

Tourism Liberalisation: Challenges for Tourism Development in Egypt

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Abstract : Trade in services is becoming a driving force of many economies. Tourism plays a leading role in this growth. Since the mid-1990s, an interest has arisen in service liberalisation. This liberalisation which include tourism sector has not manifested itself so much at the multilateral level, as at the regional and sub-regional levels. This paper examines the various approaches to the liberalisation of trade in services and its implication for the tourism industry and how the process of liberalisation open up new prospects for the tourism in Egypt. The results reveal that the expected Egyptian tourism development will need an effective tourism policy adopted by the government at both the macro and micro levels.

Key words: Liberalisation, Service Industry, Tourism, Regional Arrangements, GATS, Developing Countries, Tourism Suppliers (Tour Operator, Travel Agencies, Hotels, etc)

Introduction

Economic activity is becoming more globalised. Globalisation is always regarded as the product of the liberalisation that has been the hallmark of economic policy throughout the world during the past two decades. It has also set in motion forces working to accelerate liberalisation (peter, 1992).

One of the distinguishing features of trade at the end of the 20th century and the emergence of the new millennium is the expansion of regional trade agreements and multilateral agreements. The internationalisation of services is at the very core of today's economic globalisation. Tourism is not only the dominant service in world trade, it has also become one of the most important industries in the world and its economic impacts are vital for many countries. According to Fayed and Fletcher (2002) the tourism industry has long supported the idea of services agreements and has become a major force of the globalisation of international trade, particularly in services.

However, the expansion of globalisation and the tendency toward

regionalism and multilateralism that have dominated the world trading environment in recent years causes great concern and difficulties to developing countries like Egypt whose economic growth largely depends on a favourable international trading environment. The authorities in Egypt strongly favour trade liberalisation through the multilateral framework. Moreover, Egypt has begun to open its market on a preferential basis, through regional and bilateral free-trade agreements.

The purpose of this research is, through analysis, to gain insight into the impacts of liberalisation brought about by the regional, sub-regional and multilateral agreements on tourism development in Egypt and to explore stakeholders' perceptions of tourism liberalisation. This is done through analysis of the terms, codes and practice of the regional, sub-regional and multilateral agreements and their implications for the tourism sector. This examination is going to enhance understanding of how these agreements are to work and how it may help the Egyptian government exploit the system to their own advantage.

Meanwhile, the research aims to evaluate the potential impacts of the different agreements on tourism development in Egypt, and to develop policy options that embrace and reflect all the major relevant concepts of tourism liberalisation.

Methodological Approach

Given the nature of this study, the methodology used will be based largely on quantitative data and complemented by some qualitative analysis. The quantitative data is statistical in nature, which includes designing a comprehensive questionnaire. Qualitative approaches include semi-structured interviews, observations and policy review with key players from the public and private sector. A sample of 250 members has been selected randomly from the tourism authority, tourism private enterprises and tourism experts in Egypt.

Three independent variables are used in this study as factors that influence the perceptions of respondents towards tourism liberalisation. These are the government, private enterprises and tourism experts. The results from the qualitative methods and the pilot study helped design the questionnaire. The questionnaire was implemented in a face-to-face manner in order to ensure a higher response rate and give the chance to the researcher to prompt when required. The returned valid questionnaires were analysed by descriptive statistics (frequency, mean, standard deviation, t-test and ANOVA) and factor analysis.

Contribution of Services to Economic Development

Service industries provide links between geographically dispersed economic activities and, in so doing, play a fundamental role in the growing interdependence of markets and production activities across and between nations. Moreover, many services that were considered to be non-tradable only a few years ago are now seen as traded activity because advances in information technology has expanded the boundaries of tradability. Information technology has transformed service industries to the point where the development of services is regarded not as a consequence of, but as a precondition for economic growth (Braga, 1999).

The World Bank (1999) suggests that services have been the most dynamic component of the world economy over the past two decades. It is a core economic activity in virtually all countries, developing and developed alike. In the 1970s such trade grew more slowly than manufacturing trade but during the 1990s and the new millennium commercial services trade increased more rapidly. The WTO (2003) has confirmed this growth trend by stating that international trade in services grew significantly faster than merchandise trade. While trade in merchandise increased by 6 per cent per annum, services trade expanded at an annual rate of 8.5 per cent between 1980 and 1995. Furthermore, the IMF (2004), have pointed to the overall significance of world trade in commercial services which, measured on a balance of payments basis, accounted for around one-fifth of world exports of goods and services.

The transportation and travel business accounted for more than 50 per cent of exports of commercial services in 1997. The share of transportation and travel business in world trade in services in 2003 was about 28.9 and 36.2 per cent respectively, which indicates the increasing importance of tourism in international trade (WTO, 2003a).

Importance of International Tourism in International Trade

It is important to realise that international tourism is a major force for the globalisation of international trade-particularly in services (Fletcher et al., 1999). The significance of tourism as a source of income and employment and as a major factor in the balance of payments for many countries has been attracting increasing attention. Governments, private sector entities, regional and local authorities, and others with an interest in international trade and economic development have recognised the role to be played by tourism. If the barriers to worldwide travel were eliminated or reduced substantially,

international trade in tourism services is likely to increase dramatically.

