



**THE IMPACTS OF GATS:
A CASE STUDY OF TOURISM DEVELOPMENT
IN EGYPT**

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CHAPTER EIGHT

EGYPT: TRADE POLICIES

8.1 INTRODUCTION

In 1961, Egypt pursued inward-looking trade policies modelled on import-substitution industrial strategies. A prominent feature of these policies has been the reliance on high protection of domestic economic activity by way of discretionary non-tariff measures and high tariffs.

However, since 1987 significant changes have been introduced under the Economic Reform and structural adjustment programme initiated with the co-operation of the IMF and World Bank. The trade policy of Egypt seeks the achievement of a market-based export oriented growth by adopting a phased programme for the elimination of non-trade barriers and the phasing out of restrictions in the export sector.

The authorities strongly favour trade liberalisation through the multilateral framework. In 1970, Egypt joined the GATT and in 1995 it joined the World Trade Organisation. Moreover, outside the multilateral framework, Egypt has begun to open its market on a preferential basis, through regional and bilateral free-trade agreements.

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.

This chapter attempts to discuss the growth of international trade in Egypt and the trade policy options towards liberalisation.

8.2 DEVELOPMENTS IN TRADE

8.2.1 OVERVIEW

In the 1960s over 60% of export earnings originated from cotton and other agricultural products. Egypt was the world's largest supplier of premium long and extra long staple cotton. The quality of Egyptian cotton gives Egypt the advantage of being a price maker rather than a price taker for extra long staple cotton. Even though its exports' share of the world cotton market is less than 2% and the share of the world extra long staple cotton market is 26%.

Egypt's exports of merchandise grew robustly over the period from 1970 to 1980. During the period 1981/82 – 1985/86 exports remained stagnant, then declined sharply to US\$ 2.3 billion in 1986/87, down from US\$ 3.8 billion due to the fall in the value of traditional exports (cotton and petroleum) which declined in absolute terms and as a share of the total merchandise exports during 1980/81 – 1990/91. The decline is attributed to the fall in petroleum prices, e.g. in 1981/1982 this share was 79% and declined to 55% in 1986/87, it then experienced a further decline to 53% in 1990/91. Petroleum and its products represent the major export item in the Egyptian exports of merchandise. During the early 1980s, petroleum presented about two-thirds of total merchandise exports.

The sharp fall in oil prices resulted in a decline of its share in total export revenues and a sharp drop in export value in the late 1980s and early 1990s, varying from 45 to 50%.

As import growth was more robust than export growth, Egypt's trade balance experienced a deficit throughout the 1980s and early 1990s. This deficit expanded rapidly to reach US\$ 4.8 billion in 1981/82 and US\$ 7.5 billion in 1990/91.

Egypt's imports have expanded by 16% at an average annual rate of 5.4%. During the period 1974 – 1980 there was a sharp and rapid increase of 2.7 fold, from US\$

2.3 to US\$ 8.6 billion. In 1980, that increase was in the range of 33%. This trend is attributable to several significant factors:

- Increased demand for imports as a result of a rise in domestic consumption;
- The overvaluation of the Egyptian pound.

These factors together with the further opening of the domestic market recently, have made imports grow more staidly.

Egypt's share in world exports declined from around 0.2% in the mid-1980s to 0.08% in 1993 and further to 0.07% in 1998. Egypt's merchandise trade deficit amounted to US\$ 12.5 billion in fiscal 1999, or 14% of GDP. Despite the government's efforts to foster export activity in recent years, exports remain a fairly small part of the economy, amounting to 5% of GDP (WTO, 2000).

The share of exports and imports of goods and non-factor services in Egypt's GDP has also declined, from almost 90% in 1985 to under 50% in 97/98. Although trade reform has been carried out in a gradual manner, the trading sector has yet to respond significantly, with both exports and imports as a share of GDP remaining relatively steady (see figure 8.1).

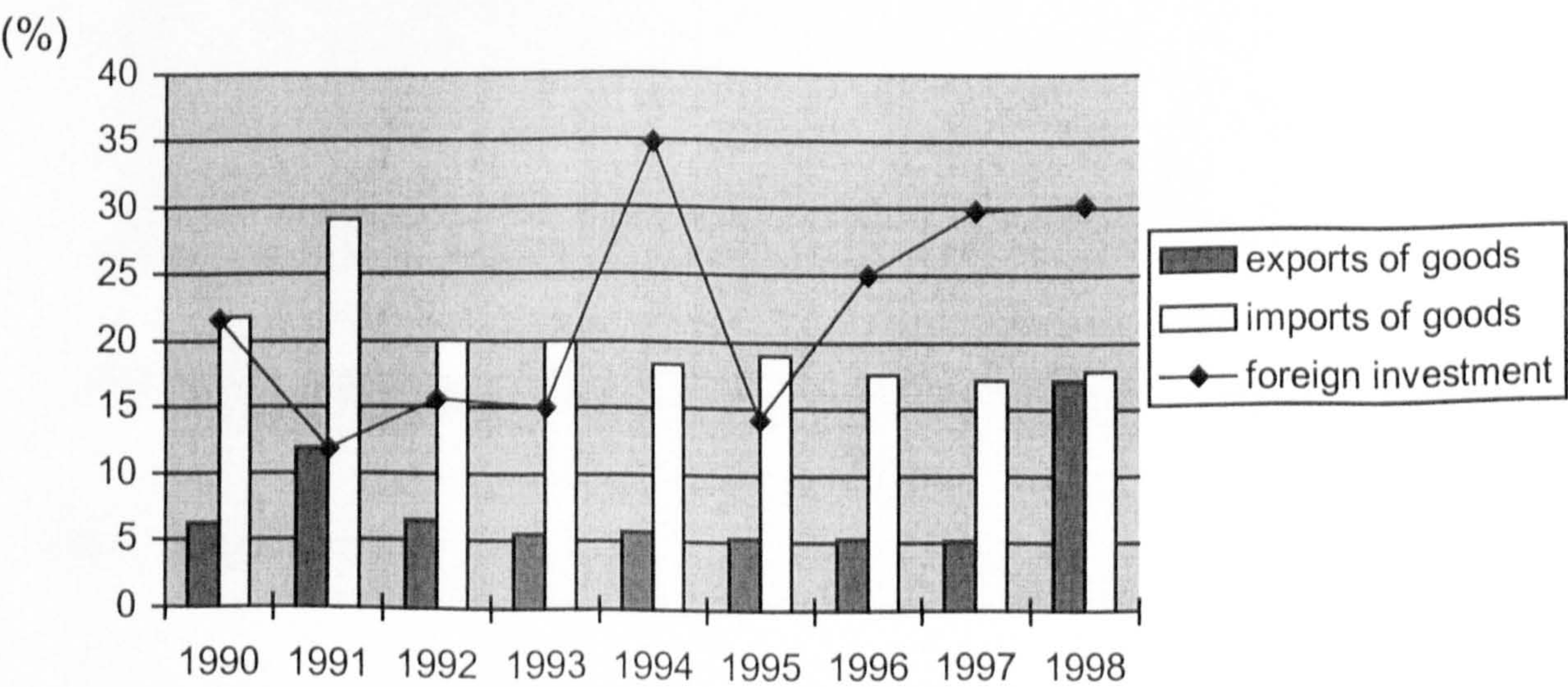


Figure 8.1: Relative Importance of Foreign Trade and Investment
Percent of GDP

Source: International Monetary Fund (2000)

Intra-industry trade, which refers to trade within the same product category, accounted for some 10% of Egypt’s total merchandise trade. The significance of Egypt’s intra-industry trade with the world increased gradually between 1920 and 1997, although it remains relatively low. The increase can mainly be attributed to Egypt’s greater intra-industry trade with its principal trading partner, the European Union (see figure 8.2); intra-industry trade with the rest of the world excluding the EU declined between 1992 and 1995, before rising in 1997. The gradually increasing intra-industry trade with the EU suggests increased integration between Egyptian and EU producers, with Egypt’s preferential access to the European Union under the co-operation agreement playing a role. It is likely, that as preferential access to the EU’s markets improves under the Euro-Mediterranean agreement currently being negotiated, the intra-industry effects on Egypt’s trade with Europe will increase.

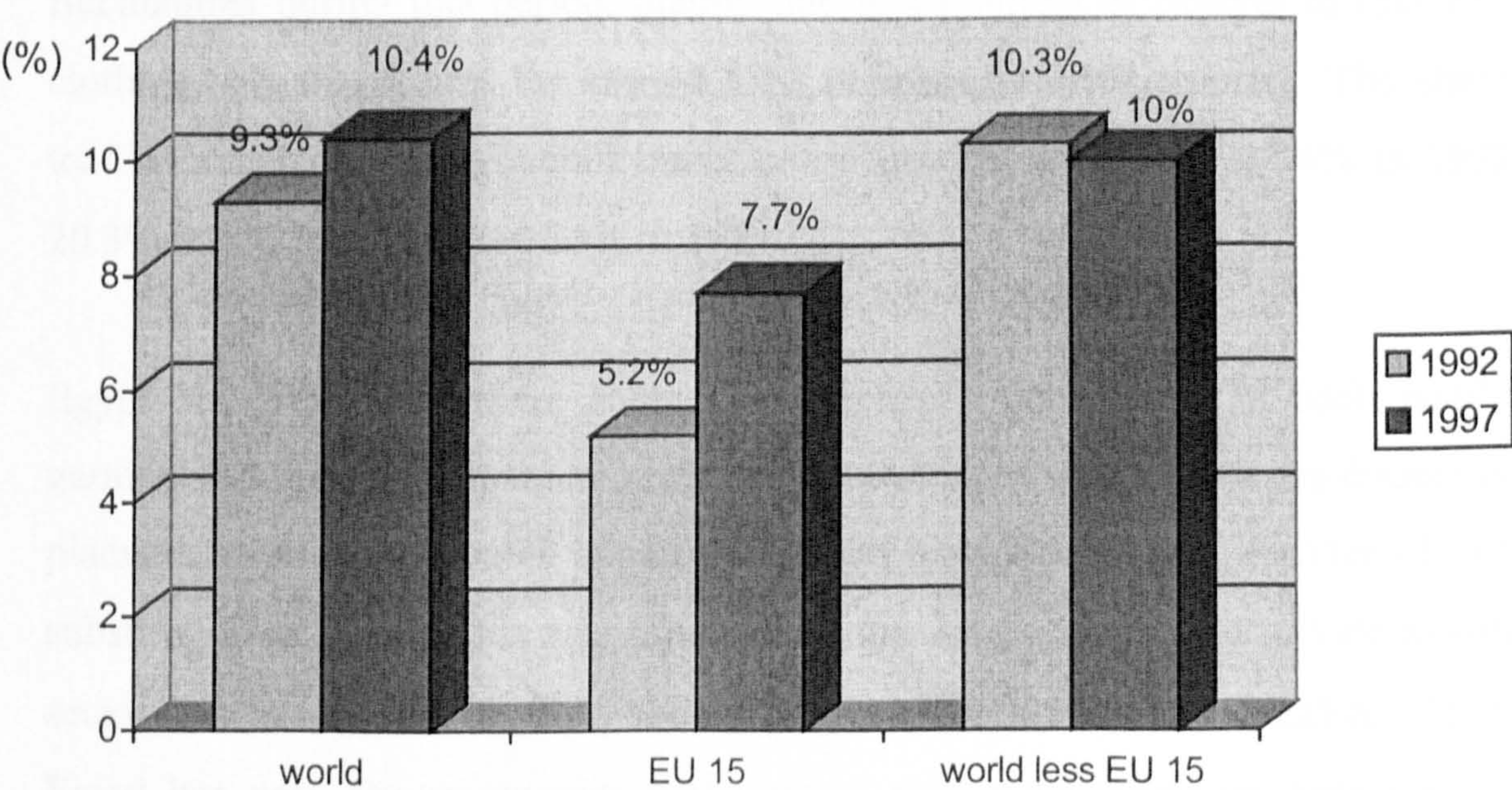


Figure 8.2: Intensity of Egypt’s Intra-Industry Trade with Selected Regions (1992 & 1997)

Source: IMF (1998b)

8.2.2 MERCHANDISE TRADE

8.2.2.1 Composition of Merchandise Trade

Egypt's major commodity exports include oil, textiles and garments, raw and processed agricultural goods, metals, chemicals and a small amount of manufacturers. This is a more diversified list than most of Egypt's oil-dependent neighbours. Exports of primary products, of which the bulk is petroleum and petroleum products, account for around 60% of Egypt's total merchandise exports. This share declined from 50.6% in 1992 to 48.4% in 1997 mainly due to a decline in agricultural and food exports (see figure 8.3 and table 8.1). The share of petroleum and petroleum product in 1999 accounted for only 33% of total exports.

The overall share of manufactured exports grew from 35.4% in 1992 to 40.3% in 1997 and dropped to 38.2% in 1999. But such exports have experienced sharp fluctuations during this period, mainly due to variations in exports of textiles and clothing, which account for around 50% of manufactured exports. The share of textiles and clothing in overall merchandise exports grew from 18.4% in 1992 to 20.3% in 1997 and reached 24% in 1999.

Egypt has lately had some success in increasing its exports of such goods as garments, carpets and chemical products, but overall export growth has disappointed planners. The main trouble appears to be the legacy of several decades of import substitution policies. This was followed by the development of a private industrial sector that has concentrated on assembly operations for the local market. To date, Egypt has very few companies with serious export ambitions or awareness. An important exception to this is the rapidly growing number of manufacturers operating in the country's half-dozen free zones.

Given the importance of the WTO and GATS, Egypt is more likely to extend its exports under the Agreements. Liberalisation of international trade will help Egypt to gain access to the foreign markets, indeed, eliminate tariffs and non-tariff barriers enhances the benefits from liberalisation and makes it easier for the country to

compete in the international market with relatively competitive prices.

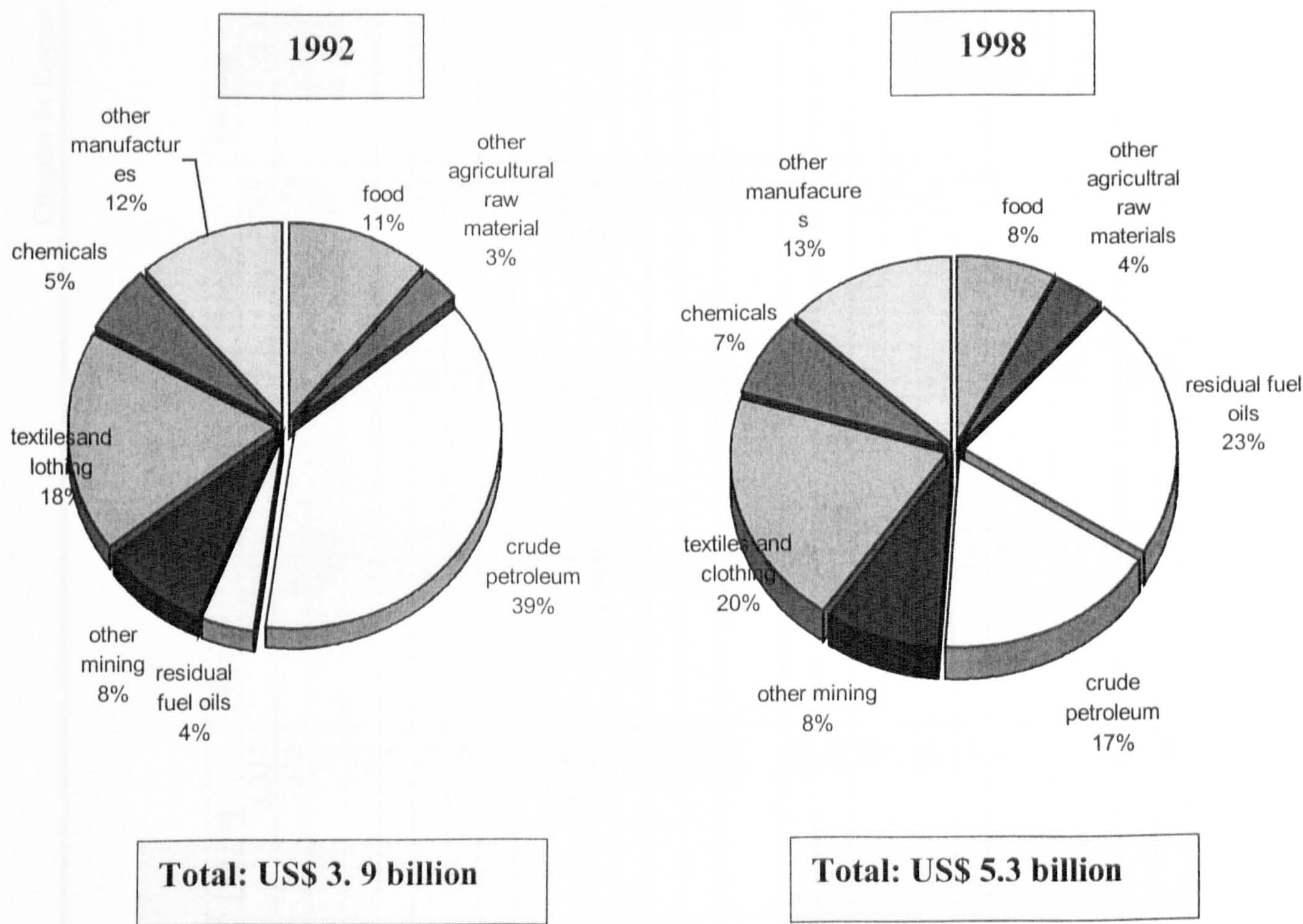


Figure 8.3: Merchandise Trade by Product, 1992 and 1998 (Exports)
Source: WTO (1999k)

Table 8.1: Exports by Commodity Groups

Million US dollar	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Total exports	4,250	3,880	3,725	3,337	4,957	4,609	5,345	5,128
Agricultural commodities	226	257	199	238	614	340	270	243
Cotton	83	35	37	45	306	109	107	103
Fresh and frozen vegetables	23	42	27	25	33	21	20	11
Citrus fruits	38	58	42	35	17	23	20	12
Potatos	28	40	19	21	104	28	17	27
Rice	5	33	26	45	64	71	38	28
Fresh onion	7	7	3	6	22	1	1	2
Other commodities	42	42	45	61	68	86	67	60
Industrial commodities	3,497	3,359	3,279	2,899	4,151	3,540	3,880	3,413
Petroleum industry	2,334	1,898	2,111	1,772	1,949	2,226	2,578	1,728
Crude oil	1,463	1,172	1,279	932	837	1,192	1,293	676
Petroleum products	508	479	524	567	792	657	814	714
Jet and vessel fuel	363	247	308	273	319	377	471	338
Spinning and weaving industry of which	529	575	451	496	1,078	574	605	759
Cotton yarn	318	283	204	212	480	199	204	288
Cotton textile	75	87	65	66	161	42	30	20
Ready-made clothes	115	170	152	163	285	161	195	258
Other	21	35	30	55	152	172	176	193
Engineering industries	80	119	91	93	51	126	146	286
Wood furniture	26	38	23	14	16	4	9	12
Transportation mean and spare parts	10	13	11	34	2	25	19	57
Refrigerators and air-conditioners	n.a	11	9	7	2	11	14	6
Other	44	57	48	38	31	86	104	211
Foodstuffs	86	145	101	88	125	129	159	147

Table 8.1: Exports by Commodity Groups (Continue)

Million US dollar	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Canned vegetables and fruits	11	14	7	2	27	6	5	7
Dried onion and garlic	8	8	10	9	10	6	3	3
Other	67	123	84	77	88	117	151	137
Chemical industries	180	237	111	110	293.0	139	116	173
Cosmetics and essential oils	106	102	9	16	23.0	14	9	6
Pharmaceutical products	16	19	21	21	46.0	26	24	32
Detergents	4	17	11	6	22.0	6	2	27
Other	54	99	70	67	202.0	93	81	108
Metal industries	198	262	288	235	498	247	163	159
Iron, steel and products	43	74	87	99	218	51	35	44
Aluminum plates and products	140	171	170	128	255	185	122	110
Other	15	17	31	8	25	11	6	5
Mining industry	18	28	33	37	68	44	29	32
Building materials and refractory industries	5	11	26	26	32	26	31	46
Other miscellaneous commodities	67	84	67	42	57	29	53	83
Books and printed materials	33	26	17	11	13	7	7	10
Leather products	23	35	21	15	23	10	20	22
Other	11	23	29	16	21	12	26	51
Other exports	527	264	247	200	191	729	813	1,063
Free zones							382	409

Source: Ministry of Economy, Egypt (2000)

Egypt imports a broad range of products. Capital goods and industrial inputs account for a rising proportion, which bodes well for the future of local industry. And although Egypt remains one of the world’s largest importers of wheat and flour, the share of food in its total import bill has dwindled to below 20%. Nevertheless, the value of imports has risen steadily since 1992, doubling from 8.5bn US dollar to stand at 16.9bn US dollar in 1998. This reflects the economic boom during this period, as well as an easing of tariff duties.

Maximum duties dropped successively during the 1990s to the current level of 45%, while import bans and quotas on many products were dropped in line with GATT obligations. Some items, such as luxury cars and alcohol, are still punitively taxed, while stiff duties on goods such as fertilisers and textiles remain in place to protect local industries. As noted above, the government has lately also adopted a range of administrative measures, including, for example, anti-dumping measures against steel imports from Eastern Europe, to curb the growth in imports. In fact, the rate of increase appears to have slowed markedly in any case, partly because of falling global commodity prices, and partly because of a saturated local market for some items (Ministry of Economy, 2000) (see figure 8.4).

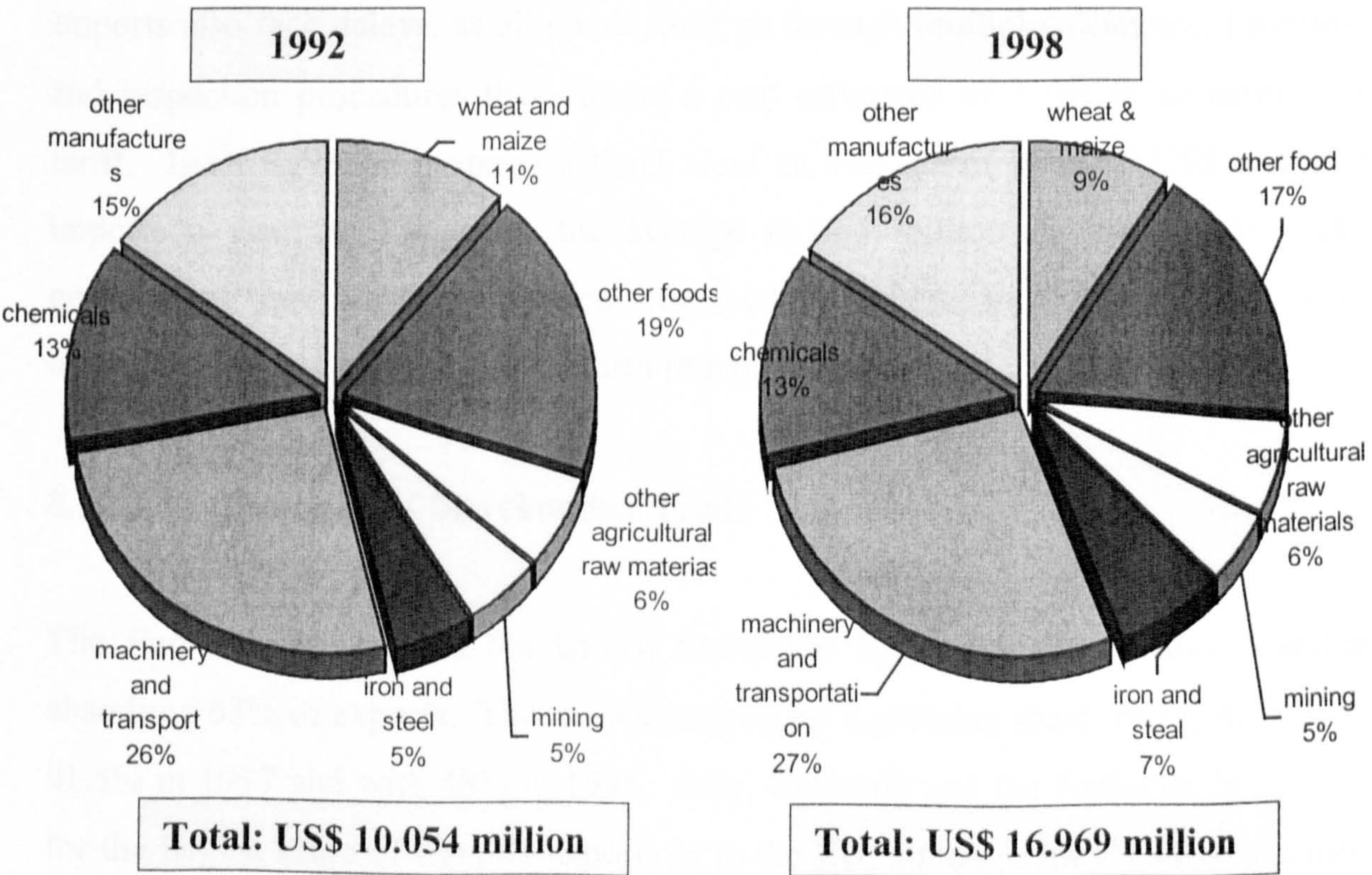


Figure 8.4: Merchandise Trade by Product (imports)

Source: WTO (1999k)

8.2.2.2 Constraints to Merchandise Trade in Egypt

According to the World Bank (1999d), one reason for the sluggish growth of exports is the inefficiency of services, which raises the price of inputs and transactions costs to exporting firms and undermines their competitiveness. For example, the four main Egyptian ports Damietta, Port Said, Dkheila, and Alexandria are essentially state monopolies, and their service charges are three times those of their closest competitors. Container freight rates to Egyptian ports are generally 15 to 20% higher than rates to other Mediterranean ports, and air freight rates to and from northern Egyptian cities are twice those to cities in Israel.

In addition, all trade transactions are subject to an onerous bureaucratic burden. A 10% sales tax is applied to all commodities, including inputs to goods produced for export, making it harder for firms to sell abroad at competitive prices. A process does exist for refunding import tariffs on inputs to goods for export, but it involves four forms, a letter, a permit, and two separate committee reviews.

Imports also face delays, as all goods must go through multiple clearance, licensing, and inspection procedures that impose a cost estimated as equal to an extra 15% tariff. Each Egyptian customs official clear an average of 600,000 US\$ worth of imports a year; in Singapore the average is 666 million dollars a year. The government has begun to reduce bureaucratic delays and charges and lower transportation costs. But further reform remains essential.

8.2.2.3 Direction of Merchandise Trade

The European Union and the United States are Egypt's main markets, together absorbing 63% of exports. The EU accounting for a growing share 39.7% in 1992 to 41.5% in 1997 and with 48% in 1998. Italy, Germany and the Netherlands account for the largest share of Egypt's exports in to the EU, although Italy's share declined from 14.2% to 11.2% of total exports during this period.

The American market, especially the United States, has accounted for a growing share of Egypt's merchandise exports. The USA grants Egypt most favoured nation status, along with generous quotas for a range of goods. But with a free trade agreement expected to be signed with the EU, this key market offers the most promising scope for faster growth. However, exports to East Asia have been subject to significant change during the period.

The most vexed issue in the EU trade has been quotas for agricultural products, where Egypt competes directly with many Mediterranean countries. This question appears to have resolved. Given Egypt's ideal growing conditions, off-season climate and cheap labour, it is probably only a question of time before its food exports adapt to Europe's stringent standards and timetables. In the long-run, Egypt should be able to greatly improve its sales of such commodities as potatoes, fresh fruits and vegetables, cut flowers and speciality products (WTO, 1999k).

Egypt has simultaneously pursued a range of preferential trade deals with neighbouring countries. However, exports to its neighbours in the region have declined, with exports to the Middle-East falling from 22.6% in 1992 to 17.7% in 1997 and 10% in 1998; Israel and Saudi Arabia are the main regional export destinations.

Although inter-Arab trade accounts for less than 10% of total trade, freer trading arrangements with Lebanon, Saudi Arabia, Jordan, Tunisia and Morocco should act as catalysts for increases, particularly in exports of processed foods and household goods. Egypt has some way to go, however, in bringing the quality of its manufacture up to international standards (BMI, 2000).

In 1997 Egypt joined the Common Market of Eastern and Southern Africa COMESA. This allowed it to benefit from a 90% customs exemption in a number of African countries (see figure 8.5).

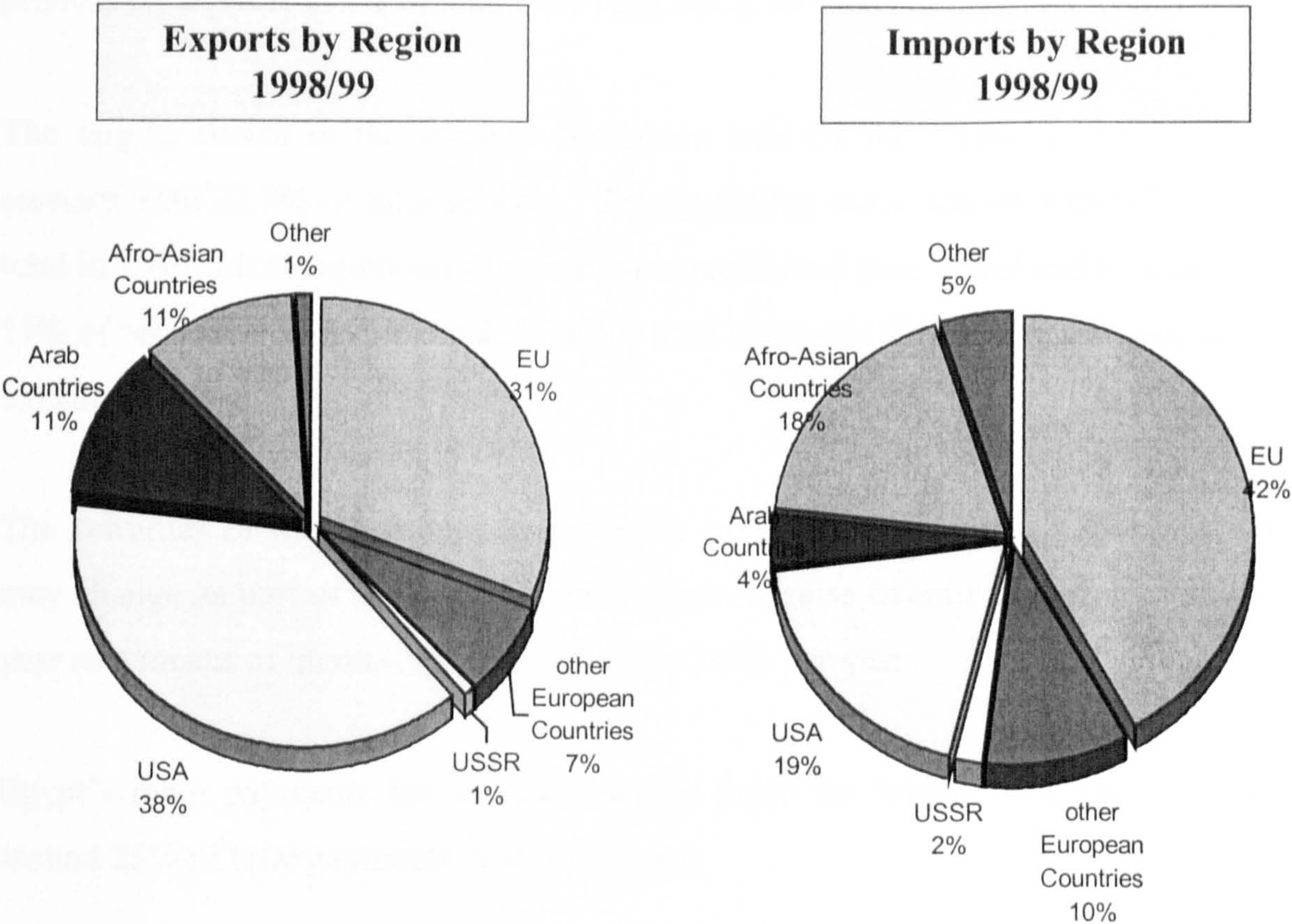


Figure 8.5: Merchandise Trade by Region (1998/99)

Source: CBE (2000c)

8.2.2.4 Trade in Services

Income from services accounts for two third of Egypt’s foreign earnings. Egypt has traditionally maintained a surplus on its external service account. The surplus is mainly due to receipts from tourism and the Suez Canal, although the importance of the latter has declined. Between 1992/93 and 1996/97 receipts on services trade grew in value from 9.8 billion dollars to 11.2 billion dollars. In 1996/97, the bulk of this came from tourism, around 32% rising from around 24% in 1992/93. In value terms, tourism brings in over 3bn US dollars. Income from tourism has risen at a steady 5-10% a year, excluding 1998, when tourism collapsed following the Luxor massacre. Tourism has picked up again, and matched the pre-massacre performance by the end of 1999 with 3.5bnUS dollar. Suez Canal receipts declined from around 20% in 1992/93 to around 10% in 1996/97.

In 1999, services accounted for 51% of Egypt's exports. The sector is divided into production services (33% of total GDP) and social service (18% of total GDP).

The largest shares in the services sector are held by the financial and insurance services with 22.3% of total services. Transportation came second with 9.3% of the total in 1999. Most export earning in Egypt are derived from travel and tourism with 11% of total GDP in 1999 and 22% of the total share of GDP in services (see figure 8.6 and 8.7).

The activities of the State remain pervasive in the services sector. However, this may change as part of the government's efforts to raise overall exports by 10% per year as a means of increasing GDP growth to 7-8% per year.

Egypt's main payments for services include those for travel, which accounts for around 25% of total payments, and investment.

No data were available on the main countries providing services to Egypt or the main recipients of Egyptian services.

According to the World Bank (1999d), a preferential trade agreement that includes liberalisation in goods, harmonisation of standards, and greater access to service markets can offer substantial benefits to Egypt. Moreover, at the multilateral level, GATS is expected to stimulate investment in service industries and enhance a better quality.

As services are used extensively as inputs in the export sector, measures taken to enhance competition in the service sector, such as permitting foreign direct investment, can improve the productivity of many industries further down the stream of production.

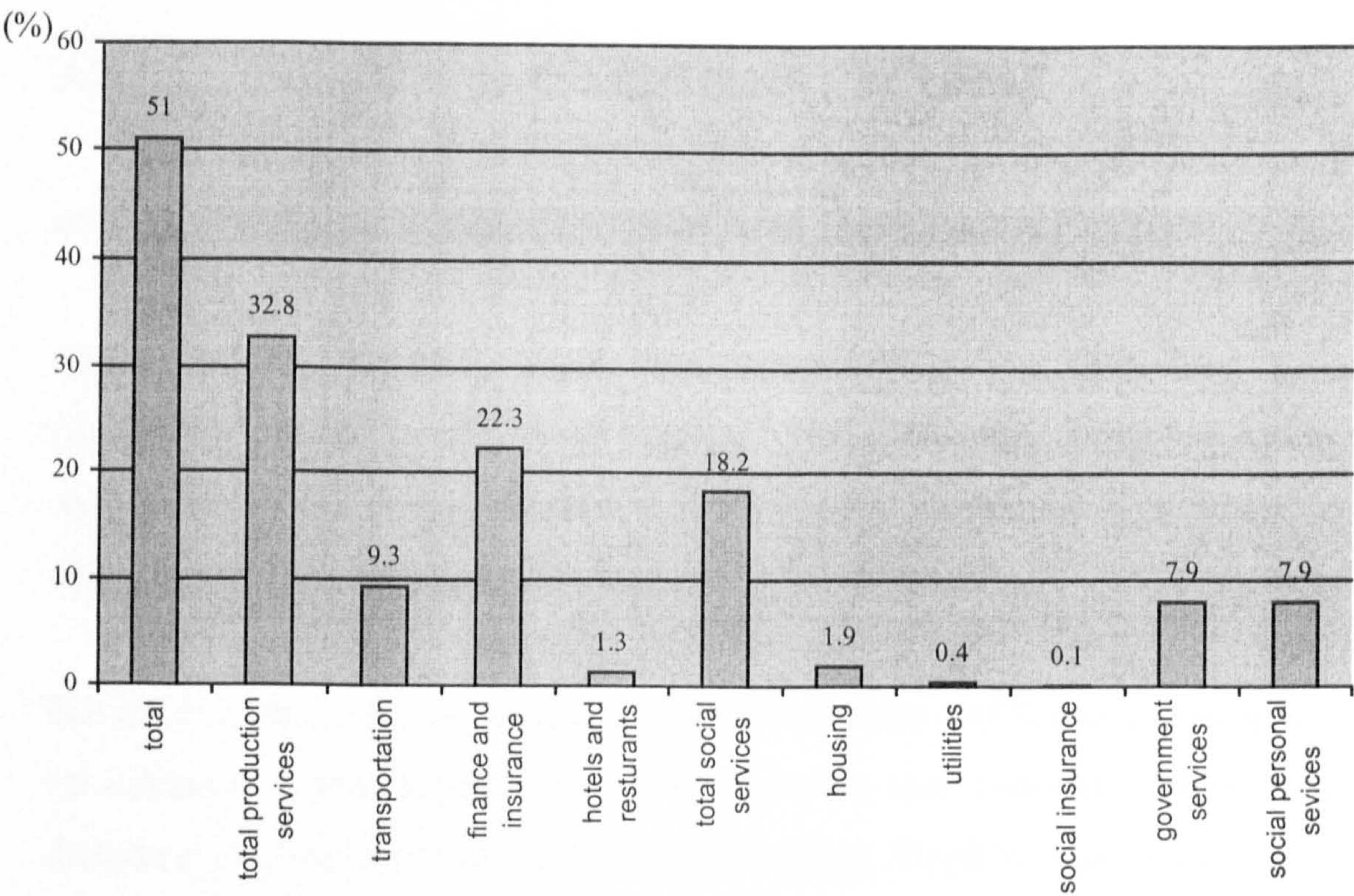


Figure 8.6: Service Sectoral Output As % Of Total GDP (1998/1999)

Source: Ministry of Planning, Egypt (2000)

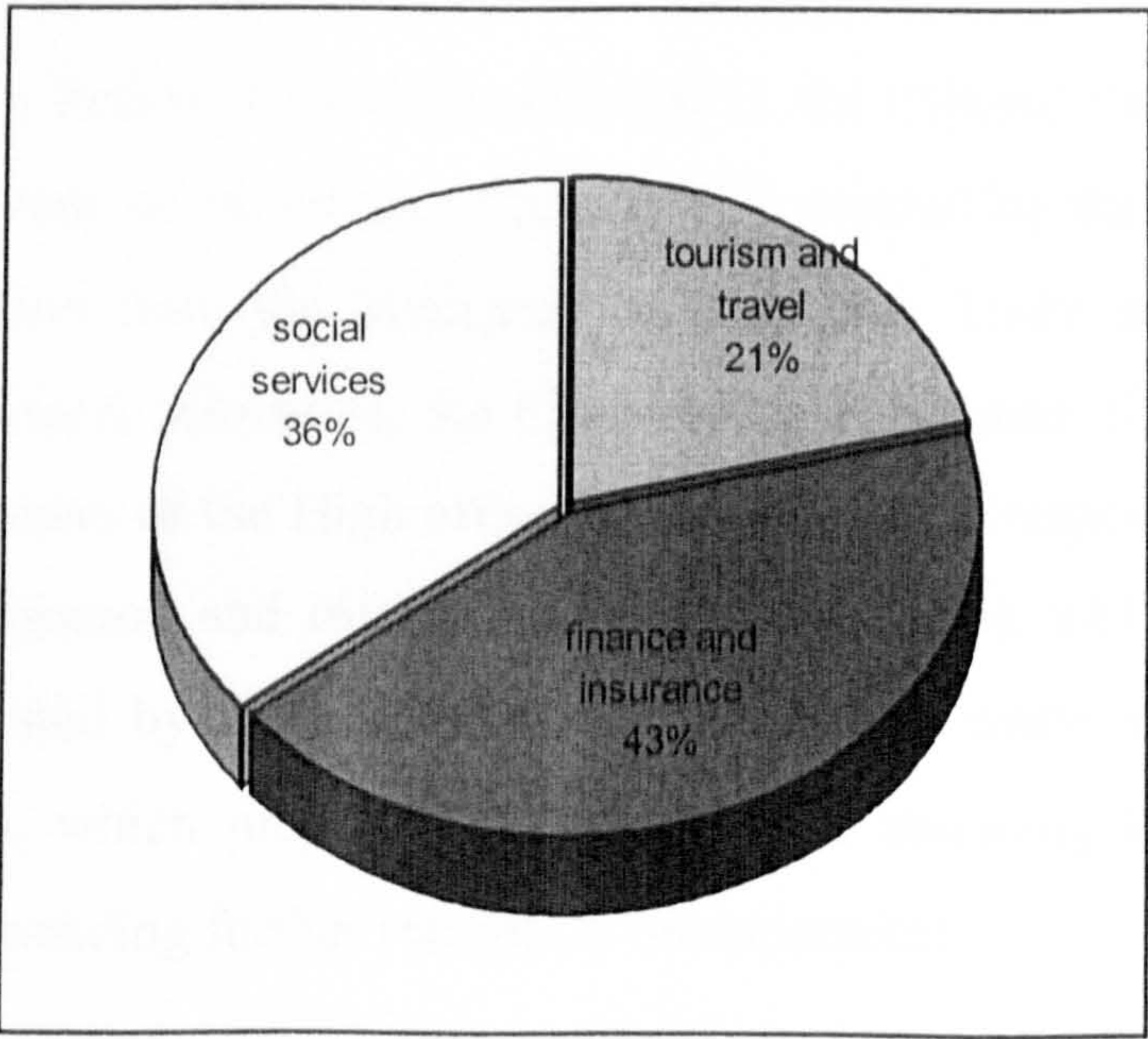


Figure 8.7: Service Sectoral as Percentage of Total Services (1999)

Source: Ministry of Planning, Egypt (2000)

8.3 TRADE AND INVESTMENT REGIME

8.3.1 POLICY FORMULATION AND IMPLEMENTATION

Responsibilities for trade policy formulation is with the Ministerial Economic Committee, chaired by the Prime Minister. This Committee drafts legislation to be introduced in the People Assembly (PA) by the Legislative Committee, and as relevant, the Committee on Manufacturing or Agriculture.

However, trade policy is implemented by the Ministry of Trade and Supply, which co-ordinates implementation by other ministries and agencies, where necessary, including the Ministries of Agriculture, Economy, Finance, and Industry (see table 8.2). Inter-ministerial consultations are also carried out to assess the impact of major policy changes on various sectors of the economy.

The ministries are assisted by autonomous advisory bodies, such as the High Ministerial Economic Reform Committee (HMEREC), the Cabinet Policy Committee and the Economic Group of Ministers. The HMEREC, headed by the Prime Minister and with representation from the Ministries of Economy, Trade and Supply, and Finance, relevant sectoral Ministries, the Chairman of the Public Enterprise Office (PEO), and the Chairman of the High officials Committees, is responsible for issues relating to the stabilisation and reform programme, including trade liberalisation. The HMEREC is assisted by the High officials Committee, made up of high-level government officials, which prepares quarterly reports assessing the state of the economy and recommending further reforms to be undertaken.

The economic and social policy in Egypt are the responsibility of the Cabinet Policy Committee, which is headed by the President. It establishes and monitors broad economic and social policy issues and sets guidelines for trade policy. Furthermore, the Economic Group of Ministers, which is normally chaired by the Prime Minister, and whose composition varies depending upon the subject-matter, is responsible for the co-ordination of rules and regulations governing trade and other economic

activities.

Informal advice is sought from academia and organised interest groups, including the General Federation of Chambers of Commerce, the Federation of Egyptian Industries (FEI), the Egyptian Businessmen’s Association (EBA) and trade associations. There are now independent bodies to review the Government’s trade policy.

Table 8.2: Ministerial Responsibility for Trade-Related Issues

Ministry/Agency	Competence
Ministry of Agriculture	Agriculture, implementation of laws on sanitary and phytosanitary standards
Ministry of Culture	Copyright (books)
Ministry of Economy	Banking and insurance policy
• Public Enterprise Office	Privatisation
• Egyptian Insurance Supervisory Authority	Insurance
• Central bank of Egypt	
• General Authority for Investment and Free Zones	Banking Investment
Ministry of Finance	Public procurement
• Customs Administration	Customs tariff, valuation, rules of origin
Ministry of Industry	Standards, industrial development
Ministry of Information	Copyright (audio-visual)
Ministry of Petroleum	Petroleum and natural gas
Ministry of Scientific Research	Research and development
• Egyptian Patent Office	Patents
Ministry of Tourism	Tourism
Ministry of Trade and Supply	Trade policy, foreign trade, anti-dumping, safeguards and subsidies, export promotion, trademarks
Ministry of Transport and Telecommunications	Telecommunications, maritime transport, ports

Source: WTO (2000h).

8.3.2 MAIN TRADE-RELATED LAWS

The main legislations relating to international trade are:

- Customs Law No. 66/1963 (amended by Laws 88/1976; 75/1980; and 158/1997) which, contains general provision relating to customs duties and rules of origin, customs valuation, administration and procedures including temporary admission, duty drawback and exemptions.
- Import and Export law No. 118/1975, which also contains the list of products currently subject to import bans (e.g. clothing) and quality control inspection (currently 182 items).
- The Customs Exemption Law 186/1986, as amended, and its executive regulations provide details of the various tax exemptions granted to certain sectors in the economy (see table 7.3). Egypt's applied customs tariff was issued by Presidential Decree in 1994 and subsequently modified, also through Presidential Decrees.
- The Companies Law (159/1981) and the Law of Investment Guarantees and Incentives (8/1997) contain provisions for foreign investment, but there is no specific legislation for foreign investment.

Table 8.3: Domestic Laws Governing the Application of Trade Policies (1999)

Law	Area
Customs Tariffs “Horizontal” (38/1994) as amended	Customs tariff
Customs Exemption law (186/1986)	Tariff exemptions
Customs law (66/1993)	Customs valuation
Law 161/1998	Anti-dumping, countervailing and safeguard measures
Law on Investment Guarantees and Incentives (8/1997), Companies Law (159/1981)	Foreign investment
Patent Law (132/1949), Copyright Law (354/1954 amended by 38/1992 and 29/1994), Trademarks and Industrial Designs (57/1939)	Intellectual property rights
Import and Export Regulations	Levies and charges, barter and countertrade, labelling and quality control
Law 22/1992 establishing the Egyptian Export Promotion Centre	Export promotion
Tenders Law (89/1998)	Government procurement
Standardisation Law (2/1957)	Standards
Import and Export law (118/1975); Agricultural law (53/1996); Pharmaceutical Law (14/1984)	Sanitary and Phytosanitary measures

Source: WTO (2000h)

8.4 TRADE POLICY OBJECTIVES

Since the early 1990s, when Egypt embarked on a comprehensive programme of economic reform, trade policy has formed an important component of the overall goal to create an open, outward oriented, market economy. Thus, there has been a gradual, unilateral removal of trade barriers, complemented by Egypt’s active participation in the GATT and subsequently in the WTO 1995.

Under the programme of trade policy reform, which has included the removal of most important bans, most licensing arrangements, export controls, and a phased reduction in tariff barriers, there are plans to introduce gradually a more competitive environment for Egyptian industry and reduce Egypt’s structural trade deficit through increased export diversification. Tariffs have emerged as the main policy

instrument.

