

# Managing Tourism as a source of Revenue and Foreign direct investment inflow in a developing Country: The Jordanian Experience

Timothy A. FaladeObalade, PhD

Associate Professor, College of Business Administration University of Modern Sciences,  
Dubai, UAE

Suchi Dubey, PhD

Assistant Professor, College of Business Administration University of Modern Sciences,  
Dubai, UAE

To Link this Article: <http://dx.doi.org/10.6007/IJAREMS/v3-i3/901> DOI:10.6007/IJAREMS/v3-i3/901

Published Online: 06 June, 2014

## Abstract

Tourism plays a crucial role in the development and growth of all countries, especially the developing ones, creating a general positive impact on the economic and social situations for the target country. Tourism had always been recognized as a remunerative industry that positively contributes to a country's GDP, Citizens quality of life and generation of employment. For example, tourism is considered a major pillar in the economy of the Country of Jordan; however, Jordan as a Nation may need to do more in order to compete globally in this lucrative sector!

Tourism is the second largest industry in our world (Christine Ennew 2003). Tourism is an industry similar to other industries that generate revenue and contribute to a country's GDP and balance of payments. According to the World Travel and Tourism Council (WTTC)'s 2003 statistics, tourism generates around 200 million jobs world-wide and accounts for 10% of the world global GDP. This contribution differs from one country to another depending on the volume of domestic tourism spending as opposed to international tourism spending.

In a lot of cases, the volume of transactions in tourism industry equals or exceeds the volume of Transactions in other cash cow sectors such as oil and automobile sectors. Tourism has become a major part in international commerce and proves to be an important tool to diversify one country's sources of revenue instead of relying only on one source or product e.g. Crude Oil

**Keywords:** Tourism, industry, revenue, economic growth, competitive edge, GDP, tax revenue, FDI, foreign exchange, diversification, public sector, private sector, welfare, developing countries, balance of trade and balance of payment

## Introduction:

The role of tourism has become recently more recognized as a potential industry that contributes to a country's revenue, economic growth, balance of payments, and foreign

exchange earnings. Tourism has also proven to be a growing source of revenue to the private sectors as well as a major source of income to individuals, creating various employment opportunities and contributing to their individual welfare. This has given governments enough reasons to support and promote for tourism as a source of both revenue and FDI. (Foreign direct investment)

Tourism has become a major source of export earnings to many countries in the world, especially, The developing countries that do not have competitive advantage in a particular industry and do not enjoy other sources of revenue such as; Natural resources like, Oil, Gas, Gold etc..Tourism is the first or second source of export earnings in 20 of the 48 Least Developed Countries and has been generating a steady growth in at least 10 other countries. As such, tourism has become one of the main engines for stimulating economic activities in many countries in the world, especially the developing ones.

This paper starts by defining the concept of tourism and discussing the determining factors that give foundation to well-diversified foreign direct investments in the tourism sector. For example, Public security & stability are important elements to begin with. Other elements are related to the availability of archaeological, religious and tourism sites that would make a country a potential place for FDI and an attractive place for international and domestic tourism.

As more counties are recognizing the important role that tourism plays in generating revenue to the public, private sectors and individuals, the competition across countries for tourist spending is becoming more intense. That is why, the Secretary-General of the World Tourism Organization said, "I am pleased to see the serious analysis of the problems and prospects of the tourism sector as presented in this third edition of *Global Tourism: The Next Decade*". We will discuss in detail the different types of tourism including rural development tourism, medical tourism, religious tourism etc. and their respective contribution to the revenue of the public sector as represented by governments, the private sector represented by hotels and hospitality management companies and other service sectors. We will also discuss the contribution of tourism to the income and to the wellbeing of individuals who are engaged in tourism in one capacity or the other.

The tourism industry started by 1960 and has grown rapidly during the last 50 years in terms of the income it generates and the number of tourists who travel domestically and internationally. Tourism has proved to be a strong source of revenue even during the economic crisis, despite the few fluctuations in tourism that have been caused by events such as terrorist threats as well as the SARS disease scare. In this paper, I analyse the importance of tourism as an opportunity for diversifying a country's earnings, an opportunity for economic development and growth. I will also discuss how countries could promote and build a competitive advantage in tourism to attract more visitors around the World.

We later present a real life application of the importance of tourism to the Jordanian economy supported by a SWOT analysis and statistics from the Jordanian Ministry of Tourism. For example, during year 2010 the total number of arrivals into Jordan grew by almost 20% over 2009 to reach 4.6 million overnight visitors (8.2 million total arrivals including one- day only visitors). Visitors from the Americas grew by 12 per cent, Europe by 22.3 per cent, Asia-Pacific by 25.4 per cent, while Asia scored a 31.2 per cent increase during 2010 with total tourist receipts amounting to about 2.4 billion JD. (About 3.4 B. USD)

#### **Tourism as an Industry:**

Tourism is an Industry that consists of a group of firms involved in marketing of service related activities and tangible souvenirs to the end users, represented by international and domestic

Consumers. Example of such services include hotel & hospitality rooms, restaurant meals, air tickets, therapy, guided tours, other recreational and medical services sold to tourists and medical tourists (patientstourists who travel for health therapy/medical reasons seeking diagnostics and hospital treatment). Tourism is an active and economically viable industry that requires the ability to continuously adjust to customer's changing needs and wants, as the customer's satisfaction, safety, and enjoyment are the main focus of the industry.

In the 1980s, individuals questioned whether tourism was a blessing or a curse, but today, the issue is now essentially academic, given the value of tourism as the world's largest industry and its role as a global employer and customer (Smith, 2001).

### **What Makes a Country a target of attraction for FDI in Tourism?**

Foreign Direct Investment (FDI) may occur when a firm invests directly in new facilities to produce a product and/or service in a foreign country (Hill, 1994).

Tourism has given many reasons to the developing countries, such as Jordan, Egypt, Israel, South Africa, Jamaica, Lebanon etc. to promote Foreign Direct Investment (FDI) inflow to their territories realizing the fact that, tourism generates major revenue to such countries that may not have access to revenue through other types of industries or natural assets like oil, gas or uranium.

FDI, including its facets of capital investment, transfer of technology and access to global markets, is one of the routes through which developing countries can carry out sustainable development.

For example, in a study by Kyrkilis, Delis, & Pantelidis on FDI & the tourism industry it was revealed that the volume of FDI inflow to China has increased tremendously as a result of the expectation that China will be receiving 120 million tourists on annual basis by year 2020 favoring the inflow of FDI to the Tourism sector. By the end of 2020

Given the importance of FDI in tourism in stimulating the economic activities in many countries around the world, we should discuss below some the major determinants of FDI that can make a Country a potential place for attracting foreign direct investments:

- **Infrastructure:** Infrastructure plays a very important role when it comes to investing in the tourism sector in the host country because of its inherent cost implication on the investor. Infrastructure includes man-made establishments such as domestic and international airports, roads, and boarder checking points in addition to transportation facilities and constructions like power stations, dams, bridges and so on.
- **Location:** Tourism mainly depends on strategic locations. For example, investors would look at whether the host country can be easily accessed by air travel, by land or by sea so that it would attract the largest number of tourists. Geographical location also includes the climate, landscape, and terrains.
- **Natural Resources & Historical Attractions:** The Natural attractions are God made, such as spring water, water falls, wildlife, mountains, land features and natural landscape. While the historical attractions are ancient man made that includes historical, archaeological and religious places. Many host countries are excellent in their historical background and their cultural heritage. For example, Egypt is famous for its pyramids, many tourists travel to Egypt for ancient site seeing purposes.

