by subsequent appreciation. As a matter of fact, Egyptian authorities before deciding to get rid of fixed exchange rate regime and shifting towards applying floating exchange rate regime in March 2003, was enforced to implement a big devaluation on a gradual basis until the nominal exchange rate settled down and its currently level is around US$/L.E 5.75 from US$/L.E 3.4 in year 2000.

Table 3: Evolution of the ASMCs positions (POS) in the tourism industry

COUNTRY	1995	1997	1999	2000	2001	2002	2003	2004
Algeria	-0.21	-0.15	-0.21	-0.11	-0.11	-0.14	-	-
Egypt	2.15	3.32	3.86	3.99	3.46	3.32	3.59	4.50
Jordan	0.35	0.54	0.59	0.63	0.56	0.88	0.85	0.97
Lebanon	-	-	-	-	-	-2.03	-3.23	-3.01
Libya	-0.13	-0.36	-0.66	-0.47	-0.58	-0.53	-0.49	-0.50
Morocco	1.51	1.63	1.96	2.05	2.87	2.93	3.28	3.41
Syria	1.03	0.59	0.49	0.48	0.58	0.25	0.16	1.12
Tunisia	2.10	2.02	2.26	1.93	2.10	1.80	1.75	1.88
Palestine	0.13	0.03	0.12	0.01	-0.55	-	-	-
Turkey	5.50	6.71	4.58	6.84	7.66	7.77	12.31	12.56
Israel	1.17	1.00	1.70	0.98	-1.35	-1.17	-1.04	-0.79
Cyprus	2.10	1.70	1.91	1.84	1.97	1.83	1.80	1.55
Malta	0.79	0.74	0.76	0.61	0.62	0.63	0.69	0.63
Belgium	-	-	-	-	-	-4.32	-5.06	-5.03
Denmark	-0.81	-1.32	-1.47	-1.15	-1.03	-1.23	-1.54	-1.53
Germany	-1.02	1.46	1.76	1.43	1.46	0.64	-1.09	0.01
Greece	3.65	2.86	5.92	5.43	6.06	8.89	9.32	9.33
Spain	29.27	28.53	31.88	28.83	30.60	30.71	36.10	33.04
Ireland	-	-	0.85	1.03	1.00	0.46	0.41	0.63
Italy	17.94	14.91	12.25	12.18	11.97	10.07	9.83	12.98
France	-0.84	-	-	-	-	-	-	-
Luxembourg	-	-	-	-	-	0.49	0.49	0.49
Netherlands	-3.45	-1.02	-1.25	-2.73	-2.31	-2.89	-	-
Austria	3.86	2.04	3.27	2.60	2.71	3.23	3.83	5.25
Portugal	4.22	3.75	4.04	3.78	4.38	4.66	5.13	5.28
Finland	-0.64	-0.23	-0.35	-0.30	-0.45	-0.23	-0.31	-0.67
Sweden	-3.30	-3.59	-4.89	-4.78	-3.28	-3.00	-3.14	-3.13
U.K	1.78	0.68	-0.52	-0.64	-1.13	-1.95	-2.25	-3.17

Reference Area: World
Source: Authors calculations using the IMF database (2005).

3. Tourism Specialization Index of ASMCs

More than four decades ago Balassa (1965) published a paper using for the first time, the measure of "Revealed Comparative Advantage" (RCA). Since then the measure has been applied in numerous reports and various academic publications, as a measure of international trade specialization (Vollrath, 1991; Laursen, 1998; Richardson and Zhang, 1999). Revealed Comparative Advantage can be defined as:

$$RCA_{ij} = \frac{X_{ij} / \sum_{i} X_{ij}}{\sum_{j} X_{ij} / \sum_{i}\sum_{j} X_{ij}} \times 100 \qquad (5)$$

The numerator represents the percentage share of a given sector in national exports – X_{ij} is exports of the service sector *i* from country *j*. $\sum_{i} X_{ij}$ is the total exports of goods and services from country *j*. The denominator represents the

percentage share of a given sector in the reference area exports (Mediterranean area or World). The RCA index, thus, contains a comparison of national export structure (the numerator) with the reference area export structure (the denominator). When RCA is greater than 100, for a given sector in a given country, the country is specialized in the good (service) *i*, since it exports relatively more of the good (service) than the reference zone. It therefore has a comparative advantage in that activity. If the index is smaller than 100, the country is not specialized and it therefore has no comparative disadvantage. Thus, this is method of indirect calculation that can be used to determine the kind of activities in which individual countries have comparative advantage.

In both tourism and goods, there are pronounced differences in the degree of specialization among the countries. The emphasis in this section will be on identifying the forces underlying the comparative advantage of the "downstream" segments of the tourism industry such as accommodation, catering and attractions, which are included in the travel item of the balance of payments.