The authorities strongly favour trade liberalisation through the multilateral framework, and Egypt grants at least most favoured nation MFN treatment to all WTO members.

Egypt's objectives during the Uruguay round were mainly to gain improved market access for its agricultural exports and to increase awareness of the difficulties faced by net food importing and other developing countries. Although Egypt continues to be concerned about access to, and the net cost of, food imports, World Bank research in (1997) suggests that the impact of the round on the price of food products, in which Egypt, as a large net food importer, has a particular interest, was expected to be negligible because of the uneven impact of liberalisation on the price of different products; an important benefit would result from the liberalisation of textiles and clothing under the WTO Agreement on textiles and clothing.

Egypt has expressed a number of concerns regarding its own difficulties in implementing the Uruguay Round agreements, and the slow pace of liberalisation by others. Implementation of some of its obligations under the Uruguay Round has proven difficult in spite of transitional periods for developing countries under previous agreements. Egypt also continues to press for a greater understanding of the situation of net food importing countries and the possible negative effects of trade reform on least developed and net food importing countries. Additional concerns relate to the application of the special and differential treatment clause for developing countries, which Egypt believes has not been adequately applied by industrialised countries; increasing recourse to anti-dumping measures and the use of sanitary and phytosanitary measures and technical standards by countries, which potentially have a negative impact on Egypt's exports; and the market access opportunities provided under the process of integration in the WTO agreement on textiles and clothing, which Egypt believes have been modest.

Outside the multilateral framework, Egypt has begun to open its market on a preferential basis, through regional and bilateral free-trade agreements. These efforts

include joining the Common Market for Eastern and Southern Africa COMESA and the Greater Arab Free-Trade Area GAFTA. The Euro-Mediterranean agreement currently being negotiated with the European Union, as well as bilateral agreements signed recently with a number of Arab countries and being negotiated with the European Free Trade Area EFTA, Russia, Turkey and the United States, will bring further trade liberalisation, but also raise concerns about possible trade diversion and increased complexity in Egypt's trade regime.

On the other hand a study by BMI (1999) suggests that despite a major liberalisation effort, Egypt's trade regime remains more restrictive than most of its competitors. The maximum tariff rate dropped from a prohibitive 120% in 1991 to just 40% in 1998 (alcohol, tobacco and luxury cars remains subject to higher rates). The average statutory tariff is 28%, compared to an average of 20% for developing countries as a whole.

Decades of import substitution policies have long made Egyptian industrial exports uncompetitive, which is one reason why between 1985 and 1996, Egypt's share of exports fell from a meagre 0.1% to an even tinier 0.07%. Egyptian exports' share of the EU market fell even more dramatically, from 1% to 0.5%. Current policies are aimed at reversing these trends, but with its industrial exports totalling just 1.5bn US dollars, Egypt has a long way to go in the world trade league (WTO, 2000h).

Traditionally, Egypt has compensated for very large trade deficits with equally large surpluses in services and transfers. Easing of import restrictions has, however, begun to tip the balance in Egypt's favour. In 1998, decline in state revenues pushed the current account further into the red. In response, the government has dabbled in early 1999 with non-tariff barriers such as anti-dumping measures and administrative restrictions. The most serious of these was the imposition in Q1 1999 of rules requiring importers to deposit 100% of the cost consignments in order to receive letters of credit.

Although somewhat against the spirit of the GATT agreements and WTO, of which Egypt is a full member, such cautionary moves are understandable. Egypt is now

locked into the global trade liberalisation regime, and its ability to protect local producers from cheap imports will diminish rapidly in the coming five years. In particular, Egypt is committed to lifting a ban on textile imports by mid 2001, and barriers affecting the local pharmaceutical industry will have to be lifted by 2005 (CEB, 2000a).

Local business will also face growing competition from European imports, if a long-awaited free-trade agreement with the EU is signed, as expected by the end of year 2000. The trade deal, similar to the Euro-Med partnerships agreed with countries such as Morocco and Tunisia, would certainly boost European investment. Egypt would be a natural place for the continent's businesses to set up assembly operations, such as USA use Mexico. The EU's reluctance to open up its market to Egyptian agricultural exports has, however, delayed signing of an accord until now (USAID, 2000a).

A further boost to trade is likely to come from port expansion plans. Long considered the least efficient in the Mediterranean, Egypt's ports are just beginning to come under private management. In addition, two new container facilities, both privately-run, are being built at either end of the Suez Canal. The aim is to turn Egypt into a major trans-shipment hub. Given the country's ideal location astride shipping lanes, this seems achievable.

8.4.1 MAJOR ACHIEVEMENTS OF TRADE LIBERALISATION POLICY SINCE 1996

- Egypt's programme of trade reform has three objectives:
 - (i) Liberalisation of the trade regime;
 - (ii) Multilateral liberalisation through the implementation of the commitments made in the Uruguay Round;
 - (iii) The negotiation of a framework agreement (negotiations are already far advanced).

- Further measures that are undertaken by the government for encouraging exports rely on continued trade liberalisation efforts and the removal of tariff and non-tariff barriers, as well as the reduction of operating costs, in order to enhance the transparency of the trade regime. In 1996, the production coverage of quantitative restrictions declined from 37% of agricultural and manufacturing output in 1991 to 4% in 1996.
- In addition, the government is continuously relaxing constraints and creating incentives in the areas of trade logistics and transportation, customs procedures, quality control and product standards.
- Egypt's system of mandatory quality controls on imports has also been reviewed. A high level study on customs procedures and mandatory quality controls has been concluded, and procedures will be modified in the course of 2002 to eliminate restrictive features, including establishing one commission involving all the various economic agents responsible for reviewing health, safety, quality standards, procedures and applications.
- As a step towards implementing trade liberalisation reform, compliance history will be maintained for use in determining the frequency of this inspection. A computerised system would enable the competent inspection authority to discontinue testing every consignment of every imported product on the mandatory list, and introduce spot-checking of products by importers who have a good compliance history. This could reduce import inspection and testing at the ports by more than 70%.
- In this context, Egypt is procuring internationally acknowledged standards with the help of USAID. Assistance with the necessary training in making utmost use of them will also be provided to the competent agencies. This would greatly accelerate the process of import and export verification.
- To further reinvigorate reform efforts, the government reduced the maximum tariff rate to 50% in July 1997. A further 10% reduction took place in July 1998.

- The import ban on poultry was eliminated in July 1997 and replaced with an 80% tariff.
- Under the Uruguay Round, Egypt's commitment to bindings provide greater predictability of its trade policy. In January 1998, Egypt eliminated the import ban on textiles, and is committed to eliminating the import ban on clothing by January 1, 2001. Egypt was also committed to eliminate all quantitative restrictions on agriculture.
- Under the anticipated EU agreement, the Egyptian market will be further liberalised. Trade in raw materials and intermediate capital goods will be freed within five years, and trade in industrial goods will be freed by 2010. In the meantime, pending issues such as labour rights and mobility, duty drawback, and rules of origin on key products are still under discussion.
- The government of Egypt has also begun preliminary discussions with the U.S. government for the establishment of a free trade agreement.
- Egypt has also signed an agreement (TIFA) with the USA aimed at increasing trade between both countries as well as encouraging private investments and foreign direct investment (FDI). The agreement extends to cover e-commerce, intellectual property rights (IPR), and technical co-operation. This agreement is considered as a step towards establishing the free trade area between both countries

8.5 INTERNATIONAL RELATIONS

The 1979 Camp David accords put Egypt on solid ground in its relations with the Western World, this turned the country into an Arab pariah. Even though Egypt secured an enormous amount of goodwill from the West, its political and economic development was largely stunted. It was in the aftermath of the 1991 Gulf War that

Egypt reached a turning point in its history. It was brought back into the folds of the Arab World and embarked on a massive IMF supported restructuring program. The IMF accords were concluded in 1996 and Egypt continues to pursue economic reform.

One of the West's most important strategic allies, Egypt has become the unofficial spokes-nation for the region in the international arena. Its political leverage has gained the nation a respect that has turned Egypt into primary consultant on a wide range of issues. The most obvious case in point is its involvement in the Middle East Peace Process.

8.5.1 THE WORLD TRADE ORGANISATION

A contracting party to the GATT since 1970 and a WTO member since 30 June 1995, Egypt participates actively in the multilateral trading system. Egypt accedes to the GATT in 1970. Its protocol of accession was approved by presidential Decree No. 2029 on 5 December 1970. Egypt was a Signatory to all the Tokyo Round agreements except the codes on Government Procurement and Customs Valuation, where it maintains an observer status.

As a developing country member of the WTO, Egypt has a transition period to implement a number of its commitments under various WTO Agreements; Egypt has notified its use of the transition period for some of these agreements, including the agreement on customs valuation; and the agreement on trade-related aspects of intellectual property rights. Egypt is a signatory to the plurilateral agreement on trade in civil aircraft.

According to the agreement, Egypt and other developing countries have until 2005 to prepare for the full implementation of WTO requirements. Under the WTO, Egypt loses the preferential treatment it had enjoyed with the EU since 1979.

Upon approval by the People's Assembly, Egypt's instrument of ratification of the agreement establishing the WTO was deposited on 1 June 1995, following which all

legislation relating to WTO agreements became applicable in Egypt. By ratification, the WTO agreements on subsidies and countervailing measures and on safeguards became part of Egyptian legislation; however, specific provisions for conducting anti-dumping, countervailing and safeguard investigations were not introduced until 1998. Egypt has made changes to its copyright legislation, although as a developing country member of the WTO, it has a transition period until the year 2002 to make most of the changes required to meet its commitments on intellectual property rights. A new law on patents is now under consideration.

Members of the WTO are required to make regular notifications regarding changes in laws and imposition of measures.

Egypt has not been involved in any disputes at the WTO, nor was it involved in any dispute settlement procedures under the GATT. There have been no bilateral disputes outside the WTO with any of its trading partners since 1992.

8.5.2 REGIONAL AND BILATERAL TRADE AGREEMENTS

8.5.2.1 Europe- Mediterranean Partnership

As Egypt's largest trading partner accounting for 42% of Egypt's exports and 38% of its imports in 1997, the European Union's market is particularly important to Egypt. The Europe-Mediterranean Partnership, between the EU 12 non-member Mediterranean countries, is currently being negotiated, with the aim of establishing a regional free-trade area by 2010. The EU has recently signed association agreements with Tunisia, Morocco, Israel, the Palestinian Liberation Organisation and Jordan, and is negotiating similar agreements with Egypt and other Mediterranean countries. The association agreements cover political and security matters economic and financial issues, and social, cultural and human affairs.

The agreement with Egypt, when completed, will build on the co-operation agreement between the EU and Egypt, originally signed in 1977, which provides preferential access for most Egyptian exports of industrial products to the EU,

accounting for around 60% of Egyptian exports to the EU market. Tariff concessions on a seasonal basis are also granted by the EU on some agricultural products, based on reference prices and quotas. The concessions range between 40% and 80% of the EU's Common External Tariff for the products to which they are applied, including potatoes, onions, tomatoes, dates and citrus fruit. The agreement is non-reciprocal; EU exports to the Egyptian market are subject to MFN rates.

Based on what has been agreed with other countries in the region, the new Euro-Mediterranean agreement may provide duty-free access for Egyptian exports of industrial products to the EU, while duties on EU exports of most industrial products to Egypt are expected to be phased out over 12 years. The negotiations, which have been under way since, 1995, appear to have faced difficulties over market access for Egyptian exports of agricultural goods and processed foods. Egypt has asked for its quota of agricultural exports to the EU to be raised to 1.5 billion dollars. Negotiations on rules of origin have also trailed, with the EU apparently willing to allow cumulation of origin with all signatories to the Greater Arab Free-Trade Area GAFTA except Morocco and Tunisia with which it has signed Euro-Mediterranean agreements.

8.5.2.2 Free Trade Agreements in the Middle East and North Africa

Over the years, in an attempt to boost regional trade within the Middle East and North Africa MENA region, which currently accounts for around 10% of the total trade of these countries, several regional trade agreements have been signed. Among the initiatives taken since the previous trade policy review of Egypt is the formation of the greater Arab free-trade area GAFTA sponsored by the Arab League. The GAFTA, which was formed in February 1997, aims to expand intra-regional trade by reducing customs duties by 10% annually from 1 January 1998; seasonal quotas on agricultural exports will be applied until all tariffs are phased out. Egypt is one of 12 original signatories to the agreement; a 10% reduction in tariffs for GAFTA signatories was implemented in 1998.

Egypt became a member of the 51-nation Common Market for Eastern and Southern

Africa COMESA in June 1998. COMESA, which was formed in 1993 to promote integration in Africa, aims to create a free-trade zone in Africa by 2004. The goal of the agreement is to have a common external tariff cut in place by 2004, which rates of 0%, 5%, 15% and 30% respectively, for capital goods, raw materials, intermediate and final goods. Joining the agreement implies further liberalisation of Egyptian customs duties, which show tariff peaks, even excluding sensitive items such as beverage and motor vehicles, in excess of the proposed CET rates. According to the authorities, Egyptian tariffs were reduced by 90% in 1999 and 100% in 2000.

8.5.2.3 Other Agreements

Egyptian exports are granted preferential access under the Generalised System of Preferences GSP of a number of countries, including Belarus, Bulgaria, Canada, Czech Republic, the European Union, Hungary, Japan, New Zealand, Norway, Poland, the Russian Federation, Slovakia, Switzerland and the United States; as tariffs in export markets are phased out, however, these preferences are gradually being eroded, and, as they are subject to periodic review, are potentially unstable.

As a signatory to the Global System of Trade Preferences GSTP, Egypt grants tariff concessions to all the other signatories on a range of specified products.

Egypt has signed free-trade agreements with the following countries

- Tunisia in December 1997, to phase out customs duties on around 100 commodities immediately, tariffs currently below 20% over five years, and the rest by 2007;
- Morocco, in 1998, to create a free-trade zone; and
- Lebanon, providing duty free access to each others' imports for a limited number of products.

Egypt has also signed trade agreements with Libya and Jordan, the latter envisages the creation of a free trade area by 2005. The authorities are currently negotiating bilateral trade agreements with Bahrain, Canada, Kuwait, Saudi Arabia, Syria,

Turkey, the United States, Yemen, and EFTA.

Egypt joined the International Sugar Organisation in October 1998, bringing the total membership of the organisation to 53. Egypt is also a member of international commodity agreements concerning cotton, jute, olive oil, tropical timber and wheat.

8.6 FOREIGN INVESTMENT REGIME

Egypt has undertaken a number of reforms of its foreign direct investment FDI policies. The result is that, with few exceptions, FDI into Egypt has been liberalised and is, in the main, granted national treatment. Laws that pertain to FDI are largely concerned with incentives. The negative list of sectors where foreign investment was actively discouraged, was reduced in 1994 to the Sinai, military equipment, and tobacco, and replaced in May 1998 by positive list of sectors, where investment is encouraged through the Law of Investment Guarantees and incentives 8/1997. Investment in tobacco, whether foreign or domestic, is not encouraged.

While there is no specific legislation in Egypt for foreign investment, two main investment statutes contain specific provisions for foreign investors; the Companies Law 159/1981 and the Investment Law 230/1989 amended by the Law of Investment Guarantees and Incentives 8/1997. Foreign investors may choose to invest in Egypt either under the companies Law or the law of Investment Guarantees and Incentives, depending on the kinds of incentives sought and the areas in which the investment is to be made.

The Companies Law supplements the civil and commercial codes of Egypt and forms the basic Corporation Law. Although the Companies Law does not relate specifically to foreign investment, it does provide limited incentives, including exemptions from stamp duties and related fees, and tax exemptions of up to 50% on income earned from stock exchange registered shares. Previous restrictions on companies registered under this law included a requirement that at least 49% of the share of the company be initially offered over a period of one month of Egyptians; a

majority of directors be Egyptian nationals; and that workers be represented on the Board of all companies with majority foreign equity. These restrictions were removed by Law 3, which was passed in 1998.

Foreign investment in Egypt can also take place under the Law of investment guarantees and incentives passed in May 1997, which, with the exception of Article 20 (3), superseded the investment law 230/1989. The new law allows investment through joint ventures, limited liability companies and partnerships, and governs 'inland investments', essentially domestic investment projects and investment in 'free zones', which are treated as outside the domestic economy for taxation, customs and trade purposes.

Inland investment and investment in the free zones, whether foreign or domestic, is managed by the General Authority for Foreign Investment and Free Zones (GAFI), established by presidential Decree 284 of 1997. The Board of Directors of the GAFI is comprised of the Head of GAFI, a Deputy Governor of the Central Bank of Egypt, representatives from the ministries of agriculture, tourism, finance, industry, and mineral resources and five investors.

Unlike the companies law, which applies to all investment, the law of investment guarantees and incentives applies to investment 'including domestic and foreign private investment' in certain activities or sectors as specified in the law and as may be amended further by the Cabinet table.

Investment incentives under the Law of Investment Guarantees and Incentives include tax holidays for company profits, personal income tax on dividends, and annual stamp duty on capital. Tax holidays are granted for five years for all investment under the law; up to ten years for companies established in the new industrial zones, new urban communities or remote areas; and up to 20 years from the date of establishment for investments outside the Old Valley. Exemption from stamp duty, and notarisation and registration fees is provided for up to three years from registration in the commercial register. In addition, amendments made to the Customs Exemptions Law 186 reduce to 5% all customs duties on capital goods

imported by companies registered under the Law.

Exemption from corporate income and property taxes for up to ten years under the New Communities Law 59/1979 and for tourist and hotel establishments law 1/1973 was abolished under the law of investment guarantees and incentives. However, under Article 16 of the law of investment guarantees and incentives, tax exemptions of up to ten years are granted for companies set up in the new industrial zones and new urban communities or for new projects financed by the social fund for development. According to a recently completed study (ECES, 2000), other specific laws also provide corporate tax holidays for companies with at least 50 employees 'five years', for co-operative fishing projects 'ten year', and for fishing, livestock and poultry production 'five years'.

Land ownership by foreigners is governed by law 15 of 1963, which forbids foreign ownership of agricultural land; law 230 of 1996, which allows non-Egyptians to own up to two private residences in Egypt (each of an area up to 4000 m²) but which can not be sold for a minimum of five years from the date of purchase; and law 143 of 1981, which requires that Egyptian have a majority share in any desert land, defined as land beyond two km from the border of a city. Law 143/1981 has priority over the Law of Investment Guarantees and Incentives; thus, a joint-venture company formed under the latter wishing to pursue an activity requiring the ownership of desert land, would require majority Egyptian ownership.

There appear to be no restrictions on repatriation of funds by companies or rules requiring foreign companies to hold foreign currency accounts.

Investors in free trade areas or 'public free zones', of which there are currently six in Egypt, as well as in private free zones, are exempt from rules concerning imports and exports or customs procedures for imports and exports. They are also exempt from payment of customs tax, general sales tax or any other kind of tax or duties over the duration of individual projects. However, an annual charge of 1% is payable to GAFI on the (c.i.f) value of commodities entering the free zone for storage goods and for manufactured and assembled items exiting the free zone. Goods that transit

the free zone are exempt from this charge, whereas for goods neither exiting nor entering the zone, for example services provided, the charge is 1% of total revenues realised. In addition, there is a service fee of a half per thousand 0.05% of the capital cost of the project, payable annually to GAFI.

Egypt has a number of bilateral investment agreements. The Egypt-United States Bilateral Investment Treaty 'BIT' came into effect on 27 June 1992. The treaty includes international legal standards for expropriation and compensation; free financial transfers; and procedures including international arbitration for the settlement of investment disputes. Between January 1992 and March 1998 Egypt signed bilateral treaties with 37 countries. Egypt is a member of the World Bank's Multilateral Investment Guarantee Agency (MIGA).

8.7 SUMMARY

This chapter analysed the development of international trade in Egypt. It also discussed its trade policies. The chapter showed that Egypt has moved from inward-looking trade policies to a more open market-economy. The trade policy of Egypt seeks the achievement of a market-based export oriented growth by adopting a phased programme for the elimination of non-trade barriers and the phasing out of restrictions in the export sector.

The authorities strongly favour trade liberalisation through the multilateral framework. In 1970, Egypt joined the GATT and in 1995 it joined the World Trade Organisation. Moreover, outside the multilateral framework, Egypt has begun to open its market on a preferential basis, through regional and bilateral free-trade agreements.

The next chapter examines the importance of the tourism industry in Egypt. The chapter also evaluates the implementation of GATS for tourism in Egypt.

CHAPTER NINE

EGYPT: GATS AND TOURISM

9.1 INTRODUCTION

Historically, Egypt is probably the world's oldest civilisation having emerged from the Nile Valley around 3,100 years ago. For years, Egypt has been the hub of tourists interested in the history and the valuable heritage of ancient Egyptian monuments spread all over the country.

Recently Egypt has embarked on a comprehensive and diversified tourism development plan. As a result, new types of tourist products and services have been introduced, investment in tourism has increased and the economic performance of the industry has been improved. Moreover, the change in the country's economic orientation and the economic reforms that were put in place have resulted in an increase in both confidence and investment in tourism. The number of hotels has increased, facilities for servicing the tourism sector have improved and the number of arrivals has risen rose substantially in relation to the previous decade.

Tourism is a significant contributor to Egypt's economy. Tourism receipts constitute more than a quarter of total foreign exchange earnings and represent, on average around 4% of GDP and around 12% of Egypt's total work force. In addition, the tourism sector in Egypt is poised to be a source of consistent economic growth over the next few years.

But Egypt still has a long way to go. Its competitive position in tourism is weak and is not at a level that one would anticipate given the country's share of world tourism assets. Egypt's tourism potential suffers numerous constraints, among which is the lack of a comprehensive tourism development policy, the quality of the service, the shortage of competitive marketing efforts coupled with weak budget allocations for tourist promotion, and the poor image of the Middle East as an unsafe and insecure

region. All these factors are current obstacles to tourism development in Egypt.

In 1995, Egypt signed the General Agreement on Trade in Services (GATS) and made specific commitments in four out of the 12 sectors in the GATS classification. In general, Egypt's GATS commitments tend to bind the existing policy framework. GATS commitments in tourism, however, are fairly restrictive with many exemptions to market access and national treatment.

This chapter focuses on tourism industry in Egypt. It attempts to summarise recent development in tourism sector and Egypt's policy options regarding liberalisation of tourism industry. The chapter specifically addressed the following questions:

- How important is the tourism sector in the Egyptian economy?
- What is the level of openness in Egypt's trade in tourism?
- What are the main current tourism liberalisation policies?
- What are the main features of Egypt's GATS commitments regarding tourism?

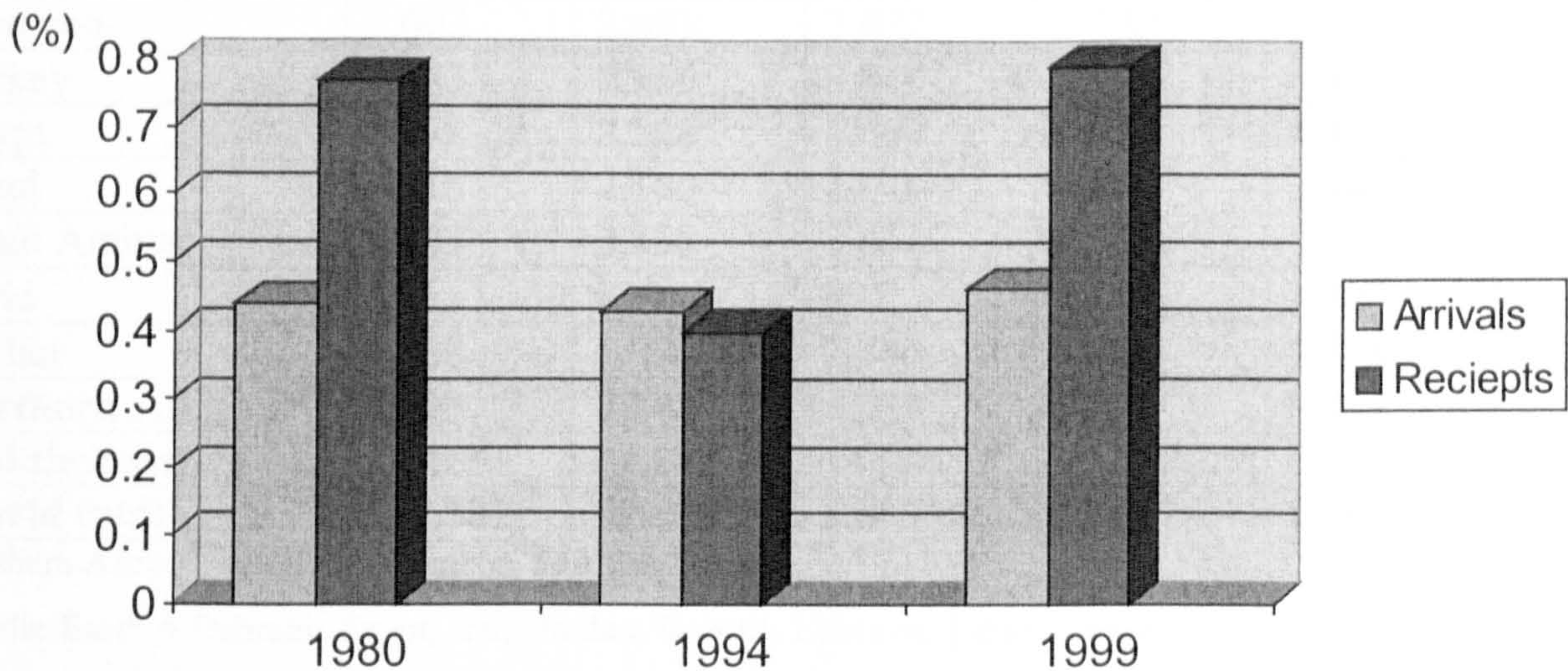
9.2 INTERNATIONAL AND REGIONAL COMPETITIVE POSITION OF TOURISM IN EGYPT

International trade in tourism is unevenly distributed among the major tourist regions of the world among which Europe leads with 60 % of world inbound tourism in 1998, the South Asia last with 0.8%, Americas with 19.3, East Asia/pacific with 13.6, Africa with 3.9% and the Middle East with a weak share of 2.4%.

In terms of receipts, Europe had the highest tourism receipts (52.1% of total world receipts) in 1998, followed by the Americas with 27.3% and East Asia/Pacific with 15.6%. Africa, Middle East and South Asia have registered the weakest performance with a total share of 2.2%, 1.8% and 1.0 respectively (WTO/OMT, 1999c).

Although Egypt is rich in tourist attractions, its competitive position in the world is relatively weak. Egypt ranked 38 out of 60 in 1994 in the world tourism arrivals and for tourism receipts it ranked 44 out of 60 in the same year in the world tourist

receipts. In 1999 its position in the world tourism league improved slightly and the country ranked 35 for tourist arrivals and 43 in terms of world receipts (see figure 9.1).



**Figure 9.1: Egypt’s Share of the World Market for Tourism
(Arrivals and Receipts)**

Source: WTO/OMT (2000).

Egypt, despite its recent problems, is the dominant player in the Middle East, with Morocco and Tunisia gaining in importance. Egypt inbound tourist accounts for 28.6 % of the total tourist traffic to the Middle East, reaching in 1999 around 4.4 million-tourist arrivals, which registered a 29.8% increase over the number of tourist arrivals in 1998.

Within the MENA region (Middle East and North Africa), the main tourism players are: Tunisia with 4.9 million arrivals, Egypt with 4.4 million and Morocco with close to 4 million arrivals in 1999. With respect to receipts, Egypt dominates with close to \$4 billion, followed by Morocco and Tunisia, \$1.9 billion and \$1.6 billion, respectively. Turkey and Israel represent the other non- Arab main players in the ‘Middle East’ region with Turkey receiving 6.8 million tourists and Israel 2.2 million for the same year (see table 9.1 and 9.2).

Table 9.1: Trends of Tourist Arrivals by Country in MENA Region (1995-99)

Country	Tourist Arrivals (thousands)				
	1995	1996	1997	1998	1999
Tunisia	4,120	3,885	4,263	4,718	4,880
Morocco	2,602	2,693	3,072	3,243	3,950
Turkey	7,083	7,966	9,040	8,960	6,800
Egypt	2,872	3,528	3,657	3,213	4,489
Israel	2,215	2,100	2,010	1,942	2,240
Saudi Arabia	3,325	3,458	3,614	3,700	3,802
Syria	815	830	891	1,267	1,393
Jordan	1,068	1,096	1,116	1,248	1,358
Northern African*	7,305	7,248	8,028	8,638	9,411
Middle East*	13,465	14,084	14,583	15,092	17,599
World total*	567,381	599,035	619,718	636,676	656,933

Northern Africa* = Algeria, Morocco, Sudan & Tunisia.

Middle East* = Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Syria, UAE & Yemen.

World Total* = Middle East, North Africa, Turkey & Israel.

Source: World Tourism Organisation (1999b).

Table 9.2: Trends of Tourist Receipts by Country in MENA Region (1995-99)

Country	Tourism Receipts (US\$ Million)				
	1995	1996	1997	1998	1999
Tunisia	1,402	1,451	1,414	1,557	1,608
Morocco	1,304	1,674	1,449	1,745	1,850
Turkey	4,957	5,962	8,088	7,809	5,000
Egypt	2,684	3,204	3,727	2,564	3,815
Israel	2,964	2,955	2,836	2,656	3,050
Saudi Arabia	1,210	1,308	1,384	1,462	1,507
Syria	1,338	1,206	1,035	1,190	1,360
Jordan	661	743	774	853	795
Northern African*	2,600	2,864	2,758	2,582	3,931
Middle East*	7,115	7,739	8,314	8,572	10,121
World total*	407,317	437,938	439,896	441,255	455,523

Northern Africa* = Algeria, Morocco, Sudan & Tunisia.

Middle East* = Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Syria, UAE & Yemen.

World Total* = Middle East, North Africa, Turkey & Israel.

Source: World Tourism Organisation (1999b).

According to the WTTC (2000), the estimated importance of tourism in different regions shows that the Middle East and North Africa tourism contributes 7.3 percent

of the Middle East's GDP (6.8 percent for North Africa), 7.1 of the Middle East's employment (6.1 percent for North Africa), and 9 percent of Middle east gross investment (6.1 percent for North Africa). Tourism plays a more important role in economies of all other regions, except South Asia and Latin America (see table 9.3)

Table 9.3: The Share of Travel and Tourism Economy in GDP (1999)

Region	%GDP	%Employment	%Investment
Caribbean	20.6	16.0	25.7
Other Western Europe	15.4	15.8	16.1
Oceania	14.7	15.6	15.8
European Union	14.1	14.5	13.9
North America	11.8	11.9	11.7
Sub-Saharan African	11.2	11.7	9.8
Central and Eastern Europe	11.1	7.4	9.7
Southeast Asia	10.6	7.4	9.5
Northeast Asia	10	7.3	9.1
Middle East	7.3	7.1	9.0
North Africa	6.8	6.1	6.1
Latin America	5.6	6.0	6.1
South Asia	5.3	5.4	5.5

Source: World Travel and Tourism Council (WTTC) (1999)

The World Tourism Organisation (2000) reports that the region (Middle East and North Africa, i.e. excluding Israel and Turkey) has approximately 381,000 hotel rooms, which is equivalent to around 3 percent of total world supply. Israel and Turkey combined additional 180,000 rooms, which brings the regions share in the world to around 4.5 percent of world total. While more or less consistent with the Middle East's present share in arrivals, any growth potential will have to be adequately matched by investment in tourism establishments.

Recent figures from the World Tourism Organisation (2000) show that in the MENA group, Egypt posted a spectacular growth rate of almost 40 percent and a record number of tourist arrivals that far exceeds totals achieved before the Luxor attack. Similarly, Morocco's tourist arrivals grew by around 22 percent in 1999 as compared to 1998. Syria also performed well, with arrivals increasing by almost 10 percent. Other tourism destinations exhibited steady growth such as Tunisia with an increase of 3 percent.

9.3 TOURISM DEVELOPMENT IN EGYPT

9.3.1 TOURISM GROWTH (1950-1980)

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. It is a traditional tourist destination, which knew tourism in the mid-nineteenth century, when Thomas Cook organised its third group tour outside Great Britain to Egypt after Europe and the United States. The British aristocracy used to spend a major part of the winter season in Egypt until World War II.

In July 1952, when the revolution broke out, tourist numbers had reached 75,000 spending over 2.2 million tourist nights with an average length of stay 30 nights. In early 1960, Egypt started to embark on an ambitious tourism development and marketing program under the leadership of the State Tourist Administration (STA) and the Egyptian General Organisation for Tourism and Hotel (EGOTH). In 1965 the tourist number totalled 6 millions with 10.4 million tourist nights at an average length of stay of 17.3 nights. However, due to the Wars in 1967 and 1973, Egyptian tourist traffic declined while worldwide tourist competition became more acute (Wahab, 1998).

The open-door policy of Sadat's government in 1975 resulted in a slow improvement in tourism growth. 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.

9.3.2 TOURISM DIVERSIFICATION (1980-1990)

In 1987, the country started development programmes for the tourism industry in South Sinai, the Red Sea Coast and the North West Coast as part of Egypt's ambitious intention to diversify its tourism industry, the goal of which was to increase tourism revenues and generate additional employment by diversifying Egypt's tourism product and destinations away from concentration on the traditional historic sites of Cairo and Nile Valley.

According to TDA (1997), the product diversification includes:

- Leisure Tourism;
- Nature adventure tourism;
- Conference tourism;
- Health tourism.

Geographical diversification includes:

- South Sinai;
- Red Sea;
- Upper Egypt;
- Western Desert;
- Mediterranean Coast (see figure 9.2).

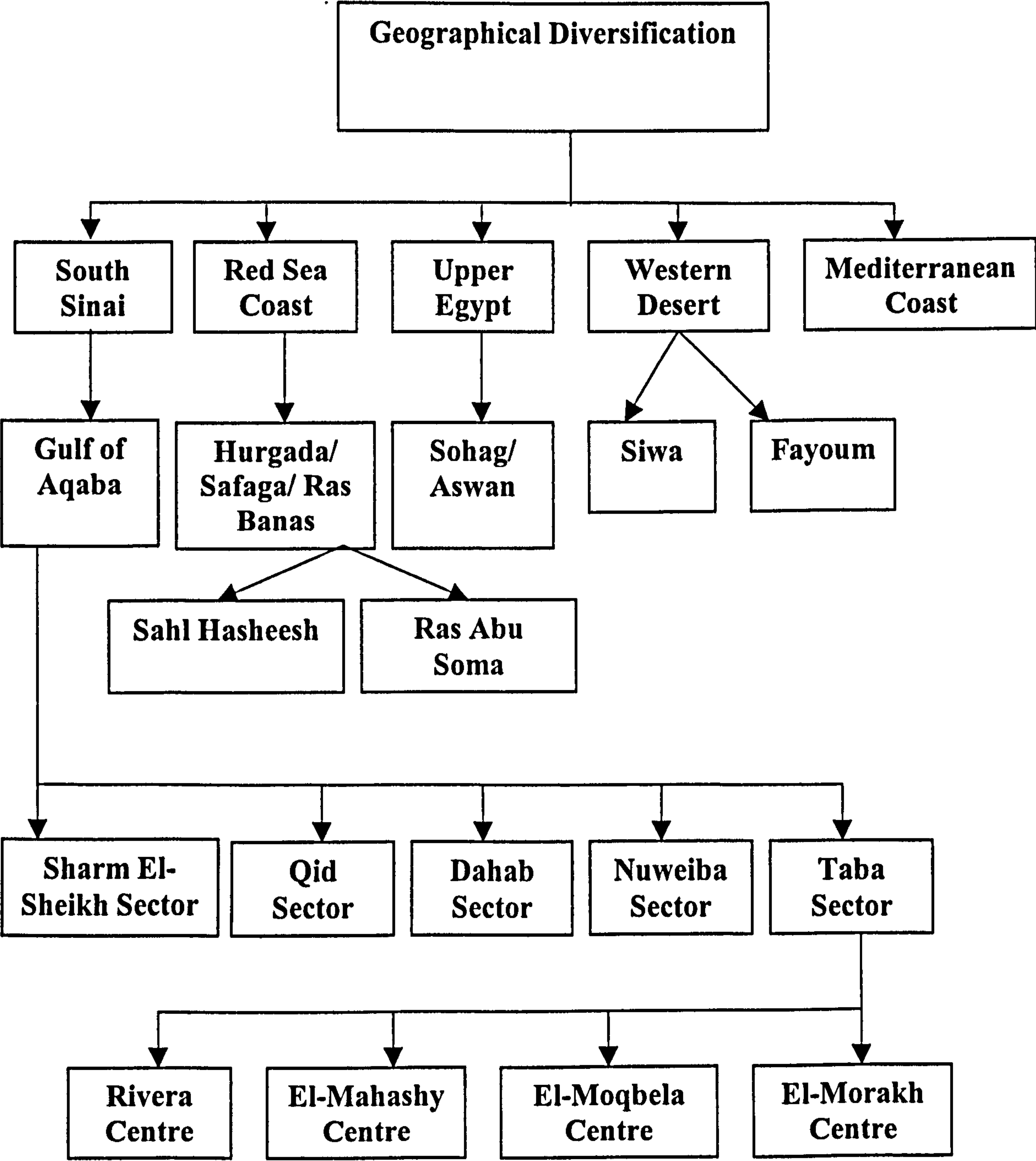


Figure 9.2: Geographical Diversification of Tourism

Source: Tourism Development Authority (TDA) (1997)

Egypt’s main objective was to develop the supply of leisure tourism destinations to complement Egypt’s historical and cultural heritage. As a result, the regions that have been developed for tourism include the shorelines of the Sinai Peninsula around Sharm El Sheikh, along the Gulf of Suez and the Gulf of Aqaba; the Red Sea coast from Ain Sokhna to Hurgada and on to Safaga, Qusier and Mersa Alam; as well as the long sandy beaches on the Mediterranean Sea; and the various oases and depressions found within the Western desert (see map).

Following the government’s efforts to liberalise tourism investment and diversify its tourism product in the early 1980s, tourism expanded rapidly in the mid-to-late 1980s. Over the course of the late 1980s the number of foreign tourist arrivals expanded by over 90%. The targets of the second 5-year tourism plan (1987-1992) were exceeded in mid-term. The 1992 target of 2.5 million tourists was overtaken in 1989 (2,503 million). The plan also was to increase the number of tourist nights to 17.5 million nights, and this number exceeded 19 million during 1990. Travellers receipts were to reach 1.7 billion dollars, which was also achieved by 1990 (US\$ 1.9 billion) and the accommodation target of 500.000 rooms was passed in 1990 (see figure 9.3 and 9.4).

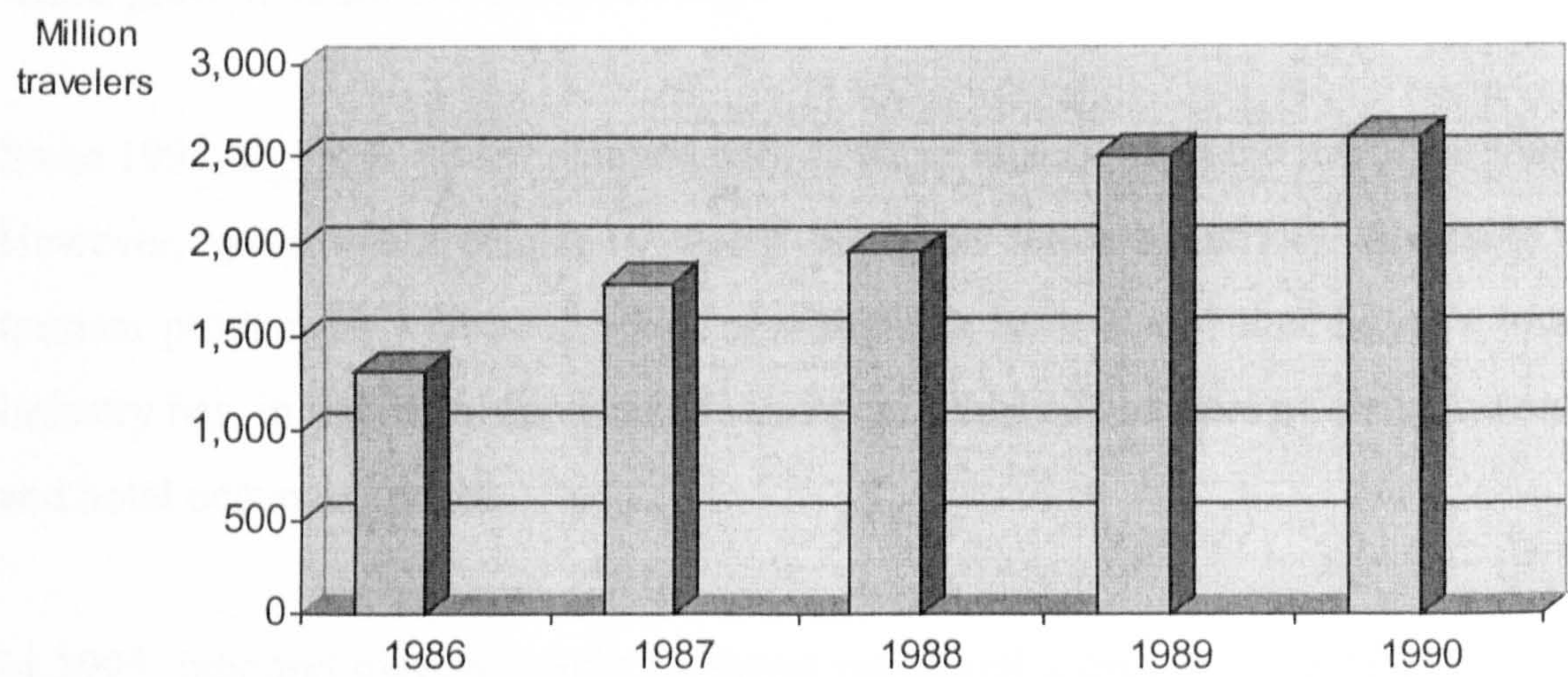


Figure 9.3: International Tourist Arrivals (1986-1990)

Source: MOT, Tourism in Figures (1995)

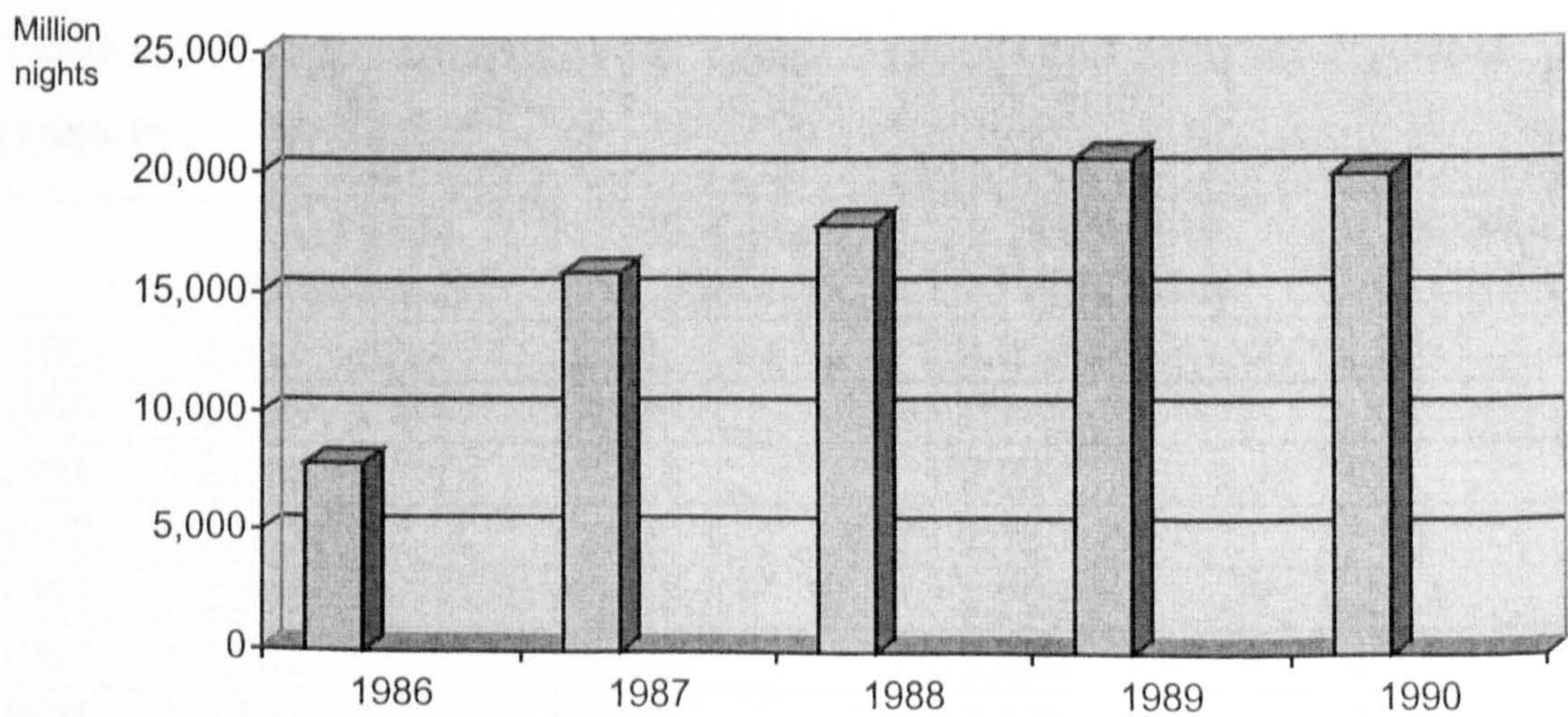


Figure 9.4: International Tourist Nights (1986-1990)

Source: MOT, Tourism in Figures (1995)

9.3.3 RECENT TOURISM TRENDS (1990-2000)

Egypt was set to continue this phenomenal growth and it looked likely that the number of arrivals would reach 3 million in 1990. But, as a result of the Gulf War, growth slowed significantly and the year ended with only a 3.9% rise in foreign arrivals (2.6 million tourists) and a slowdown in tourism nights by 3.1%. Despite the increase in tourism number in 1990, tourism receipts declined sharply by 5.5% (1.9 US\$ billion), due to the overall slowdown in tourism nights (3.1% less than 1989). The improvement in the regional political situation boosted tourism again in 1992, making it Egypt's best year up to that point, both in terms of arrivals and receipts, which grew 45% and 35% respectively.

Since 1992, Egypt has been plagued with terrorist attacks, targeted mainly at tourists. However, government efforts to clamp down on terrorist activity, diversify their tourism product as well as develop new markets have meant that Egypt's tourism industry has, in the main, continued to grow, in terms of numbers of arrivals, receipts and hotel occupancy rates.

In 1995, inbound tourism traffic to Egypt registered a growth ratio of 21.38% over 1994, while the number of tourist nights increased in the same period of 1995 by 32.5 %. Tourism receipts also increased by 40% (see table 9.4).