Tourism has become one of the most important industries in the world and its economic impacts are vital for many countries. It ranks in the top five export categories for 83 % of countries. This acclaim extends over a wide range of economies throughout Europe, the Middle East and the Americas. Tourism is also the leading source of foreign exchange for at least one in three developing countries (UNCTAD, 2003).

In order to outline the significance of the tourism industry, the World Bank (2003) noted that in 2002, tourism receipts accounted for 8.4 % of worldwide exports and international tourism expenditures accounted for 8.3 % of worldwide imports. In 2003, tourism's share in world trade increased still further with international tourism receipts accounting for 9.4 % of world exports, indicating that tourism is growing faster than other activities.

International trade in tourism services provides employment for over one hundred million people world-wide, and WTO predicts that by the year 2006, the growth of tourism related jobs will outstrip the growth of employment in traditional industries by as much as 59 %. The dynamism of tourism is expected to continue outpacing other industries in terms of economic growth and the effect is cumulative as it is being driven by and driving globalisation. The effects of economic expansion in developing countries and countries in transition, structural and demographic change in developed countries and, more recently, liberalisation brought about by GATS have only served to underline this trend (WTO, 1997b).

Tourism Industry In Egypt

Egypt is a storehouse of history, as it possesses unique cultural and archaeological patrimony and remnants of the oldest civilisation known in history, dating back more than 6000 years. Since 1986, when the economic liberalisation policy of the Egyptian government manifested itself in private enterprise encouragement, tourism has started to achieve steady progress ratios, with tourist development projects becoming highly valued by various segments of the population. The government's recognition of the role of tourism in the national economy became a vital force in the enhancement of tourism. For example, since the 1980s the government started to change investment laws (replacement of law no.34 of 1974 with law no.230 of 1989 on investments) to encourage tourism investment, both foreign and local. The new investment measures represented a longer tax holiday for projects in remote areas (10 years) as well as allowing full foreign investments in the tourism sector instead of restricting such foreign investment to 49 % of invested capital (WTO, 2004).

Egypt was set to continue this phenomenal growth and it looked likely that the number of arrivals would reach 9 million in 2006. Tourism numbers registered the best performance in 1999 with 4.4 million tourists. With respect to receipts, it also increased to reach US\$ 3.8 billion. More recently, in 2000, tourist arrivals jumped to 5.5 million tourists (25% over year 1999), spent 33 million nights with an average length of stay 7 nights. Tourism receipts also increased by 38% over 1999. In 2003, tourism arrivals reached 6.4 millions (16.5% over year 2002), spent 42 million nights. Tourism receipts have also increased by 22% over 2002 (WTO, 2003b).

Liberalising Trade in Services

Braga (1999) argues that liberalising the import regime for services is central to achieving increased efficiency and competitiveness in the provision of services. It allows businesses to import services that are not produced domestically or that are not available at a price and quality required for competitiveness. Liberalisation also fosters efficiency by increasing competitive pressure on domestic producers of services.

UNCTAD (1998a) suggests that liberalisation of international service transactions poses considerable challenges which are quite different from those in the area of goods. The fact that barriers to trade in services are present in national economies in the form of legislation and administrative practices and not found at the border, make them less transparent than tariffs and quotas, and more difficult to assess their restrictive impact. Moreover, there is not always a clear line between a measure affecting trade in services and a barrier affecting trade in services. What one government may feel is a necessary regulatory measure, applied in a non-discriminatory manner, may in fact constitute a *de facto* trade barrier to a foreign service supplier. It is clear, however, that all-regulatory measures that are applied to foreign service providers in a discriminatory manner constitute barriers to trade.

However, since the mid-1990s an interest has arisen in service liberalisation on both of developing and developed countries. This liberalisation has not manifested itself so much at the multilateral level, as at the national and sub-regional levels. Several countries, particularly in Latin America, have moved to privatise their service sectors and to open up the market for the foreign competition.

The tourism sector has been covered by almost the sub-regional, regional and multilateral agreements. In fact the rapid growth of tourism is, to some extent, the product of liberalisation that has been the hallmark of economic policy through out the world. The process of liberalisation of international trade in services at the regional and multilateral levels opens up

new prospects for the tourism sector. The new set of international regulations, together with the elimination of trade barriers, should allow the tourism sector to expand and be developed (Callaghan, 1994).

Services in Regional Trade Agreements

European Union

Hoekman and Sauve (1997) suggest that the European Community is unique among the other regional agreements in that it goes way beyond inter-governmental co-operation. The EC has its own prerogatives and resources and that binding decisions on certain issues are taken on the basis of a majority vote. A major objective of the Treaty of Rome, which established the European Economic Community, was the realisation of the four freedoms of free internal movement of goods, services, labour, and capital, including the right of establishment. In principle, the freedom to provide services applies to all services, with the exception of transport services.

Although EC Members States succeeded in cutting tariffs and removing restrictions affecting trade in goods, little progress had been made in effectively liberalising intra-EC trade and investment in services. The principles of the Treaty of Rome proved to be insufficient to lead to a significant increase in the openness of many EC service markets.

