

Travel And tourism In The Middle East:

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Fallout from the turmoil in Egypt and Tunisia

On 17 December 2010, Mohamed Bouazizi set himself on fire after officials prevented him from selling vegetables without a permit in the town of Sidi Bouzida in Tunisia.

This set off a wave of protests that eventually forced President Ben Ali to flee to Saudi Arabia on 14 January 2010.

It is estimated that 100 people died during clashes with police. Although protests continued in Tunis on 26 January, the situation seems to be stabilizing, although the foreign minister resigned and an interim government has yet to be finalised.

Other countries follow suit

Citizens in other countries followed Tunisia's example and took to the streets to protest against their governments, high unemployment, and rising prices in late December 2010 and into January 2011. These countries include Egypt, Jordan, Algeria, Libya, Yemen, Sudan, Lebanon, Oman, Morocco and Mauritius.

Travel warnings implemented for Tunisia

As the protests spread to Tunis and other cities, countries such as the UK and the US, issued travel warnings against non-essential travel to Tunisia in mid-January.

Tour operators repatriated their customers. Industry sources say that UK tour operators repatriated 3,000 customers the weekend of 15 January and began cancelling flights.

Thomas Cook has cancelled flights through 27 February, while Thomson Airways has cancelled flights through the 16 February. All three operators are allowing tourists travelling to Tunisia through February to change their travel plans without charge.

The French Tour Operator Association announced that they have cancelled their trips through 23 January and evaluating February departures. German tour operators, TUI and Rewe cancelled departures through 15 February and those booked for travel through 15 April can change their bookings without a change fee.

2011 likely to be disastrous for Tunisia tourism

While the situation in Tunisia seems calmer, tour operators are waiting for governments to lift their travel warnings before returning to normal operations. The interim government has six months to hold new elections, so the short term will likely involve a lot of uncertainty as a new government forms.

Even if calm is restored, it is unlikely that tourists, especially Europeans, will choose Tunisia for their summer holidays in 2011.

The industry will likely roll out discounts for summer packages to stimulate demand and turn to domestic and regional tourists to make up for the lost Europeans.

Despite these efforts, Euromonitor International expects tourist arrivals to decline by 30% in 2011 with incoming tourist receipts falling by 32% due to discounting.

Social unrest erupts in Egypt

Tour operators are watching Egypt closely since it is the largest destination for arrivals in the Middle East as the domino effect takes hold. As the seventh day of protests continues in the country, it is likely that these events will impact tourism negatively in the short term.

Escalation of the political unrest in Egypt against President Hosni Mubarak who has been for the last 30 years in power has already led many governments to advise their citizens against "essential travel to Cairo, Alexandria, Luxor and Suez" and are at a stand-by to evacuate them from Egypt.

The vocal protests in Egypt and the clashes with the police have led to 30 people being killed which undeniably will hinder the resumption of key economic activities in the country, notably tourism.

The population is increasingly dissatisfied with general welfare conditions, governance issues tied to the independence

of the press and the judiciary, and the high level of control exercised by the government.

Tourism remains a pillar of Egypt's economy, with GDP recording 5.3% rise in 2010. The drop in external demand had a negative impact on the hospitality industry as arrivals and revenues saw a sharp decline in 2009. However, a surge in visitors during the winter season and in the second half of the year helped a return to positive growth of over 6% in 2010 in tourist arrivals to Egypt, recording almost 13 million according to Euromonitor International's latest research. The recovery, however, is in danger.

These protests show that the country is exposed to regional sensitivities and to the instability that plagued Tunisia. With the uncertainty looming over Egypt, international travel companies may start to hold back in terms of activity in the country, and recognize that there is a degree of uncertainty and more risk associated to this country than there was before the Jasmine Revolution in Tunisia.

Egypt could therefore see a strong decline in tourism incoming flows and receipts from Europe and the West compared to the past.

Winners and losers

The impact of the crisis is also having an influence on UK travel companies. The latest FTSE information confirms that the shares of players such as Thomas Cook, the new airline group IAG (the merged entity of British Airways and Iberia), Thomson Holidays and IHG all recorded a decline in the trading of their shares.

If the protests continue, even relatively peacefully, tourists may opt to spend their Easter and summer holidays in other countries, especially Turkey. Mediterranean destinations such as Spain, which had lost share to these less expensive, non-euro zone countries, may be able to woo European tourists back to their beaches with promises of political stability.

Analyst Insight by Michelle Grant.

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