Table 9.4: Egypt's International Visitor Arrivals and Tourism Receipts (1989-99)

	Arrivals (thousands)	% Annual Change	Receipts (US\$ mn)	% Annual Change
1989	2,503	27.1	2,058	15.4
1990	2,600	3.9	1,944	-5.5
1991	2,214	-14.8	2,029	4.4
1992	3,207	44.8	2,730	34.5
1993	2,508	-21.8	1,927	-29.4
1994	2,582	3.0	2,006	4.1
1995	3,133	21.4	2,686	33.9
1996	3,975	26.9	3,288	22.4
1997	3,961	-0.4	3,801	15.6
1998	3,456	-12.7	2,801	-26.3
1999	4,489	29.8	3,815	36.2

Source: Central Bank of Egypt (CBE) (2000b).

9.3.3.1 After Luxor incident – Recent Trends

After the terrorist attack at Luxor in November 1997, which left 58 tourists dead, tourist numbers fell by 12.8%. In 1998, overseas visitors numbered 3.5 million (down from nearly 4 million in 1997) staying a total of 20.2 million nights (down from 27 million nights in 1997) with an average stay of 5.8 nights (see table 9.5). Tourism receipts also declined to US\$ 3.8 billion (26.3% down).

Table 9.5: Number of Tourist Arrivals and Tourist Nights to Egypt (1997-98)

Month	Number of Arrivals (thousands)			Tourist Nights (thousands)		
	1998	1997	% Annual change	1998	1997	% Annual change
January	168.2	259.9	-35.3	1096.6	2211.0	-50.4
February	169.6	317.1	-46.5	994.4	1807.0	-45
March	215.1	354.4	-39.3	1187.4	2407.5	-50.7
April	296.6	344.1	13.8	1644.8	2388.8	-93
May	240.6	331.3	-27.4	1269.8	2090.4	-31.1
June	250.0	298.8	-16.3	1205.7	1610.4	-25.1
July	384.8	425.1	-9.5	1694.9	2031.7	-16.6
August	419.8	444.7	-5.6	3151.9	3399.4	-7.3
September	305.7	352.0	-13.2	2234.1	3162.1	-29.3
October	379.6	390.9	-2.9	2128.1	2477.0	-14.1
November	322.6	265.2	21.7	2024.9	2083.7	-2.8
December	301.3	177.9	69.3	1517.9	909.8	66.8
Total	3453.9	3961.4	-12.8	20150.5	26578.8	-24.2

Source: MOT, Tourism in Figures (1999b)

During the winter of 1998, the tourist numbers in Egypt fell by nearly half in the 1997/98-winter season (see figure 9.5). However, the number of tourist arrivals had climbed back to normal levels by November 1998.

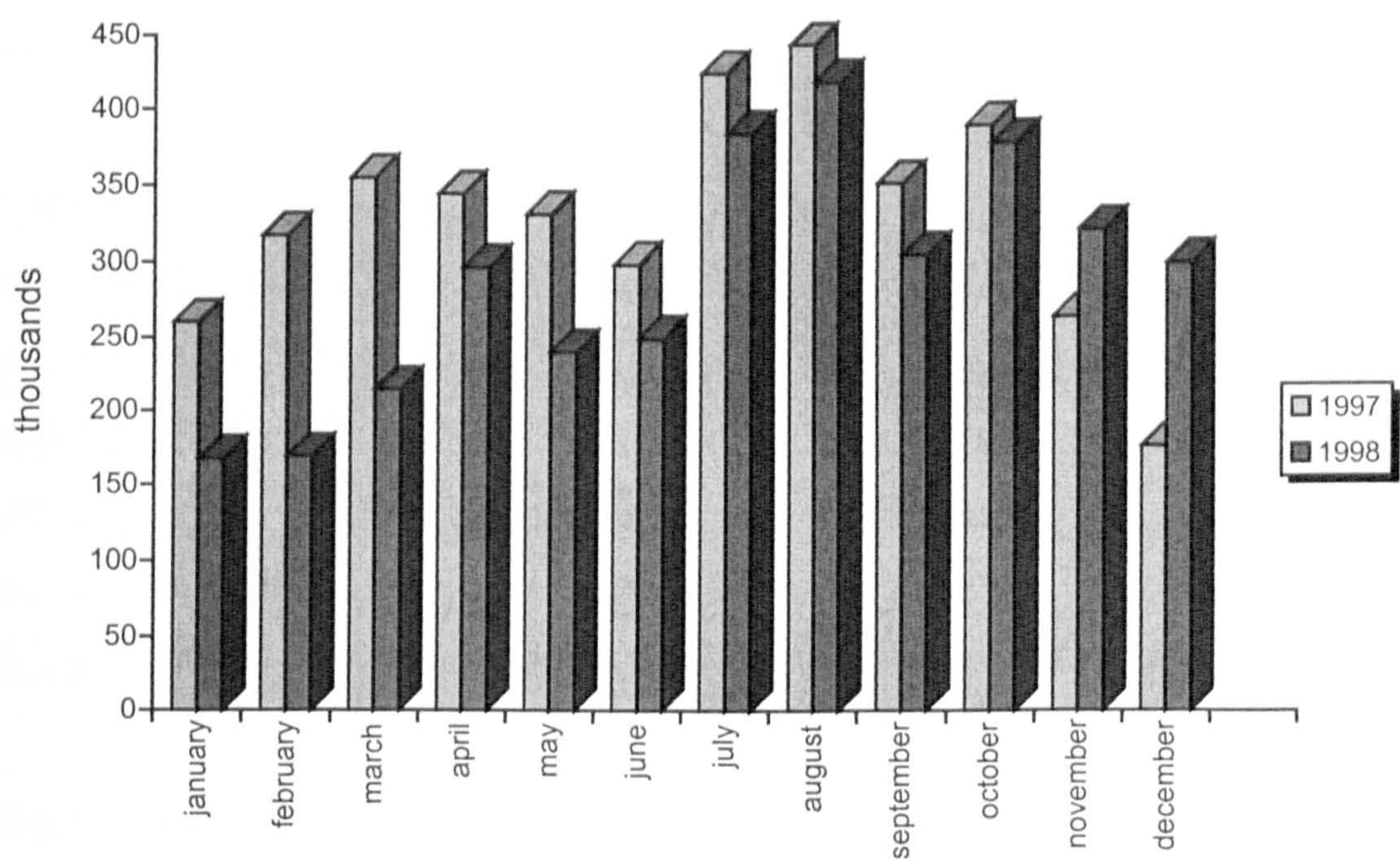


Figure 9.5: Tourist Arrivals to Egypt (1997-98)

Source: MOT, Tourism in Figures (1999b)

The recovery was largely due to the concerted efforts of all parties in the tourism sector, price cuts that Egypt highly competitive, and by the fact that not one single other incident of violence against foreigners took place in the interim. Moreover, the quick recovery of tourism can be attributed to government efforts, which went to great lengths in its security regime to crackdown on Islamic extremists.

A secondary factor, but a very important one, came shortly after the Luxor incident, when President Mubark called on the Egyptian people to spend their holidays in Egypt and support the economy. Domestic tourist traffic is estimated at about 2 million per year. Arab visitors stepped in to partially fill the gap left by European, American and Asian visitors. Tourism Ministers from 20 Arab countries helped to promote tourism in Egypt as a show of support and 1998 was declared the ‘Year of Arab Tourism to Egypt’, visa fees for Arabs were cancelled and land travel fees were slashed.

Another contributing factor to tourism’s recovery has been the continuing steady flow of business travellers. As a result of the economic reform programme implemented in the early 1990s, Egypt is now generating steady GDP growth rates of over 5% per year and is attracting an increasing amount of attention from

international investors. According to official statistics (MOT, 1999c), business and commercial visits constitute roughly 9% of arrivals in Egypt.

The Egyptian government has taken further steps to position Egypt for a swift recovery. Starting in July 1998, an annual 'Tourism and Shopping Festival' was organised with accompanying promotion in the Gulf States and Eastern Europe. Malls and bazaars offered discounts throughout Cairo. In addition, the government has increased its efforts to diversify its source tourism markets to include Latin America, Eastern Europe and all of the Middle East. Also, the tourism product is being diversified with the addition of desert safaris, conferences and pilgrimages.

According to data from the Central Agency for Public Mobilisation and Statistics (CAPMAS) (1999a), the gradual recovery in tourism numbers started in the second quarter of 1998 and continued through the second half of 1998. The number of arrivals reached 2.11 million tourists in the period July-December 1998, a 2.8% rise over the same period in 1997, and a rise of 57.8% if compared with the first six months of 1998. More recently, in the first half of 1999, the recovery has been consolidated and tourist arrivals reached 2.15 million, a rise of 61% over the same period in 1998 and a rise of 13% over the similar period in 1997.

The bulk of arrivals in Egypt's recovery period have come mostly from the European countries, especially Western Europe (51.2%). This reflects traditional trends and the quick response of European tourists to the improvement in the tourism in Egypt, to increased tourism campaigning efforts and the effects of heavy price discounting of package holidays for Europe. European arrivals represented over 1.5 million tourists or 51.2% of total arrivals by the end of 1998. Some 26% of West European arrivals came from Italy (233,000). Germany followed in importance, with 187,000 tourists or 20.9% of total European arrivals. The UK came next with 16.6% of total European arrivals (149,000). Moreover, an aggressive marketing campaign in France helped to restore French tourist flows to Egypt to their normal levels, recording 106,000 French tourists or 11.8% of total European arrivals for the last half of 1998 (see table 9.6).

Table 9.6: International Arrivals in Egypt by Region (1997-99) (Thousands)

	Jan/Jun 1997	July/Dec 1997	Jan/Jun 1998	Jul/Dec 1998	Jan/Jun 1999	% Change Jan/Jun 99/97	% Change Jan/Jun 99/98
Europe	1,104	998	581	1,003	1,457	32.0	150.8
Middle East	447	739	535	823	387	-13.4	-27.7
America s	128	129	101	117	126	-1.6	24.8
Other*	226	190	123	171	182	-19.5	48.0
Total	1,905	2,056	1,340	2,152	2,152	13.0	60.6

Other regions include the Africa, Asia and pacific regions

Source: CAPMAS (1999a)

The second-largest market for Egypt is the Middle East. In the second half of 1998, 823,000 tourists arrived from countries in the Middle East, representing 38.9% of total arrivals over the period. Of the Middle East group of countries, Saudi Arabia was the largest provider of tourists with 18.6% of the Middle Eastern total, followed by Palestine, Kuwait, Jordan and Syria.

Tourism flows from the America have recovered gradually since the Luxor incident. These amounted to 117.000 in the last half of 1998, which was slightly down in relation to the same period in 1997, but 16% up if compared with the first half of 1998 (see table 9.7).

Table 9.7: International Tourist Arrivals by Region (1997-98) (Thousands)

Region	1998	1997	% annual change
Middle east	986.0	893.4	10.4
Africa	130.7	120.1	8.8
Americas	217.4	256.7	-15.3
Europe	1956.8	2394.4	-18.28
Asia	161.0	260.3	-38.1
Others	2.0	36.5	-94.6
Total	3453.9	3961.4	-12.8

Source: MOT, Tourism in figures (1999b)

Tourism numbers registered the best performance in 1999 with 4.4 million tourists (29.8% change). With respect to receipts, it also increased by 36.2% (US\$ 3.8 billion). This is a result of the diminishing importance of the effects of the Luxor attack.

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 of 7 nights. Tourism receipts also increased by 38% over 1999.

From the above analysis, it can be concluded that periodically since 1981, Egypt has experienced a series of incidents that have negatively affected the flow of tourism to the country, causing declines in tourist arrivals and therefore tourism receipts. A pattern has developed after each incident whereupon the cycle starts with an immediate and severe drop in the flow of tourists lasting for a period of time, followed by a rapid surge in the flow of tourists, and later a levelling-out period of normal flow and gradual growth. These incidents are the:

- Gulf War (October 1990);
- Terrorist attack (October 1993);
- Terrorist attack at Luxor (November 1997).

However, despite the fluctuations in tourism flows and receipts in Egypt between 1989-2000, tourism flows in the country grew on average by around 7.9% per year, much higher than world tourism which, according to WTO/OMT figures (1999) grew at an annual average rate of 4.7% per year over the same period (see figure 9.6 and 9.7).

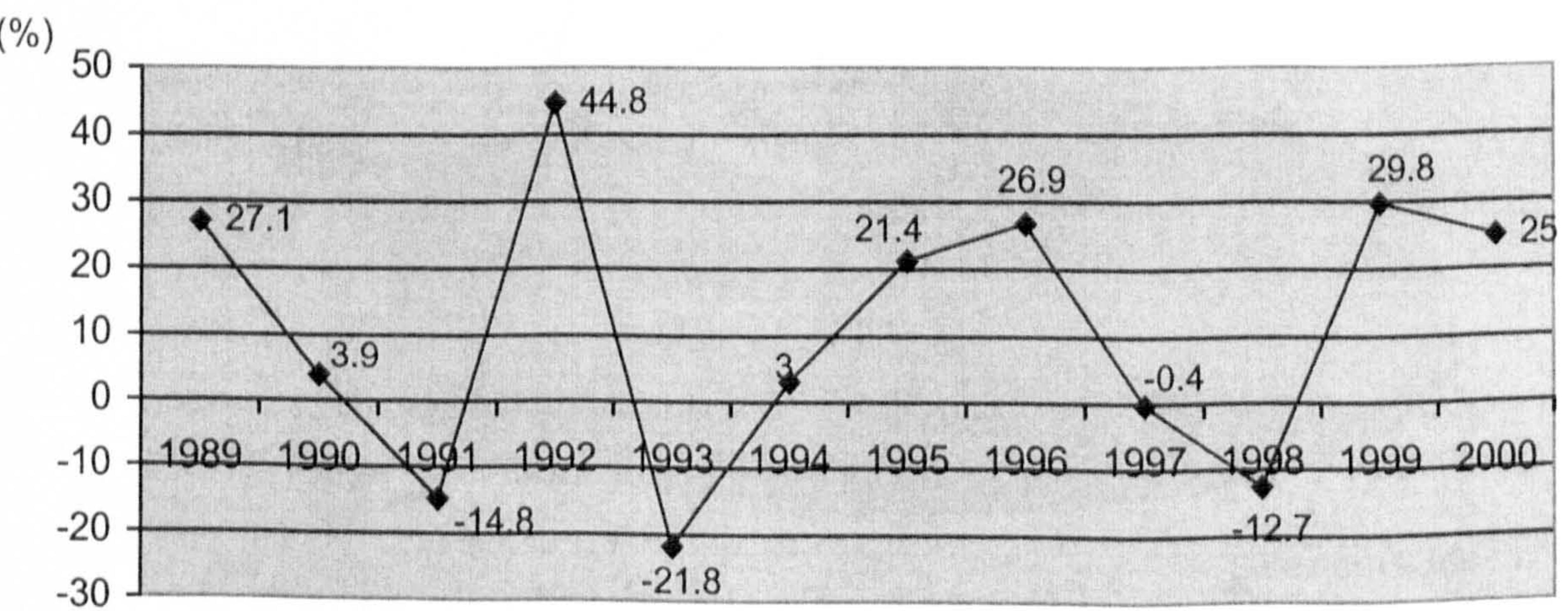


Figure 9.6: Tourist Arrivals to Egypt (1989-2000), % Annual Change
Source: Ministry of Tourism, Egypt (2001)

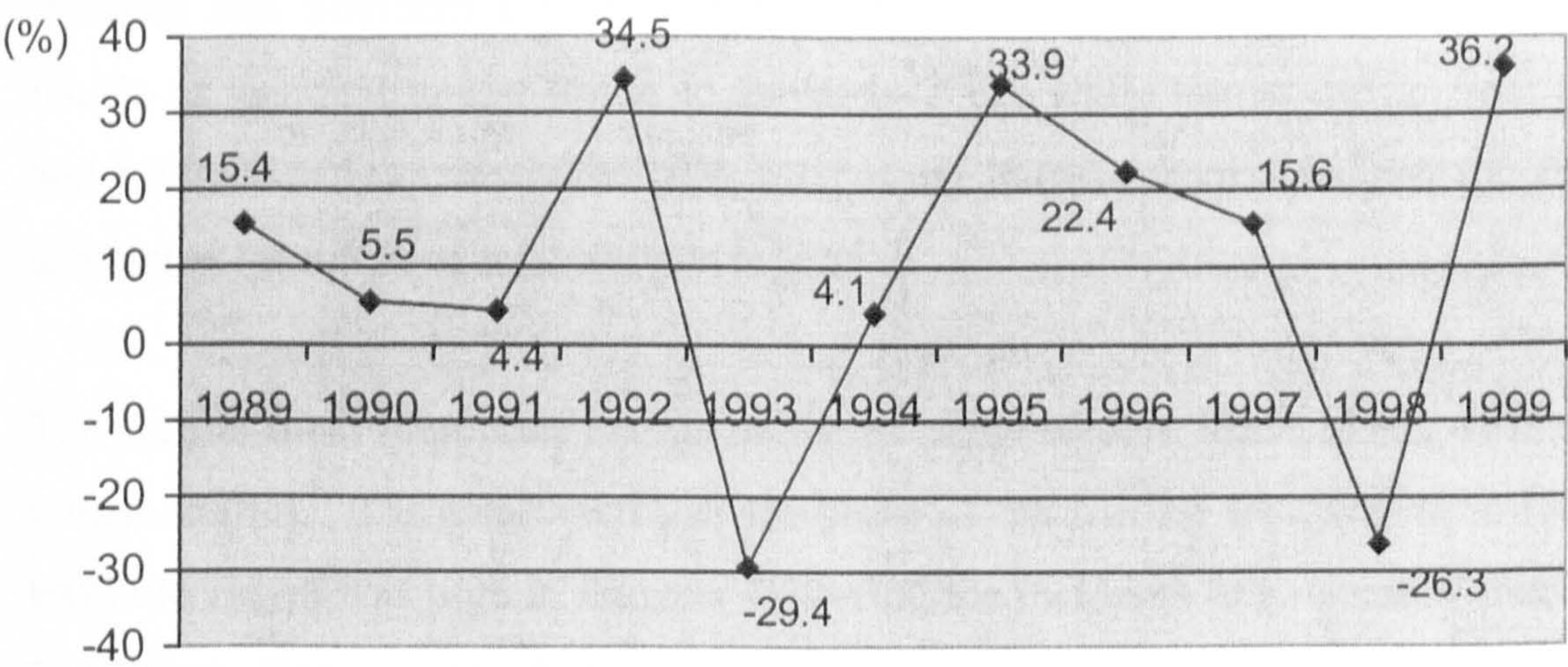


Figure 9.7: International Tourist Receipts, Egypt (1989-1999)

Source: Central Bank of Egypt (CBE) (2000c)

9.3.4 THE MAIN TOURISM MARKET TO EGYPT

Tourism to Egypt has been dominated for a long time by two distinct trends: Arab and foreign visitors. The Arab market consists of visitors mainly from Saudi Arabia, Kuwait, Libya, Syria, Jordan and Sudan, accounting for 33% of the overseas tourist traffic to Egypt in 1999. The foreign market consists of visitors from Western and Eastern European countries, the USA, Canada, Asia and Africa, accounting for 67 % of the overseas tourist traffic to Egypt in 1999 (see figure 9.8).

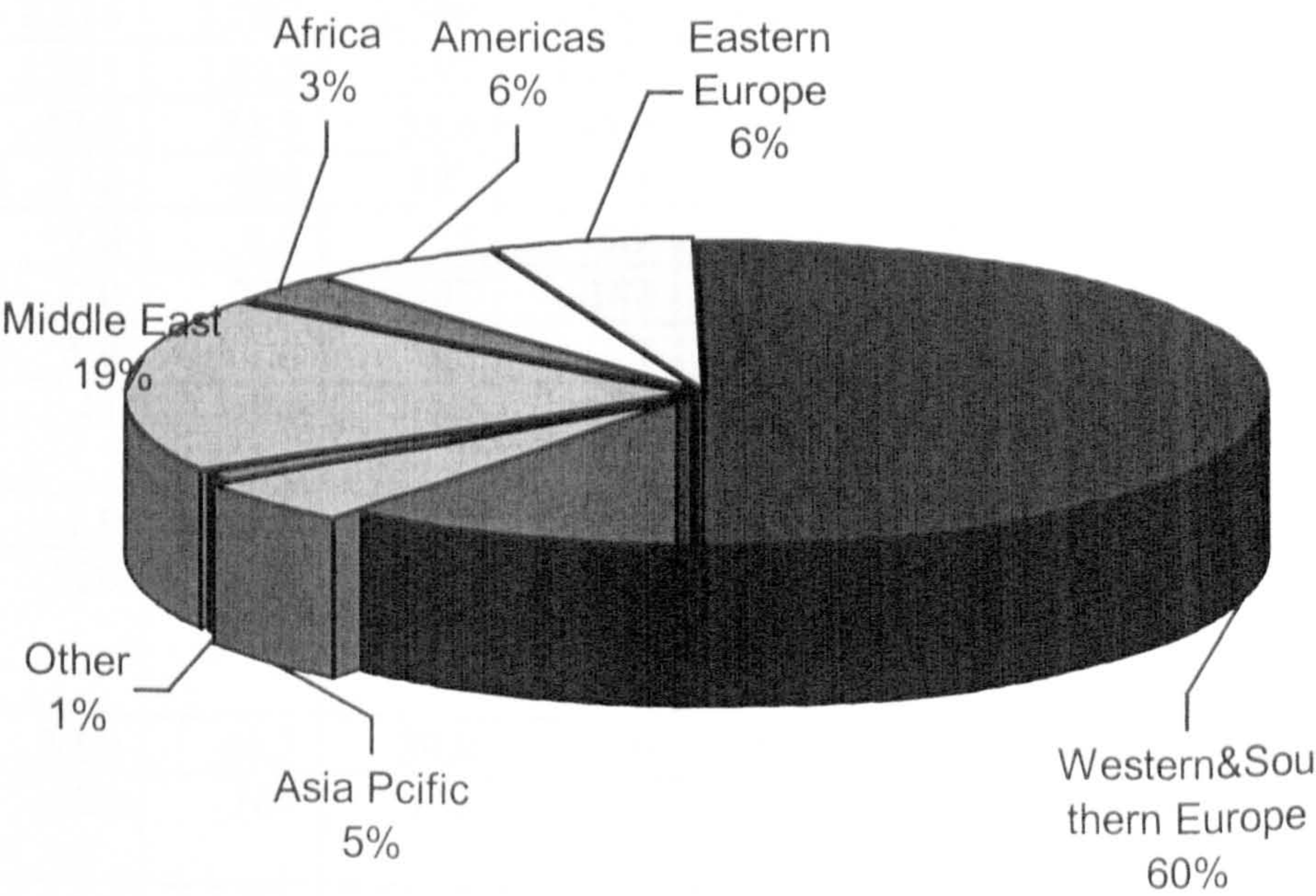


Figure 9.8: International Tourist Arrivals to Egypt by Region (1999)

Source: MOT, Tourism in Figures (2000)

Western and Southern Europe is the most significant tourist market to Egypt at 64.5% of the total tourist traffic to Egypt in 2000, while tourist traffic from North and Latin America constituted only 6.1 % and tourists from Asia and the Pacific accounted for 6.5 % of total arrivals in 2000.

The second most important market to Egypt is the Middle East (13.9% of the total tourist traffic). It is also noted that the share of the Middle East region in tourism traffic to Egypt was high in the year following the incidents (e.g. terrorist attack and Gulf War). For example, following the Gulf war (1990) the share of the Middle East was 47.5% in 1991. In 1994, following the first terrorist attack (1993), the share of the Middle East was 40%. Moreover, the Middle East share in 1998 after the Luxor attack was 39.3% compared with only 22.5% in 1997. This is due to a number of reasons, among them that Arab visitors, who constitute the bulk of the Middle East countries, are less likely to be affected by these incidents. Another factor that contributed to the growth of the share of Middle East region is the concentrated efforts of Ministry of Tourism and all parties of tourism sector to promote tourism in Arab countries. The steady flow of business travellers from Arab countries to Egypt has also contributed to the growth (see table 9.8).

Table 9.8: International Tourist Arrivals by Region (1991-1999)

Thousands	1991	1992	1993	1994	1995	1996	1997	1998	1999
Total	2,214	3,207	2,508	2,582	3,133	3,896	3,961	3,250	4,797
Middle east	1,051	1,035	892	1,032	1,038	829	893	986	897
%to total	47.5	32.3	35.6	40.0	33.1	21.3	22.5	39.3	18.7
Africa	172	204	187	153	130	116	120	131	151
%to total	7.8	6.4	7.5	5.9	4.1	3.0	3.0	4.0	3.1
Americas	120	225	187	182	229	259	257	218	277
%to total	5.4	7.0	7.5	7	7.3	6.6	6.5	6.7	5.8
Eastern Europe	41	72	83	101	170	206	192	188	278
%to total	1.9	2.2	3.3	4	5.4	5.3	4.9	5.8	5.8
Western & southern Europe	729	1,483	999	930,	1,345	2,137	2,202	2,946	2,946
%to total	32.9	46.3	39.8	36	42.9	54.8	55.6	61.4	61.4
Asia & Pacific	100	187	158	181	219	288	260	245	245
%to total	4.5	5.8	6.3	7	7.0	7.4	6.6	5.1	5.1
Other	1	1	2	3	2	61	36	2	2
%to total	0.0	0.03	0.1	0.1	0.1	1.6	0.9	0.04	0.04

Source: CAPMAS (2001)

Egypt's main markets are three of the largest European countries: Germany, Italy and the UK. Of these, Germany has traditionally been the largest market ahead of Italy but this situation was reversed for the first time in 1997 when Italy became the largest single source market (14.5% in 1997) with an average length of stay of 14.1 nights.

It must be also noted that, over the course of recent years, Israel has been one of Egypt's fastest-growing markets, increasing by over 160% in terms of the number of tourist arrivals in the period 1992-1999. However, this growth in the number of arrivals has been concentrated only in the South Sinai area (see table 9.9 and 9.10).

Table 9.9: International Tourist Arrivals by Leading Source Market (1985, 1989) and (1992-1998) (Thousands)

Country	1985	1989	1992	1994	1995	1996	1997	1998	% change 97/92
Italy	84	112	170	146	287	316	389	373	128.8
Germany	116	226	356	242	319	437	348	274	-2.2
UK	103	183	317	232	292	328	334	240	5.4
Israel	na	Na	110	213	296	321	293	372	166.4
France	120	195	213	77	122	242	259	175	21.6
Saudi Arabia	139	175	234	235	179	216	208	234	-11.1
Palestine	101	97	61	138	99	143	181	196	196.7
USA	169	150	168	126	155	175	179	154	6.5
Libya	11	228	273	147	157	151	175	186	-35.9
Benelux	30	64	89	53	84	133	142	134	59.6

Source: MOT, Tourism in Figures (1999b)

Table 9.10: Ten Top Generating Country by Tourist Flow (2000)

Rank	Country	No. of Tourists (000)
1	Germany	786.3
2	Italy	752.2
3	France	379.9
4	UK	378.4
5	Israel	326.5
6	Benelux	254.0
7	Saudi Arabia	240.2
8	USA	235.3
9	Russian fed	187.1
10	Scandinavia	177.2

Source: MOT, Tourism in Figures (2000)

9.3.5 PURPOSE OF VISIT AND SPENDING PATTERNS

Results of the Ministry of Tourism's most recent foreign visitor Expenditure Survey, undertaken in 1996, show that Egypt has been successful in diversifying its tourism product. In 1996, nearly 45% of visitors who responded to the Ministry Survey cited leisure as their prime reason for visiting Egypt, followed by museums and antiquities (34%), business and commercial visits (9%) and visiting relatives (6%) (see table 9.11).

Table 9.11: Purpose of Visit and Average Expenditure by Type of Visit (1996)

Purpose of visit	% of visitors	Average expenditure per night (US\$)
Museums and antiquities	34.5	169
Leisure	44.7	108
Medical	2.5	92
Studying	2.5	48
Conferences	0.8	179
Visiting relatives	6.2	75
Business & commercial visits	8.9	155
Incentives, familiarisation trips	0.3	183
Other	0.1	58
Total	100.0	122

Source: Tourism Ministry, Egypt (1997)

The number of tourists are distributed evenly along the country with higher number in Cairo (mostly Arabs), Red Sea region and Luxor (see table 9.12).

Table 9.12: Hotel Residents by Nationality and Region (1997)

(Thousands)

Region	Egyptian	Arabs	East Europe	North, South & West Europe	North America	South America	Africa	Australia
Cairo	172,089	245,492	101,167	317,951	160,740	84,555	95,058	139,963
Alexand- ria	209,911	62,543	28,588	41,697	21,616	1,984	13,208	13,708
Luxor	55,945	29,398	26,107	103,176	55,193	39,350	25,013	53,425
Red sea	135,864	8,381	303,704	535,979	5,155	1,145	1,135	5,064
Aswan	64,998	20,129	20,094	81,750	47,339	171,96	14,997	55,862
South Sinai	168,095	22,893	174,770	308,131	57,235	5,543	3,758	3,407

Source: MOT, Tourism in Figures (1998)

The results of the visitor expenditure survey also show that the direct impact of tourism expenditure on the economy, in general, is quite diverse. On average, most nationalities spend approximately 30% of their total expenditure on accommodation, food and drink in hotels. The rest of their expenditure is then spread across a number of categories; the most important of which are entertainment and cultural expenditure representing approximately 10%.

The Arab visitor, on the other hand, has a very different expenditure profile. Their spending is less concentrated on accommodation, food and drink in hotels – averaging only 19.7% in this category – and more heavily weighted on expenditure on food and drink outside of hotels (16%), entertainment and cultural expenditure (22%) and shopping (20%), reflecting the differences in behaviour and (perhaps) purpose of visit, between Arab visitors and other nationalities (see table 9.13).

Table 9.13: Expenditure Patterns by Nationality (1996)

(% of total average expenditure)

Spending category	Arab	Europe	USA	African	Asian	Other	Total
Accommodation outside the hotels	7.0	1.1	1.1	1.9	2.2	0.3	4.6
Food & drink outside of hotels	16.0	4.7	4.1	5.3	4.8	1.6	11.3
Accommodation, food & drink in hotels	19.7	47.4	48.1	44.8	44.6	51.3	31.0
Domestic transport	7.8	10.1	9.6	9.9	10.8	10.3	8.7
Tourist attractions	2.0	6.0	6.5	6.5	6.5	8.8	3.7
Medical expenditure	3.1	0.0	0.0	0.0	0.1	0.0	1.9
Studying	2.3	0.2	0.3	1.7	3.2	0.5	1.6
Entertainment & cultural expenditure	22.0	14.8	13.7	14.3	11.9	13.8	18.8
Shopping	20.0	15.8	16.7	15.7	15.8	13.2	18.3
Other	0.1	0.0	0.0	0.0	0.1	0.0	0.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Tourism, Egypt, Visitor Expenditure Survey (1996)

9.4 SEASONALITY

Egypt suffers little from indigenous seasonality problems, having good weather all year round. Arrivals from the European and US markets are reasonably spread out across the whole year and tend to be driven by holiday periods in the home country rather than weather conditions in Egypt. In contrast, Arab visitors are concentrated in the months of July and August – the peak summer period. For Arab visitors, mostly the new middle-class, Cairo is a favourite destination, not only as an important business centre in the Arab world, but also as a cultural and recreational hub, offering extensive opportunities for entertainment and shopping (see table 9.14).

Table 9.14: Tourist Arrivals to Egypt by Month (1990-2000)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1990	211	208	238	241	206	228	315	270	202	180	135	168
1991	86	57	97	138	151	172	242	295	266	248	219	243
1992	210	251	248	295	256	225	296	361	318	302	244	200
1993	201	174	216	212	193	201	250	277	216	217	176	174
1994	181	138	184	172	202	172	287	366	253	245	180	201
1995	196	161	245	238	245	214	306	355	211	333	286	245
1996	246	248	327	332	315	325	354	387	367	388	318	368
1997	260	317	354	344	331	299	425	445	352	391	265	178
1998	168	170	215	297	241	250	385	420	306	380	323	301
1999	316	291	415	419	361	348	473	482	412	465	458	353
2000	377	403	523	548	410	405	506	515	455	497	483	384

Source: CAPMAS (2001)

9.5 THE ROLE OF TOURISM IN EGYPT’S NATIONAL ECONOMY

9.5.1 ECONOMIC SUSTAINABILITY OF TOURISM

9.5.1.1 Tourism as an Economic Catalyst

Tourism is a cross-sectoral activity, in which visitors spend money directly in hotels, but, in most cases, they also spend a substantial amount of money outside the hotel. Estimates of such ex-hotel expenditures vary according to the type of hotel and local circumstances, but can range from half to nearly double expenditures in the hotel.

These direct expenditures that are induced through the accommodation investment give such tourist operations their relatively high economic returns. In addition, the multiplier effects of tourism spending and employment are significant. Tourism supports the growth of domestic industries such as transport, agriculture, fishing, food processing, construction, furniture making, handicrafts, financial services, etc., also creating investment opportunities for small- and medium-scale enterprises and also a variety of employment opportunities.

Tourism’s main comparative advantage over other sectors, according to the WTTC, is that visitor expenditures also have a “flow-through” or catalytic effect across the economy in terms of production and employment creation. The role of tourism as an entry point in an economy is illustrated in figure 9.9.

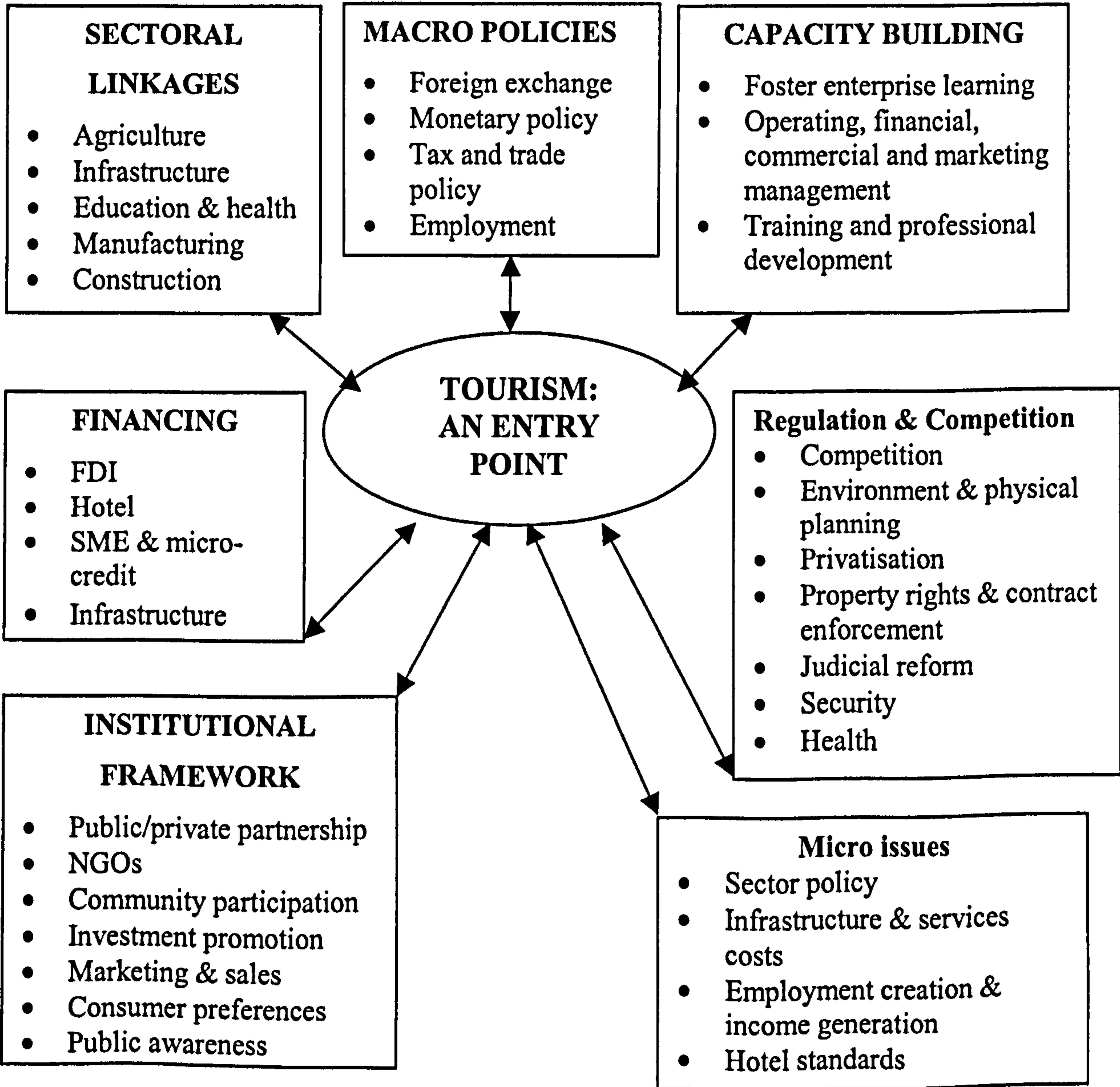


Figure 9. 9: Tourism as an Entry Point

Source: World Bank (2001).

During the construction period, tourism creates jobs in that sector. If the country is sufficiently developed, the investment can generate demand locally for furniture and furnishings, and even for capital equipment. Tourism also generates a demand for transport, telecommunications and financial services.

Through consumption of local products in tourist accommodation and through visitor expenditures outside that accommodation, tourism can act as a catalyst for the development of small businesses in production and service sectors, increase the demand for handicrafts, and generate linkages to agriculture, fisheries, food processing, and light manufacturing, such as the garment industry. Tourism can also create links to the informal sector. As noted by the analysis of Pro-Poor Tourism in a study done for the World Bank in 2000, those links do not necessarily happen automatically but need to be explicitly enhanced.

Also, notably, tourism can provide an economic base for a region whose only development options are its cultural and natural resources, whether coastal, mountain, or wildlife. Each new production or service activity that is either started or expanded to meet actual or potential tourism demand will, evidently, require new investment. But, where capacity is underutilized or people are underemployed, tourism can generate new sources of income without significant new investments. Furthermore, the range of products and services that can be developed for tourism demand makes tourism a catalyst for entrepreneurial activity.

9.5.1.2 Employment

Tourism is labor intensive, with on average, some two employees required per hotel room in developing countries, depending on the type of hotel and local skill levels. Comparisons of investment costs per job in tourism with that of manufacturing presuppose that countries have a free choice between these alternatives, as well as comparable market entry for each activity. Nevertheless, there is some evidence that tourism is more labor intensive than manufacturing and employs a higher proportion of the low skilled and women. Only in a few small, resource-rich developing countries will the opportunity cost of such labor equal the wages payable in tourism.

9.5.1.3 Leakage

Concerns are frequently expressed about the “leakage factor” in tourism, i.e., that part of the tourist dollar that leaves the country to pay for the imports consumed by the tourism sector. Small islands and very poor countries may face greater costs than larger, mainland, developing countries, because they will be more dependent on imported goods, foreign airlines and foreign capital. The extent of the leakage of foreign exchange is directly related to a country’s level of development, its economic diversification and the openness of its trade arrangements.

The factors that determine the extent of the foreign exchange leakage are:

- the types of tourism facilities developed and the costs of their marketing and promotion;
- the demand pattern and volume of tourists;
- the extent of local ownership, management and employment in the accommodation and services sector;
- the availability of free transfer of profits;
- import restrictions and duties on imports;
- the prior existence of infrastructure, particularly that is capital intensive like airports, and of technology for telecommunications; and
- The level of development of industries and sectors that are linked to tourism that can supply materials needed at the construction stage and during operation of tourism facilities.

The sum total of these factors is specific and unique to each destination. Numerous studies have attempted to calculate the leakage of the tourist dollar. Interestingly, there are far fewer studies that calculate the leakage in other sectors such as mining or manufacturing in the same country. Yet, because the leakage factor is related to the country’s level of development, it would seem logical and evident that if the leakage factor in tourism is high, it will be so in other economic activities in the same region or country. Clearly, there are caveats related to the comparative advantage of

the various activities within the same country, but the basic principal would seem to apply.

According to the World Bank (2001), net foreign exchange earnings from tourism vary by country but tend to be high relative to other exports. In large countries such as Mexico, Thailand, Turkey and, even, the Dominican Republic, where tourism facilities are constructed, equipped and supplied largely from local resources and staffed by local labor, net foreign exchange earnings can be in excess of 85% of the gross revenues. In small and relatively underdeveloped countries, particularly island nations, imports are sometimes considerable, yielding net foreign exchange earnings of about 45%, without allowing for repatriation of profits. According to Christie (2001, p. 18) "the evidence also suggests that the net foreign exchange earnings from tourism are significant, ranging from at least 50% of gross expenditures within the country to as much as 90% in the most advanced developing countries". Recent preliminary data suggest that leakage is currently of the order of 23-25% in Egypt.

In the context of airlines and closed economies, 'plugging the leak' may not always be in the best interests of the local tourism sector. For example, while "mass" resort tourism may not require imported luxury goods, luxury tourism may well have far less impacts on the natural resource base and may have a higher employee per room ratio, as well as bring in greater levels of net foreign exchange per unit invested. More closed economies may not be able to provide the goods required by international tourists at all or at a competitive price. The level of leakage is, therefore, a function of the level of development and diversification in the tourist destination but can also be a function of the type of accommodation that is most appropriate for the country's natural and cultural assets and socio-economic conditions. An extended definition of "leakage" covers the tourist's payments for travel, insurance and financial services. Revenues from these services will seldom accrue to tourist destinations because tour operators in developed countries dominate the mobilization of tourists for international travel.

9.5.1.4 Tax Revenues

Governments simultaneously regard tourism as a major charge on the budget because of the demands it makes on public infrastructure and as a “cash cow” for tax revenues. Potential revenues from tourism can be reduced by the tax incentives offered by many governments to prospective investors. The ubiquitous tax incentives persist because each government believes that investors will turn to rival destinations if they do not match incentive packages offered elsewhere. The World Bank (2001) instead argues that the best incentive for tourism (or any other) investors is an appropriate policy, legislative and regulatory framework together with good physical planning and good infrastructure, and a healthy and crime-free environment.

Industry concern about taxation being too high, manifests itself in the fact that the WTTC, as part of its “Millennium Vision”, included taxation in its programme to eliminate barriers to growth. The WTTC states that travel and tourism generates more tax revenues than any other industry and, consequently, the WTTC has developed principles, tools and a research capability to work with governments to evaluate intelligent taxation approaches. Similarly, the WTO/OMT Business Council sponsored a worldwide study on the effects of taxation on the tourism industry, which is published as “Tourism Taxation: Striking a Fair Deal”. The theme of the study is that taxes can either stimulate or stifle tourism growth. Clearly, a balance needs to be struck between the need for survival and profitability of private sector investments and for revenues for central and local governments to provide the sector’s social and physical infrastructure requirements and to preserve tourist assets.

9.5.2 IMPORTANCE OF TOURISM IN THE EGYPTIAN ECONOMY

Tourism has been the fastest growing sector in the Egyptian economy over the last five years, reaching a peak during the first half of 1990. Moreover, the change in the country’s economic orientation and the economic reforms that were put in place resulted in increases in both confidence and investment in tourism. The number of hotels increased, facilities for servicing the tourism sector improved and the numbers of arrivals rose substantially in relation to previous decades.

This was further assisted by the gradual liberalisation of the civil aviation policy and efforts towards diversification of the Egyptian tourism product away from a purely cultural destination to a combined leisure and cultural attraction.

Tourism is a significant contributor to Egypt’s economy. It constitutes almost a quarter of total foreign exchange earnings and represents, on average, around 4% of GDP. In addition, the tourism sector in Egypt is set to be a source of consistent economic growth over the next few years. Discounting a fall in receipts in the year of Luxor incident, tourism receipts in the years 1994/95 to 1996/97 grew by 29%, 31% and 21% respectively. This growth is generally in line with the rest of the region, which has experienced strong growth over the 1990s (Tohamy, 1999).

From being the one of the smallest contributors to foreign exchange earnings of about US\$2 billion in 1989, tourism generated US\$3.6 billion in fiscal year 1996/97, becoming the single largest earner of foreign currency in that year (see figure 9.10).

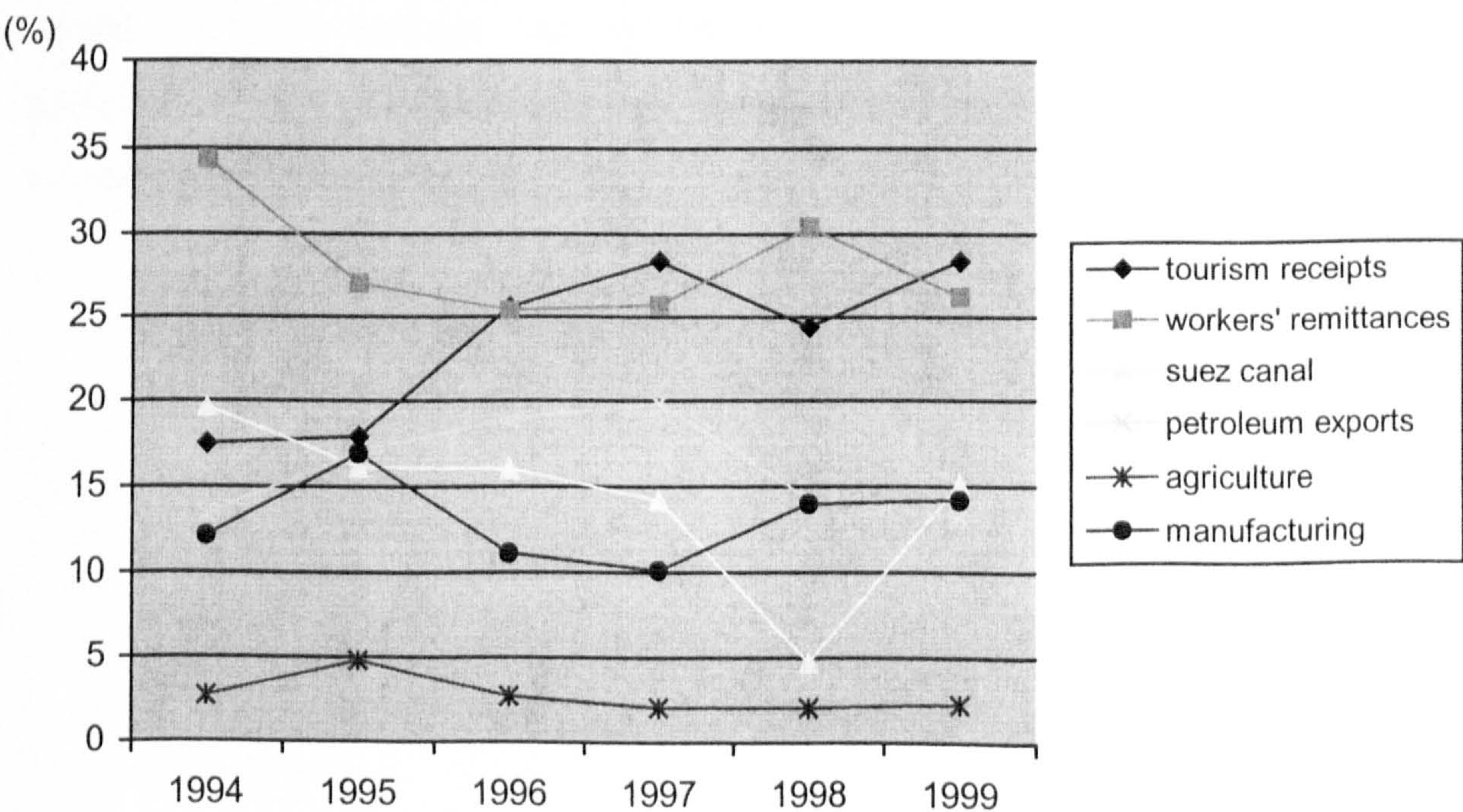


Figure 9.10: Share of Principal Sources of Total Foreign Exchange Earnings (1993/94-1998/99)

Source: Central Bank of Egypt (CBE) (2000a)

In 1997/98, the year of the Luxor attack, international tourism receipts fell to US\$2.9 billion. This accounted for 24% of Egypt's total (goods and non-factor services) export earnings (28% in 1996/97) and 35% of (non-factor) service exports (40% in 1996/97) (see table 9.16) (CBE, 2000a).