An analysis of Table 4 shows that:

- All AMSCs are specialized in these downstream segments of the tourism industry with exception of Libya for the entire period and Palestine in year 2001. The latter could be attributed to the continual Palestinian – Israeli conflict.
- The AMSCs that have the highest market shares in tourism are not necessarily specialized in the downstream segments of the tourism industry. For example, despite Egypt and Tunisia are in the top rank of AMSCs destinations in terms of tourism receipts and number of international visitors or tourists, their RCA's of tourism industry are relatively less than other countries with lower market shares but higher RCA such as Lebanon, Jordan, and Morocco .

Table 4: Tourism specialization index (RCA) in ASMCs

COUNTRY	1994	1995	2000	2001	2002	2003	2004
Egypt	262.57	332.13	432.02	397.41	387.51	381.18	398.22
Jordan	405.43	417.10	413.51	362.73	425.24	426.52	452.13
Lebanon	-	-	-	-	1192.24	994.03	849.27
Libya	0.85	0.81	9.61	12.49	30.37	26.15	24.38
Morocco	260.59	242.27	341.18	411.60	398.80	433.70	455.54
Syria	317.22	325.78	247.29	238.10	181.71	201.00	385.36
Tunisia	350.05	343.38	359.52	334.88	295.94	286.76	304.94
Palestine		498.26	455.78	80.89	-	-	-
Turkey	212.19	202.02	233.55	248.67	237.97	305.34	291.18
Israel	171.61	189.37	156.29	107.41	92.33	91.53	91.42
Cyprus	752.38	653.22	666.02	642.46	616.28	599.78	576.93
Malta	432.38	406.85	329.17	359.65	318.63	363.16	374.55
Austria	256.59	240.93	187.08	186.06	184.37	200.36	190.64
Belgium	-	-	-	-	56.57	57.53	56.58
Denmark	85.44	83.81	77.82	82.09	89.90	89.07	84.70
Finland	81.16	74.06	61.34	65.58	67.30	71.77	70.84
France	116.06	113.42	127.84	124.86	127.11	129.23	127.76
Germany	43.34	44.56	46.06	42.47	41.31	42.92	43.84
Greece	389.42	401.65	492.20	475.09	513.88	478.13	437.76
Ireland	85.16	81.36	59.76	58.10	57.11	64.78	65.38
Italy	154.73	153.44	151.19	137.88	138.79	143.24	144.99
Luxembourg	-	-	-	-	124.53	134.47	129.91
Netherlands	70.38	65.50	69.58	67.57	68.85	46.93	45.54
Portugal	260.91	260.91	275.95	283.91	276.02	276.47	287.90
Spain	307.91	305.31	303.70	302.81	291.68	306.88	310.10
Sweden	70.74	68.52	70.11	82.09	80.79	80.20	77.85
U.K	86.61	95.13	84.21	74.35	76.72	79.91	88.61

Reference Area: World
Source: Authors calculations using the IMF database (2005).
Data on Goods and services exports are not available for Algeria.

4. Shift Share Analysis of ASMCs Competitive Position

In the previous sections, it becomes clear that most of AMSCs have great opportunities to capitalize on their natural competitive advantages. However, despite their natural advantages achieving the economic potential of tourism for most or all of these countries remains vague. As a matter of fact, the ASMCs tourism industry is facing some serious challenges that are limiting its potential. Following Alavi and Yasin (2000), this section utilizes the shift-share analysis technique for the number of tourists coming to ASMCs from countries located in Mediterranean area over the period of 1999-2003.

The shift-share approach presented henceforth sets out to decompose the growth in tourist arrivals to six ASMCs (Algeria, Egypt, Lebanon, Morocco, Syria, Tunisia) from six different regions of the world (Africa, Americas, East Asia and Pacific, South Asia, Europe and Middle East) into four components: the country's market share of the tourism relative to the benchmark area or area wide effect, the region-mix effect evaluating concentration of a specific ASMC efforts on attracting

tourists from more or less dynamic region, the competitive effect measuring the discrepancy between the growth rate in tourism from a specific region into the considered country and the growth rate in tourism from the same region into the benchmark area, and the interaction or allocation effect indicating if the country is specialized in attracting tourists from regions in which it enjoys a competitive advantage.

For the purpose of this study and because of their proximity to each other, all Mediterranean countries are chosen to collectively formulate the benchmark economy.
Accordingly, the shift-share model splits into four component parts the growth rate differential of tourist arrivals (*A*) in a particular country *j* from region *i* and in a benchmark area (*MED*):

$$A_{ij}^{t} - A_{ij}^{0} = A_{ij}^{0} g_{MED} + A_{ij}^{0}\left(g_{iMED} - g_{MED}\right) + A_{j}^{0}\frac{A_{iMED}^{0}}{A_{MED}^{0}}\left(g_{ij} - g_{iMED}\right) + \left(A_{ij}^{0} - A_{j}^{0}\frac{A_{iMED}^{0}}{A_{MED}^{0}}\right)\left(g_{ij} - g_{iMED}\right) \quad (4)$$

where :

A_{ij}^{k} : International tourist arrivals to country *j* from region *i* at period *k* (the base year is designed by 0 and the final period by *t*);