- **Economic Status Indicators:** The most important indicators are the employment rate and the per capita income since they are important for domestic tourism and indicate the ability of nationals to travel for leisure and the purchasing power to spend within the country.
- **Security:** In the wake of catastrophic natural disasters and rising threats of terrorism, the hotel industry has been hit hard by declining revenues and increasing competition. (Min, Jong Joo, Kim 2009). There are many factors that affect whether a country is a potential place for tourism, one of which is security. Security includes safety from natural disasters such as the recent Japan Tsunami. It also includes the social stability and political stability status of the host. For example, the total number of international tourists who travel to Syria has declined tremendously in recent years due to the political and social instability in the country.
- **National Policies:** Include the host country's entry visa requirements and restrictions. For example, EU and US nationals are granted entry visa upon arrival in Queen Alia International airport in Jordan, while other nationalities are restricted and are required to have an entry visa stamped on their passports prior to their traveling date. E.g. the nationalities of India, Kenya, Djibouti etc. A study made by UNCTAD, found that the impact of Tourism Foreign Direct Investment (TFDI) depends on the national policy framework in each country & the corporate policy of investors. UNCTAD found that national policy initiatives should be tailored to specific country needs and resources, and to their position in the tourism industry life cycle.
- **Regulatory Business Laws:** Important to the foreign investors such as the environmental laws, tax law, the minimum wage and maximum law & working hours law
- **The Market size:** The larger the number of the population, the more economic activities available in the host country. Nigeria, Egypt and Brazil are all good examples of this.

#### **Types of FDI in The Tourism Industry:**

Foreign investments in the tourism industry vary widely depending on the experience level and interest of the foreign investor and the host's potential status.

The following are some of the different types foreign direct investments in tourism:

- **Travel Agencies:** Many international travel agencies operate as foreign investment outside their home countries to provide flight reservations, hotel bookings and tour operating services and other travelling related services. The UNIGLOBE travels company is an example of this type of foreign investors.
- **Hotels:** World chain hotels are established in many host countries to provide room booking services and other recreational facilities to domestic and international tourists. Hotels are also established to provide conference facilities such as conference rooms and meetings arrangements to business travellers. Examples of Multinational Hotel outfits include but not limited to the following: Marriot, Hiltons, Sheraton, Holiday Inn, Premier Inn, Hotel Western and so on
- **Hospitals:** Large hospitals are established in host countries to provide room bookings and medical treatment facilities to domestic and international patients who come from different regions in the host country or from their home country for therapy purposes and medical treatments.

- **Restaurants:** Many franchise and chain restaurants, coffee shops and fast food operations are established in the host country to provide meal services to domestic and international tourists such as TGI, Starbucks, KFC, Fuddruckers and so on

### **Tourism is An Aggregate Source of Revenue.**

International tourism is considered as part of the export industry to the home country since it creates foreign currency revenue into the country's economy. This leads to a favorable balance of payments for the country. Such revenue inflow creates great benefits for business turnover, welfare of individuals, household income, employment, private revenue etc. and also increase in government revenue. Furthermore, part of this revenue is considered a secondary revenue since it is re-spent within the country creating more economic activities. For example, in some large countries such as USA and Brazil, these secondary and indirect revenues that are generated domestically sometimes exceed the benefits from the direct revenue bases. This will be discussed later in detail when we identify some of the other sectors of the economy that also benefit from the tourism industry. In addition to being a major source of revenue for countries worldwide, tourism is also an industry where long-term growth prospects are good (Ennew 2003). For example, the growth rates in the tourism revenue have exceeded the growth rates made by most other service sectors. According to The World Tourism Organization forecasts (year 2002), the annual growth rate in international tourists' arrivals in Jordan is expected to reach 4.1% by year 2020. We should remember that tourism growth rates have not always been stable. Just like any other economic good or service, tourism has been affected by fluctuations in quantity of demand. For example, following the war and the crises that is taking place in Countries like Iraq, Syria, Lebanon etc. and the worldwide SARS infections and scare of Ebola fever, the rate of international tourists who travel to and from the USA has dropped considerably and as low as by 11% in some cases.

The following table reflects the variations in the international tourism receipts from years 2006 to 2009 (according to UNWTO records). In table below, Europe generates more than half of the revenue made by international tourists. For example, Spain generates the largest revenue from international tourism among the European countries, while the USA attracts the highest revenue among all the countries of the World with France, Italy, China and UK not too far behind.

Rank	Country	UNWTO Regional Market	International Tourism Receipts (2009)	International Tourism Receipts (2008)	International Tourism Receipts (2007)	International Tourism Receipts (2006)
1	 United States	North America	\$93.9 billion	\$110.0 billion	\$97.1 billion	\$85.8 billion
2	 Spain	Europe	\$53.2 billion	\$61.6 billion	\$57.6 billion	\$51.1 billion
3	 France	Europe	\$49.4 billion	\$55.6 billion	\$54.3 billion	\$46.3 billion
4	 Italy	Europe	\$40.2 billion	\$45.7 billion	\$42.7 billion	\$38.1 billion
5	 China	Asia	\$39.7 billion	\$40.8 billion	\$37.2 billion	\$33.9 billion
6	 Germany	Europe	\$34.7 billion	\$40.0 billion	\$36.0 billion	\$32.8 billion
7	 United Kingdom	Europe	\$30.0 billion	\$36.0 billion	\$38.6 billion	\$34.6 billion
8	 Australia	Oceania	\$25.6 billion	\$24.8 billion	\$22.3 billion	\$17.8 billion
9	 Turkey	Europe	\$21.3 billion	\$22.0 billion	\$18.5 billion	\$16.9 billion
10	 Austria	Europe	\$19.4 billion	\$21.6 billion	\$18.9 billion	\$16.6 billion

According to the UNWTO table below, the European region is the most important region in terms of total number of international tourists' arrival. This region accounts for more than 50% of the total international arrivals for year 2009.