Table 9.15: Principal Sources of Foreign Exchange Earnings (1993/94-1997/98)
(US\$ million)

	1993/94	1994/95	1995/96	1996/97	1997/98	%share
Tourism receipts	1,779	2,298	3,009	3,646	2,941	24.4
Workers' remittances	3,489	3,455	2,991	3,354	3,660	30.4
Suez Canal dues	1,990	2,058	1,885	1,848	1,777	14.8
Petroleum exports	1,362	2,175	2,226	2,577	1,728	14.4
Agriculture	275	616	321	271	244	2.0
Manufacturing	1,233	2,166	1,314	1,304	1,685	14.0
Total	10,129	12,770	11,745	13,002	12,034	100.0

Source: Central Bank of Egypt (1999)

Current account numbers in 1999, show that tourism is becoming the most important source of foreign currency, with a share of over 28 percent of Egypt's 'major four' sources of foreign receipts. In 1998/99, tourism generated \$3.2 billion, which is equivalent to 29% of total service exports and 37% of non-factor service exports for the same year (see table 9.16).

Table 9.16: Tourism Receipts: Current Account Indicators (US \$ millions)
(1990-1999)

	90/91	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99
Trade Balance	-7,175	-6,174	-7,003	-7,310	-7,853	-9,498	- 10,220	- 11,771	- 12,524
Exports	4,250	3,880	3,725	3,337	4,957	4,608	5,345	5,128	4,445
Petroleum	2,334	1,898	2,111	1,772	2,176	2,226	2,578	1,728	1,000
Other exports	1,616	1,982	1,614	1,565	2,781	2,383	2,768	3,400	3,445
Services (net)	3,576	4,464	3,561	3,674	4,042	5,792	6,193	4,692	5,946
Service receipts	7,153	8,189	8,332	8,677	9,556	10,636	11,241	10,455	11,015
Of which tourism	1,646	2,529	2,375	1,779	2,299	3,009	3,646	2,941	3,235
Trade merchandise + service export	11,403	12,069	12,057	12,015	14,513	15,244	16,856	15,583	15,460
Balance of goods and services	-3,599	-1,710	-3,442	-3,636	-3,811	-3,707	-4,027	-7,079	-6,578
Current account balance	3,820	2,670	2,295	410	386	-185	119	-2,479	-1,709
Tourism receipts/ merchandise exports %	39	65	64	53	46	65	68	57	73
Tourism receipts/ total service receipts %	23	31	29	21	24	28	32	28	29
Tourism receipts/ merchandise + services exports %	14	21	20	15	16	20	22	19	21

Source: Ministry of Economy (2000)

The external tourism account also reveals positive trends. The gap between inbound and outbound tourism flows has grown favourably throughout the last few years, implying an increasing surplus. By the end of fiscal year 1996/97, the surplus had reached US\$2.3 billion, accounting for nearly 64% of gross tourism receipts. However, taking into account that nearly 50% of all outbound travel is by Egyptians travelling overseas to work and exclude outlays relating to Egyptian nationals working overseas, the outbound expenditure would be reduced in the year 1996/97, for instance, to US\$550 million, augmenting the surplus to US\$3.1 billion, which

accounts for 85% of gross tourism receipts (see table 9.17) (Ministry of Economy, Egypt, 2000).

Table 9.17: Net Tourism Balance (1993/94-1997/98)

(US\$ million)

	1993/94	1994/95	1995/96	1996/97	1997/98
Tourism receipts	1,779	2,298	3,009	3,646	2,940
Expenditures*	1,501	1,129	1,335	1,332	1,302
Surplus (inbound-outbound)	278	1,169	1,674	2,314	1,638
Surplus % of gross receipts	15.6	50.9	55.6	63.5	55.7

*Includes expenditures not related to tourism purposes (outlays of Egyptians working abroad)

Source: Central Bank of Egypt (1999)

The tourism industry's development has also had a significant impact on direct employment in tourist establishments and on employment in other sectors such as transport, foodstuffs, textiles and the small-scale informal sectors in manufacturing and services which are particularly labour-intensive, this is particularly relevant with the current government and public-owned enterprises. The government estimates direct and indirect employment in the tourism sector to be approximately 1 million. Around 17% of the workforce in the tourism sector are women, which is higher than the national average of 12% (see table 9.18) (Swinscoe, 1999).

Table 9.18: Distribution of Workers, by Sector (1997-98) (%)

Sector	%	Sector	%	Sector	%
Total commodity sector	51.4	Total production services	16.1	Total social services	1.3
Agriculture	29.0	Transportation & Suez Canal	4.5	Housing & real estate	22.1
Industry and mining	13.6	Trade, Finance & Insurance	10.7	Public utilities & social insurance	9.0
Petroleum & products	0.3	Hotel & restaurant	0.9	Social services	
Electricity	0.8				
Construction	7.7				

Source: Ministry of Planning, Egypt (1999)

9.5.2.1 Problems Hinder the Evaluation of Economic Impacts of Tourism in Egypt

Until recently, the importance of tourism to Egypt's national economy was a subject of some controversy. It was the opinion of some that the role of tourism is a relatively marginal one, accounting for no more than 4 % of Egypt's GDP and only 1 % of the national workforce, and that its only value is that it is a source of foreign currency (\$3.8 billion in 1999).

This narrow-sighted view of tourism's role in the national economy is changing rapidly. The new global view towards the tourism industry worldwide has prompted economists to re-evaluate the importance of tourism in national economies by measuring its impact on other national accounts; i.e. the indirect value added to the economy because of tourism expenditures.

In Egypt, two major studies were undertaken recently to measure the economic impact of tourism. One study was undertaken by the National Institute for Planning (NIP) and the other by the Egyptian Centre for Economic Studies (ECES) in 2000. Both studies revealed that the real value of tourism to Egypt's national economy is far greater than previously measured.

The results of the ECES (2000) show that while there is fairly detailed information on tourist arrivals, nationalities, their estimated expenditures and so forth, there is limited information on the contribution of this sector to output, employment, and income. These shortcomings characterise tourism information and statistics in both developed and developing countries alike. Egypt's coverage of tourism data is not very different from that of many other countries.

The next section will outline the tourism data available in Egypt and highlight the lack of available tourism information, which hinders the evaluation of the impacts of tourism on economic activity in Egypt.

9.5.2.2 Tourism Data in Egypt: Origins of the Problem and Limitations

Tourism's economic contribution in Egypt is not clearly recognised, first because tourism is not a clearly identifiable industry. It involves many different products (accommodation, transportation, etc) and is defined more by who purchases the service than what is purchased (for example, restaurants sell meals to both foreigners and local residents). Travel and tourism are not properly organised as a single category of productive activity (industry) in the United Nation System of National Accounts (SNA) framework. Therefore, travel and tourism statistics are underdeveloped, and subject to widespread guesswork, biased evaluations, and approximations.

Secondly, according to national account data in Egypt, hotels and restaurants are the only activities representing tourism (contributed 1.3 percent of GDP in 1998/99). The share of hotels and restaurants in total employment is equally modest, where workers employed in this sector represent less than 1 percent of total employment. According to Tohamy and Swinscoe (2000), this undermines the contribution of tourism to economic activity for several reasons.

- First, the impact of tourists' expenditures on food and beverages outside hotels and restaurants, real estate services, and retail, which affect sectors such as food production, retail, and housing, is not easily identifiable, even though significant at the local level in tourist-dependent areas, such as Luxor.
- Second, even services that are closely linked to tourism such as travel agencies, bazaars and recreation services, are allocated to aggregate categories such as transportation, and trade, finance and insurance, where the contribution of foreign tourists' expenditures to these sectors is not easily separated.

Two other critical sources of information on foreign tourism come from the Ministry of tourism. Based on information from the passport and Immigration Authority, the Ministry regularly documents tourists' arrival trends, their nationality, and their length of stay. In addition, in collaboration with the Central Agency for Public Mobilisation and Statistics (CAPMAS), the Ministry conducts a bi-annual survey of

foreign tourists following guidelines established by the World Tourism Organisation (WTO/OMT). Among other things the survey gathers information on tourists' average expenditures by nationality, and the distribution of these expenditures across different expenditure items such as accommodation, transportation, and so forth. A sample of tourists is selected over the span of the year to account for seasonality in tourist flows. Tourists are asked to respond to a questionnaire that addresses, in addition to their spending patterns, questions about the purpose of the visit, age and occupational background, rating of services, and their complaints and problems while visiting Egypt. This study uses expenditure data from that survey as a starting point for estimating the impact of foreign tourists' expenditure on the economy.

The Central Bank of Egypt uses foreign tourist arrivals and estimated tourist expenditures from these two sources to calculate tourism receipts for the Balance of Payments figures. On the other hand, because tourists' expenditures estimates are not available on an annual basis, estimates of tourists' expenditures from the most recent tourist expenditure survey are adjusted for inflation corresponding to each expenditure category and other secondary sources. These numbers feed into the Balance of Payments and Current Accounts numbers (CBE, 2000b).

Therefore, data outlining tourism estimated expenditures and how they translate into tourism foreign currency revenues on the Balance of Payments are available. However, the manner in which these figures translate into demand, income and employment in other sectors of the economy is not clear. This is because of data problems that stem from the nature of tourism activity itself, which are not specific to Egypt.

Therefore, countries have addressed the need for an accurate assessment of tourism's contribution to GDP at two approaches: Economic Impact Analysis and Tourism Satellite Accounts. In fact the two approaches are economic impact analyses, but the TSAs do not provide the operational detail needed for better planning. Many countries, especially developed ones have opted for the creation of Tourism Satellite Accounts (TSA). These accounts develop separate tourism accounts at the primary data collection level. Parallel to the UN national accounts sectors, they provide the appropriate input-output relationship for all tourism-related economic activities, and

not just hotels and restaurants. Thus, for example, a fraction of the income made by a grocery store near a tourist resort will be included in the tourism satellite accounts. Similar allocation of activities is done in transport, medical services, and so forth. Developing countries data collection capabilities do not usually lend themselves to such a detailed level of data collection. Thus, they rely more on 'the economic impact analysis of tourism', which also provide them with more operational details. Recently, Egypt has started invest in the Tourism Satellite Account to improve its economic evaluation of tourism industry.

A study by ECES (2000) to assess the economic impacts of tourism followed the approach of the economic impact analyses, which assess the contribution of tourism to economic activity in the context of existing input-output data. According to Stynes (1998), the most important contribution of the economic impact analysis is that it assesses the direct and indirect contribution of tourism to economic activity without having to wait until a country invests in an extensive TSA primary data collection system. In that context, tourists' expenditures are assigned to the corresponding sectors, producing direct impact of tourists' expenditure on various sectors. The economic impact analysis then follows linkages between tourists' expenditures on goods and services and demand for intermediate goods that are necessary to produces these goods and services, as well as consumption demand resulting from income earned by workers and businesses producing these goods and services (Archer, 1984) (see figure 9.11).

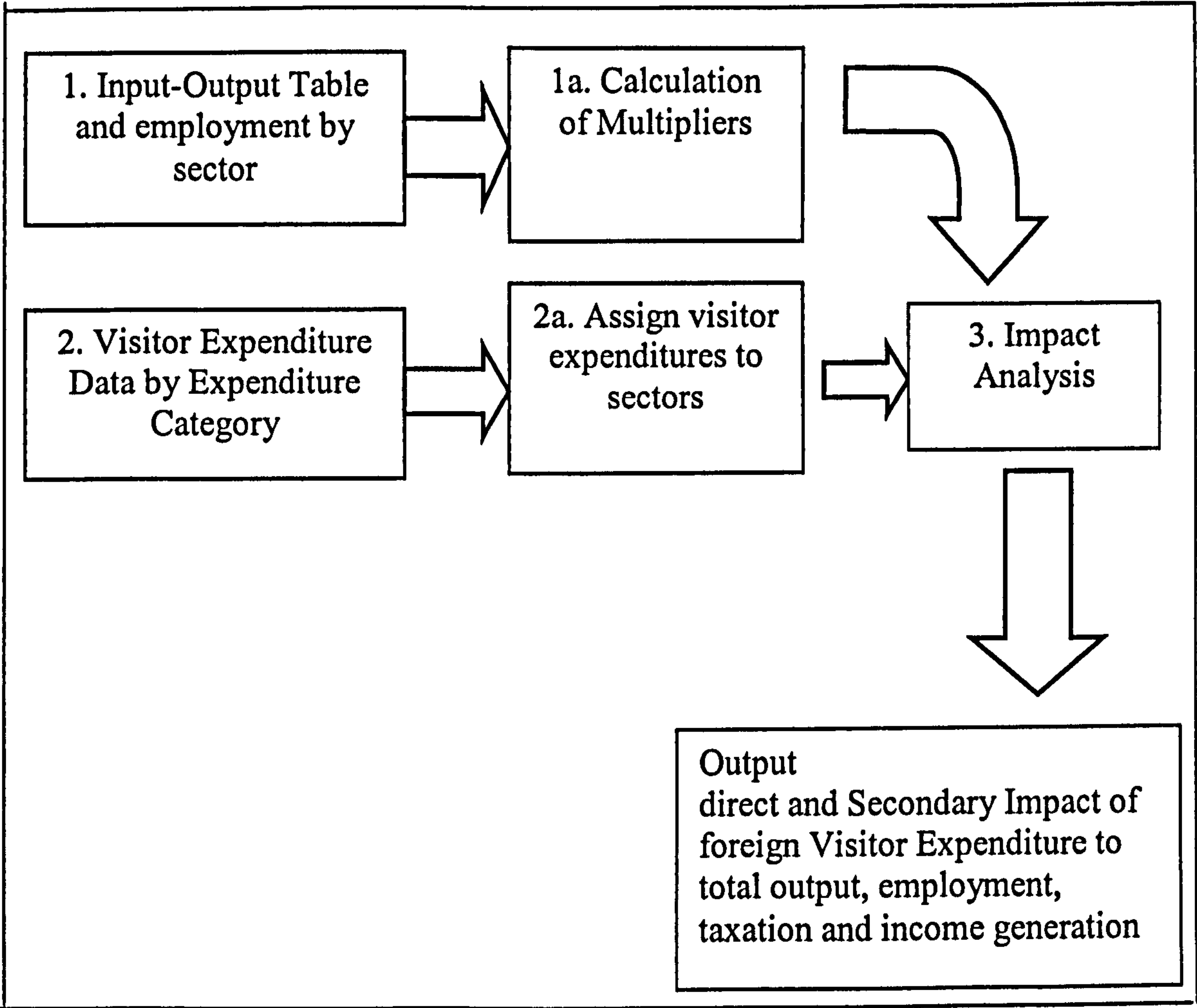


Figure 9.11: Economic Impact Analysis: Component and Steps

Source: ECES (2000)

9.5.3 RECENT EVALUATION OF ECONOMIC IMPACTS OF TOURISM IN EGYPT

The results of the ECES study (2000) show that the direct effects of foreign tourists' expenditures are roughly 4 times the 1 percent contribution of hotels and restaurants to GDP in national accounts. Direct employment created by foreign tourists' expenditures was close to a million workers in 1996, or 5.7 percent of total employment for that year (1995-1999), compared to a 0.9 percent share in employment for hotels and restaurants in the last few years. This is due, in large measure, to the fact that foreign tourists spend only a fraction of their expenditures inside hotels and restaurants. In Egypt's case, what is spent in hotels and restaurants is 30-40 percent of the total, compared to 60-70 percent of total expenditures' spending that does not feed into hotels and restaurants contribution to GDP.

Table 9.19 shows the results of tourism economic impact analysis in Egypt that carried out by ECES in 2000, the last column accounts for total effects that result from demand that foreign tourists' expenditures create in other industries, as well as demand for goods and services created by wages and salaries and owners' income created in all these sectors.

The study shows that once all these effects are captured, tourism's contribution to the whole economy equals 10.7 percent of GDP at market prices, and 11.3 percent of GDP at factor cost. Total effects of foreign tourists' expenditures on employment are 12.6 percent of employment, while total potential tax revenue is 19 percent of direct and indirect tax revenues.

Table 9.19: Summery of Economic Impacts of Foreign Visitor Spending (1996)

Economic Measure	Direct	Implicit Multiplier	Total
Output/Sales ('000s\$)	2,860,933	2.64	7,563,611
As a % of GDP at factor cost	4.3		11.3
As a % of GDP at market prices	4.1	2.64	10.7
Total labour Income ('000s\$)	529,287	2.18	1,154,160
Jobs	978,156	2.21	2,160,531
As a % of total employment	5.7		12.6
Potential Tourism Taxation ('000sLE)	2,851,378	2.64	7,538,348
As a % of total employment and indirect taxation	7.2		19.1
Memorandum Items			
Total Visitor Spending ('000s\$)			3,012,584
Capture Rate (%)			95.0
Implicit effective spending multiplier			2.51

Source: ECES, Results of Economic Impact analysis of Tourism in Egypt (2000)

If tourism is compared to other sectors of special importance to the Egyptian economy, for example spinning and weaving, ready-made garments, or financial institutions, the share in the GDP are 2.8%, 1.1%, and 1.8% respectively. Considering that all of foreign tourists; demand generates foreign currency, in contrast to other sectors, then tourists' consumption of goods and services is equivalent to Egypt exporting these services to be consumed by foreigners in their countries. This is a particularly important point in the context of a developing country with a growing trade account deficit. Developing countries have usually placed a premium on value added in export-oriented sectors. This premium increases

with pressures on national currency, trade or current account deficits (World Bank, 2000d).

Furthermore, tourism just like any other economic activity has linkages with other sectors in the economy. These linkages create demand in other sectors and demand by workers in the tourism industry that goes toward creating other cycles of spending and consumption.

By adding indirect effects, the output impact of foreign tourists' expenditures relative to GDP can become much larger, reaching over 10 percent of GDP. Even though it has to be borne in mind that the analysis that is being discussed, estimates output and not value-added secondary effects, the argument remains clear: foreign tourism expenditures, through its linkages with other industries' output or value-added, contributes a lot more to the economy than its direct effect on output or value-added.

On the other hand, the study shows that foreign tourists' spending directly contributed a total over \$500 million of labour income and close to a million jobs. Adding direct, indirect and induced effects, foreign tourists' expenditures account for 12.6 percent of the total number of workers.

The magnitude of secondary effects is determined by the size of linkages between foreign tourists' expenditure and economic sectors; i.e. multipliers for foreign tourists' spending are derived from these linkages and leakages. Comparing multipliers for foreign tourists' expenditure to other main sectors, the type II output multiplier for agricultural food production is 2.04, oil extraction and natural gas is only 1.17, while that for tourism is 2.64. For employment multipliers, however, \$1 million tourists' expenditures create 329 jobs. This compares to only 13 jobs in oil extraction, 183 jobs in the construction and building industry, and 192 jobs in the textile industry (ready-made garments) created for each additional \$1 million of exports or output in these sectors.

Considering the importance of the economic impacts of tourism, the government should reconsider where tourism should rank on Egyptian policymakers' priority list. Inevitably, as an activity that greatly contributes to foreign currency earnings through

its linkages and indirect effects, tourism will earn itself a higher place on Egypt's economic policy agenda. Furthermore, the ability of tourism to contribute to government policy priorities, such as increasing employment, and to other sectors' economic growth, can only enhance tourism's position in Egypt's economic policies.

For GATS, realising the importance of tourism as an economic activity will force the policy makers in Egypt to reconsider carefully the impacts of liberalising this sector. Once tourism's priority position is established, efforts to develop Egypt's tourism strategy will become a goal not just for policymakers in the tourism sector, but to policymakers at the macroeconomic level as well. A concentrated effort to develop Egypt's tourism will allow the country to capitalise on its considerable tourism potential and the growing importance of the tourism industry worldwide.

9.6 TOURISM PRODUCT IN EGYPT

9.6.1 ATTRACTIONS

Attractions provide the single most important reason for leisure tourist visits to a destination. Many of the components of the tourist trip – for example, transport and accommodation – are demands derived from the consumer's desire to enjoy what a destination has to offer in terms of things to see and do. Tourist attractions in Egypt may be grouped into those gifts of nature and those man-made. The former include the landscape, climate, vegetation, desert and wildlife, whereas the latter are principally the products of history and culture, but also include artificially created entertainment complexes such as theme parks.

Egypt is a unique country, in terms of geography, history and cultural. Egypt was for centuries the strategic land bridge for the trade routes between the Orient and Europe. It may be safely said that the tourist product of Egypt is multi-faceted and affords multiple tourist typologies that appeal to a wide range of overseas visitors. Artificial features include:

- Cultural tourism such as, archaeological sites, religion, museums, modern culture, art galleries and architecture;
- Traditions such as, folklore, animated culture, and festivals;
- Events such as sports activities and cultural events.

Natural resources in Egypt include:

- Two major landscape features are the Nile, which remains a major tourist attraction a beach oriented tourism along the Mediterranean coast and the red seacoast;
- Climate;
- East and West Desert

For years, Egypt has remained the hub of tourists interested in the history and valuable heritage of ancient Egyptian monuments spread all over the country. Egypt is richly endowed with historical resources for tourism, such as the remains of the Pharaonic (3200-526B.C) civilisation, the Greek Ptolemaic (332-30B.C) period, the Roman (30B.C-639A.D), and the Islamic (639A.D-to present). The remnants of this past are amongst the world's oldest and most spectacular tourist attractions.

In addition to its archaeological sites and its importance as a cultural, religious and political centre of the Arab world, it has a cosmopolitan character that appeals widely to both casual visitors and those interested in its history and culture. Generally, the Egyptian assets for tourist could be summarised as follow:

The oldest and most important historical attractions are the temples and tombs of the Pharaonic dynasties, which are scattered through out the Nile Valley: the most famous being the Giza pyramids, the Sphinx, the Step pyramid of Sakkara and temples, Minya temples, Beni Hassan tombs, Tel Al-Ammarna, Upper Egypt temples of Luxor, and further south the monuments of Esna and Edfu, Kom-ombo and Aswan. Also, the historical artefacts of the Roman and early Christian period found in Alexandria, and the famous mosques and churches of old Cairo, and the Pharaonic, Islamic and Christian museums.

Two major landscape features, which are of prime importance to visiting tourists, are the Nile, which remains a major tourist attraction, and the beaches provided by 560 kms of Mediterranean coast and 1,480 km of Red Sea coast. Both coastal areas have very high potential for tourism development, the Mediterranean is famous for being the oldest summer resort in Egypt (since 1900) while the Red Sea began to flourish in the late seventies.

The climate is very conducive to tourism all year round. In the Nile valley and along the coast it is mild and rarely rains. The summer temperature is rather high, but low humidity makes the heat bearable. Along the coastal Mediterranean areas in winter and the Red Sea coast in summer, strong coastal winds may cause sand storms, but the climate is mainly an asset to tourism development.

Considering the large number of natural and non-made attractions in Egypt, the variety of the tourist products offered is inadequate. This is largely due to the absence of the necessary infrastructure required to develop new tourist attractions in the country. Another major challenge facing Egypt is the great need to raise the standards of quality in all aspects of the different tourist products and services offered, to conform to international norms.

To deal with these issues the tourism industry in Egypt is driving the government to do the following:

- To fund infrastructure projects in potential tourist destinations, such as roads, airports, power and water plants, etc.
- To establish standards governing the practice of tourism business activities in order to raise the standards of quality.
- To establishing training programs and facilities in all sectors of the tourism industry in collaboration with professional workforce development agencies.
- To remove investment barriers and public monopoly and allow private sector to foster tourism development in Egypt.

9.6.2 TRANSPORT

“Tourism is about being elsewhere and, in consequence, the relationship between transportation and tourism development has traditionally been regarded as chicken and egg” (Cooper et al, 1998, p.270). Therefore, adequate and efficient transportation infrastructure and access to generating markets is one of the most important prerequisites for tourism development. Furthermore, transportation is an essential element of the tourist product in two ways: it is the means to reach the destination and it is necessary as a means of movement at the destination.

According to CAMPAS visitor surveys (1999b), in terms of movement at the destination, Egypt’s local transport services are extensive but the quality of the public-sector buses and private taxis is a subject of tourist dissatisfaction. Surface transport problems, especially those related to the quality of roads and safety standards are also major concerns for the tourism industry in Egypt. The Egyptian Travel Agent Association is currently undertaking a major study aimed to develop systems resulting in improved safety standards in surface transport as well as better road management especially in heavy tourist traffic areas.

However, the government’s incentives to tourist transport companies have had a positive supply response, with a current fleet of nearly 7,000 tourist buses (134254 seats) and over 1,000 rental cars.

Egypt has a quite large network of railways, linking the north, south, east and west of the country. All railways in Egypt are a public investment. The railway in Egypt is not only a mode of transport but also, a part of the tourism product, especially the journey along the Nile from Cairo to Luxor, down to Aswan and Abu Simple. However, as is the case for most of the infrastructure in the country, the railway in Egypt needs to be improved, in terms of the standards of the service, the quality of the stations and the facilities provided (see figure 9.12).

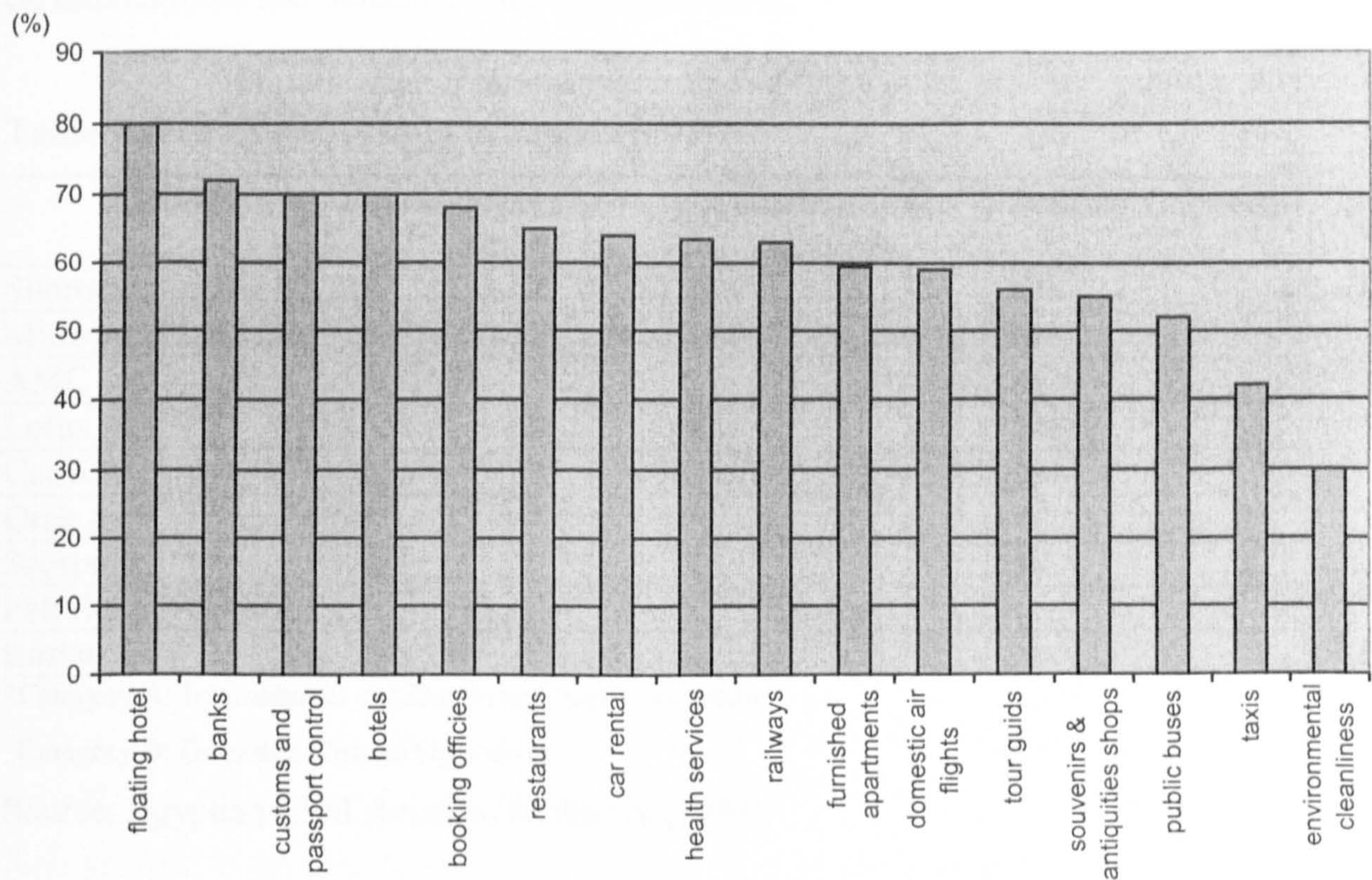


Figure 9.12: Tourist Satisfaction Survey (1996)

Source: MOT (1996)

Air transport problems facing the tourism industry in Egypt are mainly caused by the high degree of government regulation of that industry and the great favouritism accorded to the country’s national carrier. The results of a study undertaken by the WTTC (1999) indicate a great need to deregulate the air transport industry in Egypt.

Egypt has 15 airports serving 53 international airlines, but domestic flights are monopolised by Egypt Air, the national carrier. However, there are serious complaints from tourists about the adequacy of services and the common problem of delays.

In addition to the state-owned Egypt Air and its two subsidiary companies –Air Sinai and Shorouk Air – there is now a large private aviation sector in Egypt. According to the WTTC (1999), there are 40 private companies with licences to operate air services of various kinds. Some of them are little more than paper companies and others operate in specialist fields such as agriculture and petroleum, but there are

significant numbers of private companies operating scheduled and charter services on international and domestic routs (see table 9.20).

Table 9.20: Private Airlines in Egypt (1999)

Airline	Category*	Number of Aircraft	Seating Capacity
Shorouk	A	2	174
Midwest	A	2	208
AMC	A	6	767
Lotus Air	A	4	174
Cairo Air	A	2	208
Orca Air	B	2	69
Scorpio	B	2	46
Petroleum PS	B	5	0
Raslan	B	1	33

*Category A: International and Domestic Charter operations
Category B: Domestic Charter Operations

Source: Egyptian Civil Aviation Authority (1999).

One of the main problems Egypt faces with the rising demand for its tourism product is how to promote the efficiency and competitiveness of its transport services, especially in terms of travel and airport services. According to the CAMPAS survey (2000), the limited number of customs outlets and poor technological facilities at airports are among the most biding constraints to cluster development of tourism in Egypt. For example, the number of customs outlets in Cairo International Airport is 8 compared to 50 in Dubai and Bangkok (Fawzy, 1998a).

The government is promoting several private airport development projects aimed at providing higher quality services and a better, more competitive environment. Reflecting the government’s attempts to try and relieve some of the pressure of arrivals on Egypt’s main airports, there are currently four contracted BOOT (Build, Own, Operate, Transfer) airport projects being reviewed by the State Council:

- El-Alamein Airport on the Mediterranean coast, west of Alexandria;
- Marsa Alam Airport on the Red sea coast, south of Hurgada;
- Ras Sidr Airport on the Gulf of Suez coastline in Sinai;
- Dahab airport on the Gulf of Aqaba coastline in Sinai.

And other two, which are still under discussion: Northern oasis Airport at Bahariya in the Western Desert and El-Farafra Oasis Airport at Frafra in the Western Desert.

One of the largest problems relates to the non-competitive monopolies at Cairo International airport, Egypt's largest point of entry. Despite new government initiatives to involve the private sector in providing infrastructure and services in smaller regional airports, no plans have yet been reported concerning the privatisation of the state-owned carrier International Airport or Egypt Air. However, the apparent success of the parallel privatisation of maritime ports suggests that Egypt might make a move towards the privatisation of some airport infrastructures and services (Egypt, Yearbook, 2000).

During the last quarter of 1998, the previous Prime Minister Kamal EL-Ganzouri approved a proposal to study building Terminal 3 of the Cairo International Airport through the private sector on a BOOT basis. The project had been considered early in 1996 with no progress reported subsequently.

In spite of increasing private-sector activity in this area, little as yet has been achieved in terms of improved efficiency by replacing government monopolies of the airport services by private-sector operators. There appears to be new activity in the airline charter business, however, which does not directly compete with Egypt Air.

9.6.2.1 The Constraints of Egyptian International and Domestic Aviation Policies

In the 1980s Egypt attempted to liberalise the regulation of air aviation, but the liberalisation process has not been fully achieved. This is due to pressure from Egypt Air, the national carrier. The Chairman of Egypt Air, in an interview reported in 'Al Hayat newspaper' (22 July, 1999) expressed the view that liberalisation policies of air aviation brought benefits only to very large international airlines and that smaller operators, like Egypt Air would either driven out of business or forced into a subservient alliance role by the adoption of such policies.

On the one hand, the view of the Chairman of Egypt Air can be respected as Egypt is a developing country and, as such, is not yet ready to face international competition, which could easily harm the economy.

On the other hand, one can argue quite forcibly that tourism development in Egypt depends upon the adequacy and efficiency of all transport services to the country, including air and not upon the protection of Egypt Air services. This will bring economic growth, as tourism is an important factor of the Egyptian economy.

Second, in liberalising the market, quality and efficiency will improve, which is in highly degree of importance for tourism. A successful example in the Middle East is the Emirates Airline, which adopted an open skies policy in 1991 and passenger traffic at Dubai International Airport increased by 94% from 1990 to 1998, well above the world average (ICAO, 2000). This experience demonstrates that a well-managed and high service quality small airline cannot only survive, but also flourish in an open skies regime.

Furthermore, Egyptian international scheduled services are constrained by the capacity provisions of bilateral agreements with other countries and by a government policy, which designates Egypt Air as the sole Egyptian operator of these services.

The regulation of international charter operations was liberalised in 1996. This allows such services to be operated from any foreign city to all Egyptian civil airports (except Cairo) without restrictions. This policy helped Egyptian private airlines as well as foreign airlines, and it has led to a significant growth of charter services. However, the 1996 policy regulations allowed foreign and Egyptian private charter operators only to carry traffic through Cairo as part of a triangular route like London-Luxor-Cairo-London or from cities not served by Egypt Air. As a result of this policy Egypt Air carried 56% of non-scheduled passengers to Cairo in 1998.

There are also several constraints to Egyptian domestic aviation policies. Despite some moves towards the liberalisation of aviation regulation, Egypt Air is still granted a monopoly of rights to provide domestic air services within Egypt. Private airlines are only allowed to operate 'air taxi services'. Which means that private

airlines can only provide the service on a semi-scheduled basis and not published as scheduled service in airline guides. Moreover, these companies are mostly only allowed to operate their services in low travel density cities such as Sohag and El-Wady El-Gadid. Therefore, they are pushed away from tourist areas, which are highly dominated by Egypt Air.

One of the most successful private airlines in Egypt is Odra, which provides air taxi services with 50 seater Dash 8 aircraft on a semi-scheduled basis on the three major routes to and from Cairo and also operates a frequent daily service between Aswan and Abu Simbel. Egypt Air operates domestic scheduled services to and from 12 cities, and carried 1.2 million passengers on these routes in 1998. The most dense routes are those between Cairo and Luxor, Hurgada and Sharm El Sheikh.

9.6.3 ACCOMMODATION

Accommodation is an important component of the tourism product, however it is rarely an attraction in its own right. It is a necessary component in the development of tourism. The quality and range of accommodation available will both reflect and influence the range of visitors to a location.

The range of hotel accommodation in Egypt is very wide across the various cities and tourism resorts, with an increase in hotel capacity along the Red Sea coast and in South Sinai. There are three distinct trends that have characterised the period since the early 1970s, when the total number of four- and five-star hotels was only around two dozen and they were owned by the public sector and managed by international hotel groups.

The first trend has been the attraction of domestic private capital towards hotel construction and travel agencies. The second has been the attraction of Arab capital, especially from Kuwait and Saudi Arabia towards the establishment of four- and five-star hotels under the privatisation programme, which started in 1991. The third has been the attraction of reputable international hotel groups to participate in the design and equity of hotel establishments (MOT, 2000).

In the hotel sector, the majority of four- and five star-hotels are operated by international hotel chains, which have typically entered into management with domestic and Arab owners. There are now at least 20 such international hotel groups in Egypt, 12 of which are operating four or more hotels across the country. Management is entirely delegated to the international chain, which applies its detailed organisation and management procedures with a high proportion of top management recruited from Egyptian professionals. A few other international groups have entered into partner-ship agreements (an example is the French Accor group) or hotel leasing (such as Club Mediterranee, also French).

Since the early 1990s, the government has withdrawn from activity in the tourism industry and increased participation of foreign investment and international hotel groups. As a result hotel capacity has increased rapidly over the last decade. The total hotel room count nearly quadrupled during the 1980s – from 12,000 to 47,559 – including rooms in floating hotels and tourist villages. The capacity of the industry continued to expand over the course of the 1990s and the number of units, rooms and beds expanded by 30%, 48% and 49% respectively in the period from 1990-98 (see table 9.21) (MOT, 2000).

Table 9.21: Hotel Capacity in Egypt (1990-1999)

Year	Number of units	Growth rate %	Number of rooms	Growth rate %	Number of beds	Growth rate %
1990	632	-	51208	-4.9	101469	-
1991	638	0.9	53727	3.5	105690	4.2
1992	663	3.9	55610	5.7	109820	3.9
1993	692	4.4	58755	4	116531	6.1
1994	718	3.8	61068	6.4	120854	3.7
1995	752	4.7	64958	8.5	128957	6.7
1996	789	4.9	70471	7.4	140741	9.1
1997	829	5.1	75679	9.6	150986	7.3
1998	869	4.8	82925	9.6	166817	10.5
1999	914	5.2	93822	13.1	187284	12.3

Source: MOT, Tourism in Figures (2000)

A significant part of the investment in accommodation capacity in the tourism sector has been undertaken under the foreign investment laws, which are monitored by the General Authority for Foreign Investment (GAFI). The fastest-growing sub-group of tourism projects is tourist villages, tourist complexes and entertainment cities, as

opposed to individual hotels. There are now as many as 205 tourist villages under implementation at a total investment cost of E£9.4billion (E£3.40 = US\$ 1 as at October 1999) and 21 tourist complexes also under implementation (four in operation) at an investment cost of E£3 billion (GAFI, 2000).

In 2000, the total number of hotels registered by the Ministry of tourism was 1010, of which 760 were hotels and tourist villages and 250 were floating hotels. Total hotel capacity in that year was 113611 rooms and 227222 beds (see table 9.22).

Table 9.22: Breakdown of Existing Hotel Capacity (2000)

Type of establishment	Units		Rooms		Beds	
	No	%	No	%	No	%
Hotels & tourist villages	760	75.2	100,220	88.2	200,440	88.2
Floating hotels						
A. Floating hotel in the Nile	239	23.7	12,937	11.4	25,874	11.4
B. Aswan. Abu Simbel	6	0.6	342	0.3	684	0.3
C. Red Sea	5	0.5	112	0.1	224	0.1
Sub-total	250	24.8	11,673	11.8	26,782	11.8
Total	1,010	100	82,925	100	227,222	100

Source: MOT, Tourism in Figures (2000)

Despite growing capacity, the increasing number of arrivals over the course of the 1990s has allowed average occupancy rates in the main tourist areas to rise. According to the Ministry of Tourism (1999b), the average occupancy rate for the whole country rose from 43 percent in 1993 to 63 % in the peak year of 1996, before falling back to an average occupancy rate of 47% in 1998 (CBE, 2000b).

However, the annual figures hide regional disparities, especially when considering the impact of the Luxor incident and the fact that some areas have fared worse than others. Obviously, Luxor itself suffered most, falling from an average occupancy rate of almost 70% in 1996 and 1997 to around 24% in 1998. Room rates, however, were little affected but Luxor as one of the lowest average room rates of any of the key tourist areas in Egypt – around LE 100 (see table 9.23).

Table 9.23: Average Occupancy Rate by City (%)

Year	Cairo	Giza	Alex	Aswan	Red Sea	Luxor	South Sinai	Average occupancy
1993	56	47	35	21	42	37	66	43
1994	61	54	53	21	60	41	82	53
1995	64	62	56	24	74	47	75	57
1996	65	64	57	33	77	66	76	63
1997	67	61	55	45	72	66	71	62
1998	54	49	50	26	53	26	61	45
1999	70	66	53	48	78	49	78	63

Source: MOT, Tourism in Figures (1999b)

Other areas such as Hurgada suffered over the course of 1998 as occupancy rates fell from over 70% in 1997 to 48% in 1998 and average room rates decreased at the same time from LE 154 in 1997 to LE 106 in 1998 – a fall of over 30 % due to heavy price-discounting of hotel room rates. Sharm El Sheikh maintained a healthy occupancy rate of 68% in 1998, down 8% from 1997 levels, but its room rates have also suffered from heavy price-discounting. However, Cairo, in general, maintained a healthy occupancy rate of 64% in 1998 as well as stable average room rates of LE 254 as a result of steady levels of Arab tourists and business travellers.

Investment in the tourism industry was expected to be negatively affected after the Luxor attack. However, many construction projects and other investment activities already underway were not hindered and, according to Tourism Development Authority in Egypt (2000), were actually expedited. This evidence supports the theory that terrorism incidents in Egypt are seen to have only a short-term impact and do not affect long-term investment decisions.

The prospects for future investment in tourism-related structures and equipment remain positive. The Ministry of Tourism's recent statistics indicate that over six hundred tourism related projects are currently being implemented across Egypt at a cost of US\$ 9.1 billion. Furthermore, the Ministry of Tourism anticipates an increase of 218,000 hotel rooms over the next few years which, if implemented, relative to the existing base in 1998 of 82,925 rooms, would mean an expansion of around 288% in 2002.

9.6.4 SERVICES AND FACILITIES

9.6.4.1 Travel Agencies

Tourism services are supplied by a wide range of sectors including hotels, tour operators, travel agents, and transport companies. In Egypt tourism service suppliers participate in the international tourism market mainly through the transactions of tour operators and travel agents from developed countries. Tour operators are the wholesalers of a tourism product. The tour operator industry of each major market is dominated by a small number of large national firms, which compete fiercely with each other (UNCTAD, 1998j).

Travel agents in Egypt, in common with elsewhere, are mostly small and medium-size enterprises (SMEs), they face competition from large service multinational suppliers with massive financial strength, access to the latest technology, world-wide networks, and sophisticated information technology infrastructure. In their business relations with large foreign tour operators, travel agents in Egypt are harmed by their weak bargaining position and their lack of negotiating skills, which often result in unfavourable contractual conditions.

The travel agent industry in Egypt is fragmented and lacks a clear system. The main revenue of an average travel agent comes from commissions on ticket sales; and commissions from package tours. Travel agents in Egypt view package tours as an attractive option because:

- Package tours assure them a certain flow of tourists;
- International marketing, a costly element in the tourism business, is managed by tour operators;
- A volume flow of package travellers is likely to raise investment by foreign construction companies, major tour operators, and airline companies who wish to make the tourism product more attractive for consumers.

There has been a perception that many travel agents in Egypt are not in a position to benefit from tourism liberalisation under the GATS, especially from market access

opportunities. In order to take further advantage of trade liberalisation opportunities and thrive in an increasing competitive global services environment, travel agents in Egypt will need opportunities to continuously up-skill and keep current with technical and professional advances, as well as to meet and exceed international service quality standards and incorporate information technology into the provision of their services. Moreover, the expansion of travel agents business in Egypt depends not only on national capabilities but also on the quality of the telecommunications and infrastructure. Success requires a world class telecommunication infrastructure, and the ability to move natural persons temporarily (management persons), a sophisticated array of financing support, and skilled staff.

Travel agents in Egypt are divided into three main categories:

- **Category A:** deals in general tourism (companies that arrange individual and group tours, both incoming and outgoing, provide transportation, accommodation and other tourist services)
- **Category B:** deals in ticket sales and reservation (air transport and maritime transport)
- **Category C:** deals only in land transport.

The main differences of the three categories beside the type of business they operate are the volume of capital investment in each category, which allow them to get the licences from the Tourism Ministry in Egypt.

The number of travel agents in Egypt increased dramatically over the last decade. In total, it increased by 77% over the period 1985-1999 (from 502 company to 890 company).

Category A registered the highest increased among others with 95% over the same period. Category C came second with 77.6%. On the other hand, the number of travel agencies category B declined by 20% (see table 9.24) (MOT, 2000).

Table 9.24: Travel Agencies in Egypt by Category (1985-1999)

Year	A	B	C	Total
1985	371	64	67	502
1986	425	54	67	546
1987	482	50	57	589
1988	529	49	59	637
1989	583	53	59	695
1990	459	54	61	709
1991	607	54	60	721
1992	622	49	65	736
1993	648	50	67	765
1994	656	50	68	774
1995	663	51	77	791
1996	675	51	90	816
1997	685	51	105	841
1998	720	51	119	890
1999	757	50	152	959

Source: MOT, Tourism in Figures (2000)

Table 9.25: Value of Services Sold by Travel Agencies (1985-1995)

(Million LE)

Year	A	B	C	Total
1985	121.02	19.08	17.98	158.08
1995	1,146.87	30.24	69.62	1,246.73

Source: MOT, Tourism in Figures (1998)

9.6.4.2 Guide Services

Tourist guides in Egypt are an important service for tourism. Recent statistics from the Ministry of Egypt show that the number of guides almost tripled in the last decade. On the other hand, the number of tourists per guide declined (see figure 9.13).