A_{j}^{0} : Total tourist arrivals from all regions to country *j* at period 0, corresponding to $\sum_{i} A_{ij}^{0}$;

A_{iMED}^{0} : Total tourist arrivals from region *i* to the benchmark area, with $A_{MED}^{0} = \sum_{i} A_{iMED}^{0}$;

g_{ik} : Growth rate in tourist arrivals to *k* (country *j* or area *MED*) from region *i* from period 0 to *t*, $\frac{A_{ik}^{t} - A_{ik}^{0}}{A_{ik}^{0}}$; *k* = *j*,*MED*;

g_{MED} : Overall growth rate in total tourist arrival from all regions to the area from period 0 to *t*, $\frac{A_{MED}^{t} - A_{MED}^{0}}{A_{MED}^{0}}$.

According to this formulation, the actual growth in international tourist arrivals to country *j* from region *i*, over a time period is decomposed into four effects:

- **Area wide effect**: The first right hand side term ($A_{ij}^{0} g_{MED}$) measures the change in tourist arrivals a country *j* would have experienced, if it had a growth rate equal to the benchmark (Mediterranean countries or *MED*). It represents the country's market share of international tourism relative to the *MED*. If this effect corresponds to the actual growth experienced by the considered country, than it maintained its share of the tourism market in the area and the value of the other effects will equal 0. If the number of tourist arrivals was below or above the expected share, then further examination of the other three effects is called for.

- **Region-mix effect**: The second right hand side component ($A_{ij}^0(g_{iMED} - g_{MED})$) evaluates the difference between the growth rate of tourism from region *I* to the Mediterranean area and the overall growth of tourism from all regions to the Mediterranean area. This component is positive when the country is concentrating on attracting tourists from (active) regions with higher than average growth rate.
- **Competitive effect**: The third right hand side element ($A_j^0 \frac{A_{iMED}^0}{A_{MED}^0}(g_{ij} - g_{iMED})$) measures the difference between the growth rate of tourism from region *I* into country *j* and the growth of tourists arrivals from region *i* into the benchmark Mediterranean area. It corresponds to the competitive effect and becomes positive when a considered country's tourism from a specific region is increasing at a faster rate than that of the benchmark region.
- **Allocation effect**: The last right hand side component ($\left(A_{ij}^0 - A_j^0 \frac{A_{iMED}^0}{A_{MED}^0}\right)(g_{ij} - g_{iMED})$) determines the growth in tourists arrivals attributed to the interaction of the region-mix effect and the competitive effect. The size of this component (allocation effect) shows how well the considered country is doing in terms of attracting tourists from different regions according to its competitive advantage. Four possibilities can be distinguished according to the sign of the two components of allocation effect:
-

Table 5: Possible allocation effect

		Competitive advantage	
		Advantage (+)	**Disavantage (-)**
Specialization	**Not specialized (-)**	$(g_{ij} - g_{iMED}) > 0$ $\left(A_{ij}^0 - A_j^0 \frac{A_{iMED}^0}{A_{MED}^0}\right) < 0$ **A,N**	$(g_{ij} - g_{iMED}) < 0$ $\left(A_{ij}^0 - A_j^0 \frac{A_{iMED}^0}{A_{MED}^0}\right) < 0$ **D,N**
	Specialized (+)	$(g_{ij} - g_{iMED}) > 0$ $\left(A_{ij}^0 - A_j^0 \frac{A_{iMED}^0}{A_{MED}^0}\right) > 0$ **A,S**	$(g_{ij} - g_{iMED}) < 0$ $\left(A_{ij}^0 - A_j^0 \frac{A_{iMED}^0}{A_{MED}^0}\right) > 0$ **D,S**

Table 6 shows the actual number of tourist arrivals from the six regions to the six countries. The time frame includes the September 11th 2001 terrorist attacks in the US and terrorist attack on European tourists in Djerba in Tunisia. These events have exerted pressure to slow down tourism development in the considered area as a whole, and would not limit the utility of the shift share technique used in this section to measure the relative competitiveness of considered countries. Moreover, tourism experienced only a temporary slowdown, and went on to recover within a relatively short period of time. Also, some countries appeared to recover more quickly than others.

In all cases, the predicted wide-ranging collapse of the tourism industry in the ASMCs after September 11th did not take place. Different countries were affected differently, and in the context of tourism, it's preferable to discuss Arab markets rather than one single Arab tourist market. Diverse concepts for development of the tourism industry have been implemented in various ASMCs. The character of tourists' activities (leisure, cultural, pilgrim/religious, medical, shopping, etc.) and the countries of tourists' origin point to four main concepts of tourism development in this region of the world: European oriented leisure tourism (Algeria, Tunisia); Arab-oriented leisure tourism (Lebanon); Multi-ethnic-oriented mixed-character tourism (Egypt, Morocco); and Multi-ethnic-oriented cultural and pilgrim tourism (Syria).