Rank	Country	UNWTO Regional Market	International tourist arrivals (2009)	International tourist arrivals (2008)	International tourist arrivals (2007)	International tourist arrivals (2006)
1	 France	Europe	74.2 million	79.2 million	80.9 million	77.9 million
2	 United States	North America	54.9 million	57.9 million	56.0 million	51.0 million
3	 Spain	Europe	52.2 million	57.2 million	58.7 million	58.0 million
4	 China	Asia	50.9 million	53.0 million	54.7 million	49.9 million
5	 Italy	Europe	43.2 million	42.7 million	43.7 million	41.1 million
6	 United Kingdom	Europe	28.0 million	30.1 million	30.9 million	30.7 million
7	 Turkey	Europe	25.5 million	25.0 million	22.2 million	18.9 million
8	 Germany	Europe	24.2 million	24.9 million	24.4 million	23.6 million
9	 Malaysia	Asia	23.6 million	22.1 million	21.0 million	17.5 million
10	 Mexico	North America	21.5 million	22.6 million	21.4 million	21.4 million

According to Christine Ennew's study (2003) on Understanding the Economic Impact of Tourism, the direct effects of tourism arises from expenditure by tourists, which immediately generates income for businesses and households, creates employment and revenue from taxation in the host Country. Other hidden an Indirect effects arise as initial income received by households and the government sector, Consequently, International and domestic tourism bring great economic benefits to the public and private sectors alike in Countries wherein, due investments are made in the sector.

#### **Tourism's Economic Contribution in Governments and the Public Sectors:**

One of the chief reasons that governments support and promote tourism throughout the world is that, it has a positive impact on economic growth and development (Ivanov & Webster 2006).

Tourism industry is an important source of revenue especially to countries that do not have a competitive advantage in other industries or in natural resources. Tourism generates major economic benefits to these countries ranging from economic stimulation, GDP growth and to providing access to foreign exchange used in improving balance of trade. Counties such as Jordan and Egypt do not have natural resources or technological industries that would put them in a favorable competitive advantage over other nations in the region. However, their income from tourism has contributed to their economic development to a great extent.

#### **Economic contribution of tourism to governments:**

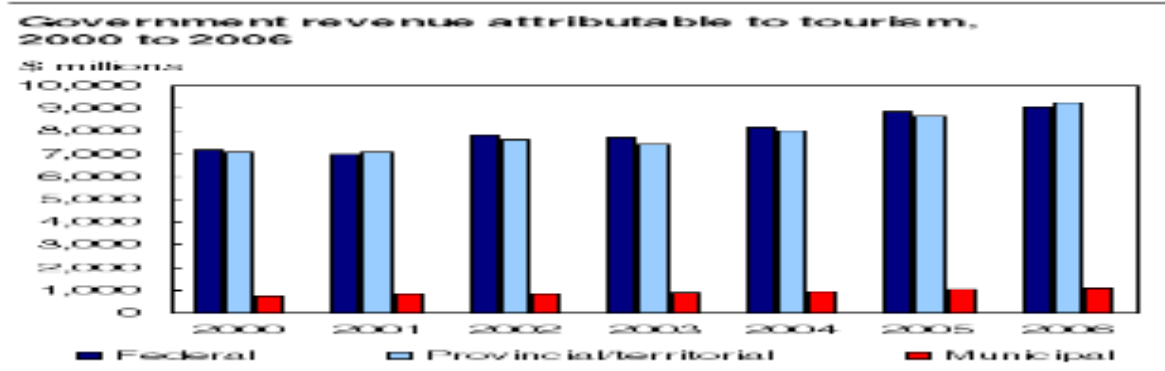
- Tourism is a major source of foreign exchange earnings to governments, and thus provides the basis for export lead economic growth (Ennew 2003). For example, incoming international tourists would need to supply their currency to be able to

purchase products inside the host Country and to purchase the currency of the host country that they are travelling to. This will increase the foreign currency earnings of the host Country and will create a demand on its local currency resulting in the appreciation of the host's Country exchange rate. According to WTO records, foreign exchange earnings from international tourism were \$476 billion in year 2000 generating a higher value than exports from oil and automobiles .Foreign exchange is important to developing countries that depend on importing essential goods such as capital and industrial goods.

- Tourism improves the balance of payments & trade of the developing countries. As more international tourists travel to the host countries, the demand to purchase its local products, services and its local currency would increase resulting in an improved balance of payments and balance of trade. For developing countries that depend on mono-products, tourism provides such countries with a major source of revenue creating a positive effect on their balance of payments. According to John Brohman 1996, "Earnings from trade and tourism may foster macroeconomic stability by contributing to a more favorable balance of trade and external accounts, which is important for attaining better ratings in international financial markets and thus easier access to foreign loans and other investment capital and credit facilities).
- Tourism diversifies governments' sources of revenue and offsets governments' losses attributable to certain industries. One of the greatest effects of tourism on governments is that it reduces the country's dependence on primary commodities such as natural resources of oil and gas as the main sources of revenue. This would minimize the risk that would most probably arise from depending on one source of revenue rather than diversifying such resources and would offset losses made by other sectors in the economy.
- Tourism diversifies governments' sources of revenue and offsets governments' losses attributable to certain industries For example, according to a study made by the Dept. of Statistics in Canada (2007) on Government Revenue Attributable to Tourism, Tourism in Canada accounts for a higher share of government revenues. In this study, it was found that tourism accounts for 3.9% of the Canadian government revenue in year 2006. This revenue was generated from various taxes imposed by the Canadian government on different types of goods and services bought by tourists, such as entrance fees, parking fees, alcohol, and fuel. The study also found that tourism in Canada accounted for 2.0% of Canada's gross domestic product (GDP).
- Rising fiscal responsibilities combined with growing reluctance of residents to pay higher taxes have induced many state and local governments to enact new taxes or increase rates on existing hotel room taxes (Bonham, Fujii, IM & Mak, 1992). In Canada, the goods and services taxes (GST) and the provincial sales taxes make the largest sources of government revenue from tourism. According to the same study, tourism generated revenue of \$19.4 billion for all three levels of government in Canada in 2006 as opposed to \$15.0 billion of revenue generated by tourism in

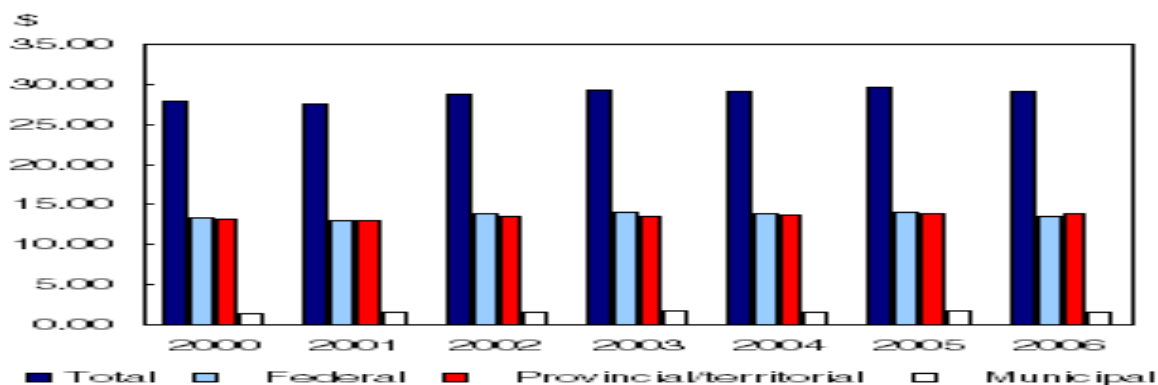


year previous



For example, a room charges at a hotel in Canada includes GST, PST taxes which are credited directly to the various levels of the Canadian government revenue. In addition, income taxes are generated on the earnings of hotel employees, on the profits of the business, as well as property taxes. Other governmental revenues include direct revenues obtained directly from tourists such as entrance fees into museums & parks as well as parking fees.