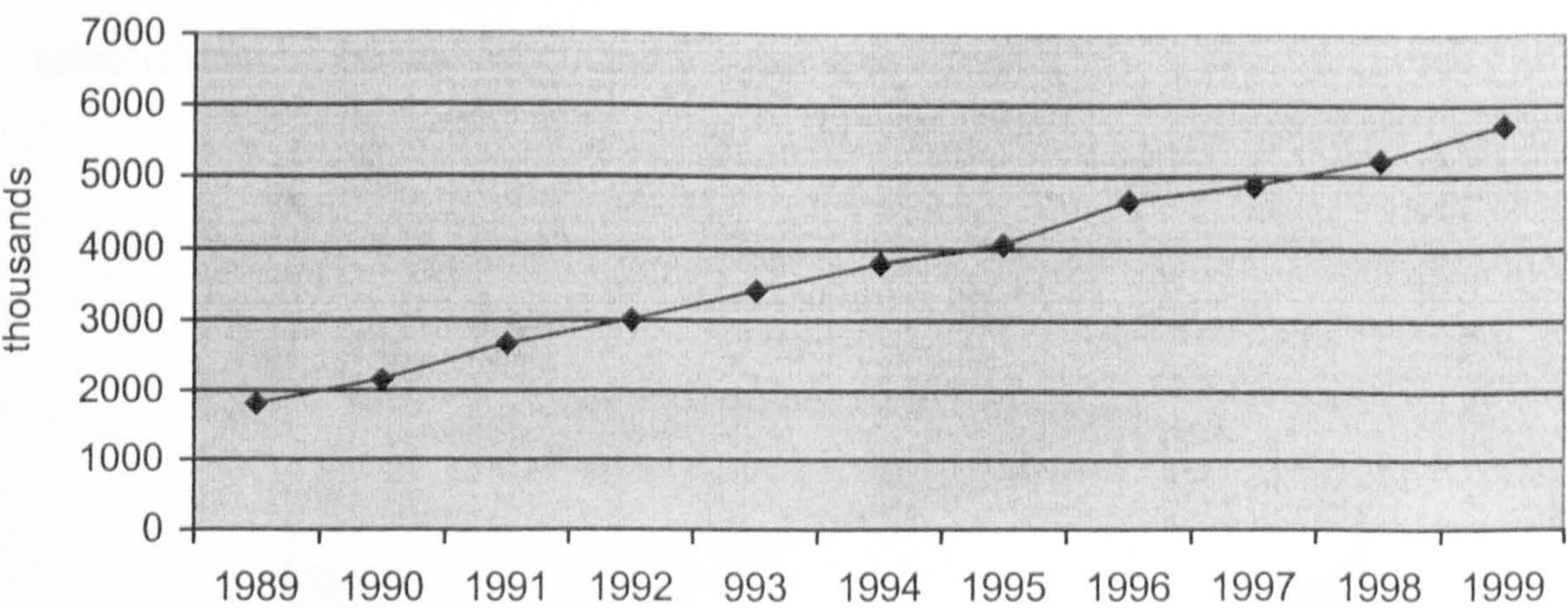


Figure 9.13: Tour Guide Development (1989-1999)

Source: MOT, Tourism in Figures (2000)

Language skills of guides are diverse with English spoken by the highest percentage of guides (40%) in 1999 (see figure 9.14). However, tourists are not fully satisfied with their services.

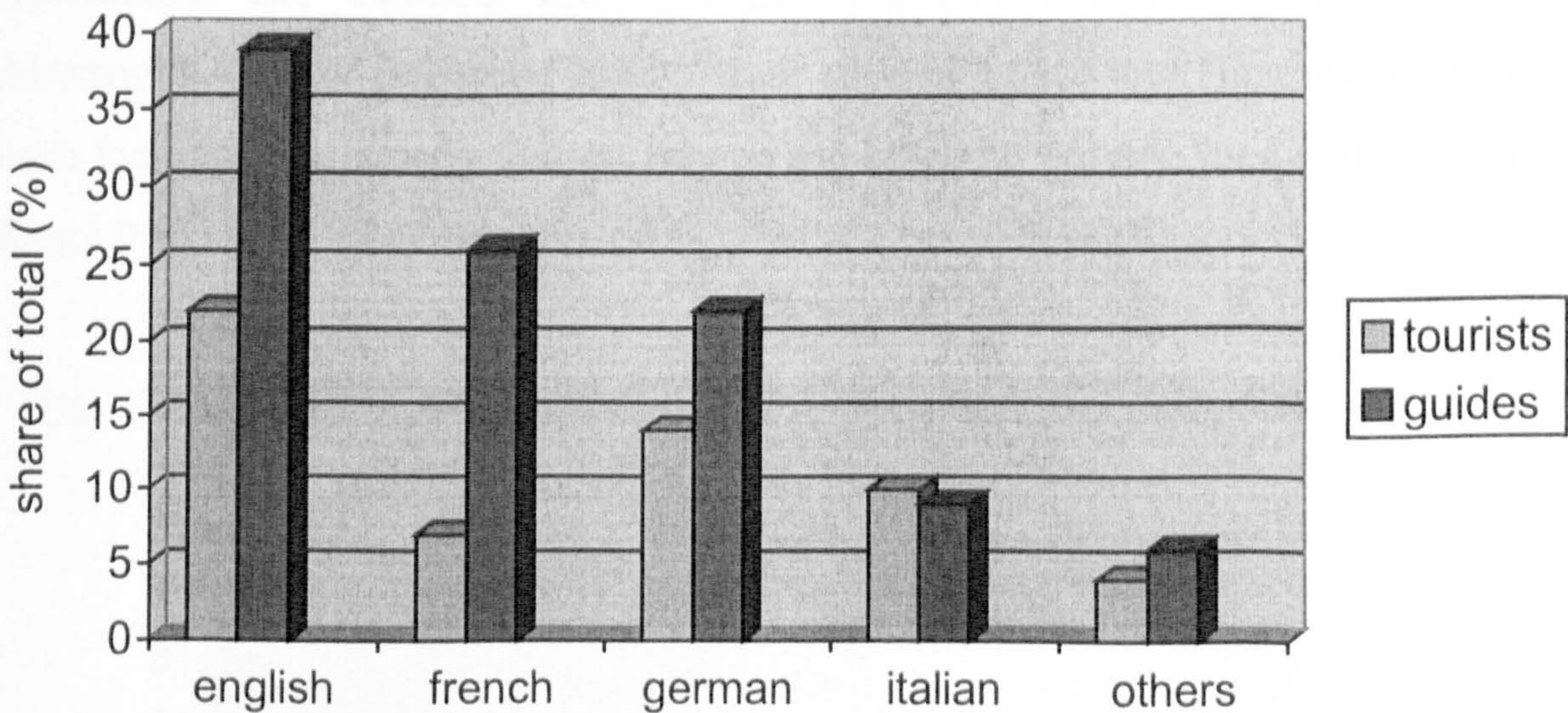


Figure 9.14: Language Skills (Percentage of Tourists and Guides) (1999)

Source: MOT, Tourism in Figures (1999b)

9.6.4.3 Restaurants and Cafeteria

The number of restaurants and cafeterias doubled between 1990 and 1999 and there are increasing choices of international chains such as McDonalds, Arby’s, Pizza Hut,

and House of Donut. Restaurants and cafeterias are concentrated in high quality establishments, particularly 4 and 5 – star (see figure 9.15).

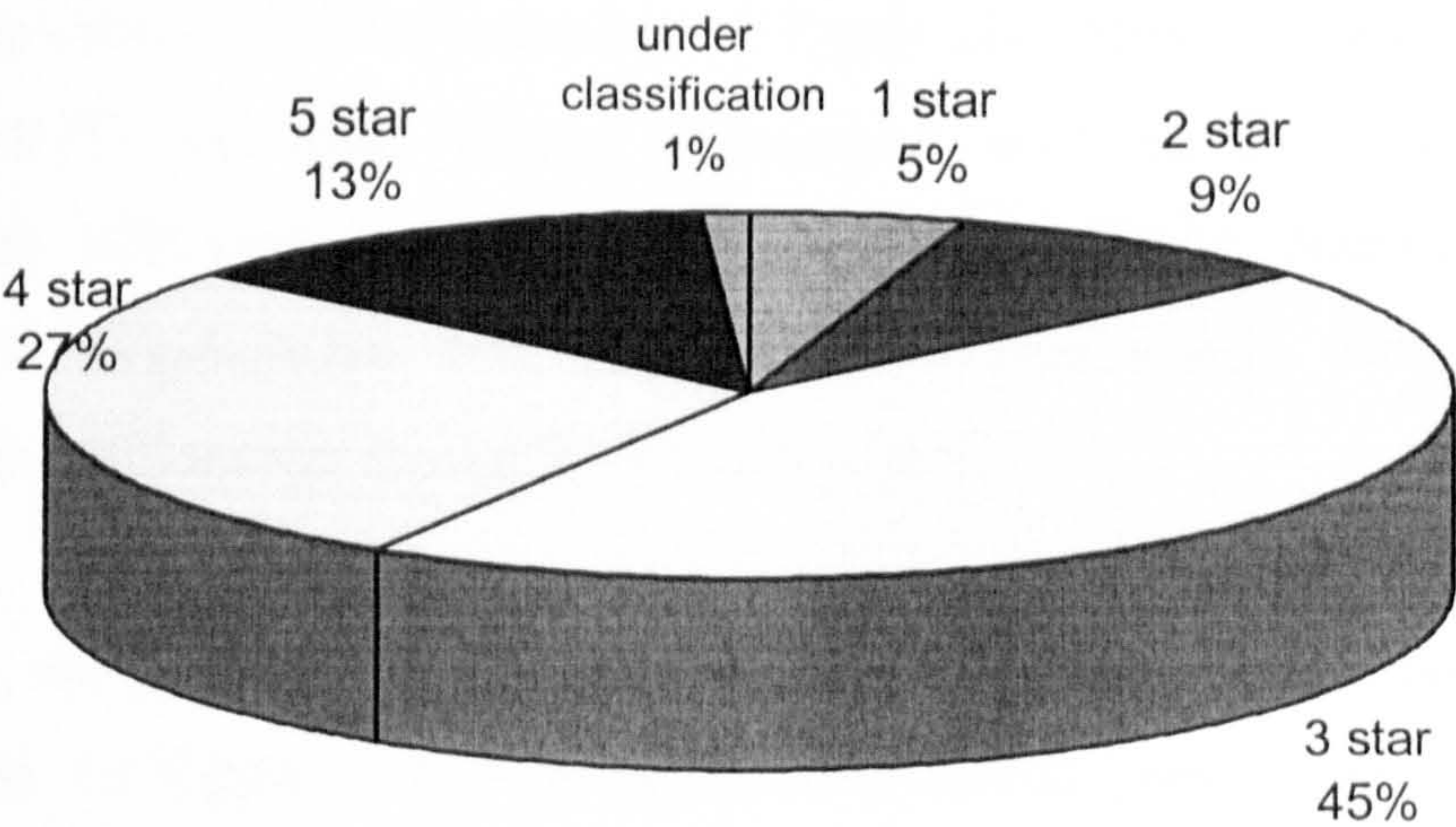


Figure 9.15: Restaurants and Cafeterias by Category (1999)

Source: MOT, Tourism in Figure (1999b)

Restaurants and cafeteria are also geographically concentrated in Cairo and Alexandria. Other important tourist areas such as Luxor and Hurgada are lack of such facilities and mostly tourists rely on the hotels to provide food and drinks (see figure 9.17).

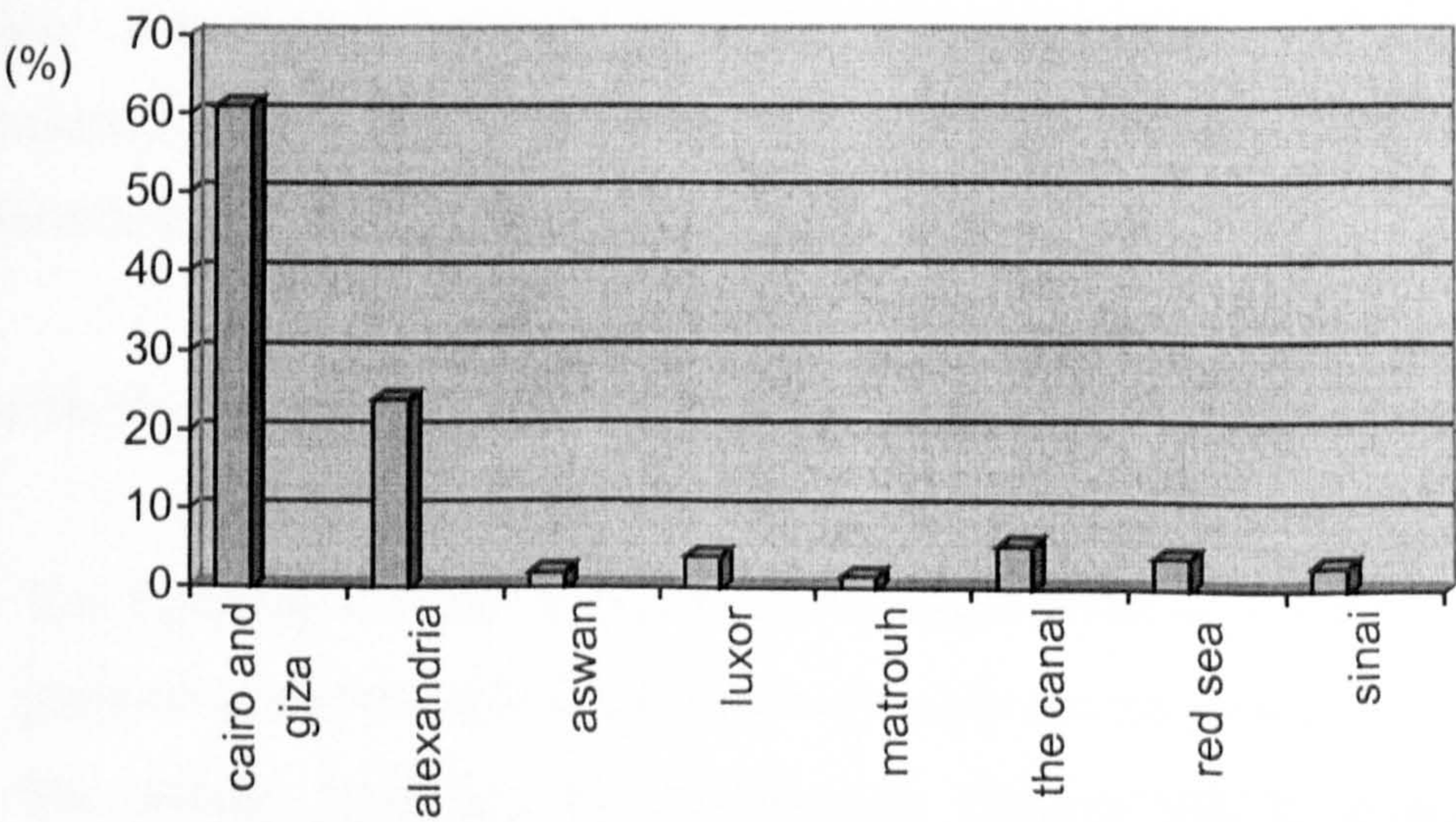


Figure 9.16: Geographical Distribution of Hotels and Cafeterias (1999)

Source: MOT, Tourism in Figure (1999b)

9.7 THE INSTITUTIONAL SETTING OF TOURISM SECTOR IN EGYPT

Tourism regulations and developments in Egypt are carried out by the Ministry of Tourism (MOT) and other related associations such as: the four governmental organisations affiliated to the MOT, the Public Sector Authority, the non-governmental organisation representing the private sector, and the Regional Organisation for Tourism Promotion (Wahab, 1998).

Since 1967, the Ministry of Tourism (MOT) has been the main authority dealing with tourism in Egypt. It is presently overstaffed with a purely mechanistic organisation, which is in general inefficient. Therefore, the Ministry of Tourism is in need of restructuring its organisations in order to introduce a semi-system approach so that it can become more efficient in responding to the newly emerging changes in tourism and to the increased fiercer competition in a more globalised world.

One of the major steps in streamlining the MOT was the creation of the Tourism Development authority (TDA) in 1991, the TDA is becoming an active instrument in tourism development, drawing on private expertise more than depending on full-time appointed personnel. The Tourism Development Authority (TDA) is now the main public authority in charge of investment promotion in designated tourism development areas. It also monitors individual tourism projects and ensures that they meet minimum standards as stipulated in the law.

The MOT oversees four semi-autonomous governmental organisations:

- The Egyptian Central Authority for the Promotion of Tourism, responsible for promoting tourism in both international and domestic markets;
- The Public Authority for Conferences Centres which manages the Cairo Conference Centre;
- The Tourism Academy which monitors all training institutions in the tourism sector;
- The Tourism Development Authority.

According to law 203 of 1991, the Public sector Authority, which was under MOT supervision, became a holding company reporting to the Minister of Public Business sector. This holding company supervises five affiliated companies that are expected to be gradually restructured and privatised under the on-going government privatisation policy. These changes are expected to help strengthen and consolidate the tourism sector if the private sector is to become more efficient and entrepreneurial.

The tourism private sector is represented by the Egyptian Federation of Tourism Chambers and its four Chambers, namely:

- The Chamber of hotel establishments;
- The Chamber of Travel Agencies;
- The Chamber of tourist Establishments;
- The Chamber of Handicraft Industries.

This structure has been created by law no. 85 of 1968 as amended by law no. 124 of 1981.

In the various tourist areas in Egypt, regional organisations for tourism promotion have been created since 1957 (presidential decree no. 691) and have been operational ever since. However, their impacts upon the tourism sector have been practically negligible, although a few are relatively more active than others. This is mainly due to the lack of promotion budget as well as skilled staff.

This tourism institutional setting in Egypt should be reviewed in depth in order to provide for the necessary changes in organisation, staffing motivation, operational rules, and in monitoring its impact upon tourism.

9.8 TOURISM POLICY IN EGYPT

9.8.1 THE NATIONAL TOURISM STRATEGY

The Egyptian government has long recognised the importance of tourism to the country's national economy and its potential for job creation. Based on this a national strategy for the tourism sector has been formulated and priority areas and projects have been identified.

In a report published by the Tourism development Authority (TDA) (1998), setting out the aims and objectives for tourism in the next decade, they may be summarised as being to:

- Establish a national strategy for tourism development, including the identification of priorities, and formulation of comprehensive plans for priority areas and guidelines for investors;
- Decrease the scope of the public sector in tourism development, by limiting its role to those essential tasks of regulating and monitoring tourism and providing infrastructure services which are either part of the overall national systems (road, electricity, and communications) or which cannot be developed by the private sector;
- Provide efficient co-ordination among the various authorities and agencies involved in the tourism industry and simplify the regulatory framework for tourism development projects;
- Take the lead role in promoting Egypt's diversified tourist development opportunities (cultural, leisure, conferences) through out the world;
- Protect and conserve the unique cultural, natural and visual resources in areas with potential with for tourism development including historical and archaeological sites, prime agricultural land, coastal areas, and wildlife habitats;

- Promote tourism investment opportunities and a greater role for the private sector, and ease the availability of funds and long-term financing or tourism development activities;

Lastly and most important of all,

- Constitute essential databases and effective means for communicating and exchanging of critical information.

Such objectives aim to:

- Increase the number of tourists to 7 million by the end of 2002;
- Increase the number of tourist nights to 49 million nights with average long of stay 8 nights per person;
- Increase tourism receipts to around 4.5 billion dollars;
- Increase hotel capacity to 48 million nights; and to provide 1 million job opportunities by the end of 2002. Thus, the amount of investment in tourism will be about 12.5 billion Egyptian pounds by the end of the plan.

Among the strategies, which have been formulated by the Ministry of Tourism to achieve, the aims and objectives mentioned above are the following:

9.8.1.1 Changing the Role of the Public Sector in Tourism

The role of the public sector will be changed from one of promoter/owner/operator to one of planner and regulator. This strategy is being pursued by the Ministry of Tourism through the following actions:

- Providing improved means of integrating and co-ordinating efforts of the government agencies with the private sector;
- Determining the investment priorities needed for implementing the national tourism program;
- Divesting government of hotel ownership and other tourist facilities;

- Preparing regional plan and master planning concepts for all newly established or designated tourist zones;
- Providing technical assistance to private investors in identifying properties, preparing projects and evaluating proposals for tourism development which are consistent with master plans developed for tourist zones; and
- Finally making available medium and long-term finance in both local and foreign currencies for tourism-related investment.

9.8.1.2 Protection and Conservation of Natural Resources that Tourism Depends Upon by:

- Establishing and enforcing minimum standards for basic services (water supply, sewerage and solid waste disposal) within all tourist zones;
- Developing and enforcing minimum standards for health and safety for the tourism industry;
- Implementing and enforcing guide-line regulations for tourism-related operations within the tourist zone (inland water ways).

9.8.1.3 Improvement of the Regulatory Environment:

- By providing public funding for infrastructure improvements in underdeveloped or undeveloped locations as a mean to attract private investment in the new tourist centres;
- Obtaining long term, low interest loans from international financial institutions to provide an additional source of funding for essential infrastructure improvements.

9.8.2 MARKETING AND PROMOTING TOURISM PLAN

Proper marketing is essential for the growth of tourism. While private sector investors will continue to market and promote their products, the government will enhance these efforts through a comprehensive plan, which includes:

- Improving the procedures for obtaining visas, travel permit and customs clearances at all points of entry;
- Organising conferences and seminars in both Egypt and abroad to promote tourism;
- Promoting and encouraging domestic tourism;
- Promoting incentive tourism including extending invitations to executives of large international concerns to visit Egypt;
- Developing and expanding education and training opportunities in hotel management, catering and other tourism related occupations;
- Encouraging marketing efforts for combining cultural and leisure tourism to increase the length of stay of tourists;
- Participating in international tourism fairs, organisations and exhibitions;
- Developing a centralised system for information;
- Collecting and distributing tourism data from various and public sources;
- Making this data available to all interested parties, local or foreign.

The role of public expenditure in marketing is important to ensure successful tourism promotion. According to Fawzy (1998a), Egypt's promotion budget is still modest (around US\$20 million). Well-targeted publicity and marketing of Egypt as a tourist destination are of paramount importance. In view of the large sales taxes that are imposed on hotels, restaurants and entertainment services in Egypt, the government could find it profitable to allocate more resources to the national tourism promotion budget and recuperate tax revenues from tourism expenditure. On the other hand the high rate of taxes reduce the competitiveness of the tourism product of the country by making it more expensive than other countries in the region.

Cairo is also the home of several key regional and Arab organisations, which regularly hold meetings and conferences. With the vastly improving investment

climate and regional relations, business travel has been significantly enhanced. Given the importance of advertising through the media, Egypt has been aggressive in its promotional media campaigns. The effective role of the media is demonstrated by how the country has managed to overcome any temporary downturns and setbacks as a result of terrorist attacks over the last few years. Television and newspaper coverage of Egypt as a travel destination will continue to be used to great effect to promote a positive image of Egypt to the world.

9.8.3 TOURISM DIVERSIFICATION PLAN

Apart from the focus of Egypt's strategy on developing its tourism market in favour of the beach-tourism segment, it is also seeking to enhance the tourist product by providing for conference facilities, which complement and supplement all types of tourism. The government is also pursuing the goal of encouraging the growth in incentive tourism, health tourism and spa resort development and safari-related tourism packages.

Another element in Egypt's long-term tourism strategy is to attract a share of tourists from those tourism-generating countries that are still poorly represented. To date visitors from Japan, Southeast Asia and the USA are still insignificant in Egypt compared with the potential these countries have. This is in line with another objective of the tourism strategy, which is to increase tourism receipts at an even faster rate than arrivals, both by encouraging longer stays per average tourist and by offering up market services, which increase average expenditure per tourist. The Asian and USA markets that have been targeted for development have, on average, the two highest rates of expenditure per night of all visitors: US\$2250 and US\$220 per night respectively in 1999.

9.8.4 PRIVATISATION PLAN

A major component of the government's tourism strategy is its privatisation programme in the tourism sector, which includes the sale of single assets or packaged assets to investors and the sale of tourism companies on the stock exchange. The Holding Company for Housing, Tourism and Cinema (HCHTC)

currently has four affiliated companies in the tourism sector, each of which owns a large number of hotels in Egypt. HTC is also a partner in more than 20 joint-venture companies in tourism. The number of hotels to be privatised includes eight in Upper Egypt (four in Aswan and four in Luxor), seven in Cairo, three in Alexandria, two in the Red Sea area (Hurgada Sheraton and Ain Sokhna) and two in Sinai (Dahab Helnan and El-Arish Oberoi). International hotel chains such as Accor, Club Med, Hilton, Mercure, Oberoi and Sheraton manage several of these hotels (see table 9.26).

Table 9.26: Privatisation in Tourism Sector

Hotel	Privatisation	Method of privatisation
Cairo Sheraton	1996	Sold as a company
Le Meridien	1993	Sold as an asset
El Borg	1998	Sold as an asset
San Stefano	1998	Sold as an asset
Nile Hotel	1998	Sold as an asset

Source: Holding Company for Housing, Tourism and Cinema (HTC) (1999)

A variety of styles of privatisation are used. Assets are sold to an ‘anchor investor’, sales are made via Initial Public Offerings (IPOs) on the stock market or assets are partially sold to strategic investors. HTC aims to promote the businesses or organisations to be sold and to improve the assets into an appropriate form for sale. This involves preparation of the assets and training of personnel. In the case of hotels, the physical assets may be sold loaded with the appropriate management contract.

9.9 INVESTMENT CLIMATE AND PRIVILEGES IN TOURISM

The government of Egypt is committed to an economy based on market forces, and in order to enhance the investment climate, law no. 230 of 1989 adds further privileges and guarantees for investors. These include the right of repatriation of profits, and tax exemptions ranging up to 10 years.

Therefore, private investment has been encouraged for several years in the tourism sector, beginning with Law 1 of 1970, which provided for a number of incentives for investment in the tourism sector. Subsequent investment Laws, including Investment Law 230, replaced by the Law of Investment Guarantees and Incentives (8/1997), provide a wide range of incentives for national and foreign investors. As for all other companies registering under the Law of Investment Guarantees and Incentives, investors in the tourism sector are required to register with the General Authority for Investment and Free Zones (GAFI) before they become eligible for these benefits. The sector is also given special customs privileges, paying a reduced rate of 300% (instead of up to 3,000%) on imports of alcoholic beverages, as well as tax and customs-duty exemptions if established in the New Industrial Zones or outside the Old Valley. In addition, Law 93 of 1996 reduces fees for tourist and passengers ship entering Egyptian ports by up to 75% of the normal rate.

Several investment opportunities for the private sector have been identified and include the development of new tourist centres and marinas and also the right to acquire shares in current projects.

While investment requests were approved in an ad hoc manner and without due regard to the adequacy of infrastructure support and environmental protection, the previous shortage of a proper regulatory framework has resulted in uncontrolled development on the Red Sea Coast, land speculation, some spoilage of the coast line in Hurgada and crowded cruises operations on the Nile that caused a cut-throat price competition in slack seasons. The TDA, however, in co-operation with the agency of environmental protection, is presently exerting serious efforts to overcome these problems and provide for future enforceable development standards to ensure sustainability.

The enforceability of development standards should not counteract the privatisation trend that provides for gradually deregulating the tourism industry to allow the private sector to operate freely in a competitive environment. The private enterprises should play a larger role in the design, finance, ownership, implementation and operation of tourism facilities.

9.10 CURRENT CONSTRAINTS TO THE DEVELOPMENT OF TOURISM IN EGYPT

9.10.1 HERITAGE OF SOCIALIST SYSTEMS

Socialist policies adopted by Egypt during the 1950s and 1960s resulted in a dominant role for governments in economic activity. This general trend in Egypt as well as many of the Arab countries has produced similar patterns, including favouring industry at the expense of services and agriculture, lack of flexibility in decision making and excessive reliance on planning, and most importantly lack of principles such as consumer sovereignty and emphasis on customer satisfaction.

These features appear magnified in tourism, with overlapping and sometimes contradictory policies and jurisdictions in tourism policies in the Egypt (Fawzy, 1998). Similarly for example, in Tunisia the three relevant entities in tourism development are the Agence Financiere Touristique (AFT), office National du Tourism Tunisien (ONTT) and Tunis Air; all public sector. Furthermore, AFT has a de-facto monopoly over land development in tourist areas.

Privatisation drives and the perception of a new 'role for the state' to play in economic activity are creating changes in the traditional government/tourism industry partnership and creating an increasing need for self-reliance within the tourism industry. Pursuit of efficient resource allocation in the economy in general and in tourism in particular will have to set new modes of co-operation between public and private tourism entities. However, the role of government in developing and maintaining public sector museums, parks and historic sites will remain limited under 'hard budget' constraints will have to be reconsidered. Pressure on public sector budgets will continue to erode their capacity to develop, attract, and serve tourists. Tourism sector organisations and members of the industry have to work at strengthening their capabilities, and to work together in true and effective partnerships.

The financial pressures confronting Egypt's government will make it increasingly difficult to provide direct financial support for tourism initiatives. As a result, government and industry together will have to ensure that all activities to develop tourism are cost-effective. At the same time, the industry itself will have to enhance its own effectiveness in working together on product and market development.

9.10.2 LONG-TERM PLANNING

Presently, tourism's contribution to the Egyptian national economy has made it the second foreign exchange earner after remittances of Egyptian residing abroad. However, a written document on National Tourism Policy has not been issued yet and therefore development strategies are mainly the work of MOT and TDA which may change according to the Minister's wish. The National Tourism Policy should be the expression of the State's will and has to be embodied in a legislative document approved by Parliament. Therefore, the planning capabilities of MOT are inadequate in terms of providing the integrated plans needed for the stable development of the sector.

The tourism sector still lacks the reliable and comprehensive database needed for indicative planning and investment by public and private sectors. Statistical tables of tourist arrivals by nationality, month means of transportation, length of stay, tourist nights, etc, are insufficient and comparatively inaccurate, as the international definition of a tourist is not correctly followed. Expenditures by tourist levels and activities regional tourist flows, employment statistics and investment expenditure by project are virtually lacking.

Planning for the sector is based on global figures and the interface at the planning stage between the physical and financial aspects is notably weak. Moreover, criteria for project evaluation and rating are not always consistent with the international classification system, especially in certain remote areas in Egypt.

Tourism development projects are approved for investment without careful attention to the impact of the planned outlays on the national budget. Inflation rates

are sometimes underestimated in feasibility studies, which results in large gaps between planned and actual investments.

9.10.3 LACK OF A COMPREHENSIVE TOURISM DEVELOPMENT STRATEGY

Increasingly, nations are realising the potential trade-off between extensive tourism activity and historical, cultural and natural resources. This realisation has developed into an awareness that tourism development cannot be left to pure market forces. “The concept implies protecting the environment, maintaining cultural identity and integrity and achieving a high level of tourist satisfaction, while still generating substantial economic benefits” (WTO, 1995a, p.238).

Egypt's as well as most MENA region (Middle East and North Africa) tourism plans (if they exist) focus on tourism numbers, revenues, and length of stay. For example, Tunisia lacks a strategy to reach the objective of moving from mass tourism to targeting higher niche markets. No elaborate strategy to achieve this goal is apparent.

Box 9.1: Why Tourism Needs Government Strategy

Why Tourism Needs a Government Strategy

Because tourism:

- is an industry of growing economic importance;
- can be driving force in bringing about sustainable development and has potential in town, city and rural development;
- Can help create a more inclusive society by enabling more people to enjoy a vacation or break.

However the Industry Suffer from:

- its diversity means that it lacks the ability to think collectively or strategically;
- demand is seasonal and subject to changes in fashion or interest;
- lack of market information (because of the coverage of information needed);
- it relies heavily on infrastructure policies and planning that lie outside the realm of its planning domain;

Source: Tourism Strategy: Tomorrow’s Tourism (1998)

The Jordanian case presents its tourism strategy as focused on more tourists, higher spending and longer stay. The plan aims at making Jordan one of the top tourist destinations, yet there is no clear mechanism by which the Jordanian Tourism Board appears to be achieving this goal (Zuraikat, 2000). Zuraikat argues that public-private co-operation in all aspects of tourism future strategy are lacking. These issues include, intra-alia, promotion, marketing, human development, infrastructure development and tourist attraction development.

Recently the Egyptian Ministry of Tourism announced a strategy, which sets, in addition to arrival, expenditure, and number of establishment growth goals, four pillars up on which the next tourism strategy is built. These four pillars are:

1. Sustainable growth in tourist arrivals from targeted markets to reach 9.5 million tourists and 66.5 million tourists in nights in 2005.
2. New markets, while maintaining marketing efforts in existing markets. Emphasis is being placed on high-income, higher-propensity to spend groups.
3. New types of tourism such as conference tourism, health tourism and desert tourism, in addition to specific-sport tourism such as golfing and car racing.
4. Specific events such as cultural, sport, festivals and forth.

The strategy is complemented by recent presidential decrees that focus on developing airport services at major Egyptian airports, allowing foreign airlines to provide direct flights to domestic tourist destinations, improved road transportation relevant in tourist areas, as well as a comprehensive effort to facilitate tourism-related services.

While the current Egyptian tourism development strategy is more comprehensive and pragmatic than previous five-year plans, it is still inefficient to develop tourism in Egypt.

9.10.4 INSTITUTIONAL AND JURISDICTIONAL COMPLEXITY AND OVERLAPPING

One of the major impediments to private investments in tourism development in Egypt is the overlap between several jurisdictions. The MOT and TDA, the Ministry of development, the Central investment Authority, and the various governorates are the main jurisdictions, which have a right of intervention in tourism development. The task of co-ordination and drawing lines of demarcation between these government agencies is complex and therefore difficult to achieve. The reason for this is that each of these jurisdictions has its own law that allows it competence in one or more aspects in tourism development.

The presidential decree (no. 712 of 1981) which gave the MOT an extended mandate in tourism facilitation, research, development, industry control, tourism marketing, co-ordination and policy did not prevent such overlapping developing. In 1988, a Prime Minister Decree (no. 933) gave MOT the right to plan the development and co-ordinate the provision of infrastructure and facilities for all areas designated as tourism zones. These zones are mostly desert areas predominantly situated outside the boundaries of populated cities in the Nile Valley, Red sea and the South Sinai Governorates. As this decree cannot bring an amendment to the problem of existing institutional and jurisdictional ambiguity, law no. 7 1991 was enacted to grant jurisdictional authority over the designated tourism zones to a national tourism authority. This authority became the TDA. However, real co-ordination between the various ministries and agencies on the needs of the tourism sector is still a difficult problem.

The interdepartmental Supreme Council for tourism is another case that deserves attention. Recognised by the presidential decree no. 216 of 1985, the Supreme Council for tourism headed by the Prime Minister was convened only four times in 8 years while it should have met four times a year. Its decisions were not implemented, regardless of their approval by the Council of Ministries. One of its most important decisions was to declare tourism a special-status sector that would bypass the jurisdiction of governorates and leave it to Central Government. This decision has not yet been enforced.

An example for overlapping between several jurisdictions is, in 9 December 2000, Dr. Ibrahim El Dimiri, Minister of Transport, announced the cancellation of a decision he has taken earlier in the same week (4 December, 2000) to restrict tourists groups from using the railway between Cairo and Aswan. The minister declared in a meeting with officials at the ministry of tourism, that he has decided to allow groups of more than five persons to use only the sleeping trains. The Minister promised not to increase fees or make decisions relating to the tourism industry without the consultation with the Ministry of Tourism and the Chambers of Tourism and all other concerned parties (Ministry of Tourism, 2001, press 324).

9.10.5 VARYING QUALITY OF PHYSICAL INFRASTRUCTURE

The availability of an infrastructure for tourism is an essential element of successful tourism development strategies. However, it is frequently an impediment to tourism expansion in countries where that infrastructure is deficient. This is particularly true in the case of the transport, hotel and telecommunications infrastructure. The main reason for deficiencies in infrastructure is the scarcity of public funds to finance projects, given that infrastructure projects have traditionally been the responsibility of the State.

Egypt exhibits varying quality and cost infrastructure, power and telecommunication services: all relevant services in the tourism product. Two decades of heavy government investment in infrastructure have endowed Egypt with adequate networks for transport, communications and electricity. That said, there is still room for much improvement. While the state's emphasis in recent years has been on select large-scale projects, pressures are increasing in area such as road traffic in Cairo and Alexandria, port services, water and sewage, internal air transport (a near monopoly of inefficient national carrier Egypt air) and telecommunications technology.

The fact that the government has begun to privatise some utilities bodes well for the future of Egypt's infrastructure; however, the sector that has moved fastest is telecoms, and in particular mobile phone. In early 1998, the state monopoly Egypt Telecom sold the mobile network to the Egyptian Company for Mobile Services

(Mobinil). It also sold a cellular license to start up Misrfone Telecommunications (Click GSM), in effect privatising Egypt's present and future cellular networks. With 300.000 subscribers at present, the rival companies expect to be serving 1.2 million customers by end of 2000.

In fixed-line services, Egypt Telecom has licensed two competing private pay-phone companies and taken steps to restructure itself for eventual sale. An initial 10% of its estimated LE 28bn capital was publicly offered in 1999, although the lack of clarity over long-term privatisation plans may dampen enthusiasm from investors. There appears to be slow resistance in the ministry of transport and communications to give up the state control of fixed-line communications, despite public complaints of long waiting times for new lines, high international charges and ageing technology: data transmission speeds, for example, still lag at 28,800 bps, and ISDN lines are only available in some areas.

However, yet, telephone lines per 1000 people in cities are 50-66% of the world average.

With regard to air services, public sector airlines and inefficient airports, the picture is no different. Changes in international air policies such as open skies are simulating airline competition and in turn creating improved air access at cheaper prices, leading to increased globalisation. These will put pressure on Egypt Air for privatisation.

In this context, on March 2001, President Mubarak and the cabinet member discussed a plan and map for the development of Egypt's vital airports, the priorities and urgent stages of development and the situation regarding the process of development and modernisation for these airports.

The first subject at the meeting was the modernisation and development of Cairo International Airport and supplying it with equipment, building and services. The second stage of development includes the construction of a new passenger terminal and a new landing runway to serve the increasing air traffic.

President Mubark also approved a draft Presidential to turn the Civil Aviation authority (Egypt Air) into a holding company. And it was also agreed to turn the Civil Aviation Institute into a Civil Aviation Academy in a manner compatible with the scientific level and in accordance with international standards. The project should be self-financed from the revenues of fees paid by trainees without burdening the state with any cost.

On the other hand, President Mubark reviewed and discussed a map of airports and the Civil Aviation service in tourist areas with the aim of fixing the stages of present and future modernisation and development. The following steps were approved:

- To complete the current expansions in services at Hurgada Airport regarding the building, halls and services which facilitate the movement of passengers;
- To complete expansion at Sharm El Sheikh airport regarding the departure and arrival halls, new halls, and services buildings which are being set up at present;
- To complete current expansions at Luxor Airport to facilitate movement and remove bottlenecks in the movement of tourists at present;
- The government will provide the remaining appropriations to complete current expansion at the three airports, which should be completed according to timetables before the end of year 2001;

As to future stages, the following steps were approved:

To fix the cost of the expansion and modernisation of Hurgada Airport through the building of a second additional passenger terminal and a new runway to serve the increasing tourist traffic expected in the coming years. The projects will be offered in the light of completing the preliminary financing study.

- As to Luxor Airport, it is requested to present a feasibility study, which is being completed to set up a new passenger terminal and a new runway to raise the standard of the airport to the standard of international service.

- To ask the Armed Forces to make a survey to fix a suitable place to build a new airport to serve the tourist areas between Hurgada and Marsa Alam.

The government will finance the current development and modernisation projects, and as to the second phase, feasibility studies for Hurgada and Luxor are available and the necessary method of financing the suggested B.O.T system are under way. Also feasibility studies for the new airport in the region between Hurgada and Marsa Alam are under way according to past experience of Marsa Alam Airport and by means of B.O.T system.

9.10.6 PERCEIVED POLITICAL INSTABILITY

Despite the recent problems in the Middle East Peace process since the Sharon Government came to power in Israel, the success of achieving comprehensive peace between Israel and Palestinians is a crucial factor in reducing the image of political instability in the region. Collaboration efforts among countries of the region are needed to dilute this negative perception. In addition to efforts to speed up the peace process, Egypt must utilise statistics on crime rates, limited magnitude of organised crime, and violent crimes in general to portray Egypt as a "safe" part of the world where the statistics for a "safe" tourism experience work for and not against the region. Information of this kind can be found in country specific reports originating from developed countries' consulates and advisories for their travellers. These types of statistics are, however, under-utilised by Egypt as points of strengths rather than weakness in their tourism efforts.

9.10.7 HUMAN CAPITAL INDICATORS, EDUCATION, AND ILLITERACY

The human resource skills of tourism service suppliers play a key role in determining the quality of the services offered. Consumers are increasingly demanding quality in tourism services and therefore it is gradually becoming a fundamental competitive tool for firms. Given the importance of the quality aspects of the tourism product and its labour intensity, the pool of human resources available for tourism in a given

country is a fundamental factor in the successful development of this industry. It requires, *inter alia*, managerial, technical and language skills.

However, in Egypt the facilities to train the workforce for the tourism sector are inadequate, seriously restricting the labour pool from which supplying firms can draw, a situation which is aggravated by the fact that in most cases it is unusual for those firms to offer on-the-job training (particularly in the case of SMEs). This hampers their efforts to upgrade their services and attain international quality standards.

Even outside tourism education per se, Egypt's human development indicators are not competitive even when compared to other developing country regions such as South East Asia. For example, male and female illiteracy rates for youth between 15 and 24 Years old in Egypt is 25 and 40 percent, respectively. For Egypt, the Global Competitiveness Report judges poor training and productivity of workers as among the country's competitiveness 'liabilities' (see table 9.27). Poor education quality in general and in tertiary and vocational schools in particular inevitable affects the supply of labour entering into tourism, its foreign language skills, its ability to benefit from training and its ability to accumulate job-specific human capital.

Table 9.27: Labour Competitiveness Balance Sheet (1998)

Egypt	Assets		Liabilities	
	Criteria	Rank	Criteria	Rank
	Minimum wage regulations	1	Primary education enrolment	41
	Unemployment insurance	1	indicator	45
	Collective bargaining power	4	Employee training	46
	Labour force	5	Worker productivity	51
	Labour market flexibility	8	Child labour	
	labour regulations	16		
	Labour force participation	16		
Jordan	Assets		Liabilities	
	Criteria	Rank	Criteria	Rank
	Collective bargaining power	5	Child labour	40
	labour regulations	8	Secondary education enrolment	40
	Hiring and firing practices	12	indicator	
	Unemployment insurance	14	Worker productivity	41
	Minimum wage regulations	14	Employee training	42
	Labour market flexibility	18	Primary education enrolment	49
			indicator	

Source: The Global Competitiveness Report (1999) World Economic Forum.

Human resources is an area that presents tourism with a challenge: A continuously changing environment which demands people to stay on top of technological developments, information technology developments and flexibility. Poor quality of labour, training programs, etc. are among the main weaknesses. For example, in Jordan the issue about low-level labour quality, Fawzy (1998b) argues that for tour guides, lack of enforceable codes of ethics, enforceable requiring of licensing, the quality of tour guides has taken a bad reputation and many foreign groups rely on their native guides for trips to Jordan.

In terms of formal tourism education, another problem is the quality control in the education process. Travel and tourism education programmes in Egypt vary widely in terms of design, content, teaching methods, examination and evaluations – and most significantly, in terms of skills acquired by their graduates.

Private sector practitioners in Egypt lack the confidence in competing with international players in hotel management, travel agency and other services and therefore lobby for protection from foreign competition. Tohamy (1998) emphasises that in Egypt, human resources skills are weak in most tourism sectors, especially in the fields of hotel management, guides and marketing. She further recommends reliance on international expertise in designing education and training programs for these categories of labour.

The key to effective staff development and training is to link it to business objectives. On the other hand managers and owners will have to be 'trained' to better define their business objectives and measure their performance before attempting to link their labour needs to objectives.

9.10.8 LIMITED ACCESS TO LONG-TERM FINANCING

One of the noticeable obstacles to tourism development is the fact that the business community in Egypt still has limited access to long-term financing, particularly from the international capital and credit markets. Egypt is undergoing debt rescheduling, and lending with guarantees by export credit agencies is scarce. Moreover, direct

foreign investments in tourism projects and resource financing are still inadequate in spite of the guarantees provided by the government under Investment Law no. 230 (1989) against expropriation and nationalisation as well as the guarantees to repatriate annual profits.

The most recent economic reforms suggested by the IMF are expected to restore the confidence of international commercial lenders in Egypt and thus improve access to long-term loans. Astonishingly, although the availability of financing in the domestic market was limited by the credit ceilings imposed by the Central Bank of Egypt since February 1991 and high interest rates (22-25%), tourist development projects are still comparatively on the increase.

The lack of availability of financing for tourist accommodation and services is a critical constraint to the growth of tourism in Egypt. Financing is needed for refurbishing of accommodation, new constructions, the SMEs and micro enterprises that will strengthen the linkages between tourism and other sectors and that will allow local communities to access the benefits from tourism, and for supporting infrastructure. Risk mitigation tools, such as guarantees on non-commercial risk, can provide additional comfort to private investors.

9.10.9 PHYSICAL SAFETY AND PUBLIC HEALTH

Investors and tour operators have two essential requirements before they will invest in, promote or send tourists to a destination:

- Physical safety of tourists;
- High hygiene standards in accommodation and food establishments and overall good health facilities.

In this age of globalization, serious crime against tourists hits the international headlines around the world and can destroy the tourist destination. Apart from the obvious desire to keep tourists happy so that they will become repeat visitors and/or advertise the trip by word of mouth to others, there are now compelling legal reasons for tour operators to ensure the physical safety and health of tourists. The European

Community Directive on Package Holidays, issued some five years ago, makes the tour operator responsible and liable for the health and welfare of its tourists.

In terms of public policy the host country, therefore, needs to:

- Enhance measures for crime prevention and tourist safety, enforce laws to penalize crime, and undertake a public education campaign to ensure that nationals understand the value of tourism to the country and treat tourists well;
- Identify the main public health issues that affect tourists and introduce measures to eliminate these.

Council decision holds that the EU directive is not just confined to tours promoted or offered in the EU, but can apply to tour operators from any common law country.

9.12 GATS AS A WAY FORWARD

In 1962, Egypt applied to join the membership of the GATT; in November of the same year, Egypt was accepted as a non-permanent member for two years. In 1970, Egypt was accepted as a fully-fledged member of the GATT. Since then, Egypt has played a prominent role in the GATT. In 1995 Egypt signed the membership of the WTO. It committed itself to approve the terms and conditions of the organisation and its affiliated agreements.

Egypt participated actively in the Uruguay Round negotiations on services and has signed for the General Agreements on Trade in services (GATS). Egypt made specific commitments in four out of the 12 sectors in the GATS classification. In general, Egypt's GATS commitments tend to bind the existing policy framework. In some cases, such as insurance services, recent changes have made the applied policy more liberal than Egypt's commitment (WTO, 1999b).

The number of sectors where Egypt has made commitments is a preliminary indicator of how Egypt is similar to, or different from, groups of WTO countries. Egypt has made commitments in sectors such as:

- Construction and Engineering (sector 3);
- Travel and Tourism Related Services (sector 9);
- Financial Services and Banking (sector 7);
- Transport (sector 11).

As indicated in chapter 5, countries are more likely to make commitments in sectors such as travel and tourism related services. The percentage of WTO countries that made commitments in a sector such as tourism (sector 9) and financial services (sector 7) are 93% and 73%, respectively. For sectors such as education (sector 5) and health services (sector 8) that percentage falls to 25% and 27%, respectively (WTO, 1999b).

When the list of countries is divided into developed and developing countries the percentage of developing countries making commitments in a sector is consistently lower than the percentage of developed countries making a commitment in the same sector. For sectors such as business (sector 1) and communication services (sector 2), 51% and 69% of developing countries made commitments. This is significantly lower than the 100 percent for developed countries in both sectors. The drop in percentages is not as significant for tourism (100 percent for developed countries versus 94 percent for developing).

The average number of sectors in which a developed country makes commitments is 9.25, while the average number for a developing country is 5.06 out of the 12 sectors. Therefore, while developed and developing countries are more likely to make commitments in particular sectors, developing countries are making commitments in fewer sectors (Tohamy, 1999).