The EC-1992 programme clearly has far-reaching potential in terms of liberalising intra-EC service markets. At the same time, the EC experience illustrates how difficult it can be for countries to liberalise access to service markets in a co-operative manner. The EU represents the most far-reaching agreement on tourism sector; it goes much beyond GATS in that its goal is economic union. Thus, not only are there in principle no restrictions on intra-European Community movements of tourists, but tourism suppliers of member states (tour operators, hotels, etc) have the right to establish themselves in any community country. It is worth noting here that the EU (15 countries) signed the GATS agreement as one signatory (Hoekman, 1999).

The North American Free Trade Agreement (NAFTA)

Snape and Bosworth (1996) point out that the North American Free Trade Agreement (NAFTA) was completed on August 12, 1992 and entered into force on January 1, 1994. The Member States of NAFTA are U.S.A, Canada and Mexico. Marking a significant departure in economic relation between developed and developing countries.

NAFTA is the most comprehensive package of services trade liberalisa-

tion achieved in an inter-governmental trade agreement to date. Negotiators in NAFTA opted to treat services in as generic and integrated a way as possible. The service sector in the Agreement covers all services, a negative list was adopted: all services are covered unless specifically exempted. Most air and maritime services are so exempted.

The basic principles of NAFTA are transparency, Most Favoured Nation (MFN), and National treatment, they are general obligations applied to all services. NAFTA provides exemptions of existing measures from MFN as well as from national treatment for both cross-border trade and investment. Tourism is a good example of a sector whose treatment was both significantly broadened and deepened by the NAFTA. In addition to the right of establishment and the movement of tourists, NAFTA aimed to fully liberalise the cross-border provision of air services within the three countries over a six-year period. This without doubt would benefit the travel and tourism industry in the region (Ferndez, 1997).

The Australia-New Zealand Closer Economic Relations Trade Agreement (CER)

Australia and New Zealand negotiated a trade agreement during the mid-1960s which entered into force on January 1966. The structure of the Agreement was similar to that of other trade agreements negotiated during this period. The bilateral pact of the agreement was superseded by the Closer Economic Relation Trade Agreement (CER) 1983. In contrast to the earlier agreement, the main objective of the CER was substantial trade liberalisation.

The EU (1998) states that the CER agreement was re-negotiated in 1988, at which time it was agreed to include a Protocol on services. The goal of the Protocol on services was establish a framework of transparent rules, liberalise barriers to trade in services and facilitate competition in the provision of services. As in NAFTA a negative list approach was followed to determine the coverage of the agreement. The Agreement excluded basic telecommunications, broadcasting, air transport, maritime transport and postal services.

The CER agreement did not achieve much for tourism sector. The Agreement does not cover investment nor does it encompass the right of establishment, as such providing a practical illustration of a regional arrangement that does not cover all possible modes of supply. However, it is worth noting that, in contrast to the NAFTA, the CER form a common labour market. Nationals from one country are free to seek employment in the other. This will benefit the tourism sector, as tourism is a labour intensive industry.

Asia Pacific Economic Co-operation (APEC)

Although the Asia Pacific Economic Co-operation (APEC) was established in 1989 and has been working on issues of trade liberalisation since 1990, the APEC economies did not turn their attention to the area of service liberalisation for several years. APEC's membership presently includes a total of 20 very diverse economies, 15 of which are developing countries, and among the latter, seven of the nine ASEAN members.

In 1994, the APEC economies agreed in the Bogor Declaration to achieve free trade in the region, including for goods, services, and capital, by no later than 2020 (2010 for developed countries). All services are covered by the commitments to reduce restrictions progressively on market access and to provide progressively for MFN and national treatment. Moreover, members are to contribute positively to the GATS negotiations by expanding their sectoral commitments on market access and national treatment and by eliminating MFN exemptions. The agenda of the Agreement singles out four service sectors where negotiations on trade facilitation measures have existed for some time: telecommunications, energy, transportation, and tourism. These sectoral negotiations are looking mainly at harmonising regulations and administrative procedures and at improving transparency (UNCTAD, 1999).

The APEC approach towards liberalisation of tourism is quite distinct from that of a traditional trade negotiation. The viability of APEC's approach to liberalisation through the dual action plans depends upon the good faith of countries to voluntarily open their markets, in the absence of reciprocally negotiated concessions or commitments.

In the absence of a structure and an agenda for negotiations, tourism industry remains a closed one among the APEC members. On the other hand the APEC members achieved remarkable progress in liberalising the movement of tourists among the member states and also between the member countries and other parts of the world.

Services and Sub-regional Agreement

ASEAN and ASEAN Free Trade Area (AFTA)

Stephenson (1999) states that the ASEAN Declaration of 1967 did not commit member countries to regional economic integration. However, this aspect of ASEAN was added at the Fourth ASEAN Summit of 1992 in Singapore, when member governments decided to liberalise intra-regional trade through the establishment of an ASEAN Free Trade Area (AFTA). The process was accelerated by governments in 1994, and again at the Bangkok Summit of December 1995.

A decision was made by ASEAN Economic Ministers in 1994 to include services in the grouping's liberalisation effort. The approach of ASEAN to service liberalisation in the Framework Agreement has been patterned on that of the GATS, with liberalisation to be undertaken on a gradual basis through rounds of commitments negotiated bilaterally or trilaterally, and extended to other members within ASEAN on an MFN basis. The Framework agreement on Services covers four sectors, namely maritime transport, telecommunication, tourism, and business services. Most of ASEAN members made commitments in all four sectors, though the nature of these commitments is not yet known since the schedules have not been officially approved by governments and made public.