Among the ASMCs, the relatively big losers were countries with limited orientation in market and tourist activities, especially western leisure tourism (Tunisia and Morocco). In the year 2002, 6% fewer foreign tourists visited Tunisia than in 2001, especially those from Germany, one of the most important markets for the Tunisian tourism industry. The Djerba incident demonstrated that the security of western tourists in the country is not guaranteed and the lack of success of the Tunisian investigations, and the continuous attempts by the local officials to deny the terrorist character of the incident have not helped. In Morocco, the decrease in the number of foreign tourists in 2002 was more moderate, only 1.2%. This moderate decrease can be explained by the stable number of tourists from Europe as well as African transit passengers travelling to Europe through Spain.

In Egypt, the effect of September 11 was temporary, probably due to the fact that further terrorist attacks did not take place in Egypt itself. Egypt's image did not suffer as much as Tunisia's image in the international mass media. This quick recovery can be connected to a change in the national character of the foreign tourists: while fewer tourists from North America and Europe visited the country in winter and spring 2002, more tourists of Arab nationalities visited the country in spring and summer 2002. There is a clear correlation between the country of origin and the potential ability of reorientation and flexibility in difficult periods for the tourism industry. European and North American tourists were fifty-six per cent of visitors to Arab North African countries, excluding Egypt, but only thirty-seven per cent of visitors to Arab Middle Eastern countries, including Egypt. Intra-regional Arab tourists were thirty-seven per cent of those travelling to the Arab Middle East, but only six per cent went to Arab North Africa.

Lebanon and Syria are two other ASMCs that have profited from the re-orientation of Arab and Muslim tourists. In addition to the shopping tourists from Jordan and pilgrimage tourism from Iran, Syria achieved a large increase in the number of tourists from the Gulf countries and Iraq than in the prior season. Many Gulf Arabs spend their yearly holidays there, as well, preferring Syria to Lebanon and Jordan due to very moderate prices. Syria achieved a 29.1% increase in the number of international tourists in 2002.

Lebanon is also one of the large winners of the change in tourism destination in the Middle East, with 14.4% increase in the number of tourist arrivals in 2002. The absolute majority of tourists were either citizen of Arab countries or of Lebanese origin. While the share of tourists of non-Arab origin dropped dramatically, the main increase in tourists was from the Gulf countries.

Table 6: International Tourist Arrivals by Region of Origin, 1999 and 2003 (in thousands)

	Africa	Americas	Eastern Asia and Pacific	Europe	Middle East	South Asia	Total
Algeria							
1999	51	3	4	73	10	0	**141**
2003	112	5	8	157	23	0	**305**
Egypte							
1999	151	277	211	3224	897	35	**4795**
2003	183	188	227	4204	1189	51	**6042**
Lebanon							
1999	28	85	47	224	253	36	**673**
2003	39	120	66	267	421	102	**1015**
Morocco							
1999	88	179	45	1754	78	5	**2149**
2003	103	108	42	1880	79	5	**2217**
Syria							
1999	65	31	22	369	1929	221	**2637**
2003	73	44	26	652	3325	228	**4348**
Tunisia							
1999	672	27	9	3461	635	0	**4804**
2003	871	22	7	2840	1357	0	**5097**

Source: World Tourism Organization

According to Table 6, Egypt and Tunisia have the largest number of tourist arrivals among the six countries, with respectively 6.042 millions and 5.097 millions of visitors in 2003. In Egypt as in Tunisia, the largest contributor to international tourism arrivals is Europe which in 2003 contributed about 4.2 millions and 2.84 millions of visitors respectively. European visitors are also the main contributor of international tourism arrivals to Morocco (1.9 million) and Algeria (0.16 million). However, for Syria and Lebanon the largest contributing region is Middle East with respectively 3.3 millions and 0.42 million of visitors.

Table 7 shows the shift-share analysis results for tourist arrivals to the considered ASMCs. It reveals that the overall actual growth in Syrian tourism was better than the other five countries. The growth in tourism for Syria during the considered period was about 13 times more than her expected market share (actual growth of 1,711 thousands compared to the area-wide effect of 131 thousands). The main contributor to this growth is the region-mix effect (positive contribution of 831 thousands tourist arrivals). Competitive advantage is the second main contributor to this growth (positive contribution of 452 thousands additional tourist arrivals). The positive sign of the allocation effect (296 thousands tourist arrivals) indicates that Syria is also effectively specialized.

The investigation of the contribution of individual regions to the overall tourist arrivals to Syria reveals that the highest contribution is attributed to the Muddle East region with actual growth of 1.4 million tourist arrivals. Second to Middle East, the European region emerges as the most promising source of tourists to Syria with a

positive contribution of 283 thousands tourist arrivals corresponding to more than 15 times the expected area wide effect (18.35 thousands) of this region.