In cross-country comparisons, Egypt has made commitments in construction services, financial and banking, tourism, and transport. Therefore Egypt's choice of these four sectors is generally consistent with the willingness of countries to offer commitments. However, there are two sectors where, for both developed and developing countries, the probability of having commitments is over 50%. These are

business and communication services. Egypt does not have any type of commitment in either of these two sectors.

A breakdown of specific commitments across regions indicates that, the Middle East and North Africa made greater commitments than Africa or South Asia, and does not compare very badly with East Asia. However relative to Eastern European and Central Asia countries, commitments were almost 3 times lower. With respect to the Arab countries, the offers of Algeria, Bahrain and Tunisia were more limited than the average offer of developing countries as group. Egypt, as well as Kuwait and Morocco made commitments that can be characterised somewhat more comprehensive than the average developing country.

However, two points need to be made before reaching the conclusion that Egypt may be less committed to liberalising its services through GATS:

First, whether or not a country makes commitments in a sector does not indicate how many commitments a country made in a specific sector. A country with multiple commitments in a sector will not be distinguishable from a country with a single commitment in the corresponding sector. For example Table 9.28, shows that the average number of commitments per sector differs widely across countries. So, while for countries such as Turkey, Malaysia and Egypt the number of commitments/sector is 8, 7.7, and 7, respectively, the number of commitments/sector for other countries such as Indonesia and Bangladesh is 1.2 and 1 respectively. Moreover, there are horizontal commitments concerning general market access, national treatment, and most favoured nation treatment that cut across all sectors (with some exceptions). These are more far reaching than a single commitment for a single sector.

Second, the number of sectors where countries have made commitments does not indicate the extent of liberalisation coverage that these commitments produce in a sector.

Table 9.28: Services Sectors Covered of Selected Organisation for Islamic Countries

Countries	Number of commitments	Number of sectors where commitments were made	Average of commitments/s ector
Turkey	72	9	8.0
Malaysia	69	9	7.7
Kuwait	44	8	5.5
Morocco	41	7	5.9
Pakistan	35	6	5.8
Egypt	28	4	7.0
Tunisia	11	2	5.5
Indonesia	7	6	1.2
Bahrain	4	1	4.0
Bangladesh	1	1	1.0

Source: World Trade Organisation (WTO) (1999g)

Tables 9.28 and 9.29 indicate that compared to other developing countries, Egypt’s number of commitments per sector is not very different from an average developing country. Egypt is consistently, however, committing less than larger developing countries.

Table 9.29: Sectoral Coverage of Specific Commitments in Trade in Services (%)

	High income countries	Other countries	Large developing countries	Egypt
Market Access				
Average coverage (sector/ modes listed as a share of total GATS classification, weighted by openness and binding scale factors)	40.6	9.4	17.1	10.48
“No restrictions” as a share of total offer made	56.4	47.3	36.7	47.1
“no restrictions” as a share of total GATS classification	30.5	6.7	10.9	7.9
National Treatment				
Average coverage (sector/ modes listed as a share of total GATS classification, weighted by openness and binding scale factors)	42.4	10.2	18.8	11.69
“No restrictions” as a share of total offer made	65.1	60.4	49.3	61.5
“no restrictions” as a share of total GATS classification	35.3	8.5	14.6	10.3
Memorandum				
No restrictions on market access and national treatment as a share of total GATS classification	28	6.4	10	7.9

Source: World Trade Organisation (WTO) (1999g)

9.13 GATS IMPLICATIONS FOR TOURISM IN EGYPT

9.13.1 SUB-SECTORAL COVERAGE BY EGYPT

Egypt’s commitments in tourism, covered three sub-sectors out of four with exemption of sector three (tourist guide services):

- Hotel and Restaurant including catering services;
- Tour operators and Travel Agencies;
- Other.

In sub-sector 4 (other), Egypt included in its schedule other tourism services such as:

1. Tourism Management Services:

- a) Tourism Property Management;
- b) Rental/Lease Tourism Property;
- c) Tourism Training Institutions.

2. Tourism Transport Services:

a) Land Transport Services:

- Long distance tour buses;
- Short distance tour buses.

b) Inland Water Ways:

- Inland Water passengers transport;
- Inland water local tours;
- Cruise ships.

3. Tourism Training Institutions.

4. Tourism Related Conventions.

5. Institutional Food Service Caterers (with the exception of Airport Catering Facilities which are confined only to the national air carriers).

On the other hand Egypt's schedule of specific commitments did not include other related tourism services, which are important to tourism business, such as:

- Museums and tourism attractions Services;
- Entertainment activities;
- Bazaars;
- Car rental;
- Tourism promotion services;
- Selling and marketing for air transport tickets
- CRS;
- Maritime transport;

- Health and communication services which are highly important for tourism industry.

The implications of the exclusion of such services will be explored in the analysis (chapter 11 and 12).

The magnitude of the commitments made in the GATS by Egypt suggests that the government was not attracted by the expected benefits of GATS. The implications of the GATS agreement in Egypt's schedule is quit limited. Among the Arab countries, Egypt applied the highest level of restrictions on market access and national treatment (Hoekman and Subramanian, 1996).

9.13.2 EGYPT'S LEVEL OF COMMITMENTS

9.13.2.1 Horizontal Limitations

Egypt schedule of specific commitments does not contain horizontal limitations applying to modes of supply 1 (cross border) and 2 (consumption abroad). In contrast, it contains horizontal limitations on the supply of services through commercial presence and on the presence of natural persons. With respect to commercial presence, the restrictions generally relate to:

- limits on foreign equity participation, up to 49% or 51%;
- Restrictions on the acquisition by foreigners of land for commercial purposes except within free zones, for which no permission is required.

With respect to presence of natural persons, Egypt schedule restricts the entry and temporary stay of foreign natural persons; under the Labour Code (Law 137/1981) the number of these persons is limited to 10% of the total personnel employed by a company (see table 9.30). The horizontal restrictions with respect to presence of natural persons affect the liberalisation process and impose barriers on foreign investment, which in return would affect tourism development. These issues have been investigated and explored in the analysis (chapter 11 and 12).

Table 9.30: Egypt: Horizontal Commitments

Modes of Supply: 1) Cross-border, 2) Consumption Abroad, 3) Commercial Presence, 4) Presence of natural persons

Sector	Limitations on Market Access	Limitations on National Treatment
Acquisition of land:	3) None	3) Authorisation is required for the acquisition of land and/or real estate property. Applications in this respect are considered on the basis of the evaluation of the specific projects for which the acquisition is requested and in accordance with the national policy objectives. <input type="checkbox"/> Acquisition of land and/or real estate property in free zone areas is unbound.
The entry and temporary stay of natural persons	4) According to the labour code (Law No. 137/1981) and its executive regulations, the number of foreign personnel necessary to the supply of services in any entity, regardless of number of its branches, shall not exceed 10 percent of the total number of personnel employed therein, unless otherwise specified in a sectoral entry of this schedule.	4) None

Source: WTO (1999b)

9.13.2.2 Sub-Sector Specific Limitations

Egypt’s GATS commitments in tourism sector are fairly restrictive with many exemptions to market access and national treatment.

1. Hotel and Restaurants Including Catering

Accommodation services are generally supplied in the recipient country through locally established facilities. Therefore, Egypt presented no restrictions in mode of supply 1 (cross border), and entered unbound* in its schedule due to lack of technical feasibility with respect to both market access and national treatment. By the same

token, consumption abroad mode of supply is the most liberalised mode of supply across all sub-sectors with no single limitation with respect to both market access and national treatment.

Due to the nature of accommodation services, the commercial presence mode of supply is the mode of supply that faces most restrictions regarding market access and national treatment. Egypt used various restrictive measures, with respect to market access such as;

- Economic needs test (main criteria: market needs and locating different categories of hotels);
- Licensing requirements;
- Limitations on the total number of services offered (main criteria: geographical location, increase in the number and categories of tourists);
- Foreign capital equity should not exceed 49 percent in projects to be established in Sinai;
- Casino services can be provided only through 5 star hotels (gambling allowed only for foreigners).

With respect to national treatment, Egypt entered only one limitation for mode of supply 3 (commercial presence):

- Training of Egyptian employees should be performed by the foreign natural persons within the terms of the contract.

The hotel industry, like most other services of the tourism sector, is labour intensive and therefore relies on its work force and the possibility to move it freely from one site of operation to another. In this context, Egypt presented no restrictive measures concerning the presence of natural persons for both market access and national treatment. It is worth mention that although presence of natural person mode of supply is the least liberalised; Egypt is the only country presented no restrictions on mode of supply 4 (presence of natural persons). Despite limitations on market access and national treatment, many aspects of the sector are outward-oriented by nature

and cannot be protected from international competition, at least in terms of price-quality combinations. Hence, its potential for liberalisation (see table 9.31).

Table 9.31: Egypt: Tourism and Travel Related Services – Hotel and Restaurants

Modes of Supply: 1) Cross-border, 2) Consumption Abroad, 3) Commercial Presence, 4) Presence of natural persons

Sector	Limitations on Market Access	Limitations on National Treatment
1. Hotels and Restaurants	1) Unbound*	1) Unbound*
A. Hotels and other commercial accommodations	2) None	2) None
a) Hotels and motels	3) A licence will be given according to the requirement of economic needs test (main criteria: market needs and locating different categories of hotels).	3) Training of Egyptian employees should be performed by the foreign natural persons within the terms of the contract
b) Resort hotels and accommodation facilities		
c) Casino hotels		
B. Restaurants, Bars and Canteens	<input type="checkbox"/> Casino services can be provided only through 5 stars hotels (gambling allowed only for foreigners) <input type="checkbox"/> Limitations on the total number of services operation depend on the requirement of economic needs test (geographical location, increase in the number and categories of tourists) <input type="checkbox"/> Foreign capital equity should not exceed 49 percent in projects to be established in Sinai	
a) Full service restaurants		
b) Fast food restaurants and cafeteria		
	4) None	4) None

Source: WTO (1999b).

2. Travel Agencies and Tour Operator

Although the type of services offered by travel agencies and tour operator can be and often provided cross border into the territory of another member state, Egypt presents a contrasted picture than most of the GATS member and declared itself 'unbound.

Therefore, Egypt presented no commitments in this sub-sector with respect to both market access and national treatment. On the other hand, Egypt presented no restrictions on mode of supply 2 (consumption abroad) for both market access and national treatment. For commercial presence, Egypt presented few restrictive measures, for national treatment:

- Limitation on the total number of services offered;
- Economic needs test.

For national treatment, the picture is similar with only one restrictive measure:

- Training of Egyptian employees should be performed by the foreign natural persons within the terms of the contract (see table 9.32).

Table 9.32: Egypt: Tourism and Travel Related Services – Travel Agencies and Tour Operators Services

Modes of Supply: 1) Cross-border, 2) Consumption Abroad, 3) Commercial Presence, 4) Presence of natural persons

Sector	Limitations on Market Access	Limitations on National Treatment
2. Travel Agencies and Tour Operators	1) Unbound	1) Unbound
a) Tour operators, packagers and wholesalers	2) None	2) None
b) Travel agencies	3) Limitations on the total number of services operations depend on the requirement of economic needs test	3) Training of Egyptian employees should be performed by the foreign natural persons within the terms of the contract)
	4) None	4) None

Source: WTO (1999b)

3. Other

Egypt presented other tourism services in its schedule of specific commitments, which are important for the development of tourism services in Egypt. Most of services included in the schedule are highly liberalised.

A Tourism Management:

This sector appeared to be highly liberalised for all modes of supply with respect to both market access and national treatment. However, Egypt represented restrictive measure for commercial presence. For market access, Egypt entered these measures:

- Limitations on number of services offered;
- Economic needs test;
- The service is bound only for representative offices.

For national treatment, Egypt entered measure concerning with training of Egyptian employees. For tourism training institutions and tourism related conventions Egypt declared NONE in its schedule for all modes of supply with respect to both market access and national treatment.

B Tourism Transport Services:***a. Land Transport Services***

For both cross border and presence of natural persons Egypt entered unbound in its schedule with respect to both market access and national treatment. On the other hand Egypt presented no restrictions for both consumption abroad and commercial presence.

b. Inland Water Ways

The pattern is similar for both cross border and national treatment modes of supply. For commercial presence Egypt presented only one restrictive measure with respect to market access. It states in its schedule:

The addition to the inland water passenger and/or local tours is subject to the physical capacity of the Nile River.

For consumption abroad, Egypt represented no restrictions in this mode of supply (see table 9. 33).

Table 9.33: Egypt: Tourism and Travel Related Services – Other

Modes of Supply: 1) Cross-border, 2) Consumption Abroad, 3) Commercial Presence, 4)

Presence of natural persons

Sector	Limitations on Market Access	Limitations on National Treatment
3. Other Tourism Services	1) None	1) None
A. Tourism Management Services	2) None	2) None
a) Tourism Property Management	3) Bound only for representative offices. Limitations on the total number of services operations depend on the requirement of economic needs test.	3) Training of Egyptian employees should be performed by the foreign natural persons within the terms of the contract
b) Rental/Lease Tourism Property	4) None	4) None
B. Tourism Transport Services	1) Unbound	1) Unbound
a) Land Transport Services	2) None	2) None
1. Long distance tour buses	3) None	3) None
2. Short Distance tour buses	4) Unbound	4) Unbound
b) Inland Water Ways	1) Unbound	1) Unbound
1. Inland Water Passenger transport	2) None	2) None
2. Inland Water local tours	3) The addition to the inland water passenger and/or local tours is subject to the physical capacity of the Nile river.	3) None
3. Cruise ships	4) None	4) None
A. Tourism Training Institutions	1) None	1) None
	2) None	2) None
	3) None	3) None
	4) None	4) None
B. Tourism Related Conventions	1) None	1) None
	2) None	2) None
	3) None	3) None
	4) None	4) None

Table 9.33: Egypt: Tourism and Travel Related Services – Other (Continue)

Sector	Limitations on Market Access	Limitations on National Treatment
C. Institutional Food Services Caterers (with the exception of Airport Catering Facilities which are confined only to the national air carriers)	1) None 2) None 3) None 4) None	1) None 2) None 3) None 4) None

Source: WTO (1999b)

9.14 MFN EXEMPTION

Egypt’s MFN exemptions under Article II of the GATS offer national treatment in all services sectors to personnel from Greece, Iraq, Jordan, Libya, Qatar, Sudan, United Arab Emirates, Yemen and the possibility of including other countries.

The provision for MFN exemption in the GATS is designed to give members some flexibility and to give them the chance to apply favourable treatment with countries important for their economies. In this context, it is hard to explain why Egypt choose these countries to apply its favourable treatment. First countries like Iraq, Libya, Sudan, Yemen are not members of WTO or any of its agreement. Moreover, these countries are not important as tourist generating areas to Egypt. Second, Egypt did not include countries from the European community in its schedule, which could be considered as key countries in terms of tourism business. Finally, additional sector-specific exemptions are only provided for transport and communication services, related mainly to MFN treatment extended to countries with which Egypt has bilateral or regional trading agreements.

9.15 SUMMARY

This chapter focused on the tourism industry in Egypt. It summarised recent development in tourism sector and Egypt's policy options regarding liberalisation of tourism, with special focus on Liberalisation of tourism through GATS.

Tourism regulations and developments in Egypt are carried out by the Ministry of Tourism (MOT) and other related associations such as: the four governmental organisations affiliated to the MOT, the Public Sector Authority, the non-governmental organisation representing the private sector, and the Regional Organisation for Tourism Promotion.

Since 1967, the Ministry of Tourism (MOT) has been the main authority dealing with tourism in Egypt. The Tourism Development Authority (TDA) is now the main public authority in charge of investment promotion in designated tourism development areas. The Egyptian Central Authority for the Promotion of Tourism, responsible for promoting tourism in both international and domestic markets;

Although Egypt is rich in tourist attractions, its competitive position in the world is relatively weak. Egypt ranked 38 out of 60 in 1994 in the world tourism arrivals and for tourism receipts it ranked 44 out of 60 in the same year in the world tourist receipts. In 1999 its position in the world tourism improved slightly and ranked 35 for tourist arrivals and 43 in the world receipt

The chapter showed that recently Egypt has embarked on a comprehensive and diversified tourism plan. As a result, new types of tourist products and services have been introduced, investment in tourism has increased and economic performance of the industry has been improved. It also showed that tourism is a significant contributor to Egypt's economy. Tourism receipts constitute more than a quarter of total foreign exchange earnings and represent, on average around 4% of GDP and around 12% of Egypt's total work force. In addition, the tourism sector in Egypt is poised to be a source of consistent economic growth over the next few years.

However, Egypt's tourism potential suffers numerous constraints, among which is the lack of a comprehensive tourism development policy, the quality of the service, the shortage of competitive marketing efforts coupled with weak budget allocations for tourist promotion, and the poor image of the Middle East as an unsafe and insecure region. All these factors are current obstacles to tourism development in Egypt.

Regarding the GATS, in general, Egypt's GATS commitments tend to bind the existing policy framework. However, GATS commitments in tourism are fairly restrictive with many exemptions to market access and national treatment.

The next chapters are concerned with data analysis and discussion.

CHAPTER TEN

CHARACTERISTIC OF THE SAMPLE SIZE

10.1 INTRODUCTION

Before a detailed analysis of the research findings takes place, this chapter attempts to summarise the main features of the sample size. The chapter starts with an overview of the sample and its main characteristics and its relevance and implications to the research.

The examination of the sample characteristics may demonstrate that different types of firms, categories and sizes would have different levels of impacts of GATS on their business in both the short and long-term.

10.2 SAMPLE PROFILE – IMPLICATIONS AND RELEVANCE TO CHOSEN METHODS

As mentioned in the literature review, the responsibility for tourism development falls under both the government and the private sector. The WTO (1996a) pointed out that although tourism is an activity sustained mainly by private initiative, governments have traditionally played a key role in its development. The formulation and implementation of effective national tourism development plans and programmes should be undertaken by the government in close collaboration, at all stages of the process, with private sector representatives, as well as local communities and local authorities. Such collaboration should ensure that large companies support and co-operate with small and local businesses and act in a transparent way. Moreover, both the public sector and private enterprises have to be heavily engaged in order to secure the long-term development of tourism, especially in a more competitive market.

The great complexity of tourism, of the industry and its products, calls for co-ordination and co-operation. Tourism is a very wide, sophisticated, multisectoral industry. No other industry covers a group of associated sectors as wide as tourism ranging from accommodation, sight-seeing and travel agencies, to transportation... and the retail trade (Jeffries, 2001). It is a complex combination of industries with an extremely sophisticated structure.

Recognising the industry's enormity and its structural complexity, one of the essential conditions for the successfully development and promotion of tourism in any country is the active involvement of all players of the industry at all levels. In the public sector, involvement is needed not only at the national or central level, but also at the regional, local and community levels. In the private sector, a vast number of companies and organisations of diverse types are more and more involved in the development of the tourism industry.

More importantly, the full interplay of suppliers and markets alone may not work satisfactorily. For instance, failure in some sub-sectors may affect the success of the industry in general. Weakness in one area, for instance, local bus and taxi services may have a disproportionate effect on the destination's overall reputation. In areas where a tourism industry is developing "poor development comes about because the market mechanism fails to allocate resources correctly. This is due to the fact that many of the products that tourists seek are in the domain of public goods" (Wanhill, 1994, p.16). Bodlender (1994) observed that in areas where a tourist industry is developing the unfettered operation of the market might lead to results contrary to what are desired.

Therefore, a survey of major stakeholders was seen as appropriate to identify differences between the needs, desires, perceptions and motivation of each stakeholder group in order to identify the impacts of GATS on tourism development in Egypt. These differences may be fundamental to identifying each group action and reaction in relation to the impacts of GATS. This approach also allows for consideration of the interdependency between the stakeholders.

Three main groups, which were targeted in this study are:

- Group one: The Government.
- Group two: Tourism Private Enterprises.
- Group three: Tourism Experts.

Figure 10.1 indicates the results of the respondents of participants in each group.

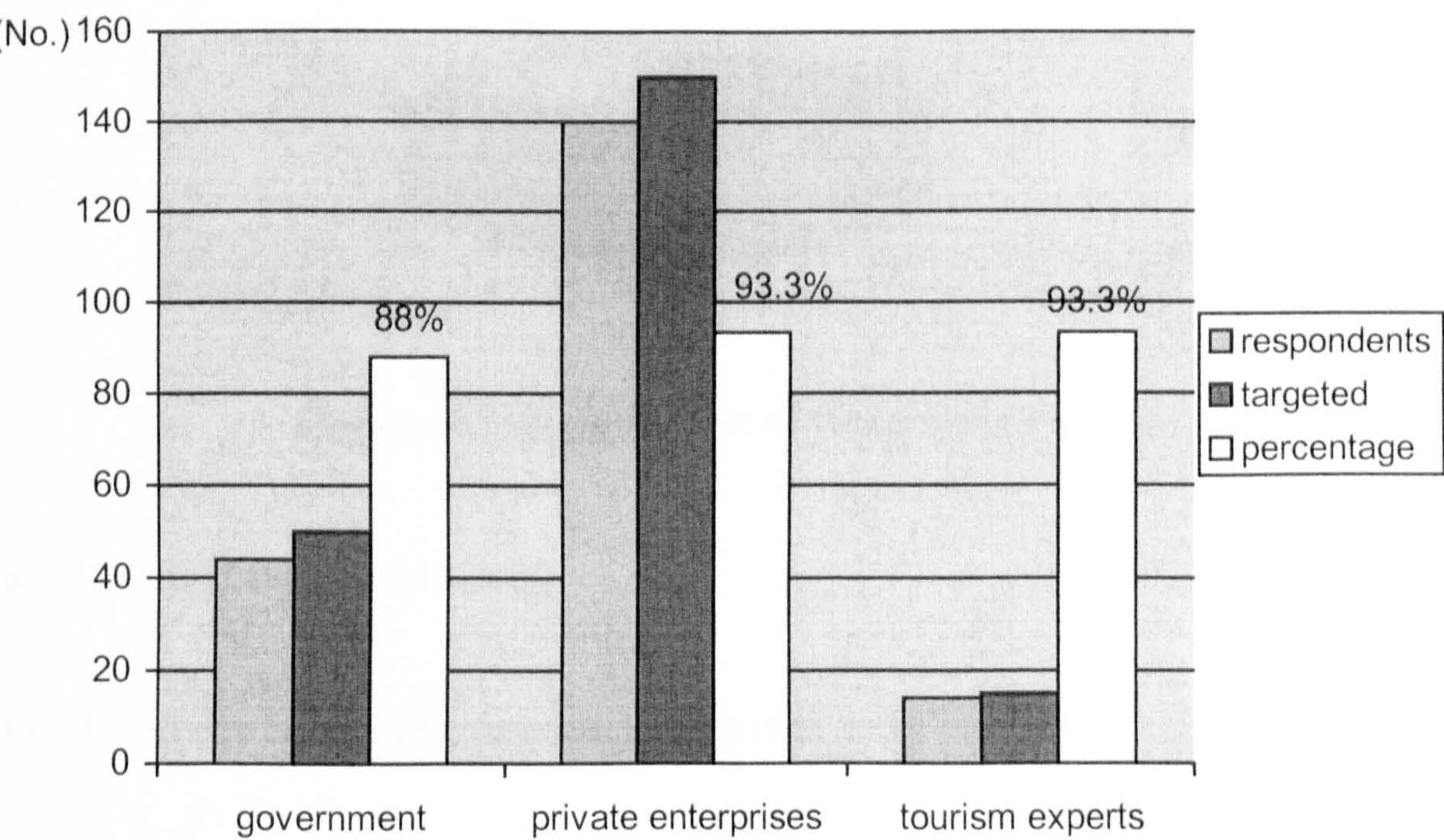


Figure 10.1: Number of Respondents by Group

The three main groups in this study are divided into sub-groups; the intention is to examine the impacts of GATS on different sub-groups in the tourism sector in Egypt. Moreover, it is also felt that it is important to obtain different views concerning the impacts of GATS on tourism development. The groups and the sub-groups are used as independent variables in the analysis.

• **Government Group**

For the government group, 44 respondents were interviewed by the researcher, this represents 22.2% of the sample size. The group was divided into three sub-groups:

- Governmental organisation;
- Non-governmental organisation;
- Public sector enterprises.

The research revealed that 23 of the respondents are governmental organisation (52%), 13 are non-governmental organisation (29.5%) and 8 of the respondents are public sector enterprises (18%) (see figure 10.2).

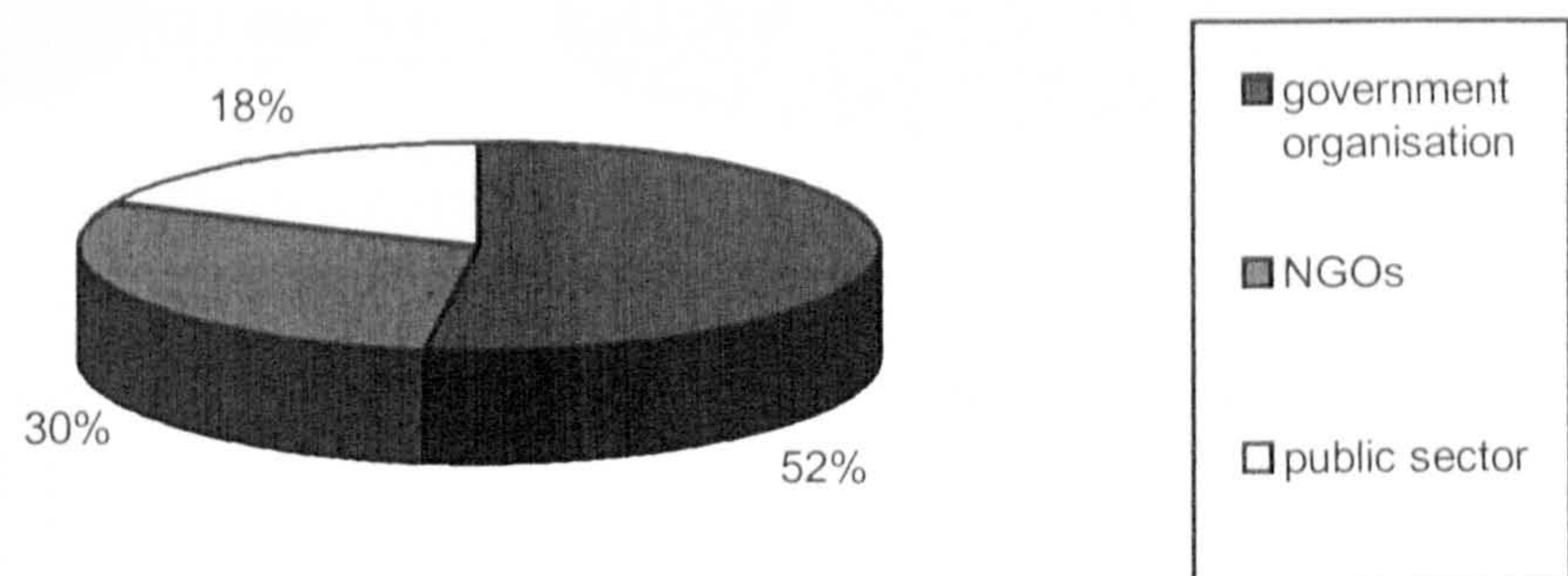


Figure 10.2: Respondents of Government Group

• Private Enterprises Group

For the private enterprises, four main sub-groups have been identified:

- Accommodation;
- Travel agencies;
- Airlines;
- Guide services.

76 travel agencies participated in the survey followed by 48 hotels, 8 airlines and 8 guides. Hotels and travel agencies are further divided in accordance with their category. Three main hotel groups were approached:

- Five stars hotel (20 hotel);
- Four stars hotel (11 hotel);
- Three stars hotel (17 hotel).

For travel agencies, respondents were divided into:

- Travel agency category (A) (59 agencies);
- Travel agency category (B) (7 agencies);
- Travel agency category (C) (10 agencies) (see figure 10.3).

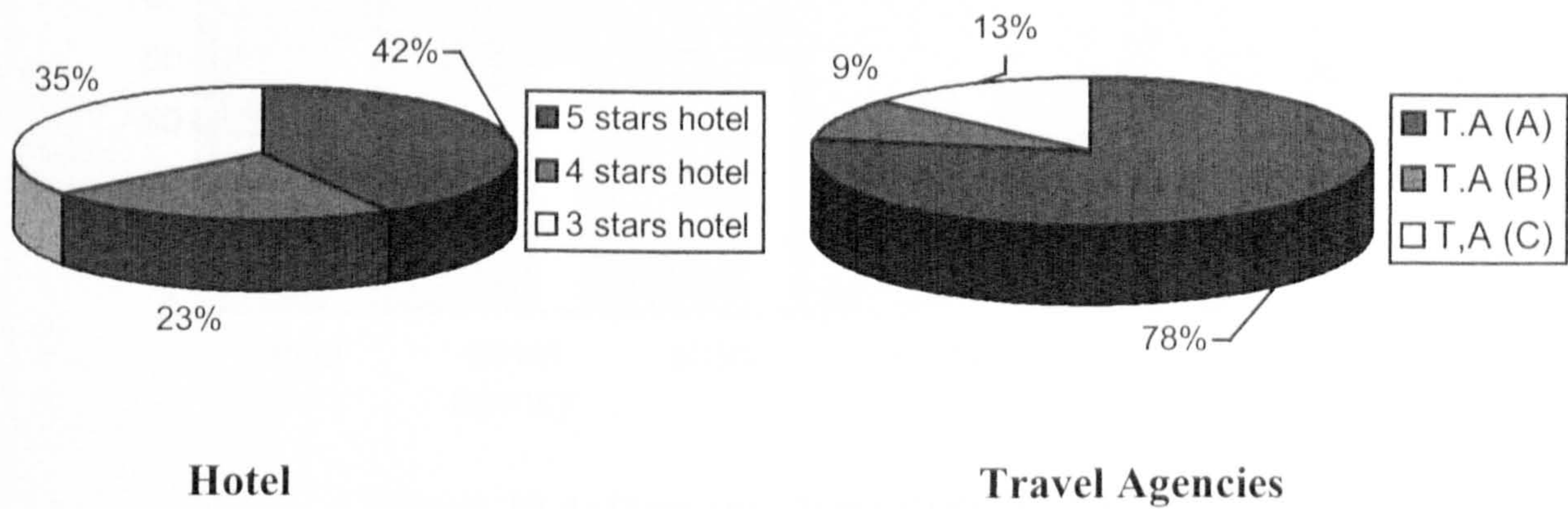


Figure 10.3: Respondents of Private Enterprises Group by Sub-sector

• **Tourism Experts**

For the third group (tourism experts), 14 experts in tourism field with different background (tourism, economics, and law) have been interviewed by the researcher.

10.3 RESPONSE RATE

The response rate in this research was surprisingly high. For group one (government group), of the 50 members approached, 44 participated in the research (88%).

For group two (private enterprises), of the 170 enterprises approached, 140 responded (82.3%) (see figure 10.4). For sub-groups this response rate was as follows:

- Of the 55 hotels approached, 48 hotels participated in the research (87.2%).
- Of the 95 travel agencies approached, 76 participated in the research (80%).
- Of the 10 airlines approached, 8 participated in the research (80%).

- Of the 10 guides approached, 8 participated in the research (80%).

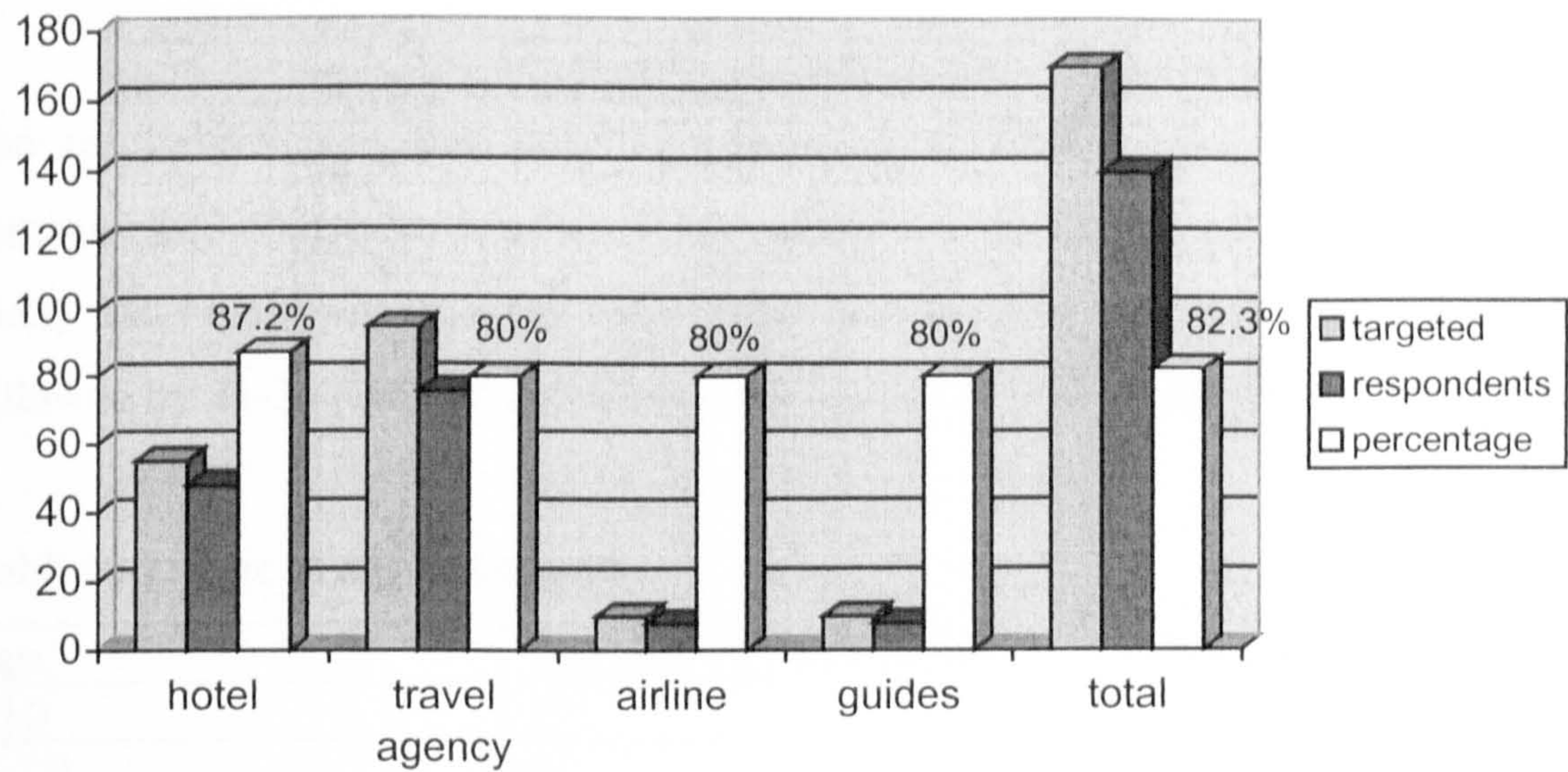


Figure 10.4: Response Rate (Private Enterprises)

For group three (tourism experts), the response rate was 93.3%.

The high response rate can be attributed to the fact that the questionnaire was face to face completion by the researcher, which also ensures a more complete and accurate response.

10.4 KEY CHARACTERISTICS OF PRIVATE TOURISM ENTERPRISES

Although tourism enterprises present differences because of their characteristics (e.g. activity, size, category, etc.), it is still the case that little attention has been given to the understanding of these differences as explanatory of the impacts of GATS and decision makers' attitudes in relation to tourism development.

10.4.1 AGE OF THE COMPANY

To investigate the maturity of the enterprises, which could indicate the maturity of the Egypt tourism industry, the private tourism enterprises survey asked owners, managers and decision-makers in the company to indicate the age of their enterprise.

The enterprises used in the sample had a wide range of age varying from 5 to over 40 years.

The results revealed that only 11 companies (7.9%) are over 40 years and 5 companies (3.6%) of enterprises were within the 31-40 age group. On the other hand, the highest number of enterprises were within the group 11-20 (43.6%) followed by 21-30 (25.7%) and 5-10 (19.3%) (see table 10.1 and figure 10.5).

Table10.1: Age of the Company

Age	Number of Enterprises	Percentage (%)
5-10	27	19.3
11-20	61	43.6
21-30	36	25.7
31-40	5	3.6
40-over	11	7.9
Total	140	100.0

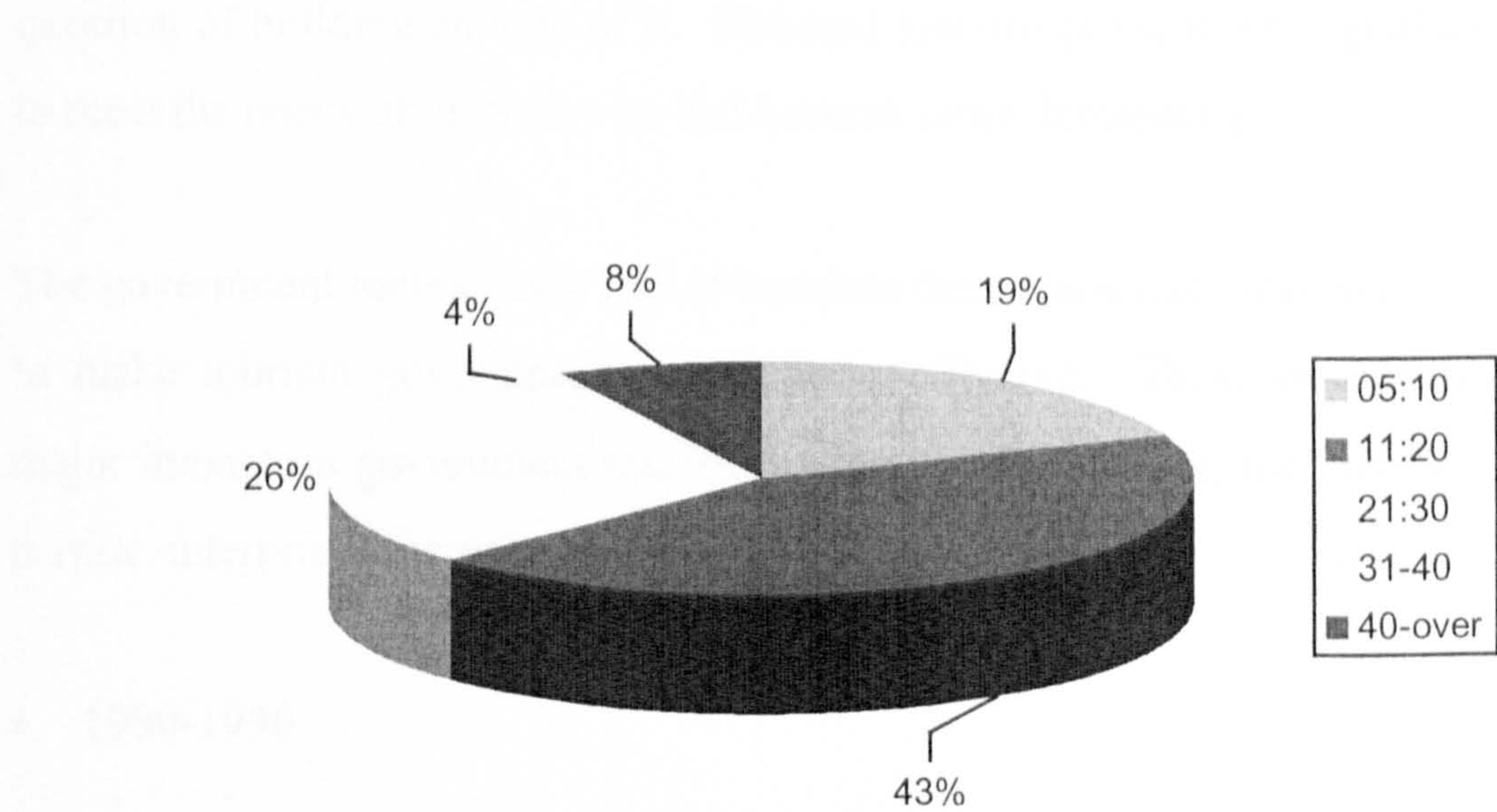


Figure 10.5: Age of the Private Enterprises

• 1950-1960

The analysis revealed that the development of the tourism industry in Egypt started to flourish from early 1960. This can be attributed to the ambitious tourism development and marketing program in 1960 under the leadership of the State Tourism Administration and the Egyptian General Organisation for Tourism and Hotel (EGOTH). The State’s role was seen as having developed tourism through four phases concerned, in order, with promotion, stimulation, intervention and co-

ordination. Initially, the main concern of the State was to boost international tourism, which was gradually becoming a mass phenomenon.

- **1960-1970**

As the results revealed that the number of enterprises declined from 11 to 5 in the age group 31-40, which can be attributed to the slowdown in the tourism industry in Egypt due to the Wars in 1967 and 1973 (Egypt- Israel War).

- **1970-1980**

On the other hand, since the late 1970s a new dimension was added to the national tourism policies, which focused on increasing tourist numbers, hand in hand with providing appropriate infrastructure. Up to the mid 1980s, this was mainly a question of building enough of it. National tourism policies were gradually adapted to meet the needs of tourists who had become more demanding.

The government increasingly had to translate their plans into structural measures and to make tourism government bodies more effective. These developments had a major impact on government tourism policy. In this decade, the number of tourism private enterprises increased by 60.2%.

- **1980-1990**

Since the early 1980s, when the economic liberalisation policy of the Egyptian government manifested itself in private enterprise encouragement, tourism development projects became highly valued by various segments of the population. Therefore, as the research revealed, the number of enterprises in age group 21-30 increased (86% over the age group 31-40). During the 1980s, constraints on government resources made necessary a new division of responsibilities between public sectors and private sector, and encouraged them to implement promotional programmes in co-operation with the private sector.

In a similar way, national tourism bodies began to decentralise tourism development by providing local and regional bodies with both financial and technical assistance with drawing up development plans.

The number of enterprises in this decade reflects the maturity of the tourism industry, which can be attributed to government efforts to diversify the tourism product in Egypt and to liberalise tourism investment (replacement of law no. 34 of 1974 with law no. 230 of 1989 on investments).

- **1990-2000**

On the other hand, the slowdown of the number of companies in the last ten years can be attributed to the slowdown of tourism traffic to Egypt, due to the Gulf War and terrorist attacks.

In the mid-1990s, the Government sought to identify those areas that would enable tourism to develop on a more stable basis. The unpredictable nature of international tourism, and its sensitivity to events over which the government had no control (such as terrorism, political issues) encouraged Egypt to pay attention to domestic tourism. A programme to encourage Egyptians to visit their own country was launched in late 1990s, while a similar programme was launched in Canada, the UK and the US in 1970.

When the age of the enterprises is cross-tabulated with the enterprises activity (sub-groups), there was an indication of sector differences in the age of the enterprises. 62.5% of the airlines were in the age group over 40, this is not surprising as transport is a pre-requisite for tourism development for a destination, followed by hotels with only 8.3% and travel agencies with a very weak 2.6%.

In age group 31-40, the number of hotels was only 3 (6.3%), followed by travel agencies (2.6%). In the age group 21-30 the number of travel agencies increased dramatically to reach 34.2%, followed by hotels at 20.8%.

This growth continued in the other two age groups indicating the differences of level of development in the accommodation and travel agencies sectors. This could be attributed to the high capital investment required for the accommodation sector and the high fixed cost associated with hotel industry.

For Guide services, the age of their business is relatively lower, which was not unexpected, since the first university degree in Egypt for guide services is 30 years old (see table 10.2).

Table 10.2: Sector Differences in the Age of the Enterprises

Age Group	Hotels		Travel Agencies		Airlines		Guide services	
	No.	%	No.	%	No.	%	No.	%
5-10	7	14.6%	14	18.4%	3	37.5%	3	37.5%
11-20	24	50.0%	32	42.1%	-	-	5	62.5%
21-30	10	20.8%	26	34.2%	-	-	-	-
31-40	3	6.3%	2	2.6%	-	-	-	-
40-over	4	8.3%	2	2.6%	5	62.5%	-	-
Total	48	100.0%	76	100.0%	8	5.7%	8	5.7%

To conclude, air transport services in Egypt have been developed since the early 1960s and were dominated by the government (national air carrier Egypt Air). The second phase of air transport development was in late 1980s and 1990s. The number of private airlines increased and new legislation has been adopted to develop air transport services in Egypt.

This development was followed by a development in accommodation sector, which reached its maturity in the 1980s. This development went hand in hand with the development in travel agency business, which started to flourish from the 1980s.

10.4.2 POSITION IN THE COMPANY

As mentioned in the chapter six, the general manager and decision-makers in all groups were targeted; of the 140 responses obtained of private enterprises, the researcher divided the respondents by generalising their profile. For example, “President”, “Vice President”, “Director of Board”, “Chief Executive officer”, “Managing Director”, and so on, were all classified under the heading of General

Manager. The second group of respondents' titles ranged from "Marketing Director" to "Marketing Executive", "Director of Sales and Marketing", etc. they are under the classification (Marketing Manager). This group of respondents (Marketing Managers) was referred to the researcher as the person to talk to. The third group of respondents was the owner/manager group. In 42 enterprises the manager is also the owner of the enterprise (see table 10.3).

Table 10.3: Position in the Company

Position	Number of Respondents	Percentage (%)
General Manger	70	50.0
Marketing Manger	20	14.3
Owner/Manager	42	30.0
Other	8	5.7
Total	140	100.0

When the data were cross-tabulated with the sub-sectors, it was revealed that most of the owner/manager positions were held by the travel agencies (35.5%), followed by the hotel sector (27.1%) and airlines (25%) (see table 10.4).

Table 10.4: Position in the Company by Sub-sector

Position in the Company	Hotel		Travel Agency		Airline	
	No.	%	No.	%	No.	%
General Manger	30	62.5%	37	48.7%	3	37.5%
Marketing Manger	5	10.4%	12	15.8%	3	37.5%
Owner/Manger	13	27.1%	27	35.5%	2	25.0%
Total	48	100.0%	76	100.0%	8	100.0%

To obtain more information about the owner/manager position the data was cross-tabulated with the category of hotels. The results revealed that the highest percentage of owner/manager positions were held by three star hotels (47.1%), followed by four star hotels (27.3%), and five stars hotels (10%). Wahab (1987) previously suggested that the management of small tourist enterprises in Egypt is undertaken by the owner and his family (see table 10.5).

Table 10.5: Position in the Company by Hotel Categories

Position	Five Stars Hotel		Four Stars Hotel		Three Stars Hotel	
	No.	%	No.	%	No.	%
General Manger	15	75%	7	63.6%	8	47.1
Marketing Manager	3	15%	1	9.1%	1	5.9%
Owner/Manager	2	10%	3	27.3%	8	47.1%
Total	20	100%	11	100%	17	100%

A similar pattern was revealed when the data were cross-tabulated with the category of the travel agencies in Egypt. Category (B) registered the highest percentage of owner/manager position (71.4%) followed by category (C) (60 %) and category (A) which came last with 32.2% (see table 10.6).

Table 10.6: Position in the Company by the Category of the Travel Agencies

Position	Travel Agency (A)		Travel Agency (B)		Travel Agency (C)	
	No.	%	No.	%	No.	%
General Manger	28	47.5%	2	28.6%	4	40%
Marketing Manager	12		-		-	
Owner/Manager	19	32.2%	5	71.4%	6	60.0%
Total	59	100%	7	100%	10	100%

However, tourism enterprises in Egypt have been influenced by legislation, they are required by law to employ a qualified manager, with previous experience in tourism industry, if the owner does not have the educational background to manage the unit.