MERCOSU Protocol on Services

Hoekman (1999) states that MERCOSUR members proceeded to further deepen their regional integration efforts through including trade in services within their scope of liberalisation. For this purpose an Ad Hoc group on Services was established in August 1995 and was given the mandate to carry out work for the drafting of a protocol on Trade in Services. This Protocol was signed by the MERCOSUR Common Market Council on 15 December 1997 as the Protocol Montevideo on Trade in Services for MERCOSUR.

The MERCOSUR Protocol contains many articles which are very similar to those of the GATS, including those on MFN treatment, market access and national treatment. Detailed articles on transparency, confidential information, domestic regulation, recognition and exceptions. Members of MERCOSUR have agreed in principle to go far beyond the scope of liberalisation of tourism sector at the multilateral level, much along the lines of the EU in terms of the right of establishment, the movement of tourists freely among the members, and the employment.

Services in Multilateral Agreements

General Agreement on Trade in Services (GATS)

One of the major results of the Uruguay Round was the creation of the General Agreement on Trade in Services (GATS). According to the GATT (1994), the GATS is the first multilateral legally enforceable agreement to cover international trade and investment in services, it establishes rules and disciplines on policies affecting access to service markets. GATS obligations arise from negotiations, rather than flowing directly and automatically from adherence to the framework Agreement itself. The end result of these negotiations appears in the schedule of specific commitments of each member. A country cannot become a member of GATS without having

accepted at least some specific commitments that, once undertaken, are conditioned by the basic principles to assure effective market access. There are disciplines on market access, national treatment, and various regulatory matters that have to be respected by members.

Scope of GATS

According to the EU (1996), GATS has an extremely wide scope of application. It applies to measures imposed by a member to the agreement that affect the consumption of services originating in other members. The WTO (1995) states that no sector has been excluded from the coverage of GATS, the disciplines of which apply to all services, both present and future, with the exception of the air transport sector, most of which is excluded from the coverage. Apart from this, the only services excluded from the coverage of the Agreement are those supplied "in the exercise of governmental authority".

Sauve (1995) states that paragraph 2 of Article I defines trade in services by listing four ways in which a service can be supplied. The four modes of supply are defined on the basis of the origin of the service supplier and consumer, and the degree and type of territorial presence that they have at the moment the service is delivered. These modes are:

Cross-border: where the trade takes place from the territory of one member into that of another. Only the service itself crosses the border, without the movement of persons, such as information and advice passing by means of fax or electronic mail, or cargo transportation.

Consumption abroad: this relates to services consumed by nationals of a member, in the territory of another member where the service is supplied. Essentially, the service is supplied to the consumer outside the territory of the member where the consumer resides. This is typical of tourism, and also where the property of the consumer crosses the border to be serviced abroad, such as when ships go for repairs in another country.

Commercial Presence: where the service supplier crosses the border to have a 'commercial presence' abroad through which the service is provided. This presence can take the form of any type of business or professional establishment, including incorporation, branches, representative offices, joint venture, and so on.

Presence of natural person: this mode applies to natural persons only, when they stay temporarily in the market, for the purpose of supplying services, for example the self-employed, and employees of service suppliers.

GATS and Tourism

Instead of "tourism services" the GATS classification introduces the term "Tourism and Travel Related Services". The WTO (1998) argues that Tourism and Travel Related Services (TTRS), category 9 of the Services Sectoral Classification List of GATS, is distinctly limited in scope. The category is divided into four sub-sectors as follows:

- Hotels and restaurants (including catering);
- Travel agencies and tour operators services;
- Tourist guides services; and
- Other.

Findings and Discussions

Perceptions and Potential Impacts of Tourism Liberalisation in Egypt

Globalisation, liberalisation and new information technology are providing new opportunities for trade in services in general and international trade in tourism in particular. However, these opportunities will only materialise if the constraints facing Egypt in building domestic service capacity and improving the competitiveness of tourism services are dealt with effectively. Therefore, to gain an overall indication of community perceptions of tourism liberalisation, attitudes were examined through a series of statements divided into three sections:

- The concept of tourism liberalisation;
- The benefits and cost of liberalisation; and
- Constraints facing tourism liberalisation.

Liberalisation of Tourism Policy in Egypt

An examination of the data revealed generally positive views towards liberalisation. The three groups (government, tourism experts, and tourism private enterprises) favoured tourism liberalisation (Mean = 1.84). Respondents were asked to indicate if they agree that tourism trade to Egypt needs to be liberalised and all trade barriers need to be removed. The results revealed that 47.5% of the respondents agreed followed by 34.3% strongly agreed. On the other hand, none of the respondents disagreed or strongly disagreed (see figure 1).

As a result, this very high percentage of respondents who agreed and strongly agreed (81.8%) suggests that tourism trade to Egypt is not fully liberalised yet and needs to be more liberalised and trade barriers need to be removed in order to enhance tourism development in Egypt. Cross-tabulation

across the three main groups did not show any significant differences (Anova analyses showed no significant differences among the three groups).