Government revenue per \$100 of tourism spending, 2000 to 2006



- Governments also generate revenue from tourism directly through charging tourists for entry visa fees granted upon arrival of tourists at their destinations or through collecting money on specific parks or conservation areas.
- Governments also generate revenue indirectly from tourism by charging user fees, income taxes, taxes on sales or rental of recreation equipment, and license fees for activities such as hiking, skiing, fishing, camping and hunting that provide governments with the revenue needed for the management of their natural resources, reserves, conservation programs and activities, such as park ranger salaries and park maintenance. For example, in 1999, Costa Rica received 866,083 thousands of national and international tourists generating revenue of US\$ 2.5 million.

#### Tourism's Economic Contribution to the Private Sector:

Global competition is emerging in the health care and hotel industries. The tourism industry is a combination of a group of firms that provide services to the end customers. Such firms include hotels, restaurants, travel agencies, transportation companies and hospitals. Competition among the private firms who provide services to international tourists and patients is increasing due to the high volume of revenue generated from tourism.

The following discusses the major private sectors to which tourism generates revenue:

- Tourism generates revenue to private hospitals: Many studies have found that there is a positive relationship between medical tourism being another type of tourism and its being a large source of revenue to hospitals and medical centres which represent part of the private sector. There are more patients, nowadays, who travel from developed and wealthy nations to developing countries such as India and Jordan looking for high quality health care at reasonable charges. Available statistics on the number of patients traveling for medical treatments and surgeries indicate that 500,000 Americans travelled outside the USA for treatment in year 2005 of which, most travelled to Mexico and other Latin American countries. Reports also indicate that 250,000 patients travelled to Singapore for health care purposes and 500,000 patients travelled to India for medical purposes while 1,000,000 patients travelled to Thailand for the same reason.
- While this represents a large source of revenue to hospitals, it also represents a significant saving to the international patients, leaving them with additional savings to procure other goods and services. A quick comparative analysis of cost of medical services is offered below to buttress this assertion.
  1. Apollo Hospital in New Delhi, India, charges \$4,000 for cardiac surgery, compared to about \$30,000 in the United States.
  2. Hospitals in Argentina, Singapore or Thailand charge \$8,000 to \$12,000 for a partial hip replacement — one-half the price charged in Europe or the United States.
  3. Hospitals in Singapore charge \$18,000 and hospitals in India charge only \$12,000 for a knee replacement that runs \$30,000 in the United States.

According to the National Centre for Policy Analysis 2007, Internationally-known hospitals, such as Bumrungrad in Thailand and Apollo in India, report revenue growth of about 20 percent to 25 percent annually. McKinsey & Company estimates that Indian medical tourism alone will grow to \$2.3 billion by 2012. This reflects a significant volume of revenue that such hospitals generate from this type of tourism in developing countries. Prices for medical and health care treatments are lower in hospitals located in developing countries due to few reasons, e.g. labour costs in such developing countries are much lower than those in developed countries. In addition third parties charges such as insurance fees and governmental fees are much less involved in the billing process in these Countries.

In 2006, the medical tourism industry grossed about \$60 billion worldwide. McKinsey & Company estimates this total will rise to \$100 billion by 2012.

- Another private sector that we need to look is the hotels which make tremendous revenue from the sales of rooms and accommodations. However, rooms are not the only service which tourists consume at hotels; many hotels include restaurants in addition to indoor and outdoor leisure activities such as night clubs Gyms and health spas provided to domestic and international tourists.

For instance, Tourism functions and activities made revenue of US\$73.3 million in year 1997 in Lao Republic where the hotels and restaurants sectors grew by 62.8% 1995 representing the largest increase in the services sector in the Republic of Lao. As a result of the large volume of sales revenue made from the hotels rooms services, the supply for the rooms increased accordingly and the number of hotels has more than tripled between years 1992 and 1997,

and the number of rooms has doubled during the same period. Accordingly, the volume of foreign investment in this sector increased to a great extent. For example, the foreign investments in Lao has increased from 34 tourism projects representing 8.8% of the total foreign investments in year 1998 to 82% of total investments in Lao by today.

- In addition, tourism creates a continuous chain of supply and demand to those who are involved directly and indirectly in the travel and tourism business. For example, hotels, Airlines, restaurants and entrepreneurs spend part of their sales revenue on purchasing on goods and services which are needed to further serve their tourist customers. Such purchases include food, beverages, fuel, equipment, and other related items. While, their suppliers will in turn purchase and demand for other products and services from other suppliers too. As a result of this continuous chain of demand and supply, more income and employment opportunities are created within the economy.

#### **Tourism's Economic Contribution to Individuals:**

Economic impact studies in travel and tourism are undertaken to determine the effects of specific activities in a given geographic area on the income, wealth and rate of employment in such areas' residents. The results should indicate the contribution of tourism activity to the economic well-being of residents of the area studied, usually in monetary terms (Wiley & Sons 1994).

The following discusses the benefits brought by the tourism industry to individual residents:

- Tourism creates employment opportunities. It has brought many benefits to the nations. Many jobs have been created as a result of the growing volume of incoming tourists into the countries. In addition, lots of new small tourism related businesses have been created as a result of the increasing types of tourism. Such services include handicrafts, souvenir shops, translation, and transportation services to tour guide services. The quality of life and living standards of those who are involved in travel and tourism industry has very much improved than before.

Many developing countries perceive tourism as a fast track to economic growth. They assume that tourism development requires less investment than other industries; and they believe tourism to be an effective means of creating job opportunities and increasing local income (Mingsarn Santikarn Kaosa-ard 1994).

- Tourism is an effective industry in creating employment opportunities as well as income to many nations especially, those living in less developed countries where tourism positively effects and are quite effective and significant. Such as in the African Countries including Ethiopia and Kenya. In such places, most of the locals have simple skills and have basic types of jobs such as farmers or fishermen and their becoming involved in such industry as
- Tourism would increase their personal income significantly. For example; the tourism in Costa Rica generates 140,000 jobs on annual basis.
- Tourism stimulates the movement of skilled labour which is part of the factors of production from their home countries to the host Countries to work in different parts of the tourism sector within the host country. For example, Dubai attracts many Indian

skilled labour who travel from India to work in Dubai hotels, restaurants, and hospitals at high income.