10.4.3 EDUCATIONAL BACKGROUND

The survey has also given attention to the educational background of respondents and, as the results indicate, tourism education was not an important pre-condition for entry into the tourism industry, since 80% of the respondents did not have any tourism-related education. A cross-tabulation of education background with sectors indicates a higher proportion of respondents (29.2%) within the accommodation sector having a tourism-related education, while only (18.4%) within the travel agency sector have a tourism education. For other sectors (airlines and guide services) no tourism education have been obtained at all (see table 10.7).

Table 10.7: Educational Background of Respondents

Educational background	Hotels	Travel Agencies	Airlines	Guides
Tourism studies	29.2 %	18.4 %	-	-
Economics	6.3 %	9.2 %	12.5 %	-
Business administration	35.4 %	36.8 %	75.0%	-
Law	2.1%	3.9 %	-	-
Other	27.1 %	31.6 %	12.5%	17.4%

The results also revealed that the respondents from five star hotels were the highest sub-sector having received a degree in tourism (35%) followed by four star hotels (27.3%) and the lowest was three star hotels with only 23.5% (see table 10.8).

Table 10.8: Education Background by Hotel Category

Education Background	Five Stars Hotel		Four Stars Hotel		Three Stars Hotel	
	No.	%	No.	%	No.	%
Tourism Studies	7	35.0%	3	27.3%	4	23.5%
Economics	3	15%	-	-	-	-
Business Administration	8	40%	4	36.4%	5	29.4
Law	-	-	1	9.1%	-	-
Other	2	10%	3	27.3%	8	47.1
Total	20	100%	11	100%	17	100%

For travel agencies, the pattern was similar. The highest number were respondents from category (A) (22%) followed by Category (B) (14.3%). On the other hand the results revealed that none of the respondents of category (C) had a tourism education at any level (see table 10.9).

Table 10.9: Educational Background by Travel Agencies Category

Education Background	Category A		Category B		Category C	
	No.	%	No.	%	No.	%
Tourism Studies	13	22%	1	14.3%	-	-
Economics	7	11.9%	-	-	-	-
Business Administration	21	35.6%	2	28.6%	5	50%
Law	3	5.1%	-	-	-	-
Other	15	25.4%	4	57.1%	5	50%
Total	59	100%	7	100%	10	100%

As a result, small enterprises do not require an educated manager or owner to run the business. This is evident in the accommodation sector, where a moderate positive relationship exists (Spearman's $P = 0.42$) with managers of five star hotels being more likely to have a degree in tourism, compared with managers from smaller enterprises.

10.4.4 NUMBER OF YEARS WITH THE COMPANY

Respondents were asked to indicate the number of years they have worked for the company. The results revealed that the majority of the respondents (45%) joined the company 3-10 years ago, followed by 40% joining 11-20 years ago and 11.4 % 21-30 years ago. On the other hand, the percentage of respondents who had worked in the company for over 31 years was only 1.4%. When the data were cross-tabulated with the position in the company, this 1.4% referred to owner/managers (see figure 10.6).

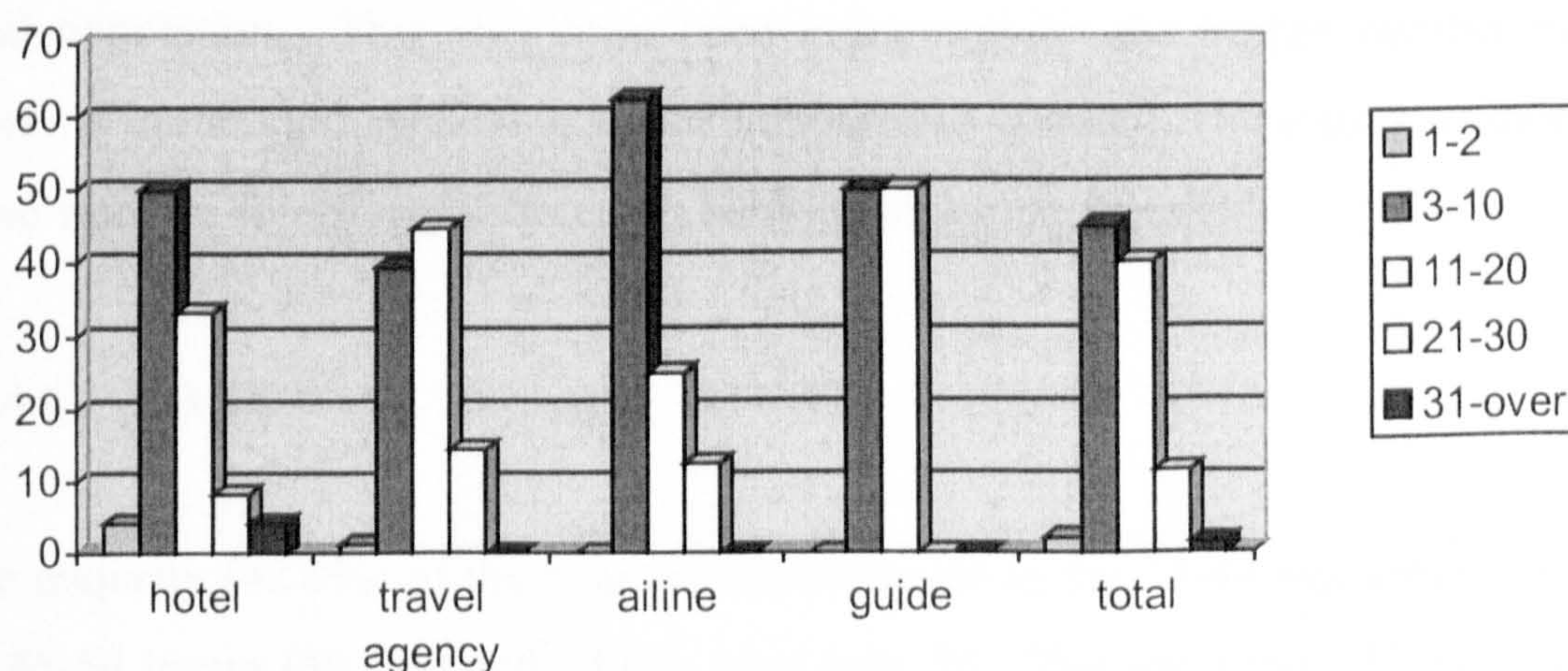


Figure 10.6: Number of Years with the Company by Sub-group

Secondly, respondents were asked to indicate the number of years in the position. The analysis revealed that 55% of the respondents have been in their position for a period ranging from 3-10 years, 31.4% have been in their position for 11-20 years (see figure 10.7).

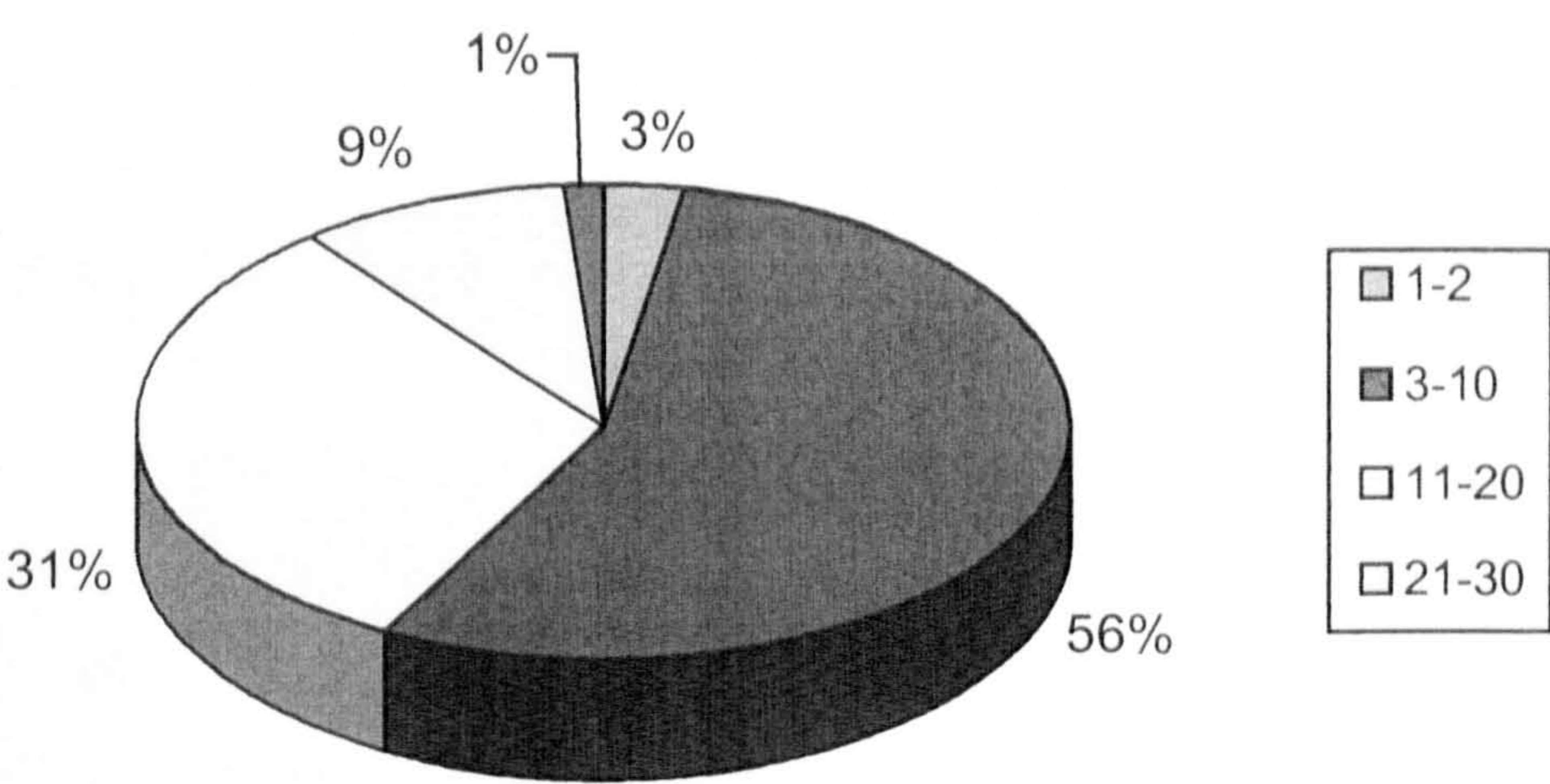


Figure 10.7: Number of Years in the Position

10.4.5 GENDER

The sample obtained in this survey over-represented the male segment (90%) of the total population. This may have been influenced by the higher number of men working in the tourism field in Egypt compared to women. The results revealed that there were no significant differences between male and female.

10.4.6 AGE

The majority (42.9%) of the respondents belonged in the 35-44 age group, followed by 45-54 group (39.3%) and 13.6% were over 55. The age group 25-34 registered the lowest among all the groups at 4.3%; this was not unexpected as the research attempted to target managers and decision-makers in the company.

10.5 SUMMARY

The findings of the survey suggest that tourism enterprises in Egypt are mostly small and medium-sized, with the exception of the five star hotels and some of the travel agencies (category A).

The majority of the enterprises established their business between 1980-1990, which could be attributed to the government efforts to diversify the tourism product in Egypt and to liberalise tourism investment. The highest number of enterprises formed in 1990 reflects the maturity of tourism industry in Egypt in that decade.

The majority of respondents within the private enterprises group were owners/managers with the exception of respondents from five star hotels, where respondents were the managers. This was expected as the management of small tourist enterprises in Egypt is undertaken by the owner and his family.

Most owners/managers did not have any tourism-related education, although they have work experience, since 87% of respondents had worked in the tourism business for more than 10 years. On the other hand, the survey shows that respondents from the accommodation sector are more likely to have a degree in tourism.

CHAPTER ELEVEN

DATA ANALYSIS FINDINGS AND DISCUSSION

11.1 INTRODUCTION

This chapter examines the data using the application of frequency and cross-tabulation analyses. The objectives are to see whether there are any significant patterns in the data as well as to determine the presence or absence of specific relationships between the variables. This enables the researcher to identify from the information obtained other relevant statistical methods to apply.

It has already been established that Egypt played a prominent role in the GATT and participated actively in the Uruguay round making a number of commitments. Whether and to what extent Egypt will benefit from the full implementation of the Uruguay Round is difficult to say, although this chapter attempts to assessing the impacts of the GATS and WTO on tourism development in Egypt, taking into account the level of commitments made by Egypt. The chapter explores three questions in particular:

1. Does the macroeconomics environment offer the necessary conditions for tourism liberalisation?
2. What are the main features of Egypt's GATS commitments?
3. What are the impacts of GATS on tourism development?

The chapter addresses these questions in seven sections, organised as follows: section one is introduction and section two summarises the statistical techniques used in this chapter. Section three assesses the tourism policy in Egypt, with a view to determining the factors affecting tourism policy with particular analysis to the measures affecting tourism liberalisation. Section four investigates trade barriers affecting tourism development in Egypt. This section also provides a detailed

analysis of institutional constraints that affect tourism business in Egypt. Section five assesses the macroeconomics environment for trade liberalisation in general and tourism liberalisation in particular. Section six analyses the main features of Egypt's GATS commitments, with particular analysis in the level of commitments under each mode of supply. The aim of this section is to assess the level of liberalisation of Egypt's GATS commitments. Section seven analyses the impacts of GATS and WTO process on tourism development in Egypt in the short term and long term. This is done through measuring the impacts of GATS on:

- Tourism revenue;
- Tourist numbers;
- Hotel business;
- Travel agencies business;
- Airlines business;
- CRS.

11.2 FREQUENCY ANALYSIS, CROSS-TABULATION, RESULTS AND IMPLICATIONS

In order to undertake the analysis the data were inputted into SPSS (Version 10). As a first step, a frequency analysis was undertaken on the data from the three questionnaires. Frequency analysis produces a table of frequencies counts and percentages for the values of individual variables (Bryman and Cramer, 1999). The objective of using frequency analysis was purely to see whether there were any significant patterns in the data so that the researcher could identify from the information obtained other relevant statistical methods to apply. Frequency analysis is also a method of summarising the data. This enables the researcher to detect patterns and tendencies. The frequency of the data revealed interesting and overall balanced patterns of responses.

The second step was to perform some cross-tabulations. This produces tables that show the joint distribution of two or more variables that have a limited number of

distinct values. Therefore, the frequency distribution of one variable is sub-divided according to the values of one or more variables (independent variable). Cross-tabulation is one of the simplest and most frequently used ways of demonstrating the presence or absence of a relationship.

The third step undertaken by the researcher in summarising the data is measuring the central tendency. According to Bryan and Cramer (1999), one of the most important ways of summarising a distribution of values for a variable is to establish its central tendency. This means trying to find the “average” of a distribution of values. However, statisticians mean a number of different measures when they talk about averages. Three measures of average (central tendency) are usually discussed in text-books: the arithmetic mean, the median and the mode. The researcher used a combination of central tendency descriptors.

11.3 ASSESSING THE TOURISM POLICY IN EGYPT

11.3.1 TOURISM POLICY: STRUCTURE, CONTENT AND PROCESS

As the literature suggests, tourism development is often driven by an effective tourism policy adopted by the government at the macro and micro level. Tourism policy can be defined as “a set of regulations, rules, guidelines, directives, and development/promotion objectives and strategies that provide a framework within which the collective and individual decisions directly affecting tourism development and the daily activities within a destination are taken” (Goeldner et al, 2000, p. 455).

Tourism policy seeks to ensure that the hosting of visitors is done in a way that maximises the benefits to stakeholders while minimising the effects, costs, and impacts associated with ensuring the success of the destination. In effect, tourism policy seeks to provide high-quality visitor experiences that are profitable to destination stakeholders while ensuring that the destination is not compromised in terms of its environmental, social, and cultural integrity.

Given that, the success of tourism policy has to satisfy the two primary parameters, competitiveness and sustainability. Either parameter on its own is not sufficient. They are both essential and mutually supportive.

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.

11.3.1.1 The Importance of Tourism Policy

The area of tourism policy is often overlooked in terms of its importance in ensuring the success of a tourism destination. A formal tourism policy for a destination will address such areas as (at the national level):

- The roles of tourism within the overall socio-economic development of the destination region;
- The type of destination that will most effectively fulfil the desired roles;
- Taxation – types and levels;
- Financing for the tourism sector – sources and terms;
- The nature and decision of product development and maintenance;
- Transportation access and infrastructure;
- Regulatory practices (e.g., airlines, travel agencies),
- Environmental practices and restrictions;
- Industry image, credibility;
- Community relationships;
- Human resources and labour supply;
- Union and labour legislation;
- Technology;
- Marketing practices;
- Foreign travel rules.

Perhaps the most important role for tourism policy is to ensure that a given destination has a clear idea as to where it is going or what it is seeking to achieve in the long term. In parallel, it must try to create a climate in which collaboration among the many stakeholders in tourism is both supported and facilitated.

Therefore, it is important to keep in mind that tourism policy affects the extent to which all our day-to-day operational activities- such as marketing event development, attraction operations, and visitor reception programs, are successful. As such, it is not just a theoretical concept; it has very real implications in day-to-day practice.

11.3.1.2 Structure and Composition of Tourism Policy

In evaluating tourism policy, it is helpful to clearly distinguish between

- a. The static concepts of policy structure and content and
- b. The dynamic concept of policy formulation.

Structure and context define the “what” of tourism policy; the process of policy formulation describes the “how” of defining the structure of a destination’s policy and determining the content of policy found within that structure. In tourism the process, or the “how” provides the following:

- An overview of the different stages or steps involved in the policy formulation process;
- A review of the various possible methodologies that might be used within, or across, the stages of policy formulation;

While there is no single model defining the content of tourism destination policy, figure 11.1 provides one framework for the composition of tourism policy (i.e., a set of guidelines for successful destination development and operations).

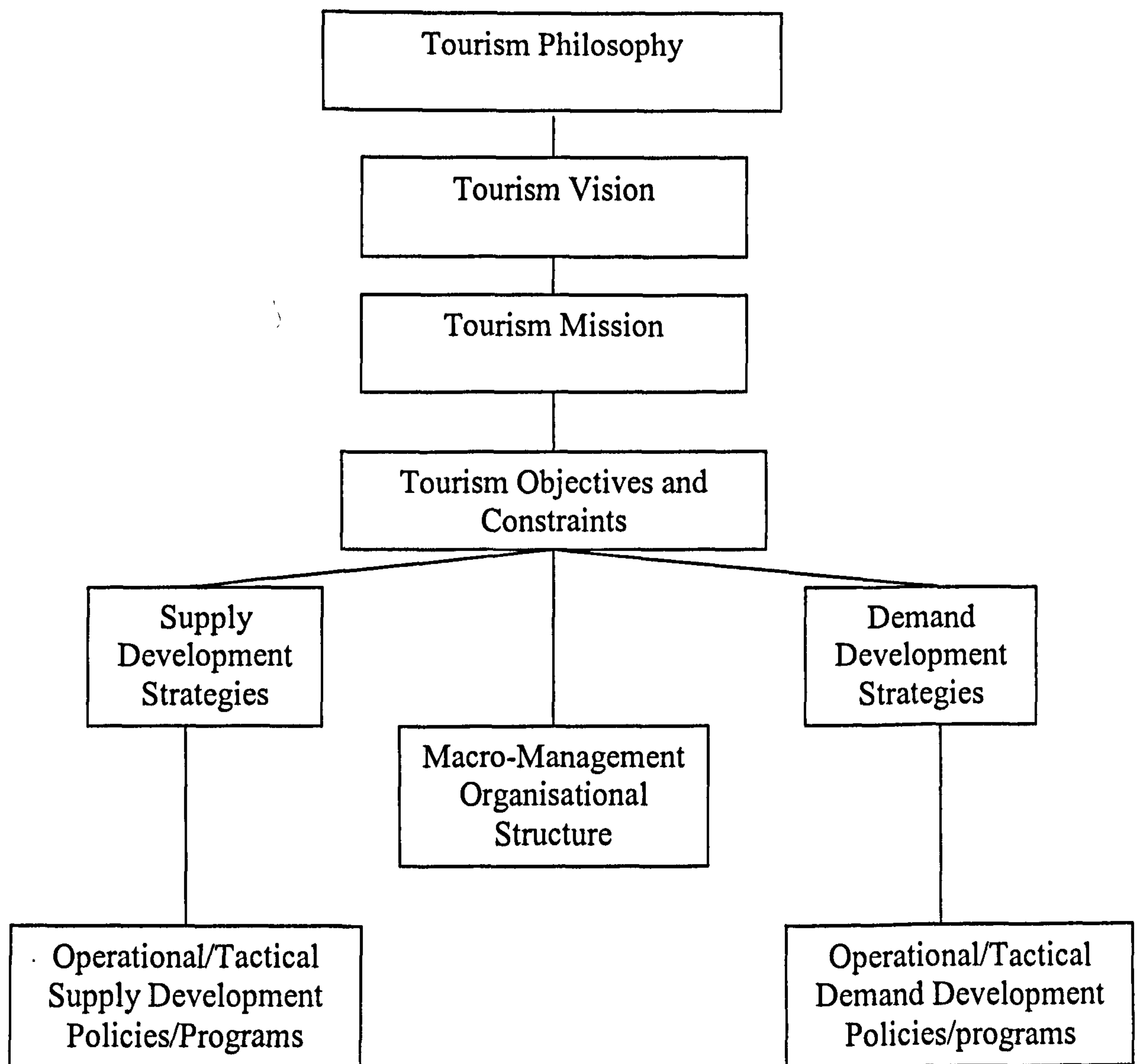


Figure 11.1: The Structure and Composition of Tourism Policy

Source: Author

11.3.1.3 The Process of Tourism Policy Formulation

Very little has been written about the process for making policy decisions in tourism. Edgell. (1999) pointed out that it is necessary to recognise that on any given tourism issue, the policy maker does not make a decision in a vacuum nor always in the same way. The policy maker almost always has certain goals and objectives as a guide in the decision-making process. These also vary considerably from country to country. At the same time, numerous considerations must be accounted for (see figure 11.2).

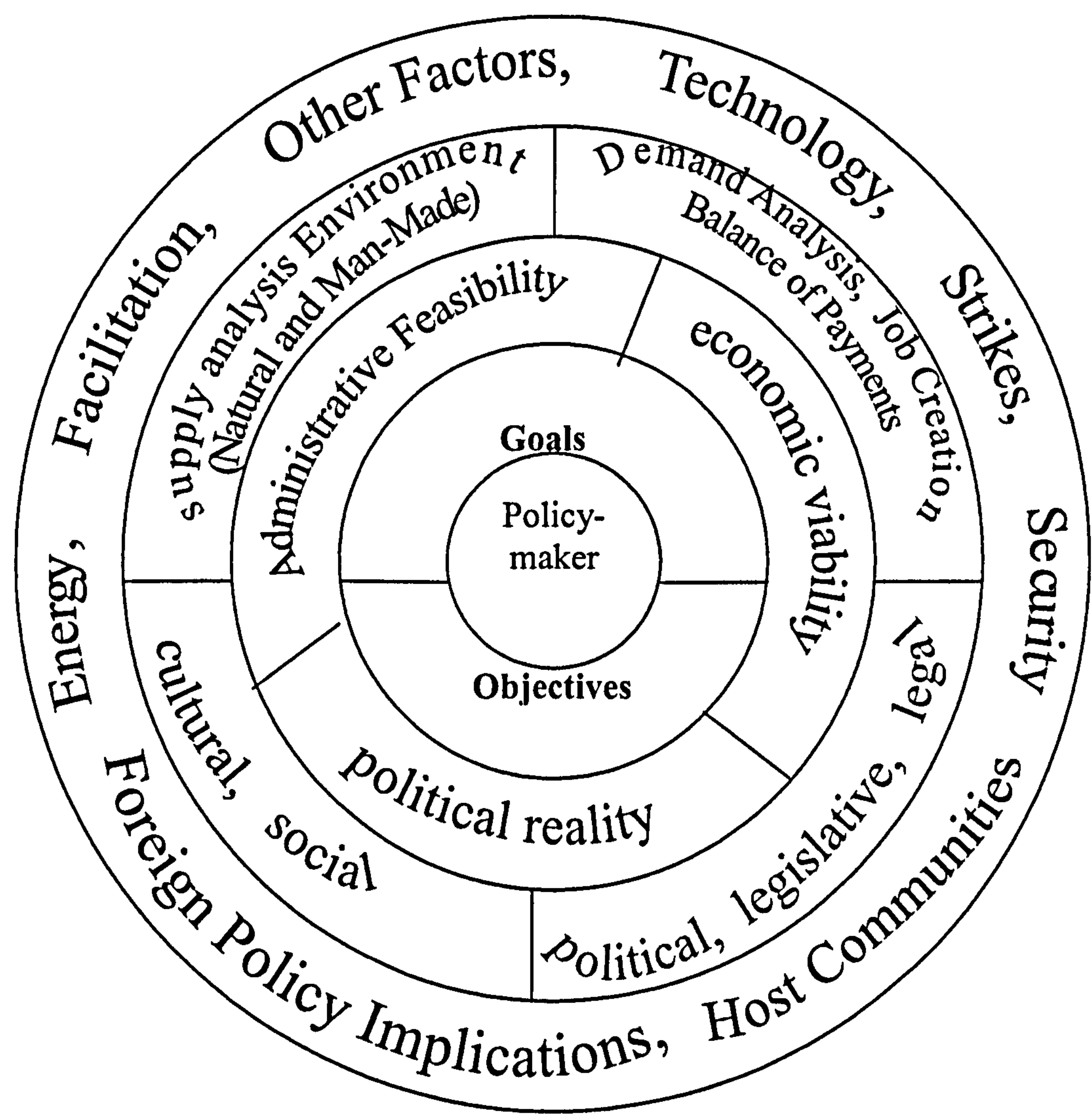


Figure 11.2: Impacts on Policy Maker in the Decision-Making Process

Source: Edgell (1999)

Goeldner et al (2000) summarised the process of tourism policy formulation. This process is conceptualised as containing 11 distinct stages grouped into four main phases (see figure 11.3). These phases are as:

- The definitional phase;
- The analytical phase;
- The operational phase;
- The implementation phase.

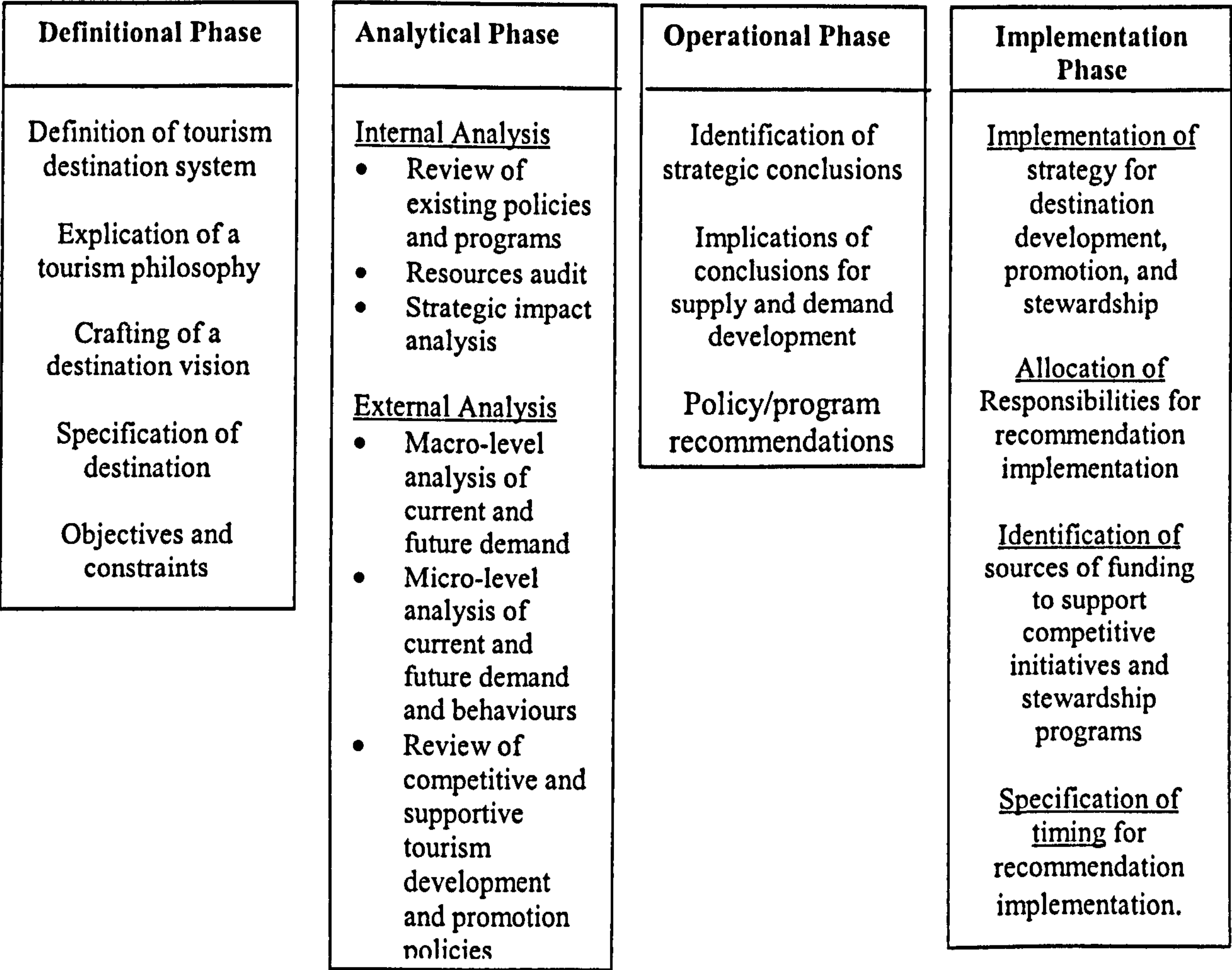


Figure 11.3: The Process of Tourism Policy, Strategy Formulation and Implementation

Although, the model presented by Goeldner et al (2000) summarises the process of tourism policy formulation, the researcher was interested to find out about the tourism policy formulation, structure, and content. The next section discusses the case of tourism policy in Egypt, based on primary data analysis.

11.3.2 LEVEL OF EFFECTIVENESS OF THE TOURISM POLICY

Given the importance of tourism policy, the survey asked respondents from the government, private enterprises and tourism experts to indicate how effective the current tourism policy in Egypt is. 69.7% respondents answered that it of average effectiveness and 27.3% answered that it was not effective. It is worth mentioning that none of the respondents answered very effective or not effective at all. This indicates that tourism policy in Egypt could be best described as average level in terms of its effectiveness (arithmetic mean = 3.24). Respondents felt that the level of effectiveness was average in terms of how they expected the policy to set out.

To obtain more information about who and which, the data were cross-tabulated with the three main groups (Government, Private Enterprises, and Tourism Experts), and there was an indication of significant sector differences in how effective the tourism policy in Egypt is at a 95% confidence level. The results revealed that the only group to answer effective for the tourism policy is the government group at 13.6 %. This is not surprising, as tourism policy in Egypt is developed by the government (see figure 11.4).

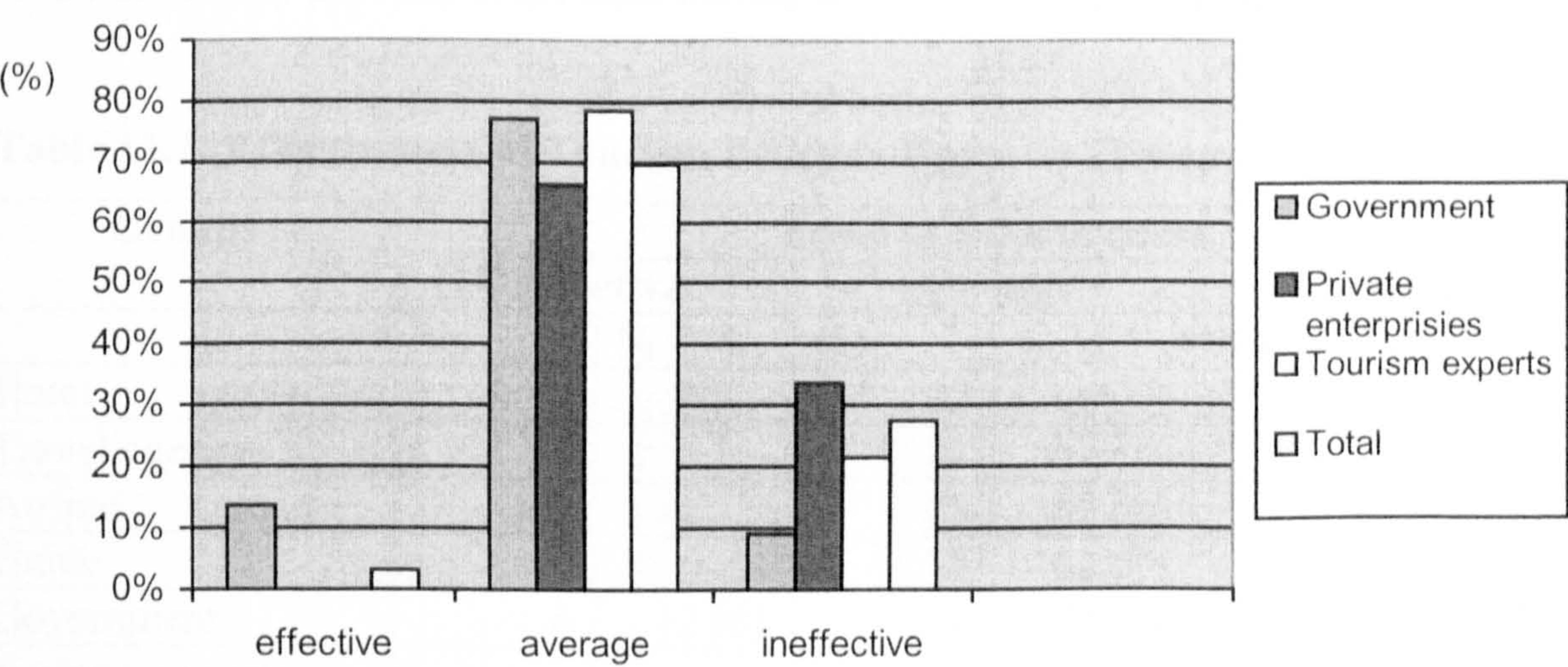


Figure 11.4: Level of Effectiveness of Tourism Policy in Egypt by Group

On the other hand when the data were cross-tabulated with the sub-sector of the government group (governmental organisation, non-governmental organisation and public enterprises) none-of the non-governmental organisations answered effective as they are more likely to answer average (87.9%) and ineffective (15.4%) (see figure 11.5).

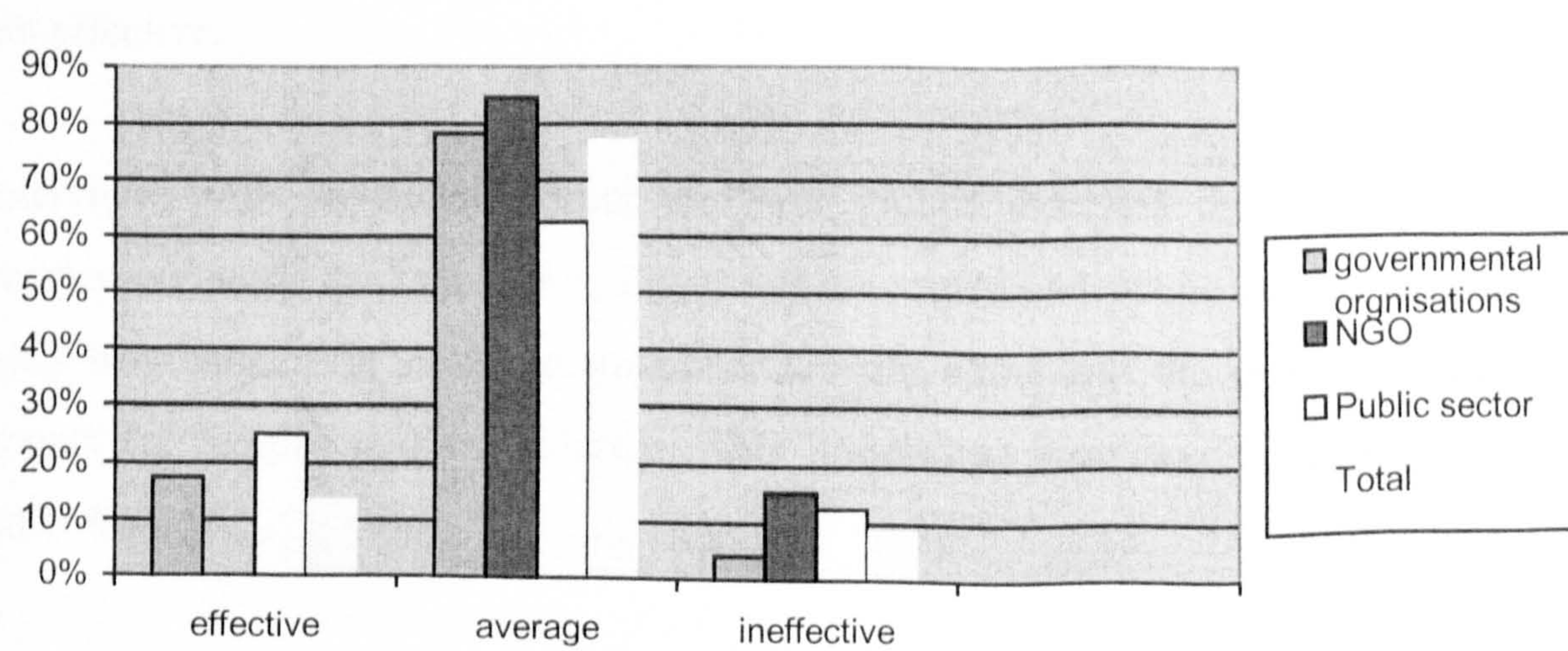


Figure 11.5: Level of Effectiveness of Tourism Policy in Egypt by Government Sub-Group

At the other end of the scale (ineffective), 33.9% of private enterprises saw tourism policy in Egypt as not as effective as it should be. The highest number of respondents among the private enterprises were airlines (37.5%) and guides with the same percentage followed by the accommodation sector (33.3%) and travel agencies (32.9%). This indicates that air transport and guide services in Egypt feel that they suffer the most from an ineffective tourism policy. For airlines this can be attributed to the monopoly practice of the state owned air carrier (Egypt air) (see table 11.1).

Table 11.1: Effectiveness of Tourism Policy in Egypt by Group

Groups	Level of Effectiveness					
	Effective		Average		Ineffective	
	No.	%	No.	%	No.	%
Hotel	-	-	32	66.7%	16	33.3%
Travel agency	-	-	51	67.1%	25	32.9%
Airline	-	-	5	62.5%	3	37.5%
Guide	-	-	5	62.5%	3	37.5%
Government	6	13.6%	34	77.3%	4	9.1%
Tourism experts	-	-	11	78.6%	3	21.4%
Total	6	3%	138	69.7%	54	27.3%

Tourism experts tend to see tourism policy as being of average effectiveness (78.6% average) and 21.4% declared ineffective. On the other hand, none-of the respondents from the same group answered effective.

Although the overall assessment of tourism policy in Egypt is average, it is important not to ignore the 27.3% of respondents who declared that tourism policy in Egypt is not effective.

Interviews with respondents from the three groups indicates that from a policy perspective, until the late 1950s, Egypt did not really understand the intricacies of what was happening in the international tourism arena and the potential positive impact for Egypt's tourism industry. One respondent from tourism experts group states that:

“The government need to realise the need for a greater focus on tourism policy. There is a need for greater articulation of tourism

policy goals and objectives arrived at through deliberate and carefully considered discussion". Respondent further adds that "the problems of tourism are known, the importance of tourism is known, and now it is time to present guidelines for tourism policy formulation.

Another interviewee adds:

"Fundamentally, whether the policy be at the local, regional, national or international level, it is policy that determines the goals and objectives and provides the guide-lines for tourism development".

Consequently, tourism policy in Egypt needs to be dynamic in the sense that the changing environment (political, social, or economic) must be adjusted as the policies are formulated and implemented. This is more important in a more globalised world, as any incident could easily affect tourism flows. For example, the terrorist attack on the 11th of September 2001 in New York and Washington had a massive impact on the tourism industry all over the globe; tourism trips have been cancelled, and the air transport business slowed down. Moreover, travel outside the region becomes less likely. This could explain why tourism policy in Egypt needs to be more dynamic to adjust the political, social and economic changes in the world.

As a result, for Egypt the policy decisions regarding tourism have focused on only two goals:

- Maximising tourist arrivals, and
- Improving the balance of payments through international tourism receipts (maximising tourism receipts).

However, the goals of the tourism policy should ensure the competitiveness and the sustainability of a destination. Geoffrey and Ritchie (1999) state that the purpose of tourism policy should be to ensure a common, agreed-upon purpose for tourism and to establish the broad parameters for planning and co-ordinating the efforts of all tourism stakeholders, those whose well-being relates in some way to the success of tourism in the destination.

11.3.3 LIBERALISATION OF TOURISM POLICY IN EGYPT

Respondents were also 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.

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. Cross-tabulation across the three main groups did not show any significant differences. As a result the initial conclusion from the data seems to indicate that tourism policy in Egypt needs to be liberalised, and trade barriers need to be removed in order to enhance tourism development in Egypt (see figure 11.6).

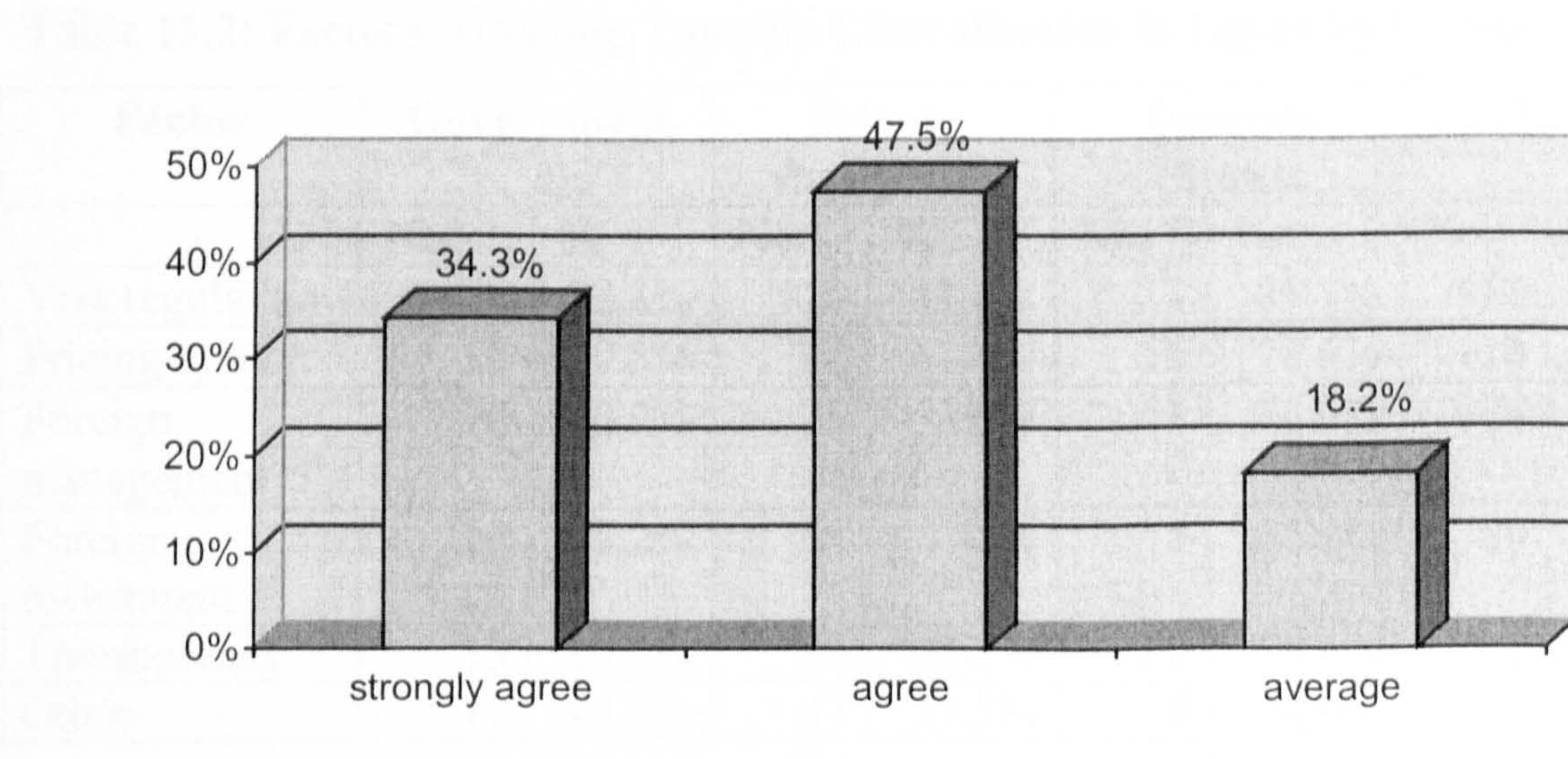


Figure 11.6: Liberalisation of Tourism Policy

The data also showed that there was a positive correlation between tourism liberalisation and the level of effectiveness of the policy (Spearman’s correlation is significant at the 0.01 level), in that the higher the level of liberalisation, the more effective the policy.

11.3.3.1 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:

- 1. Liberalising visa regulations;
- 2. A free pricing system;
- 3. Liberalising foreign management;
- 4. Liberalising foreign investment;
- 5. Other (transparency of information, tariff policy, state monopoly, air transport, etc) (see table 11.2).

Table 11.2: 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%

To summarise, the national tourism policy is the expression of the State’s will and, as such, should be embodied in a legislative document. Therefore, as the analysis revealed, the current tourism policy is inadequate in terms of providing the integrated plans needed for the stable development of the sector. When designing tourism development policies, the Government should identify and take into account all the measures that can potentially limit tourism liberalisation and the expansion of the tourism sector. The most important ones identified by the survey 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.

However, to summarise, a written document on national tourism policy at the macro level in Egypt has not been issued yet and therefore development strategies and tourism policies at the micro level (Ministry of Tourism) are mainly the work of MOT and TDA which may change according to the Ministers' wishes. More importantly, tourism policy in Egypt focuses on tourism numbers, revenues, and length of stay and lack an elaborate strategy to achieve the goal. Nevertheless, there is no clear mechanism by which the tourism policy in Egypt could achieve its goal.

While the current, Egyptian tourism strategy is more comprehensive and pragmatic than previous five-year plans, it is still ineffective as a development instrument for tourism in Egypt.

11.4 TRADE BARRIERS AFFECTING TOURISM DEVELOPMENT

11.4.1 INSTITUTIONAL CONSTRAINTS AFFECTING TOURISM BUSINESS IN EGYPT

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.

The research revealed that there are a number of governmentally imposed impediments to trade in tourism presently exist in Egypt. They are many and complex and can be looked at in several different ways.