Table 7: Shift share analysis results for tourist arrivals from six regions to six ASMCs (in thousands)

1999/2003	Actual Growth	Area-Wide Effect	Region-Mix Effect	Competitive Effect	Allocation Effect	Competitive Advantage and Specialization position
ALGERIA						
Africa	61	2.536	-0.415	2.317	56.562	AS
Americas	2	0.149	-0.826	7.086	-4.410	AN
East Asia and the Pacific	4	0.199	0.042	116.170	-112.410	AN
Europe	84	3.630	-17.242	4.543	93.068	AS
Middle East	13	0.497	4.558	2.780	5.164	AS
South Asia	0	0.000	0.000	0.000	0.000	
Total	***164***	***7.011***	***-13.882***	***132.896***	***37.975***	***DS***
EGYPT						
Africa	32	7.509	-1.227	11.622	14.096	AS
Americas	-89	13.774	-76.230	-25.885	-0.660	DS
East Asia and the Pacific	16	10.492	2.204	65.820	-62.516	AN
Europe	980	160.315	-761.465	56.667	1524.484	AS
Middle East	292	44.604	408.876	-21.425	-140.054	DS
South Asia	16	1.740	7.581	3.543	3.135	AS
Total	***1247***	***238.433***	***-420.261***	***90.343***	***1338.485***	***AN***
LEBANON						
Africa	11	1.392	-0.228	3.364	6.471	AS
Americas	35	4.227	-23.392	24.159	30.006	AS
East Asia and the Pacific	19	2.337	0.491	203.004	-186.832	AN
Europe	43	11.138	-52.906	6.137	78.630	AS
Middle East	168	12.581	115.324	2.647	37.448	AS
South Asia	66	1.790	7.798	4.084	52.328	AS
Total	***342***	***33.465***	***47.087***	***243.395***	***18.052***	***AN***

Table 7 (continued)

MOROCCO						
Africa	15	4.376	-0.715	3.941	7.399	AS
Americas	-71	8.901	-49.260	-20.723	-9.918	DS
East Asia and the Pacific	-3	2.238	0.470	-238.951	233.244	DN
Europe	126	87.218	-414.271	13.376	439.677	AS
Middle East	1	3.879	35.554	-26.282	-12.151	DS
South Asia	0	0.249	1.083	-2.216	0.885	DN
Total	***68***	***106.860***	***-427.139***	***-270.855***	***659.135***	***DN***
SYRIAN A.R.						
Africa	8	3.232	-0.528	3.058	2.238	AS
Americas	13	1.541	-8.531	95.789	-75.800	AN
East Asia and the Pacific	4	1.094	0.230	281.213	-278.537	AN
Europe	283	18.349	-87.153	60.583	291.221	AS
Middle East	1396	95.920	879.288	14.278	406.514	AS
South Asia	7	10.989	47.869	-2.396	-49.462	DS
Total	***1711***	***131.126***	***831.175***	***452.524***	***296.175***	***AN***
TUNISIA						
Africa	199	33.415	-5.462	17.401	153.645	AS
Americas	-5	1.343	-7.430	10.902	-9.815	AN
East Asia and the Pacific	-2	0.448	0.094	-1189.273	1186.732	DN
Europe	-621	172.100	-817.442	0.814	23.528	AS
Middle East	722	31.576	289.449	75.293	325.682	AS
South Asia	0	0.000	0.000	0.000	0.000	DS
Total	***293***	***238.881***	***-540.790***	***-1084.862***	***1679.772***	***DS***

Examining the contribution of individual regions to overall tourist arrivals to the other five countries reveals that:

- The highest growth in Tunisian tourism is attributed to the Middle East and Africa regions with observed growth of 722 thousands and 199 thousands respectively. While Americas, East Asia and particularly Europe regions contributions are actually negative Regarding the Europe region, the negative region-mix effect shows that due to Tunisian's concentration on attracting tourists from this later than average growing region, Tunisia loses 817 thousands tourists. The negative allocation effect of 9.8 thousands shows that although Tunisia enjoys a competitive advantage in attracting tourists from Americas, the country is not specialized in this region. Maybe Tunisia needs to concentrate some of its marketing and promotion efforts to the Americas region in order to attract more of its tourists.
- Europe region constitutes the most promising source of tourists to Morocco (126 thousands additional tourists). Comparing the actual growth with the area-wide affect reveals that Morocco did better than its expected market share in terms of attracting tourist from Africa (more than three times) and Europe (144% more). For these two regions, and except the region-mix effect, all the other three effects are all positive. Morocco has a competitive advantage in attracting tourists from these regions and is also specialized in them. The significant negative region-mix effect observed in average (-427.14

thousands) is basically related to the weak growth in tourism from Europe and Americas to the area compared to the overall growth.

- Egypt enjoys a competitive advantage over the other countries in the area in terms of attracting tourists from Africa, East Asia, Europe and South Asia. Furthermore, except East Asia region, Egypt is also specialized in those regions. Negative allocation effect associated to the East Asia (-62.5 thousands) indicates that in spite of the competitive advantage, Egypt is not specialized in this region.
- Lebanon is the only country between the six ASMCs considered in this study which enjoys a competitive advantage in attracting tourists from any region of the world. Competitive effect is the main contributor to the growth in international tourist arrivals (positive 243.4 thousands tourist arrivals representing 71% of the actual growth). Except East Asia, Lebanon is also specialized in those regions.