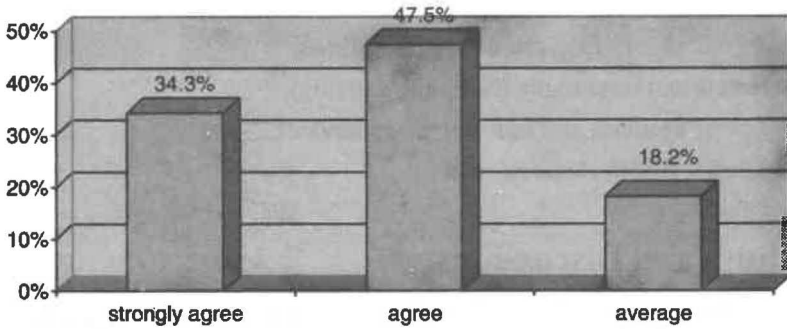


Figure 1: Liberalisation of Tourism Policy

Benefits and cost of liberalisation

To identify the benefits and costs of tourism liberalisation, respondents were given a prompt list and asked to arrange them in order of importance. The results showed generally positive views about the impacts of liberalisation.

| Factor | 1* | 2 | 3 | 4 | 5* | Mean |
|---|----|----|----|----|----|------|
| | % | % | % | % | % | |
| Tourism liberalisation is source of competitive strength | 32 | 52 | 16 | - | - | 1.48 |
| Tourism liberalisation increase foreign investment | 18 | 56 | 19 | 5 | - | 1.69 |
| Tourism liberalisation brings higher wages | 22 | 54 | 15 | 9 | - | 1.86 |
| Tourism liberalisation enhance quality | 43 | 28 | 29 | - | - | 1.89 |
| Tourism liberalisation is a source of technology transfer | 38 | 44 | 18 | - | - | 1.51 |
| Tourism liberalisation is a stimulus to efficiency | 34 | 52 | 14 | - | - | 1.42 |
| Tourism liberalisation affect negatively national sovereignty | 12 | 56 | 8 | 10 | 12 | 2.4 |
| Tourism liberalisation affect negatively local investment | - | 36 | 4 | 35 | 15 | 3.4 |
| Tourism liberalisation affect negatively the environment | 6 | 32 | 4 | 34 | 24 | 3.5 |
| Tourism liberalisation cause leakage | 23 | 37 | 15 | 20 | 5 | 2.82 |
| Tourism liberalisation affect negatively customer health and safety | - | 24 | 26 | 32 | 18 | 3.61 |

1*= strongly agree, 5*= strongly disagree

Moreover, the results showed that liberalisation could benefit the tourism sector in Egypt in two different ways:

- first, it is a major source of technology transfer and managerial skills in the sector (82% agreed and strongly agreed). This contributes to rising prosperity in the country as well as enhancing demand for higher value-added exports.
- second, foreign investment brings higher wages (76%)

74% of the respondents also indicated that liberalisation will reduce restrictions on foreign investment and the transfer of funds, which will bring new investors into the market and fuel new projects and that, in turn, will contribute to the development of tourism.

Quality was also mentioned by respondents as being one of the important results of tourism liberalisation (71%), competition will enhance quality, which is increasingly demanded by international tourists. Interviews with respondents indicated that enhancing the quality of the tourism product is also a way to improve its quality/price ratio. Moreover, improving the quality of tourism services in Egypt was identified as a source of further growth in the sector in the country, enhancing its chances of achieving economic and environmental sustainability.

On the other hand, respondents indicated that there are concerns about the way in which market openness may affect national sovereignty (68% agreed that liberalisation might affect national sovereignty). More particularly, there are concerns that increasing trade and investment flows, and multilateral rules for trade and investment, may erode the capacity of governments to exercise national "regulatory" sovereignty. That is, to decide the appropriate policies and regulatory approaches for their own country or region, on issues such as environmental protection or consumer health and safety, as well as on trade and investment matters. There is also a perception that multilateral agreements encourage or even require such regulatory standards to be reduced, eliminated or harmonised.

Anova analysis showed that there are significant differences among the three groups' concerns. The attitude of the government group towards the national sovereignty and liberalisation were significantly different from other two groups. Almost 82% of government group agreed and strongly agreed that there are concerns about the way in which market openness may affect national sovereignty, while only 27% and 29% of the private enterprises group and expert group respectively agreed.

Although liberalising foreign investment is identified as one of the

important ways to liberalise tourism trade and to open up the market for competition, many respondents (44.9%) stated that foreign investment should be liberalised with a carefully structured policy. Respondents were concerned about the following:

- Local investment: foreign investment could easily destroy local investment, which is mostly small and medium size.

- Environment: they are also concerned about the impacts of the liberalisation of foreign investment on the environment. They argued more frequently that the liberalisation of foreign investment could destroy the environment. One respondents from the tourism experts group stated that "The fear is that developed nations will be pressured to relax, or precluded from improving, their environmental standards in the face of competitive pressure from developing countries with lower environmental standards and that firms will relocate to take advantage of lower environmental standards in developing countries".