- Tourism generates large amount of revenue to real-estate owners. For example, the increase level of tourism has created demand for real estates, such as lands and buildings where large hotel and hospital establishments are built. This high demand has increased the prices of lands and generates more revenue to landlords and land speculators.

### **Building a Competitive Advantage through Tourism**

Tourism plays a major role in reducing poverty among nations. The United Nations World Tourism Organization has developed several programs to boost and promote tourism as an important tool for economic growth, and for attracting foreign direct investments into host countries as well as stimulating employment..

According to the Multilateral Investment Guarantee Agency's 2006 reports, the demand for tourism has increased among the World Bank Group member countries, so has the Multilateral Investment Guarantee Agency's technical assistance focused on attracting foreign direct investment (FDI) in the tourism sector.

The tourism industry is considered to be highly competitive as opposed to other industries that also generate revenues to nations such as; the oil and automobile industries. For this reason, developing countries need to think about what sets them apart from other potential destinations and focus on building a competitive edge that would differentiate them from other competitors in the same industry, such a strategy would make it easier for them to attract foreign direct investment into their respective countries.

Given the increased level of competition in the worldwide tourism industry among nations, the ability to compete relies heavily on the ability of each hosting nation to deliver a combination of a better travel quality experience at better prices to ensure satisfied customers (tourists).

### **Some Determinants of a competitive advantage in the tourism industry:**

- Availability of natural resources such as the sea, mountains and other natural landscape. For example, Turkey is situated along the Mediterranean sea as well as the black sea with natural waterfalls located in the northern and southern parts of Turkey.
- Availability of skilled labour such as tour guides, transportation drivers, hotel receptionists and travel consultants. Many countries have started attracting cheap skilled labour from India and Philippines so that they can compete with other countries in providing a lower cost of travel leisure facilities to the end users (tourists).
- Reduction in the government taxes of the host country. This would stimulate the incoming travel activities into the host country and would generate more sales revenue. For example, Jordan has reduced the government tax fees on hotel rooms from 10% to 8% per night. This has resulted in increasing the number of room's occupancy rates in the hotels that are located in Jordan and attracted more FDI into the country. Other countries, exempt international travellers from duty fees paid on purchases of products such as cloths that are below a certain limit. For example, Turkey has exempted its international visitors from the duty fees for each cloth purchased above 500 TL.

- Availability of archaeological, historic & religious sites that would differentiate each county from the other, e.g. The seven wonders of the worlds. For example, Jordan is well known for Petra, Egypt for the pyramids and France for Tour Eiffel. This will maximize the travel experience for those who are seeking the joy and the historic satisfaction visiting such places
- Upgrade of tourist facilities such as hotels, restaurants, museum, and hospitals to attract more tourists especially those with high purchasing power such as US, European, Japanese tourists. This would also stimulate internal tourism inside the country.
- Efficient Integration between facilities such as the travel agencies, hotels, business practices operating in the host country, to maximize the tourist experience and to achieve a better quality in traveling than those offered by other competing countries, for example, the availability of an efficient network of many different operations, from airport and transport facilities to restaurants and hotels to food suppliers and adventure sports providers, will form a diverse supply chain of travel related goods and services that would maximize the whole traveling experience for Tourists. Countries that compete over quality in the travel industry, such as USA, Canada, European countries and New Zealand have built a tourism industry that is characterized by its consistency, safety, reliability, efficiency and value for money when delivering a memorable experience.

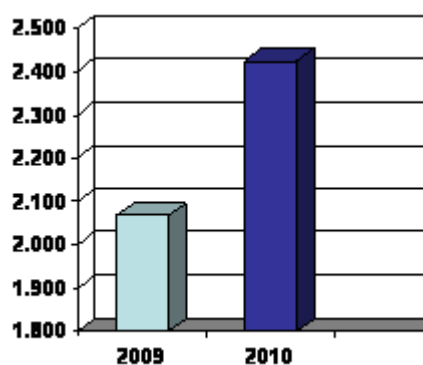
### Overview on the tourism industry in Jordan

Tourism is expected to be the fastest growing sector globally for the next two decades. In Jordan the tourism industry is considered as a main pillar of the Jordanian economy, according to the statistics offered by the Jordanian Ministry of Tourism, during year 2010, total arrivals of Tourists into Jordan grew by almost 20 per cent over 2009 to reach 4.6 million overnight visitors (8.2 million total arrivals including day visitors).

Visitors from the Americas grew by 12 per cent, Europe by 22.3 per cent, Asia-Pacific by 25.4 per cent, while Asia scored a 31.2 per cent increase during 2010 with total tourist receipts amounting to about 2.4 billion JD.(about \$3.6B )

For Jordan, tourism is a vital driver for its sustainable economic growth realizing 10% - 12% sustained annual growth. Being the largest export sector and a major employer, tourism is considered as the second fastest growing sector for Jordan.

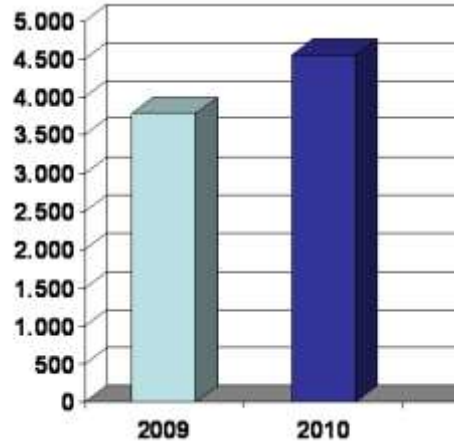
### Statistics – comparison 2009 vs 2010



Tourism revenues, year 2010 saw a 17 per cent growth in revenues compared to 2009; in 2010 revenues were JD2.423 billion, compared to JD2.067 billion in 2009.

**17 % growth in**

In 2010, the number of overnight visitors was 3,788,897 in 2009, on the other hand, the number of the same-day tourists increased by 12 per cent in 2010 to 3,690,113 compared year.



**revenues compared to 2009**

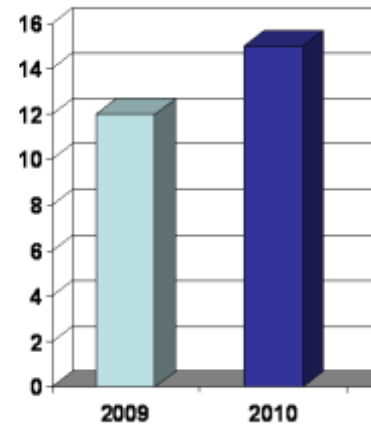
of overnight visitors was 3,788,897 in 2009, on the number of the same-day 12 per cent in 2010 to with 3,295,656 the previous

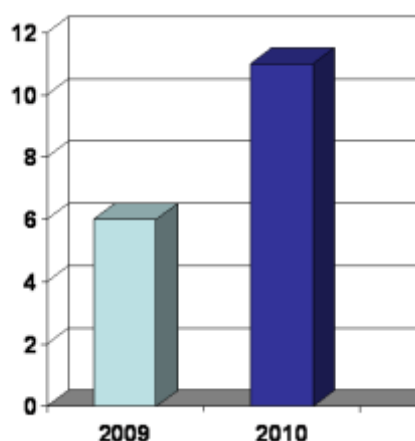
**20% growth in arrivals compared to 2009**

According to the Jordan Tourism Board (JTB) the reason for the increase in revenues and tourists number is due to the heavy and big promotion campaigns organized last year by the Board and the Ministry of Tourism all over the world.