5. Conclusion

The external competitiveness of a considered country's tourism industry is defined as that country's competitive ability to retain or increase its market share of tourism exports in terms of ground and travel components. The investigation of this competitiveness reveals that most of ASMCs have great opportunities to capitalize on their natural competitive advantages. However, despite their natural advantages, achieving the economic potential of tourism for most or all of these countries remains vague and volatile. As a matter of fact, the ASMCs tourism sector is facing some serious challenges that are limiting its potential.

Tourism in the South Mediterranean region is highly dependent on the few, large, mass market tour operators situated in the North European tourist originating countries. Price competition is intense both between the tour operators and between the South Mediterranean countries themselves. As a matter of fact, tourism development projects in most ASMCs have been increasingly shaped as self-contained enclaves in the form of coastal resort complexes and all-inclusive packaged tours, providing a range of on-site services and highly dominated by few tour operators.

One important drawback of enclave tourism is that it generally produces tourism experiences which are devoid of a strong sense of local culture, making the experience interchangeable with tourism to other destinations. The result is that often such tourism destinations are required to compete on price rather than on quality against other similarly generic destinations. Indeed, the mass tour operators' marketing strategy is often geared towards large numbers, low prices and getting the maximum return from every operation.
In this context, the intense competition within South Mediterranean countries and between the Mediterranean area and the rest of the World produces an ever competitive spiral of downward pressure on prices, and the growing and excess capacity in Mediterranean countries make matters even worse.

Countries like Tunisia, Morocco and to a lesser extent Egypt heavily need tour operators for volume because the tourism industry has become too important and too large part of their economies. Ideally these South Mediterranean countries need to go

for alternative sources of higher value added and more information based tourism. Yet this, by definition, would move them away from mass tourism and cause severe shocks and disruptions to their economies.

Hence a dilemma exists and the problem seems to be a deeper and a more basic one of economic development in the South Mediterranean countries. Why have these countries allowed themselves to become heavily dependent on tourism as a main industry in their economies, and on mass tourism as the main vehicle in the tourism industry itself? Was it possible for tourism in the South Mediterranean countries not to grow so quickly on mass tourism? The answer to these questions can probably shed some light on the future role that price competitiveness should assume in tourism and in the local economies of the South Mediterranean countries.

Footnotes

[1] This ratio is equal to the slope of the right-hand segment linking the origin of the axes to the point representing the tourism industry.