- Leakage: respondents stated that leakages of foreign exchange earnings could be a major obstacle to the positive contribution of foreign investment to tourism development. Leakage is the process whereby part of the foreign exchange earnings generated by tourism, rather than being retained by tourist-receiving countries, is either retained by tourist-generating countries or remitted back to them. It takes the forms of profit, income and royalty remittances; payments for the import of equipment, materials, and capital and consumer goods to cater for the needs of international tourists; the payment of foreign loans; various mechanisms for tax evasion; and overseas promotional expenditures.

The data also showed that there was a positive correlation between tourism liberalisation and the statement dealing with the benefits of liberalisation (Spearman's correlation is significant at the 0.01 level), in that the higher the level of liberalisation, the more benefits to gain.

To summarise, there was general consensus about the move towards liberalisation and opening up the market for foreign investment, with more than 80% of respondents agreeing that the overall benefits of tourism liberalisation are greater than the costs for the industry and the country. Furthermore, respondents agreed strongly that authorities should encourage the open door policy and the move towards privatisation and liberalisation. They also expressed favourable opinions on the need to liberalise trade in tourism and adopt a new set of policies and regulations, which would allow the tourism industry to expand faster.

Factors Affecting Tourism Liberalisation

In order to investigate what factors affect tourism liberalisation, the survey asked respondents to indicate what they mean by liberalising the tourism industry and which area needs to be liberalised. The results revealed that liberalisation of tourism industry means:

- Liberalising visa regulations ;
- A free pricing system;
- Liberalising foreign management;
- Liberalising foreign investment;
- Transparency of information,
- Other (Tariff Policy, State Monopoly, Air Transport, etc) (See Table 2).

Table 2: Factors Affecting Tourism Liberalisation in Egypt by Group

| Factor | Government | | Private enterprises | | Tourism experts | | Total | |
|--------------------|------------|-------|---------------------|-------|-----------------|-------|-------|-------|
| | No. | % | No. | % | No. | % | No. | % |
| Visa regulation | 32 | 72.3% | 114 | 81.4% | 12 | 85.7% | 158 | 79.8% |
| Pricing system | 13 | 29.5% | 86 | 61.4% | 11 | 78.6% | 110 | 55.6% |
| Foreign management | 18 | 40.9% | 75 | 53.5% | 11 | 78.6% | 104 | 52.5% |
| Foreign investment | 19 | 43.2% | 65 | 46.4 | 5 | 35.7% | 89 | 44.9% |
| Transparency | 13 | 29.5% | 88 | 62.8% | 11 | 78.6% | 112 | 56.6% |
| Other | 19 | 43.2% | 47 | 33.5% | 4 | 28.6% | 70 | 35.4% |

Table 2 showed that almost 80% of respondents stated that liberalising visa regulations is one of the main factors affecting tourism liberalisation, followed by transparency of information (56.6%), liberalising pricing system (55.6%) and foreign management (52.5%).

Regarding the measures that can affect tourism liberalisation, the most important ones which have been identified by respondents are:

- Restrictions on the movement of tourists;
- Difficulties associated with the delivery of visas;
- Restrictions on the work of professionals in the tourism sector;
- Restrictions on the right to manage tourism companies;
- Restrictions on private investment;
- Restrictions on foreign investment;
- Restrictions on pricing tourism product;
- Sectoral regulatory restrictions;
- Restrictions on transparency of information;

- Limitations in access to and the use of Global Distribution System (GDS);
- Restriction on air transport services.

The analysis has also shown that there is a negative correlation between tourism liberalisation and the constraints that affect the industry. In that the more constraints the less liberalisation (Spearman's correlation is significant at the 0.01 level). Given that, the literature review demonstrated that trade in tourism is a distorted myriad of governmentally imposed quantitative and non-quantitative barriers, which affect the competitive structure of the international tourism market. Such impediments to travel impact on both travellers and travel businesses. Furthermore, government economic policy goals often operate to the disadvantage of foreign-owned travel and tourism businesses. Exchange controls, local equity requirements, labour laws protecting domestic workers, limitations on market access by foreign companies, discriminatory treatment of subsidies and restrictions on remittance of earnings, all tend to discourage the establishment of businesses by foreigners. Whilst these barriers may have an impact on tourism development when viewed separately, because of their inter-relatedness, they can have a major impact when viewed holistically (UNCTAD, 1999).

Type of Agreements most Favourable by Egypt

The survey asked respondents to identify the type of agreements which could be applied in Egypt (regional, sub-regional or multilateral). The analysis revealed that the regional and sub-regional agreements are identified as the most appropriate ways for tourism liberalisation (79% agreed). Anova analysis revealed no significance differences among the three groups.

Respondents were also asked to list the benefits of such agreements. The results revealed that regional trade agreements related to services are likely to influence future multilateral efforts to improve market access in services. Respondents argued that the effective inclusion of services within sub-regional agreements among developing countries will be the key to their success (74% agreed).