Tourism in 2010, accounted for approximately 15 % of the country's GDP, while it accounted for 12% in 2009.

It is worth mentioning that more than 50,000 direct jobs in addition to 120,000 indirect jobs were created and offered as a contribution to the employment by tourism sector.





### **Contribution to the GDP**

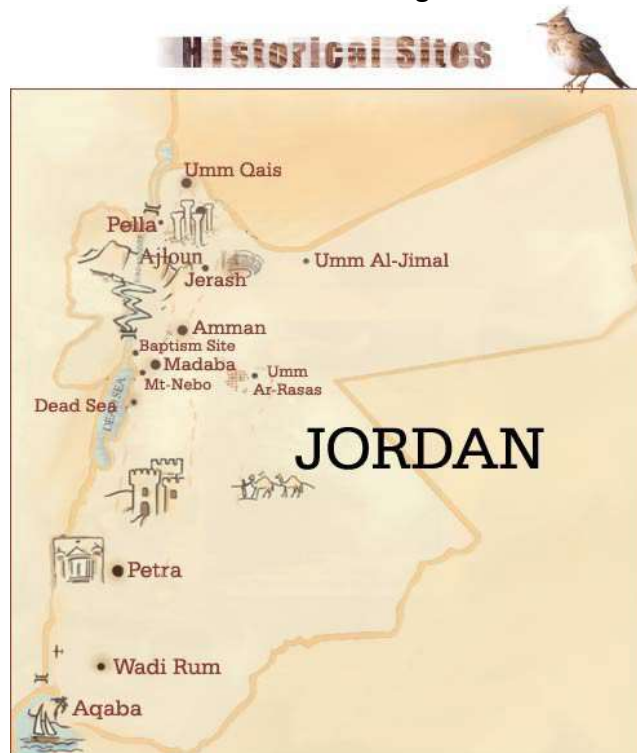
As the increased awareness of the Jordanian Government of the importance of the Tourism as a main element for the Jordanian's economy, it allocated 11 million JD as marketing budget for the

### **Tourism Resources in Jordan**

The importance of tourism to Jordan exists because of Jordan's strategic and unique location plus the cultural heritage centres that she owns, which make it a rich destination with a wide range of tourist attractions, although located within a small geographical area, it offers various interesting tourist sites and activities all over the year. Thanks to its pleasant climate and the splendid nature. It is worth mentioning that Jordan provides many types of tourism and not just the traditional ones.

### **An overview on the different aspects of tourism in Jordan:**

**Historical sites:** Jordan has many ancient sites like Petra, Ajloun & Kerak castles. Petra is a unique one of the 7 wonders of the World, which gives a comparative advantage to Jordan as it attracts most of the tourist coming to Jordan; according to the statistics of the Ministry of Tourism. Petra witnessed the highest number of overall visitors at about 962,784 in year 2010.



**Therapeutic Resources & natural locations:** these are composed of the Dead Sea, Maiin where waterfall and hot springs are found, Wadi Rum and Aqaba.

**Religious and cultural sites:** the number of Christian pilgrim-ants coming to Jordan is growing year after year; they come mainly to visit Jordan River, Mount Nebo, the Mosaic Map in Madaba and numerous medieval churches. In addition to ancient mosques and tombs visited by Muslims. These sites give Jordan comparative advantage over other countries as they are unique and special in the Christianity and in the Islamic religions.

**Health tourism:** this became very popular lately due to the excellent reputation of the Jordanian health services and doctors and its low costs as compared to other countries. This

puts Jordan to be number one in the region and 5<sup>th</sup> in the world as a medical tourism destination. Most of the patients coming to Jordan are Palestinians, Yemenis, Sudanese and Iraqi. Therefore, Jordan is becoming an emerging medical tourism destination in the region, with related revenues exceeding one billion dollars in 2007.

**Education tourism** is also very popular in Jordan due to Jordan's excellent education programs which are preferred by foreigners studying Arabic and for other students from different Arab countries studying different disciplines such as: engineering, economics, Liberal arts etc.

### **Tourism development plans, policies and investment in Jordan**

As the Jordanian government and officials are more and more aware of the importance of tourism to the Jordanian economy as a major source of income and employment, the Jordanian government is working tirelessly to benefit from the variety of tourism attractions existing in Jordan and to promote and market these attractions all over the world, accordingly, many governmental institutions were established to fulfil these goals in cooperation with the Ministry of Tourism, and the Jordan Tourism Board which has many offices in many countries all over the world with a mission to promote and market the Jordanian tourism to attract as many tourists as possible.

According to the Ministry of Tourism, tourism is the largest export sector for Jordan and it comes after the services sector as major employer of labour as well as the second highest earner of foreign exchange.

The following numbers show the importance of tourism to Jordan, in 2010, tourism contributed more than 3 billion USD to Jordan's economy and accounted for approximately 15 % of the country's GDP.

More than 50,000 jobs were created and offered as a direct employment by tourism sector. Despite the continuous efforts made to promote and market the various and rich tourist destinations in Jordan, there is still a big need to work more on both the marketing and promotion aspect as well as in the investment & development of various tourist destinations and sites.

In line with the plans and efforts of the Jordanian government to support and develop the tourism sector in Jordan, there is a royal support to this industry through the participation of the King and Queen in different international events and in marketing the image of Jordan and its tourist and unique destinations world-wide.

The Government of Jordan had assisted in creating many tourism agencies to promote Jordan worldwide and to organize trips to the various tourist destinations in Jordan, this had increased the jobs offered to Jordanians in the tourism sector in one hand, and on the other hand it also raised Jordan's competitiveness within the region, Jordan ranked in position NO. 53 out of 130 countries on the Travel and Tourism Competitive Index which was published in the Travel and Tourism Competitiveness Report, produced by the World Economic Forum. (2010)

### **The Jordan National Tourism Strategy**

The Jordan National Tourism Strategy 2010-2015 which was set by the Jordanian Ministry of Tourism, the Jordan Tourism Board and the private sectors working in tourism, is a real example on the intensive efforts made by the public & private sectors working in the tourism sector in Jordan to develop this sector through achieving the objectives listed below. The main reason for setting this strategy is to strengthen tourism marketing, develop human



resources, and support product development and competitiveness in the sector, by providing an effective institutional and regulatory framework for the sector.

It is worth mentioning that the Jordanian government decided to allocate 6% of the national tourism revenue to achieve these goals, especially, the ones related to enhancing the marketing & promotion campaigns and those related to creating more jobs in the industry.