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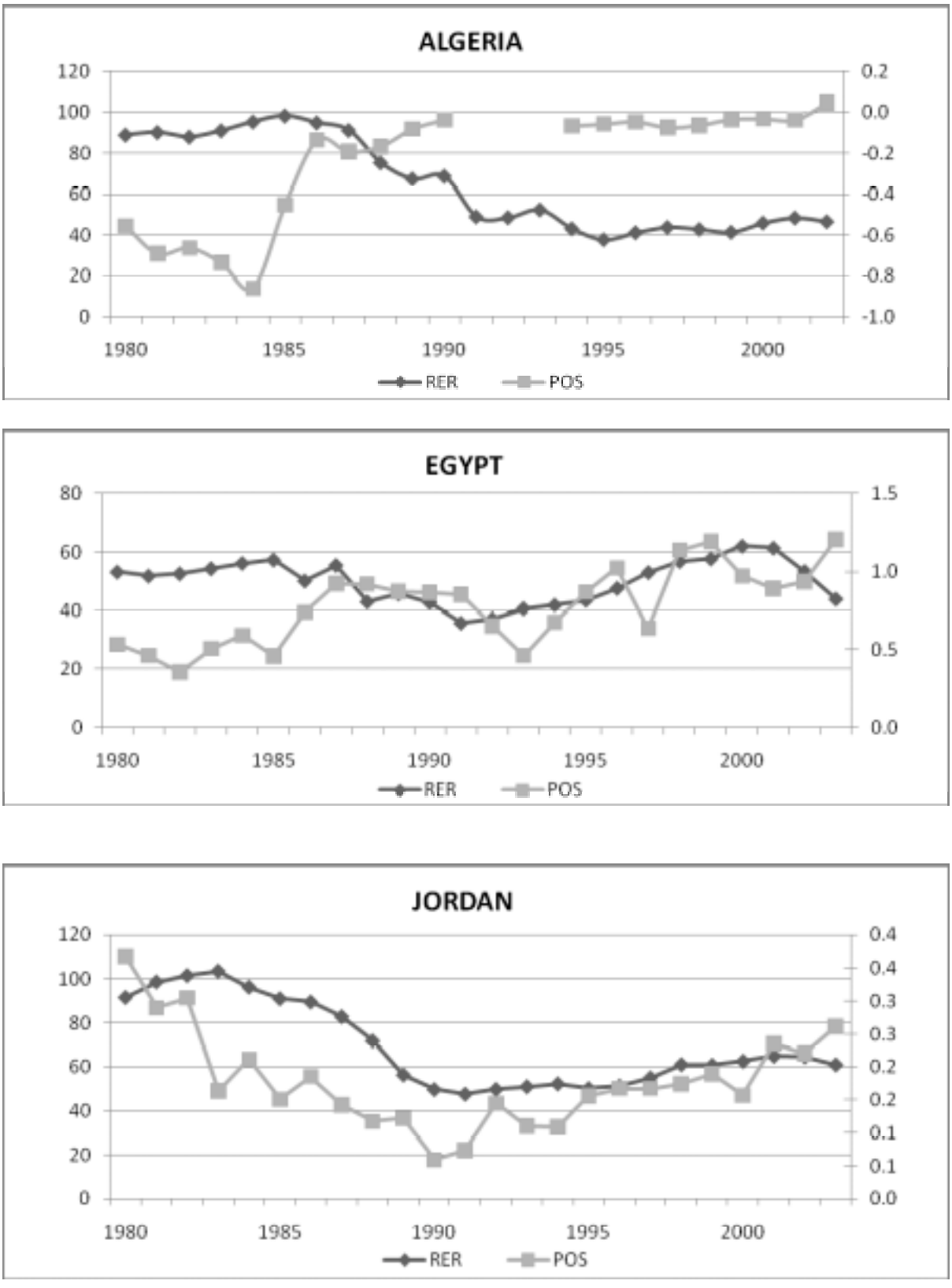
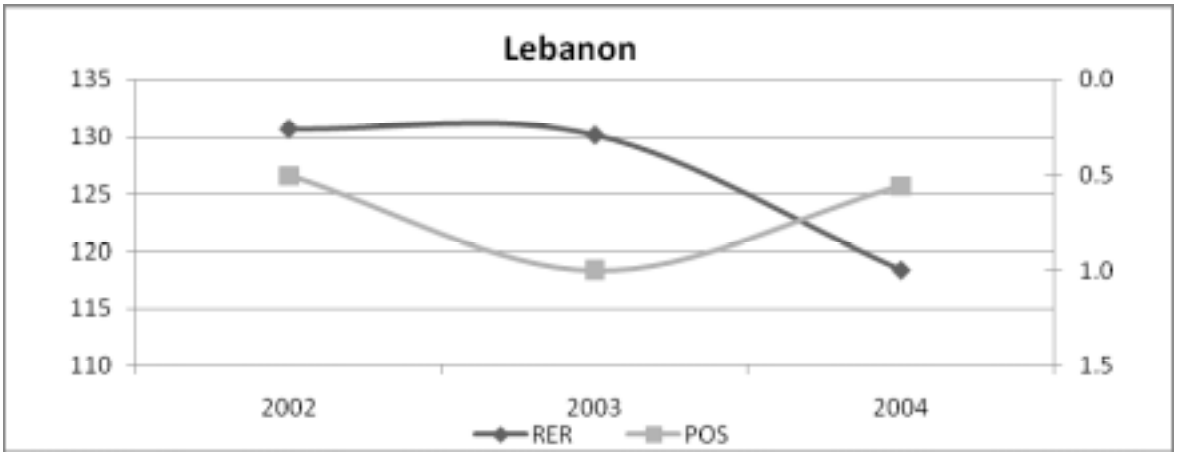
Appendix