The results also showed that such agreements among developing countries are also supporting growth in services exports through liberalisation of market access and national treatment within the region and by creating economies of scale and scope, building competitiveness, upgrading skills and encouraging alliance among developing country service firms. In order to deal with the fierce competition after the full implementation of the GATS in Egypt, governments and private sector in Egypt have the choice between several strategic options, including tackling some of the problems at the multilateral

level. Respondents agreed that there are several forms of co-operation with foreign suppliers in tourism sector, such as:

- Regional alliances
- Intra-regional tourism
- Extra-regional tourism
- Entry into global alliances

Factor analysis

To examine the relationships between the variables, further analysis of community perceptions of tourism liberalisation was undertaken using exploratory factor analysis. Factor analysis is a technique or more accurately a family of techniques, which aim to simplify complex sets of data by analysing the correlation between them (Foster, 2001, and Bryman and Cramer, 1999). The results of factor analysis are shown in table 3. The principal axis factoring analysis used extracted 5 factors indicating that the 5 factors underlie the scores on the 26 variables.

Column 1 reports the allocation of the 25 variables. The next six columns report the six factors and the loading for each variable. The six factors accounted for 62.8% of the variance in the data. The factor solution used (Direct oblimin) has extracted the factors in the order of their importance, with the largest and best combinations first, and then proceeding to smaller.

Factor 1 accounts for the most of the variance (27.6%), whereas the second accounts for 19.07%; and the third for 6.2%. The remaining two factors account in total for 9.9% of variance.

The last column presents the communalities (H^2). The variable dealing with foreign investment, followed by the variable dealing with regional alliances had the highest loading (.960 and .928 respectively), indicating that these variables explain a higher proportion of the variance than is accounted for, by all the factors taken together.

Factor 1: Policy Options Dimension

Factor 1 is the most important factor. It accounts for the greatest amount of variance (27.6%). Eight factors allocated in this factor, they are:

1. Transparency of information
2. Private investment
3. Foreign investment
4. Air transport
5. Environment
6. Regional and sub-regional policy
7. Regional alliances policy
8. Intra-regional tourism policy

Table 3: Factor Analysis Results

| | 1 | 2 | 3 | 4 | 5 | H ² |
|---|-------------|-------------|-------------|-------------|-------------|----------------|
| Restrictions on the movements of tourists | | .730 | | | | .705 |
| Restrictions on transparency of information | .880 | | | | | .764 |
| Restrictions on foreign management | | .883 | | | | .535 |
| Restrictions on private investment | .873 | | | | | .459 |
| Restrictions on foreign investment | .891 | | | | | .627 |
| Restrictions on the personal mobility | | .845 | | | | .816 |
| Difficulties associated with the delivery of visas | | .899 | | | | .862 |
| Sectoral regulatory restrictions | | .825 | | | | .839 |
| Limitations in access to and the use of GDS | | | | .723 | | .831 |
| Restrictions on air transport | .902 | | | | | .747 |
| Restrictions on pricing tourist product | | .817 | | | | .764 |
| Tourism liberalisation is a source of competitive strength | | | .848 | | | .704 |
| Tourism liberalisation increase foreign investment | | | .960 | | | .875 |
| Tourism liberalisation enhance quality | | | .859 | | | .801 |
| Tourism liberalisation is a source of technology transfer | | | .649 | | | .993 |
| Tourism liberalisation is a stimulus to efficiency | | | .649 | | | .473 |
| Tourism liberalisation affect negatively national sovereignty | | | | | .513 | .862 |
| Tourism liberalisation affect negatively local investment | | | | | .462 | .722 |
| Tourism liberalisation affect negatively the environment | .827 | | | | | .840 |
| Tourism liberalisation cause leakage | | | | | .572 | .694 |
| Regional and sub-regional are the best policy options | .841 | | | | | .875 |
| Multilateral agreements is the best policy options | | | | .755 | | .863 |
| Regional alliances are the best policy options | .928 | | | | | .801 |
| Intra-regional tourism are the best policy options | .851 | | | | | .993 |
| Extra-regional tourism are the best policy options | | | | .463 | | .473 |
| Global alliances are the best policy options | | | | .542 | | .532 |
| Eigenvalue | 7.68 | 5.42 | 2.01 | 1.69 | 1.50 | |
| Percentage of variance explained | 27.6 | 19.0 | 7.2 | 5.3 | 3.6 | |

Notes: 1. Extraction Method: Principal Axis factoring. Rotation Method: oblimin with Kaiser Normalization. 2. H² = Communalities 3. Only loadings greater than .30 are reported 4. Total percentage of explained variance, 62.8%

They have very high loadings compared to all other factors, ranging from .928 to .827, indicating a high interrelationship of the variables. Variable 23 (regional alliances policy) is the most important variable; it has the second highest loading in any factor (.928), and therefore influences dramatically the name and how the factor is interpreted. Since this factor incorporates statements dealing with tourism policy, it was labelled policy options dimension.

Looking at this factor, we see that all variables are positively related to each

other, suggesting that the right institutional framework is a key component of a successful liberalisation policy and successful tourism sector.