**Strategies in view:**

- Develop an advanced tourism industry that is capable of maximizing the comparative and competitive advantages that exist in Jordan for having many unique tourist attractions.
- Improve the quality of facilities and services provided at tourist attractions through intensive investment to develop infrastructural facilities and superstructure services.
- Expand the collaboration between the private sector within a framework of mutual cooperation between the public and the private sectors.
- Increase the number of both local and foreign tourists visiting the Jordanian tourist sites through leading marketing & promotion campaigns in local, regional and international markets.
- Upgrade the tourism standards and services offered in Jordan to conform to the highest international criteria that are witnessed in the advanced Countries.
- Make Jordan a distinctive destination for tourists by providing diverse experiences through creation of more incentives and attractive packages to include more unique activities to ensure extension of tourists' length of stay in Jordan, increase the number of tourists coming to Jordan, and increasing the revenue intakes and tourism-supported jobs by strengthening and updating legislation, by-laws, regulations and human resources' development that are relevant to the sector.

**Development of Tourism in Jordan**

The development of the tourism industry in Jordan is crucial to benefit more and to generate more income for the Country, according to the report of the Ministry of Tourism there are many strength- points and opportunities that contributed to the fast growth of tourism sector in Jordan which could still further contribute to the development and stability of the sector, and its ability to generate more money by utilizing the comparative and competitive advantages that Jordan has.

Thanks to the diversity of the various tourism sites existing in Jordan, however, there are also a number of major problems that must be addressed, especially, those that are related to certain types of destinations such as archaeological and historical sites which are very important component in the group of tourist attractions in Jordanian tourism.

**SWOT Analysis of the tourism industry in Jordan**

**Major Strengths & Opportunities**

The rich variety of natural, historical and cultural tourist destination in Jordan that could satisfy the needs of different markets and tastes.

It has many important tourist sites like the worldwide famous Petra (UNESCO World Heritage Site since 1985, and one of New Seven Wonders of the World)

The distribution of these sites over a wide range of places including urban, rural and remote areas.

The small size of the land area of Jordan which enable the tourists to visit all the destinations in short period.

The availability of a good infrastructure and potential for growth in the industry.

The availability of well trained multi-lingual staff employed with guide companies, restaurants, international hotels, transportation, tourist transport, and car rental services.

The good climate of the Kingdom which make Jordan a good tourist destination in all the seasons around the year.

The friendly population who are known of their sense of hospitality.

The high level of security and safety compared to some other countries in the region.

The positive image for Jordan world wide, and the fact that the Royal Family of Jordan is well known all over the world and it has its wide range of international participation to promote and market Jordan in international events.

**Major Weaknesses & Threats**

Jordan is found to be very expensive by tourists as compared to other countries in the region.

The Socio- political instability in the neighbouring countries (e.g. Egypt & Syria) is affecting the tourism industry in Jordan negatively.

A large number of Jordanians are not aware of the importance of tourism for their country and their economy and thus are not as supportive of the industry as they should.

The lack of inclusion of Jordan within tour operators' catalogues; it has been treated as an extension of neighbouring countries (e.g. Israel and Egypt) regarding tour packages and trades.

Many sites lack adequate facilities of World standard.

Despite the efforts of the ministry of tourism and the Jordanian Tourism Board in organizing marketing campaign, more promotion is still needed and there is the need to enter new markets as Asia and Africa...etc.

Although it is appreciated that the JTB is focusing on the US & EU markets but they are neglecting both the African & Asian markets, more efforts should be addressed to these markets to increase the number of tourists from these Countries.

Domestic tourism is very expensive for Jordanian especially, that most of them have low income.

The weak organizational structure for many frameworks involved in tourism development due to lack of adequate funding.

Problems in training staff and employees, especially when it comes to some services and sustainability of resources.

<p>Tourism is considered as the second source of foreign currencies inflow to Jordan.</p>	
---	--

Tourism is a major source of revenues and the national balance of Payments for Jordan.

As tourism is a major source for employment with 50,000 jobs created in various fields within this sector which accordingly makes it a good source of income for different segments in the society.

### **The current situation in the Arab region and its consequences on tourism in Jordan**

The unstable situations in the neighboring countries in the region have significantly affected the tourism industry in Jordan negatively, these crises basically scare tourist away, it is observed that about 40% hotel bookings and reservations mostly from Europeans planning to come to Jordan eventually cancel their reservations as from April 2011 till present.

Consequently, Jordan's losses due to these cancellation amounts to about 25% of its normal income from tourism (which is estimated to be about 3 billion USD per annum), according to an official of the Jordanian Tourism Board, Jordan is losing about 70 million USD per month after foreign visitors and tour operators cancelled holidays as a result of the protests in the region. (Especially Syria)

Jordan could combat this problem through organization of promotion and marketing campaigns that focuses on the safety and security that Jordan enjoys and reputed for, and through its position to be promoted as a stand-alone tourist destination, rather than being marketed as part of joint packages with the neighboring countries, so as to limit the impact of the regional unrest on the country's tourism sector, especially, that Jordan has various rich diverse destinations that could satisfy different tastes among tourists.

### **Conclusion:**

There are serious efforts in the works in collaboration with the private sector in Jordan to promote and develop tourism in the Country; these efforts were translated through the foundation of the National Tourism Strategy aiming to double tourism revenues and increase tourism-related jobs as well as to placing Jordan as a boutique destination for high-end tourists world-wide.

The strategy and plans that Jordan follows were drawn after a careful study of the international trends in the tourism industry in various markets, and they stress the importance of including the niche positioning of Jordan and utilizing the IT to reach targeted markets and increase the number of tourists aiming at the end to build a solid image for Jordan and market Jordan as an important tourist destination. Despite few glitches already articulated in this paper, these are still positive times for tourism in Jordan, with steady growth and major projects in the pipeline.

With the troubled situation in many countries in the region Jordan has to focus more on niche marketing and to be promoted as a stand-alone Country of peace. The sector needs to make improvements in infrastructural development and in marketing, but overall the industry has been improving for the past several years. The JTB (Jordanian Tourism Board) also put in its plan for 2011-2015 to explore new markets including China, Japan and Brazil to build on the

successes of the past few years, in the aim to increase the number of tourists and to establish Jordan as an all-year round tourism destination.

As discussed above, the tourism industry has given many reasons to countries especially the developing ones to promote tourism to maintain and improve their GDP levels and balance of trade, diversify their sources of revenue, offset losses attributable to other sectors, attracts Foreign Direct investments to themselves, and stimulates their economic growth.