Appendix: Statistics and Graphics

Figure 1: Tourism price competitiveness for ASMCs 1980-2003

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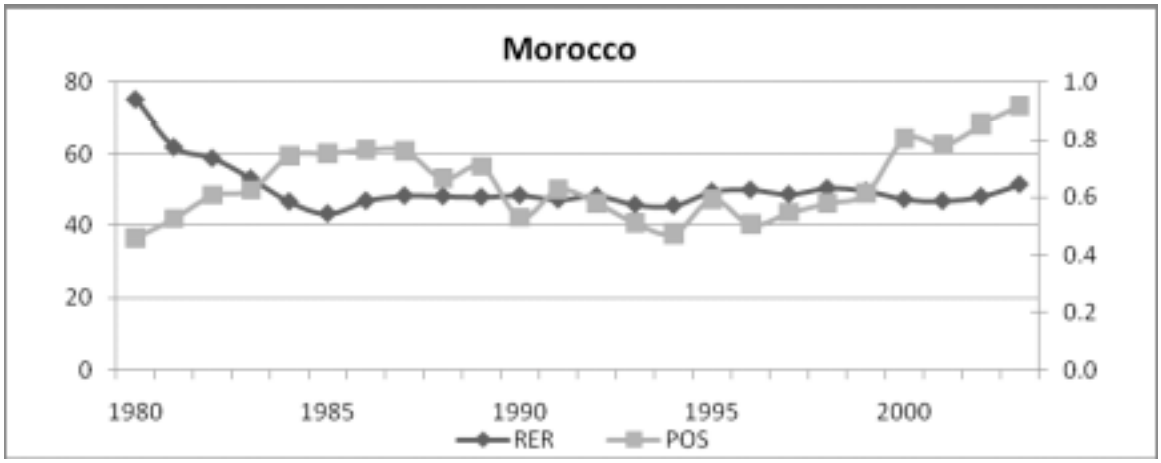
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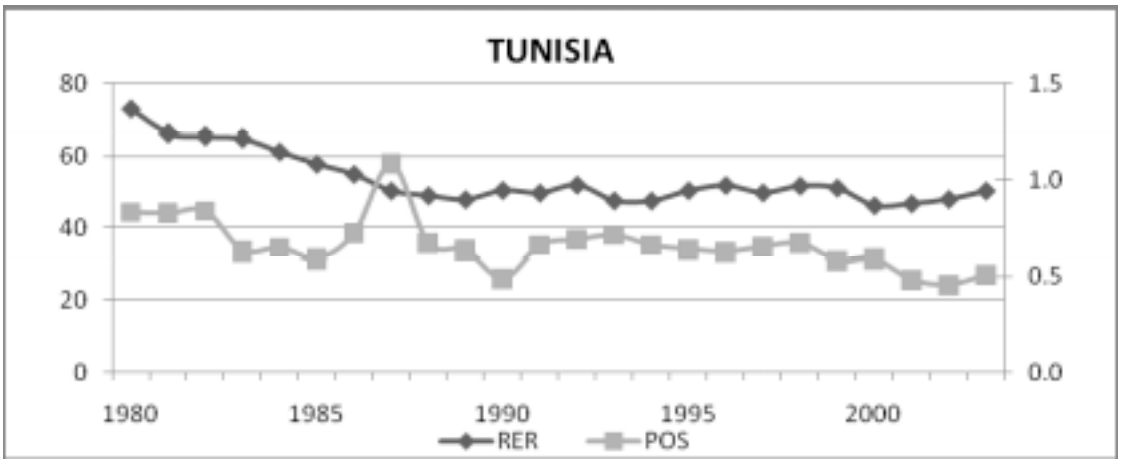
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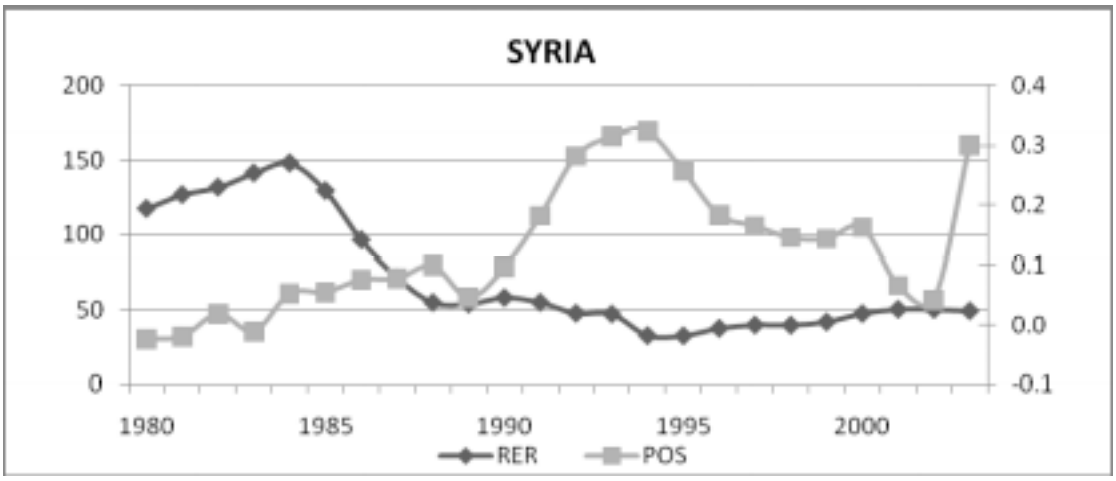
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Previous Publications

No	Author	Title
API/WPS 9701	جميل طاهر	النفط والتنمية المستديمة في الأقطار العربية : الفرص والتحديات
API/WPS 9702	Riad Dahel	Project Financing and Risk Analysis
API/WPS 9801	Imed Limam	A SOCIO-ECONOMIC TAXONOMY OF ARAB COUNTRIES
API/WPS 9802	محمد عدنان وديع بلقاسم العباس	منظومات المعلومات لأسواق العمل لخليجية
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API/WPS 9903	Samy Ben Naceur Mohamed Goaied	The Value Creation Process in The Tunisia Stock Exchange
API/WPS 9904	نجاة النيش	تكاليف التدهور البيئي وشحة الموارد الطبيعية: بين النظرية وقابلية التطبيق في الدول العربية
API/WPS 9905	Riad Dahel	Volatility in Arab Stock Markets
API/WPS 9906	Yousef Al-Ebraheem Bassim Shebeb	IMPORTED INTERMEDIATE INPUTS: IMPACT ON ECONOMIC GROWTH
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API/WPS 0002	محمد ناجي التوني	برامج الأفست : بعض التجارب العربية
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No	Author	Title
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