Factor 2: Constraints Facing Tourism liberalisation

Although the policy options factor accounts for the largest amount of variance it does not mean that the other factors are not important. As mentioned before, the process of rotation redistributes the variance from earlier factors to later ones to achieve a more meaningful solution. Factor 2 accounts for 19.0% of the variance and 6 variables allocated in this factor, they are:

1. Restrictions on movement of tourists (visa regulation)
2. Restrictions on foreign management
3. Restrictions on personal mobility
4. Difficulties associated with the delivery of visas
5. Sectoral regulatory restrictions
6. Restrictions on pricing tourist product

For the reason that this factor reflects the constraints to tourism liberalisation, it was labelled constraints dimension. Looking at this factor, we see that all variables are positively related to each other, suggesting that there is a consensus on the constraints for tourism liberalisation derived from the 6 variables. This was not unexpected since the literature shows in some studies (Fawzy, 1998, and Fawzy and Galal, 1997) that institutional constraints are major obstacles to tourism liberalisation, something that has made private enterprises and tourism experts view the institutional constraints as obstacles for tourism development and tourism liberalisation. There is also increasing support for the view that removing trade barriers is critical for encouraging investment and economic growth.

Factor 3: Liberalisation benefits Dimension

Factor 3 incorporates 5 statements dealing with tourism liberalisation benefits; therefore, it was labelled liberalisation benefits dimension. The five variables are:

1. tourism liberalisation is a source of competitive strength
2. tourism liberalisation increase foreign investment
3. tourism liberalisation enhance quality
4. tourism liberalisation is a source of technology transfer
5. tourism liberalisation is a stimulus to efficiency

The five variables are highly correlated to each other suggesting that liberalisation is likely to affect positively tourism sector in Egypt. Tourism liberalisation increase foreign investment (variable 13) is the most important variable. It has the highest loading in any factor (.960), indicating that tourism liberalisation encourage foreign direct investment. Therefore, the case for opening markets to foreign direct investment is as compelling as it is for trade. More open economies enjoy higher rates of private investment, which is major determinant of economic growth and job creation. Foreign direct investment in tourism is actively courted by countries; not least it generates spillover such as improved management and better technology. Firms and sectors when FDI is intense have

higher average of labour productivity and pay higher wages.

Factor 4: Multilateral level Dimension

Four variables are allocated in this factor:

1. access to and the use of GDS
2. multilateral agreements is the best policy options
3. extra-regional tourism are the best policy options
4. global alliances are the best policy options

The central issue in this factor is the multilateral policy; therefore it was labelled multilateral level dimension. In this factor we see that the four variables are positively related to each other, suggesting the importance of the policy options for Egypt at the multilateral level.

Factor 5: Liberalisation Cost Dimension

Factor 5 is the last factor to be considered. It accounts for 3.6% of the variance. The central issue in this factor reflects a very important fact in tourism liberalisation, which is the cost of such liberalisation. This factor contains three variables:

1. tourism liberalisation effect negatively national sovereignty
2. tourism liberalisation affect negatively local investment
3. tourism liberalisation cause leakage

Recommendations

The analysis showed that it is evident that tourism development is often driven by an effective tourism policy adopted by the government at both the macro and micro levels. Given that, the success of tourism policy has to satisfy two primary parameters: competitiveness and sustainability. They are both essential and mutually supportive, and either alone is not sufficient. The competitiveness of a destination refers to its ability to compete effectively and profitably in the tourism marketplace. Sustainability refers to the ability of a destination to maintain the quality of its physical, social, cultural and environmental resources while it competes in the marketplace. Therefore, it is important to realise that tourism policy affects all the tourism operational activities such as, marketing, attraction operations, and act. If adequate tourism development policies and strategies are to be designed and implemented, access to information on the international tourism market and developments in it is essential. This also includes access to information technology.

Egypt should therefore make a common effort to set up a policy which could help reinstate fair rules in the distribution market and preserve the interests of weaker partners. The analysis in this paper give rise to the policy recommendations set out below for the consideration of Egypt. The recommendations cover the following area:

1. Formulation of an Effective Tourism development Policies and strategies. A series of measures and policies can be adopted by the governments and private-sector in Egypt acting in collaboration, with the aim of:

- diversifying the supply of tourism services,

- encouraging power,
- improving their quality/cost ratio by investing in human resource development,
- upgrading suppliers' negotiating skills. The pursuit of initiatives at the regional and sub-regional levels can be effective in improving the bargaining power of service suppliers from Egypt.

2. Strategies to Expand Tourism Exports. To do so, Egypt should adopt a combination of policies to increase the efficiency of airlines and lower the prices of domestic and international flights, and ensure that their national air transport policy is consistent with their tourism objective.

Conclusion

This paper explored some of the implications of existing agreements that pertain to measures affecting international trade in services. The GATS is undoubtedly the most significant of these arrangements. While there are differences between the regional arrangements and the GATS, there are essentially "architectural" in nature. The broad similarity of the specific rules and disciplines found in the various agreements suggests that regional agreements are generally quite complementary to the multilateral process.

The approach of liberalisation of trade in services will contribute to the world-wide development of tourism. The tourism sector will benefit not only by allowing major tour operators and hotel chains to expand their reach world-wide, but also by opening up competition to small and medium size suppliers.

While it is too early to measure the impacts of liberalisation of tourism industry on developing countries, it is obvious that the developing countries will face tough competition from large service suppliers with massive financial strength, access to the latest technology, world-wide networks, and sophisticated information technology infrastructure. The effective inclusion of tourism within sub-regional agreements among developing countries will be the key of their success. In conclusion, the ability of developing countries to integrate successfully into the global trading system will depend, as regard tourism upon their ability to strengthen their capacity to produce internationally competitive services.

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