However, the tourism industry faces many challenges such as the challenges of managing and sustaining its growth and development so that, the host countries would maximize the benefits from such industries another challenge for tourism is related to its impact on the social and natural environment of the host Countries. For example, Construction of recreational facilities such as hotels, game parks etc. will expose the natural land terrain to negative factors such as the depletion of the natural forests that are replaced by large establishments like resorts and so on Another example is related to the pollution of water and Climatic environment as more construction activities take over the water space on earth. One of the biggest challenges facing the tourism industry is the difficulties in evaluating the direct economic benefits of tourism, especially by the developing countries. This is due to the fact that the tourism industry is not a standalone industry meaning that, it's an industry of a combination of a group of activities actionable by many firms e.g. hotel services, air travel, guided tours, transportation and other hospitable services.

Therefore, the inherent nature of the sector makes it difficult to fall under one category where spending and earnings are recorded into the national accounts systems for GDP purposes.(A computation and summation of the value of economic goods and activities produced within a given fiscal year in a Country).Hence, a lot of developing Countries like Jordan really do not have accurate data on the actual contribution of the tourism sector to their economies. This regrettable fact is actually a disservice to the macro economy of these Countries and also unfair to the massive tourism industry. In a related point, In advance countries like Canada for example wherein data management is better, research has suggested that 25% of revenue derived from tourism are ploughed back into non-tourism sectors (Meis, 1999). This underscores the importance of the sector as a viable alternative source of revenue, when properly managed.

The World Travel and Tourism Council encouraged many countries to use a new system called "Tourism Satellite Accounts" that captures the contributions from tourism in an economy. The reports provided by WTTC provided a useful data that evaluate the role of the tourism industry and provide ground work for countries to work on improvement and development in this industry. Countries such as USA and Canada, who attract the largest number of tourists from many different countries, started using this system and continue to do better in revenue enhancement through tourism. It is highly hope that, developing Countries like Jordan will see value is such high tech investment in the Tourism sector and follow suit

**References:**

- Carl Bonham, Edwin Fujii, Eric IM and James Mark, (1992). The impact of the hotel room tax: an interrupted time series approach. The National Tax Journal, Vol. 45, no. 4, pp. 433-41.
- Dimitrios Kyrkilis, TaxiarchisDelis & Pantelis Pantelidis (2006) Foreign direct investment and the tourism industry. The case of China.
- Retrieved November 2013.

- <http://idec.gr/iier/new/3rd%20Panhellenic%20Conference/KYRKILIS-DELIS-PANTELIDIS-FDI%20AND%20THE%20TOURISM%20INDUSTRY-%20THE%20CASE%20OF%20CHINA.pdf>
- FDI in Tourism: The Development Dimension (2007) United Nation Conference on Trade and Conference, New York, Geneva, 2007, retrieved November 2013  
[http://unctad.org/en/Docs/iteiia20075\\_en.pdf](http://unctad.org/en/Docs/iteiia20075_en.pdf)
- Hanagriff, Roger & Lau, Michael H. (2009) Can a State Funded Rural Economic Development Program Positively Impact the State's Economy? A Case Study Application using Texas Department of Agriculture's Rural Tourism Economic Development Program, paper presented in Southern Agricultural Economics Association Annual Meeting, Atlanta, Georgia, January 31-February 3, 2009  
<http://ageconsearch.umn.edu/bitstream/46827/2/Final%20-%20SAEA%20Tourism%20Paper%20-%20Hanagriff.pdf>
- Hanagriff, R., Beverly, M. and Lau, M. Can a State Funded Rural Economic Development Program Positively Impact the State's Economy? A Case Study Application Texas Department of Agriculture's Rural Tourism Economic Development Program. The Business Review, Cambridge, Volume 12, Number 2, (May 2009): 72-77
- Hanagriff, R., M. Lau and L. Pierce. (2006). Assessment of the Texas Yes! Hometown Stars Program in Increasing Tourism Growth to Rural Communities in Texas. Proceedings of the 6th Annual Hawaii International Conference on Business. (May 25-28, 2006)
- Hokey Min, Hyesung Min, Seong Jong Joo and Jounghman Kim, (2009). Evaluating the financial performances of Korean luxury hotels using data envelopment analysis. The Service Industries Journal. Volume 29, Issue 6, Pages 835 – 845
- Isabel Cortés-Jiménez, Tourism and economic growth at regional level: the cases of Spain and Italy, Department of 'Econometria, University of Barcelona.  
<http://www.alde.es/encuentros/anteriores/ixeea/trabajos/c/pdf/cortes.pdf>
- Ivanov, S., C. Webster (2006) Measuring the impact of tourism on economic growth. Proceedings of GEOTOUR 2006 Conference, 7-8 October 2006, Kosice, Slovakia, pp. 21-30.  
Available online at:  
[http://www.kgptour.tuke.sk/conferences\\_soubory/pdf%207%202%2007/2\\_2\\_Ivanov,Webster%204.pdf](http://www.kgptour.tuke.sk/conferences_soubory/pdf%207%202%2007/2_2_Ivanov,Webster%204.pdf)
- John Brohman, (1996) New directions for Tourism development in third world. Annals of Tourism Research, Vol. 23, No. 1, pp. 48-70.  
<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.330.6563&rep=rep1&type=pdf>
- J.R. Brent Ritchie & Charles R. Goeldner, (Editors 1994) Assessing the economic impacts of travel and tourism, Chapter 32, Travel, Tourism and Hospitality Research: A Handbook for Managers and Researchers, 2<sup>nd</sup> edition, John Wiley & Sons, New York, 1994  
<http://home.gwu.edu/~frechtli/material/Book2-7DCF%20TourBeneChap32%2094.pdf>
- Martha Matifadza Nyazema, (2010) Can sustainable tourism development be an important contributor for the success of broad-based black economic empowerment (BBBEE) in South Africa? Dissertation University of Stellenbosch Business School Cape Town South Africa (2010)  
<http://www.edamba.eu/userfiles/file/Nyazema%20%20Martha%20-%20edamba.pdf>
- Peter Feuilherade, Feb. 2011. Tourism in Jordan Hit by Fall-out from Egypt Turmoil Retrieved December 2013 <https://suite.io/peter-feuilherade/53td2gt>

Promsopa Aswin (2011) Tourism Industry in Southeast Asia paper presented in the 12th Malaysia Indonesia in International Conference on Economics, Management and Accounting 2011MIICEMA retrieved on Jan 2014 , the theme of the conference - Borderless Economy: Opportunities and Challenges for Businesses in Southeast Asia <http://repository.unib.ac.id/6731/1/P%20FERI.pdf>

Singh Prakash, (2008) Sustainable Tourism and Economic development: A case study of Agra and Varanasi, Paper presented in Conference on Tourism in India Challenges Ahead, Indian Institute of Management Kozhikode <http://dspace.iimk.ac.in/bitstream/2259/545/1/114-121+Dr.+Prakash+Singh.pdf>

Targeting and Generating Investment Opportunities : Tanzania Attracting Investment in Tourism, The Multilateral Investment Guarantee Agency- MIGA in 2006. Retrieved March 2013 <https://www.wbginvestmentclimate.org/toolkits/investment-generation-toolkit/upload/Tanzania.pdf>