To identify these barriers, respondents were given a prompt list and asked to indicate how important the trade barriers are. The results revealed that the most important trade barriers that affect tourism development in order are:

1. Taxation rules;
2. Unfair competition;
3. Dominance of local monopoly;
4. Limitations on the number of service suppliers;
5. Restrictions of movement of personal mobility;
6. Restrictions on ownership;
7. Limitations on the type of the legal form requested to operate;
8. Nationality and residency requirements;
9. Discrimination in licensing and qualification requirements (see figure 11.7).

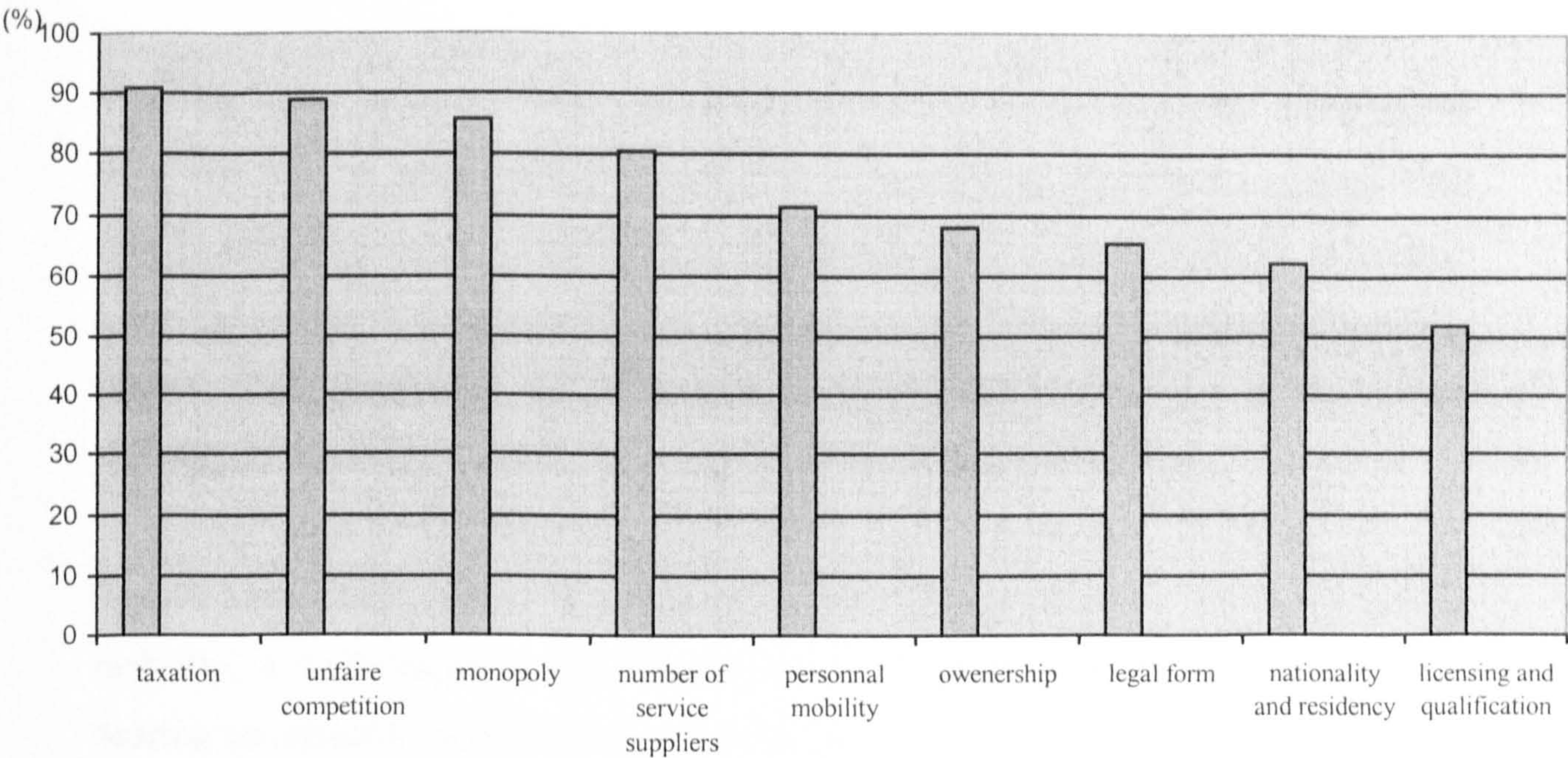


Figure 11.7: Trade Barriers Affecting Tourism Development

Concerning GATS, most of the potential gains associated with GATS membership will result from liberalising access to domestic service markets. There is substantial evidence that many of the constraints that reduce the economic efficiency of service industries in general and tourism industry, in particular in Egypt as well as other developing countries, are “home grown”, in that appropriate policies are not pursued (World Bank, 1995b). The evidence available for Egypt suggests that tourism services are of a higher cost and lower quality than those in developed countries.

Efficient producer services are also fundamental for the pursuit of an outward-oriented structure of development. In the case of tourism, for example, access to global networks of communication and transportation is becoming a necessary condition for international competitiveness. Inefficient air transport services, or high cost insurance, both due in part to a lack of competition, are examples of services that may impede tourism development. In conclusion, services liberalisation provides an effective way to promote efficiency in tourism producer services.

While the overall ranking of trade constraints is useful, it masks many details, which could be important for policy making.

1. Taxation Rules

Taxation rules in Egypt have been identified as the most significant trade barrier affecting tourism investment in Egypt. The survey shows that when a country's tax rate is relatively high, investment is discouraged and competitiveness is eroded. Likewise, if the tax system fails to treat alternative investment opportunities in a neutral way, distortions are introduced in investment decisions. In that sense, differential tax treatment may very well distort investment allocation.

Respondents state that in a globalised world characterised by increased capital mobility, a well-designed and neutral national corporate tax system has a strong bearing on attracting foreign direct investment.

Taxes in Egypt are raised through the sovereign power of the government. Tax rates and bases in Egypt are set nationally, and tax administration is centrally controlled through the government directorate. The survey shows that the Egyptian system of business taxation is multifaceted. It involves direct taxes such as income and property taxes, as well as indirect taxes including customs duties, sales taxes, stamp duties and surcharges. The tax system also provides special incentives, under different income and investment laws, to encourage investment.

According to the Investment Incentives and Guarantees Law (Law No.8 for 1997), companies falling under this law, regardless of their legal form, are exempted from taxes for a period of 5 years starting from the first year of activity. For enterprises located in new industrial zones, new urban communities, or remote areas, tax exemption is extended to 10 years. The exemption period increases to 20 years for activities located outside the Old Valley. As for companies operating in free zones, they are exempt from all direct and indirect taxes for an unlimited period. They are only subject to annual revenue for service projects.

Egypt applies relatively high and non-uniform tax rates, which also vary according to the nature of the activity. For corporate firms engaged in services, the rate is 40%, whereas the rate for corporate firms undertaking manufacturing and exporting

activities it is only 32%. Profits of non-corporate firms are subject to personal income tax rates ranging between 20 and 40% depending on their income bracket.

The relatively high taxes on services and high tariff rates indirectly discriminate against exports in general and tourism exports in particular. This point is supported by a recent study that estimated the economy-wide tariff induced bias against exports to be nearly 19.7% in 1998 (Associates, 1998). This may partially explain the relatively low level of merchandise exports in Egypt, which accounts for only 5% of GDP compared with an average of 21% for some developing countries (World Bank, 1999b).

Respondents complain that the taxation regime in Egypt increases the cost of capital and may work as a deterrent to new investment. They also indicate that the regime favours joint stocks companies listed in the stock exchange, manufacturing, exporting firms, debt financing, and land. Therefore, capital taxation in Egypt have different impacts on different investments with more negative impacts on the service sector, as the system favour manufacturing investment over service investment.

Taking tax holidays into account lowers taxes and reduces biases. However, respondents point out that the cost effectiveness of these incentives is questionable. Inland incentives are costly for the budget, and a number of studies indicate that free zone incentives are not very effective in promoting exports, as most of the production in these zones is primarily directed to the local markets.

One respondent from tourism experts group states that:

“Lower corporate tax rates are a good sign of country’s openness to investment. Lower rates can also encourage investment, enlarge the tax base, reduce the motive of tax evasion and facilitate tax administration procedures”.

The survey also shows that besides tax-related provisions and exemptions, other factors such as tax administration and compliance affect the burden of taxation on the cost of capital.

Tax administration has been pointed out as the greatest constraint to private sector development. This problem has always been among the primary complaints of the tourism private sector. Interviews with the respondents revealed that investors do not complain about the level of taxes as much as tax administration itself. The combined effect of other taxes and complicated tax administration increases transaction costs and thus impedes firms' efficiency.

Private enterprises also complain about:

- The lack of trust between tax collectors and tax payers;
- The inefficiency of the dispute settlement system;
- The arbitrary estimation of taxable profits.

One private sector representative declared that:

“They do not know how much tax they actually have to pay, and tax collectors tend to overestimate taxes owing to the incentive related collection targets given to tax officers”.

As a result, the central problem is that the criteria for tax assessment in Egypt are ambiguous, and tax collectors enjoy unlimited discretionary powers, which lead tax officers and taxpayers to extreme initial bargaining positions.

Respondents declare the dispute settlement system in Egypt to be costly and time consuming. The perception of business people, lawyers, and judges of the administration of justice in Egypt is that the system is simply too slow, expensive, and uncertain. According to the World Bank (1999a), in 1993/94 the clearance rate of commercial cases in Egypt was only 36%, compared with 80% in Japan, and 88% in Belgium. Moreover, respondents point out that the situation seems to have deteriorated over time.

As a result, serious reform is needed to reduce the level of business income taxation on the cost of capital in Egypt, and to lessen the differentiation in tax treatment

across types of firms, activities, sources of finance and assets. To conclude, lower and uniform tax rates associated with limited resources to incentives are more effective in stimulating new investment and, at the same time, result in minimal tax-induced distortions.

2. Dominance of Local Monopoly and Unfair Competition

The respondents to the survey ranked the dominance of local monopoly and unfair competition as the second most significant trade barrier that affects their business. However, respondents did not complain about the dominance of local monopoly in the tourism industry as much as the monopoly in other economic activities related to their business and that directly and indirectly affect tourism business in Egypt (e.g. transport, communication, banking and insurance). The survey shows that the relatively high transaction costs that result from inefficiencies in banking, telecommunication, transport, and insurance reduce the competitiveness of tourism sector. The protection of intermediate services related to the tourism business, in the interest of such objectives as political control, also has significant costs that hinder the competitiveness of tourism suppliers in Egypt.

For air transport, tourism enterprises complained the most about the monopoly of Egypt Air. For scheduled services, Egyptian international scheduled services are constrained by the capacity provisions of bilateral agreement policy, which designates Egypt Air as the main Egyptian operator of these services. This policy directly affects tourism business, given that the tourism growth in Egypt depends upon the adequacy of all air services to the country.

Another example of monopoly practice mentioned by respondents is the case of maritime transport. Despite Egypt's strategic location, its enormous spending on transport infrastructure, and the size of the sector, both the quality and cost of transport services remain unsatisfactory. Law 12 of 1964 created state monopolies, across the board, of all port services. Article 7 of this law determines that "maritime transport activities, including freight forwarding, loading and unloading, catering of vessels, maintenance of maritime supplies, shall be restricted to persons or entities registered by the Egyptian Public Organisation for Maritime Transport, created by

the Ministry of Transport to administer this law”. Moreover, the shared ownership and interlocking directorship between the state operating companies and port authorities have restrained competition and reduced incentives to maintain port facilities or improve operating practices.

As a result, deregulation of potentially competitive transport activities and private sector participation are required to enhance competition. Private participation within an adequate regulatory framework has resulted in improvement in the quality of provided services and lower costs in other developed and developing countries.

Respondents also mentioned the state monopoly of the telecommunication sector, ARENTO (Arab Republic of Egypt National Telecommunications Organisation), and how it affects their business. Telecommunications in Egypt is another example of high transaction costs and modest quality of service.

The revenue of the telecommunications sector as a percentage of GDP in Egypt is quite high, ranking second after that of the UK. But while high revenue in the case of the UK can be justified by performance and quality of service, this is not the case in Egypt (Mohieldin, 1997).

Compared to other countries, Egypt has the second lowest ratio of telephone lines per 100 inhabitants, and the longest waiting list and time required for installation of new lines. The state monopoly fulfils only 65% of the applications for new lines and is not addressing the large unexpressed demand.

Respondents state that almost all services provided by ARENTO require significant price reform policy. The absence of such a policy and the continued transfer of revenues to other government ministries are jeopardising the required expansion and maintenance of services. Due to the resulting budgetary constraints, ARENTO cannot deal with persistent of under investment.

The survey shows that as in transport, competition and private participation are needed in the telecommunications sector in order to lower the cost of services and improve quality. Respondents suggest that these objectives can be achieved by a mix

of the following measures: commercialisation of services and transforming ARENTO into a business-oriented organisation; liberalisation of the sector by allowing open entry and respecting market forces; and privatisation through encouraging private sector investment in the infrastructure of the telecommunications sector.

Having said that, the government started to privatise ARENTO from 2000, and some progress has been made, especially in the area of mobile phones and the Internet.

Respondents report that an appropriate regulatory regime must be put in place to ensure that new suppliers of services interconnect effectively with the incumbents. In a study of seven developing countries, Galal (1996a) demonstrated that, in the absence of adequate regulation in the telecommunications sector, investment and productivity tends to be relatively low and private sector returns are relatively high. The experience of Crafts illustrates that if problems of asymmetric information, pricing and commitment can be addressed through appropriate regulation, procedures obtain reasonable rates of return, private investment increases, and consumer satisfaction increases (Crafts, 2000).

Interestingly, small and medium size tourism enterprises claim that they face fierce competition from large companies that enjoy monopolistic power. As an interview with respondents from private enterprises revealed, small and micro-size enterprises are not participating efficiently in tourism growth. The survey asked respondents about the reasons behind that pattern, they declared:

- First, small firms suffer more than large firms from institutional constraints;
- Second, they serve mainly low-income consumers with low quality, low price products;
- Third, small and medium size enterprises face difficulties in improving quality standards and introducing the technological innovations required by international and domestic demand, mainly due to the lack of capital;

- Finally, the human-resource skills of tourism service suppliers play a key role in determining the quality of the services offered. However, in most small and medium size the facilities to train the workforce are inadequate, this hampers their efforts to upgrade their services and attain international quality standards.

As a result, anti-competitive practices appear to have a major impact on tourism development and the ability of the SMEs to benefit from international tourism, and should be addressed by the government. Privatisation policies for example, should give attention to competition aspects, so that it does not result in the replacement of public monopolies by private ones engaging in anti-competitive practices.

Liberalisation of trade in tourism under the GATS and allowing foreign firms to establish are not enough to weaken the internal monopolistic structure, or to improve efficiency in tourism-related services which directly affect the development of the industry. Respondents suggest that further efforts are therefore required at the domestic level to improve competition in the tourism industry and reduce the role of public sector on the other hand, the GATS and the WTO should work on improving and enhancing the agreement on rules of origin, agreement on safeguards and disputes settlement. Enhancing such agreements would weaken the monopolistic power in countries like Egypt.

3. Limitations on Number of Service Suppliers and Personal Mobility

The survey clarified several aspects related to the limitation of the number of service suppliers and restrictions on the number of personal mobility. It revealed that the number of service suppliers in Egypt are subject to economic needs test, which affect the growth of the firms and the development of the industry. The respondents declared that there are no clear criteria to identify the economic needs test.

For the restriction of movement of natural persons, Egypt has an ample labour force of nearly 22 million workers. Abundance has made Egyptian labour internationally competitive cost-wise. However, lack of competent human resources is one of the most acute challenges facing firms' efficiency.

Respondents ranked restriction on personal mobility as an important obstacle to their business. Interviews with the private sector suggest that the lack of skilled, semi-skilled, and qualified local management staff is one of the major impediments to their business growth. Given the importance of the quality aspects in tourism products and labour intensity, the pool of human resources available for tourism is a fundamental factor in the successful development of the industry in general and in the firm in particular.

The education system in Egypt seems to be the source of weakness in terms of human resources as its activities do not reflect the skills in demand in the local labour market. There is currently a gap between the secondary education system and the vocational training needs of the private sector.

Thus the private enterprises suggest that one way to develop their business is through effective management. Therefore, when designing tourism development policies, the government should take into account that restrictions on the work of professionals in the tourism sector is one of the important trade barriers to their business.

4. Ownership, Licensing and Nationality

Restrictions on ownership, discrimination in licensing and qualification requirements and nationality and residency requirements are regarded only as moderate obstacles. This can be attributed to the new investment law, which is more relaxed and encouraging for foreign investment than previous laws.

5. Limitation on The Type of Legal Form Requested to Operate

An interview with respondents from the private sector indicates that the process of the legal form requested to operate the business is time consuming. Respondents also complained about the cost associated with the legal form. They declared that it is very costly for them. Moreover, respondents claimed that many of the legal forms were developed during the period of control, and are ill suited to a dynamic, private sector – dominated, open market economy. Interviews also revealed that new trade agreements and the growing importance of globalisation and liberalisation of

economic activity also suggest the need to revise the legal forms requested to operate. Respondents also complained about the overlap between several jurisdictions.

11.4.2 DISCRIMINATION MEASURES AFFECTING TOURISM BUSINESS

The survey asked respondents to identify the type of discrimination their business faces. Surprisingly, the research revealed no discrimination affecting private enterprises, foreign and local alike. Most of the respondents declared this question not applicable, with the exception of the airlines, which indicated that the most important type of discrimination affecting their business is the dominance of local monopoly of Egypt air.

Respondents declared that, despite some moves towards the liberalisation of aviation regulation, Egypt Air is still granted a monopoly of rights to provide domestic air services within Egypt. What is needed is a change in the regulations to end Egypt Air's monopoly of domestic services.

11.4.3 OBSTACLES FOR PRIVATE INVESTMENT

The research paid attention to the type of obstacles that private investment, local and foreign alike, face most in Egypt. Respondents from the private enterprises group were asked to rank the investment obstacles that they face most. The analysis revealed that administration burdens is identified as the most important obstacles (87.1%). When data were cross-tabulated with the groups, there were no significant differences; all declared administration in Egypt to be the highest obstacle to their business.

Legal measures were second (14.3%) followed by an unsafe environment with a very small percentage (only 2.1%). A cross-tabulation revealed that only five star hotels and travel agencies category A ranked an unsafe environment as the third obstacle. On the other hand, a very small percentage of small and medium size firms referred

to an unsafe environment as an obstacle. Therefore, large firms suffer more from an unsafe environment (see figure 11.8).

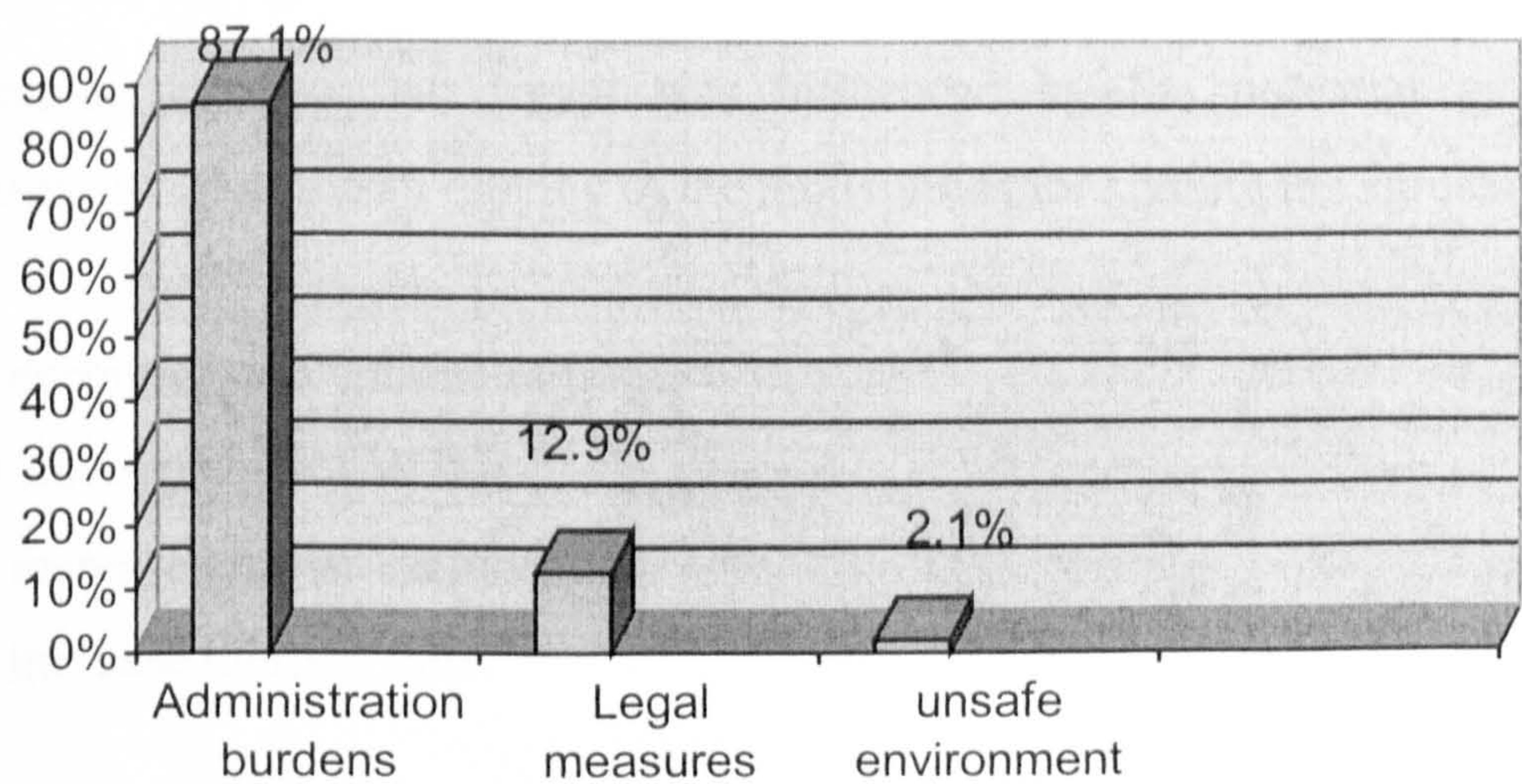


Figure 11.8: Obstacles for Private Investment

11.5 URUGUAY ROUND AND TRADE POLICY IN EGYPT

Egypt has always played a prominent role in the GATT. It participated actively in the Uruguay Round and made a number of commitments. Whether and to what extent the Uruguay Round will affect the trade policy in general in Egypt and the tourism policy in particular is difficult to say. However, this sub-section attempts to assess the impact of the Uruguay Round (WTO and GATS) on trade policy in Egypt. The section focuses upon the motivation for signing the WTO and the GATS agreements with the objective of highlighting Egypt interest in liberalising trade in services. The section also explores recent changes in trade policies in general and tourism policies in particular.

11.5.1 MOTIVATION FOR SINGING THE WTO AND GATS AGREEMENTS

As mentioned in the literature, the pattern of public sector dominance in services in Egypt has created government monopolies where privatisation and anti-trust issues slow down the progress of liberalisation. The survey asked respondents from the government, private enterprises and tourism experts about the motivation for Egypt

signing the WTO and GATS agreements. Respondents were given a list of motivations.

The results revealed that Egypt was influenced by the potential gains from liberalisation. The overall ranking of the motivations for signing the agreements are:

1. To encourage the volume of trade;
2. For membership of WTO;
3. To increase tourism income;
4. To increase tourism flow.

In this context, the results revealed that a number of political, economic, and social factors influence the government to join the WTO. An interview with respondents revealed that the WTO is not only a contribution of politics, but also an integral part of the world's political economy. Respondent of the Government group states that:

“The WTO is, or can be, a tool used not only for economic but for political means”.

On the other hand, for obvious economic reasons, most countries, especially developed ones have joined the WTO. As mentioned in the literature, liberalisation of economic activity can improve efficiency and bring about greater dynamism in the economy, thus providing for faster economic growth.

Therefore, the way in which Egypt participated in the Uruguay Round becomes an aspect of its foreign policy, as well as a part of its economic and commercial policy.

1. Political Motivation

43.9% of respondents declared that Egypt participated in the Uruguay Round for the membership of the WTO. Respondents from the government group declared that:

“Signing the WTO agreement was the second worst choice to Egypt, as the first was not to sign the agreement”.

Egypt was motivated by politics issues when signing the agreement. One respondent states that an example of the political and foreign policy implications of the WTO are:

“Increased contracts between nations can lead to increased knowledge and understanding which, in turn, can contribute to a relaxation of tensions between nations”.

2. Economic Motivation

Some 65% of respondents felt that Egypt joined the agreement to foster economic growth. However, an interview with respondents demonstrated that the sectoral coverage by Egypt in WTO and the magnitude of its commitments suggest that the government was not attracted by the benefits of liberalisation as much the political. As discussed in the literature the commitments made by Egypt are quite limited.

Although the overall rank of motivations suggest that Egypt signed the WTO and the GATS in order to foster economic growth, the evidence from its commitments and the results from the interview, suggest that the main reason for joining the WTO was political. It is worth mentioning that Egypt has the highest level of restrictions applied on market access and national treatment among all Arab countries (WTO, 2000d).

11.5.2 IMPACTS OF WTO AND GATS ON TRADE POLICIES IN EGYPT

Given the results of the WTO negotiations, many governments are preparing policies and strategies to maximise their benefits from liberalisation; the question arises as to what extent the macro-economic environment in Egypt offer the necessary conditions for liberalisation and for tourism development?

To investigate the success of the government in preparing the environment for liberalisation, the survey asked respondents if recent changes in the structure of

world trade made Egypt change its policies. The analysis revealed that 88.4% of respondents felt that this was the case, they indicate that there are changes in Egypt policies towards liberalisation. Only 11.6% of respondents felt that this wasn't the case.

To investigate the reasons behind this pattern an interview with respondents was held by the researcher. Respondents indicate that in general, there are three main indicators of change towards trade liberalisation:

- Changes in tariffs and additional taxes and subsidies;
- Changes in the non-tariff barriers to trade;
- Changes in the exchange rate system.

On the other hand, respondents declare that although, the government has recently taken remarkable steps to improve the business environment in Egypt, it is still far below the level needed to liberalise the market and to foster Egypt integration in the world market economy and to ensure economic growth through liberalisation.

The survey also sought to investigate the kind of policy changes that had taken place. The question targeted those who declared that there are policy changes. The analysis revealed that the government has taken remarkable steps to improve the business environment in Egypt. The most important policy changes are:

- Privatisation policy;
- Investment policy;
- Integration policy;
- Monetary policy;
- Tariff policy;
- Quality control policy;
- Air transport policy.

As a result, the Government of Egypt began implementing liberal policies to allow the private sector (foreign and local alike) to lead economic growth.

11.5.3 GATS AND TOURISM POLICY

Concerning tourism policy, the survey asked respondents if there are any tourism legislation/regulation changes resulting directly from Egypt signing the GATS agreement. Interestingly 83.8% of respondents answered felt that there were no such changes; in this case the government does not seem to be influenced by the benefits of liberalisation of tourism sector through GATS. However, 16.2% of respondents declared that there are changes; a cross-tabulation indicated that the only group to answer positively are airlines.

The issue as to which tourism sector has been most affected by the changes in the tourism policy was explored. Respondents that had answered positively to the previous question were targeted; the results revealed that the overall ranking is:

1. Air transport, this could be attributed to the new aviation policy in Egypt;
2. Very weak percentage answered hotels;
3. Travel agencies.

As a result, the Uruguay Round generally had a very limited impact on Egypt policies in the areas of investment and services. This reflects a defensive attitude toward liberalisation, which does not bode well for an economy that will be facing growing competitive pressures as the world economy becomes more integrated.

However, Egypt's Uruguay Round commitments do, to a large extent, lock in the policy changes pursued by the government since the late 1980s. In this respect, they are quite significant.

An interview with tourism experts revealed that Egypt did not prepare well for the GATS and a more competitive market. They further declared that while the concept behind the GATS is the promotion of trade in tourism, GATS also serve additional policy objectives, such as:

- Increase tourism flow;
- Improve tourism facilitation;

- Encourage investment in tourism industry;
- Promote the sharing of research, statistics and information;
- Recognising the importance of the safety and security of tourists;
- Acknowledge benefits from education and training in tourism;
- Recognise the importance of the quality in tourism industry.

11.6 GATS AND TOURISM IN EGYPT

Since the GATS is based on the realisation that there are regulatory obstacles which restrict the ability of foreign businesses to enter a market and operate without discrimination, participating countries are required to commit themselves to respect the twin freedoms of market access and national treatment. Closely related to that is the Most Favourite Nation clause (MFN). However, do the stakeholders of tourism industry in Egypt recognise and well understand the principles and rules of GATS? Do they understand how they can use GATS to achieve their business goals? Are they willing to use the GATS? Do they know what is the implication of GATS? And finally, in their view, what are the most important modes of supply that could affect the tourism industry in Egypt?

These questions are timely relevant for Egypt, given that the government signed the GATS in 1995 and presented a schedule of specific commitments. However, the GATS commitments in tourism are fairly restrictive with many exemptions to market access and national treatment. Therefore, the level of liberalisation in tourism in Egypt is still far below the level needed to drive Egypt's growth, to foster its integration in the world market.

This section attempts to answer these questions in order to identify the reasons behind this pattern and highlight the most important modes of supply that could affect the tourism industry in Egypt.

11.6.1 DO YOU UNDERSTAND THE GATS?

The research asked respondents from the government and private enterprises groups to state whether they understood how to use GATS to achieve their business goals. The number of respondents that answered negatively to this question was surprisingly very high at 79.9%. A cross-tabulation revealed that there is no significant difference between the government group and the private enterprises groups.

This indicates that both the government and the private enterprises do not fully understand the principles and rules of GATS as well as they do not know what is involved in the implementation of GATS.

The survey shows the reasons limiting their understanding of the agreement in order:

1. The agreement is difficult to understand; this refers to the principles, rules and scope of GATS;
2. It is complicated to use; this refers to the implementation of the agreement;
3. It does not help them in their business.
4. They did not know about it (29%);

Cross-tabulation did not show significant differences between groups. The high negative answer is highly related to the following:

1. **Principles and rules of the agreement** as “the agreement is difficult to understand” has been pointed out as the greatest reason affecting the level of understanding. This is also confirmed in the literature as many studies discussed the difficulties that face governments in understanding and analysing the agreement. As mentioned in the literature some of these difficulties related to the structure problem of the GATS, others to the interrelationship between the four modes of supply and finally the scope of the GATS.
2. **Coverage of the agreement;**
3. **Implementation;**
4. **Vague benefits.**

An interview with respondents from the private enterprises group shows that the investors complain the most that the government did not provide them with enough information about the GATS. One respondent from the private enterprises declared that the government, who took the decision to sign the agreement and to formulate the schedule of specific commitments, did not inform the private sector about the nature of these commitments and did not engage the private sector in the process of formulating such commitments, which to a great extent will affect their business.

Moreover, respondents report that they do not know much about GATS and its implications for tourism in Egypt. They point out that the central problem is the lack of transparency of information and the lack of collaboration between the government and the private sector, which led to poor development in tourism. More importantly respondents argue that the lack of collaboration will reduce the chance of the private sector to be engaged in the world market and improve its economies of scale.

Although recent years have witnessed closer relations between the private sector and the government in the process of decision making, business people still complain about ad hoc policies and sudden changes, lack of respect for property rights and asymmetry in information.

Private enterprises also complain that the government did not issue an official document about GATS principles, rules, specific commitments, etc. One respondent reports that:

"Very little has been done about GATS and most of the studies which have been undertaken in Egypt were for governmental purposes and do not help the private sector".

Other respondents state that:

"The latest tourism plan (1997-2002) issued by the Tourism Ministry did not mention GATS and did not consider GATS in its objectives".

It is essential that international trade negotiators from Egypt, in formulating their negotiating positions, should collaborate closely with officials from national tourist authorities and experts from the private sector, so that the latter can provide them with a clear vision of tourism priorities and ensure follow-up to the negotiating process.

11.6.2 GATS PRINCIPLES AND RULES

11.6.2.1 Most Favourite Nation (MFN)

This research helps to clarify several aspects related to GATS principles and rules. The survey started by asking respondents whether they understand the Most Favourite Nation clause in GATS. The key principle of international trade, which the WTO is based on, is the MFN. The WTO states that each member shall accord immediately and unconditionally to services and services suppliers of any other member, treatment no less favourable than that it accords to similar services and service suppliers of any other country.

Surprisingly, the results revealed that 65.7% of respondents understand the MFN principal. Moreover, across-tabulation revealed that respondents from the government were more likely to answer positively than the private enterprises with 82.2% and 52% respectively (results are significance at 95% confidence level) (see table 11.3).

Table 11.3: Do You Understand MFN?

	Yes	No
Government	64.6%	35.4%
Hotel	57.9%	42.1%
Travel agency	37.5%	62.5%
Airline	50%	50%
Guide	83.6%	16.4%
Tourism experts	85.7%	14.3%
Total	66.2%	33.8%

The question arises here, that if the government understands and recognises the importance of this clause why has this not been reflected in its list of specific

commitments. The researcher was interested in clarifying the reasons behind this occurrence through a semi-structured interview. The researcher attempted to interview respondents from the government group. The results revealed that Egypt has listed 9 countries in its schedule of specific commitments (MFN exemption list): Greece, Iraq, Jordan, Libya, Qatar, Sudan, United Arab Emirates, and Yemen. One respondent in a high position in the Government states that although most of the countries listed in the MFN exemption list are not important to the tourism market to Egypt (e.g. Iraq, Sudan and Yemen), they are Arab countries and this is why they have been chosen by the government. Two replies must be made to this view. First that most of these countries are not WTO members (Iraq, Sudan, Yemen, and Libya), which account about 50% of Egypt MFN exemption list. Secondly, there are other Arab countries, which are more important to tourism business in Egypt and are WTO members as well such as Kuwait and Bahrain have not been listed on the MFN exemption list. What is more important here is Egypt's national economic benefits from GATS, which depends on the adequacy and efficiency of the tourism services.

Furthermore, respondents suggested that the new trade agreements among Arab countries and the growing importance of the Arab Nation Union also suggest that this list is appropriate. This could lead to an argument that this concept is not reliable in a more globalised market. On the one hand, many respondents argue that one of the policy options for Egypt to overcome increasing competition is through regional integration. This is also recommended by the UNCTAD, which states that one of the main policies to face tough competition brought about by GATS in the developing countries is through regional co-operation mechanisms. This would help to increase intra-regional tourism flows, pursue joint development plans and enhance negotiation power.

On the other hand, respondents in a high position in the government group declared that this list has been ill chosen for an open market economy. In the respondents' views, the government did not understand the concept of MFN. Moreover, respondents report that this list must be reformed and improved as well as the whole schedule of the specific commitments to cope with private enterprise needs in a global market-oriented economy. This is also confirmed in the literature as the WTO (1998d) argues that one of the important ways for developing countries to face

competition is to design policy packages to make themselves more attractive to tourists and to improve the bargaining positions of tourism service suppliers.

The survey asked respondents from the three groups which regions and countries should be considered as key areas for tourism development in Egypt. The results revealed that Europe has been pointed out as the most important area for tourism in Egypt, followed by the Middle East and Arab countries. Respondents further added that intra-regional tourism should be regarded as important tourism policy to develop tourism in Egypt.

Concerning the ranking of the countries, Germany came first as the most important country for tourism in Egypt, followed by Italy and France with the UK in fourth position.

Respondents were asked to state whether the MFN clause in GATS is helpful for tourism business. The results revealed that there was no definitive answer (42.9% said yes and 42.4% said no) A cross-tabulation showed that 47.7% of government respondents stated that it is helpful. 44.6% of the private enterprises said yes, while 57.7% of tourism experts reported that MFN is helpful for tourism business, which indicates that tourism experts are more likely to see MFN as useful GATS principles.

11.6.2.2 Market Access and National Treatment

Market access and national treatment in GATS are specific obligations and apply only to services that are included in the schedules of members. Participating countries are invited to commit themselves to respect market access (allow foreign companies to operate in one's domestic market) and national treatment (once the country has allowed a foreign company to operate in its territory, it is under the obligation to treat it in the same manner as the local companies).

The survey results highlight government and private enterprise willingness to liberalise tourism through market access and national treatment.

Respondents from private enterprises show little interest in investment abroad. However, a cross tabulation with the sub-sectors shows significant differences. Airlines are more likely to answer positively which shows their interest to invest abroad and also their financial capabilities (see table 11.4).

Table 11.4: Investment Abroad by Group

	Is investment abroad a priority for your business?			
	Yes		No	
	No.	%	No.	%
Government	21	47.7%	23	52.3
Hotel	13	27.1%	35	72.9%
T/A	24	31.6%	52	68.4%
Airlines	5	62.5%	3	37.5%
Guide services	0	0	8	100%
Total	63	34.2%	121	65.8%

11.6.3 MODES OF SUPPLY AND TOURISM INDUSTRY IN EGYPT

As mentioned in the literature, GATS does not define services but does define trade in services. The definition covers not only the cross-border supply of services but also transactions involving cross-border movement of capital and labour. GATS defines trade in services in terms of the four modes of supply: cross border, consumption abroad, commercial presence and presence of natural person. These modes are also used for scheduling purposes.

Therefore, a country participating in GATS will have to present commitments aimed at progressively eliminating barriers to trade in services. These commitments encompass the four forms of supply, which are referred to as the four modes of supply. Two issues have arisen in regard to the use of modes of supply for scheduling purposes in the tourism sector in Egypt. First, what is the implication of the modes of supply in tourism industry in Egypt and what is the most appropriate mode(s) of supply for each tourism supply sector. Second, in the light of the results of the first question, what are the main features of Egypt’s GATS commitments under each mode of supply?

11.6.3.1 Overall Ranking of the Modes of Supply

The analysis shows that the overall ranking of the modes of supply according to their relative impact on tourism liberalisation are:

1. Consumption abroad;
2. Commercial presence;
3. Personal mobility;
4. Cross-border.

This result was expected, as the tourism sector, as defined in the schedules of concessions incorporated into GATS, is subject to a high degree of liberalisation under the consumption abroad and commercial presence.

By definition, consumption abroad is where services are consumed by nationals of a member in the territory of another member where the service is supplied. This is typical of tourism. Therefore any measure imposed by the government to restrict the movement of tourists will directly affect the tourism industry in other countries.

Concerning commercial presence, this mode has been given preference not only by Egypt but also by many developing countries in order to encourage foreign direct investment, such that, with appropriate limitations and performance requirements, (employment requirements, local content requirements, export performance requirements, transfer of technology, training), both of which are permitted under GATS, commercial presence could contribute to building of domestic capacity and expansion of services exports.

The interview shows that Egypt should make more commitments in this mode to attract investment which will stimulate technology transfer, including management know-how, create employment and reduce foreign exchange payments for imported services. Respondents state that the trend towards trade liberalisation in Egypt, including the liberalisation of investment regimes, has been followed by increasing restrictions on the movement of people. By the same token, many countries as well as Egypt attempt to contain many restrictions on presence of natural persons. The

majority of these limitations are not specific to the tourism sector under the GATS, but apply across the board to all industries (horizontal commitments).

Cross border trade has been growing increasingly as a result of the development of telecommunication networks and advances in information technology. However, cross border was pointed out as a moderate mode of supply in the tourism industry this related to technical infeasibility.

Respondents declared that meaningful liberalisation of the tourism industry through market access and national treatment can only be achieved if commitments are made on a combination of the relevant modes.

Although the analysis provides an overall assessment of the importance of each mode of supply to the tourism industry, there are differences across tourism supply sectors.

11.6.3.2 Modes of Supply by Sub-sector

1. Hotel Sub-Sector

Respondents from all three groups ranked the modes of supply with respect to their importance to the hotel industry as follows:

1. Personal mobility;
2. Commercial presence;
3. Consumption abroad;
4. Cross border.

• Personal Mobility

Personal mobility has been seen as the most important mode of supply to develop the hotel industry in Egypt. This could be attributed to the lack of skilled and qualified local management staff. The education system in Egypt seems to be the source of weaknesses in terms of human resources as it does not reflect the skills in demand in

the local market labour. Furthermore, training programmes in Egypt at the government level is very poor and the quality of the programme and the trainers are very low.

Interview results show that firms do not appreciate the value of investment in training programmes at any level in the company. As a result the quality of the staff is not satisfactory and moreover is declining. This could put Egyptian firms at a disadvantage in a more competitive economy.

Respondents state that disincentives for firms to invest in training are not enforceable. Not surprisingly, the interview also revealed that the labour union activities in Egypt seem to be very weak, since most firms have succeeded in breaching the law, and hence do not cause any problems for the private sector. This reflects a distortion in the labour market in Egypt.

Besides the quality issue at the management level, there is currently a lack of skilled and semi-skilled lower-level employees in the hotel industry in Egypt. This could be attributed to the gap between the secondary education system and the vocational training needs of the private sector. Having said that the government has recently launched National Vocational Skills Standards and Certification System project (NSSP), costing LE 100 million over four years. The project aims to improve vocational training in three key sectors: tourism, manufacturing and construction.

For tourism, the Egyptian Federation of Tourist Chambers is playing a leading role in this initiative in active collaboration with the social Fund for Development. The British Council is the lead contractor for the project and has associated partners from France (AFPA), Denmark (Carl Bro Management), Germany (International Bund) and Scotland (Scottish qualifications Authority).

The programme has three main phases:

- The first involves a review of existing Egyptian training standards and revision of these in the context of international best practice. New skills standards will be developed for 19 key trades in the tourism sector and these, when completed, will

be compared with (benchmarked) European and international best practice standards.

- The second phase will involve the development of new training programmes and curriculum materials, based on the revised skills standard, for each of the 19 trades in tourism.
- The final phase will involve the development and upgrading of the Vocational Training Centres (VTCs) as 'Centres of Excellence' to deliver the new training programmes and manage the assessment and certification process. This final phase will also include the training of trainers and assessors, the development of certification procedures and the introduction of effective quality assurance arrangements.

Within the tourism sector, the focus of development is around 4 groups:

- Hotel services (including: front office, housekeeping, laundry);
 - Food production and Stewarding;
 - Food and beverage services;
 - Inbound tourism services (including: sales, airport representatives, tour operators, booking agents).
-
- **Commercial Presence**

Commercial presence is regarded as the second important modes of supply affecting the hotel industry in Egypt. However, most of the schedules of specific commitments in general, and for Egypt in particular, contain horizontal limitations on the supply of services through commercial presence. On the other hand, for the sector specific limitations, the supply of the service through commercial presence is seen to be more liberalised, and respondents state that FDI (through commercial presence) is important for the national economy as well as for the hotel industry specifically.

The survey shows that FDI is important to national economic growth because it affects trade, technology transfer and employment. Policy makers in Egypt, who seek to increase FDI in the country, should do so through GATS. GATS provide the right environment for FDI, transparency of information, national treatment and market access with no discrimination in the regulatory forms. This will encourage foreign investment in Egypt.

An interview with respondents reveals that FDI in the hotel industry will more likely take the form of a partnership (Egyptian and foreign), due to the high capital investment associated with the hotel industry which would increase the risk of capital investment. Furthermore, as there is a cultural distance influence the FDI; partnership will reduce this distance as Egyptian partner will be more familiar with the system and can overcome problems such as the difficulty for foreign managers of establishing interpersonal relationships in another culture and the negative attitudes towards foreign investors.

- **Consumption Abroad and Cross Border**

Consumption abroad has been pointed out as a moderately important mode of supply. This is attributed to the fact that many countries have already liberalised this area with less restrictive measures on travelling abroad and more flexibility in the visas regulations.

Regarding cross-border modes of supply, hotels and restaurants services are generally supplied in the recipient country through locally established facilities. The cross border mode of supply is therefore not actually appropriate for the hotel and restaurants sub-sector and this probably explains why respondents pointed out that it is not important at all for the hotel industry.

2. Travel Agencies

Respondents from the three groups agreed that the importance of modes of supply for travel agencies is different than for the hotel sector. The rank in order is:

1. Commercial presence;
2. Personal mobility;
3. Cross border.
4. Consumption abroad

Interviews revealed that the travel agency business in Egypt is very weak and fragmented. In their business relations with foreign tour operators, they are hampered by their weak bargaining position and their lack of negotiating skills, which result in unfavourable contractual conditions.

One respondent states that:

“Travel agencies in Egypt are price takers – not price makers, which results in sharp decreases in prices and lower quality services”.

Moreover, most travel agencies in Egypt are small and medium-size enterprises (SMEs); they lack capital investment, technical and information advances. Respondents state that the travel agency industry in Egypt is fragmented. The main revenue for the travel agents comes from commission on ticket sales and tourism programme.

As a result, one of the main ways to face the tough competition is to increase the bargaining power of the travel agencies through encouraging foreign investment participation, especially regional co-operation. This could explain why commercial presence has been pointed out as the most important mode affecting the development of the industry. Nevertheless, personal mobility is also important, as lack of skilled management seems to characterise the entire tourism industry in Egypt.

3. Guide Services

The survey shows that there is no significant difference among the four modes of supply. Results revealed that most respondents pointed out that the four modes of supply are not important at all for this sector. This could be attributed to the fact that the sector appears as the most protected of TTRS in Egypt's schedule of

commitments. More importantly, Egypt did not present any commitments in its schedule of commitments. It reserves the right to exercise guide to its citizens.

However, in a survey conducted by the tourism ministry one of the important complaints by tourists was the quality of guide services.

One respondent states that:

Opening up the competition in the market will improve quality and enhance sector development. Respondents suggest that it is better for Egypt in the view of tourism development to present commitments in the guide services sub-sector, if it is willing to develop guide service quality.

4. Air Transport and CRS

Egypt did not present any commitments in the CRS sub-sector. Therefore, respondents declared that none-of the modes of supply are of significant importance to the CRS sub-sector. There were no significant differences among the four modes. On the other hand, respondents highlight the importance of the cross-border mode of supply for the CRS sector. They state that this is the most related mode to this sector and if Egypt is willing to present any commitments in this sector in the future, this should be the mode with less limitations.

The pattern was very similar for air transport with the exception of commercial presence that has been pointed out as an important mode of supply. Respondents state that air transport needs further negotiations in GATS.

Private enterprise respondents highlighted the importance of the liberalisation of air transport services in Egypt. They state that air transport regulations need to be changed with less power for Egypt Air.

11.6.4 **MAIN FEATURES OF EGYPT’S GATS COMMITMENTS**

11.6.4.1 **Level of Liberalisation of Egypt’s GATS Commitments**

The research attempts to analyse the nature of WTO country commitments in order to assess the level of liberalisation of Egypt’s GATS commitments relative to other countries. The number of commitments is a preliminary indicator of how Egypt is similar to, or different from, groups of WTO countries.

An analysis of the schedule of commitments of WTO countries revealed that the average number of sectors in which WTO country makes commitments is 7.3. When the list is divided into developed and developing countries, the average number of sectors in which a developed country makes commitments is 9.25, while the average number for developing country is 5.06 out of the twelve sectors. This difference is statistically significant at the 95% confidence level.

Figure 11.9 shows that countries are more likely to make commitments in sectors such as tourism and travel related services (93%), financial services (73%) and business services (70%). For sectors such as education and health services the probability falls to 25% and 27% respectively.

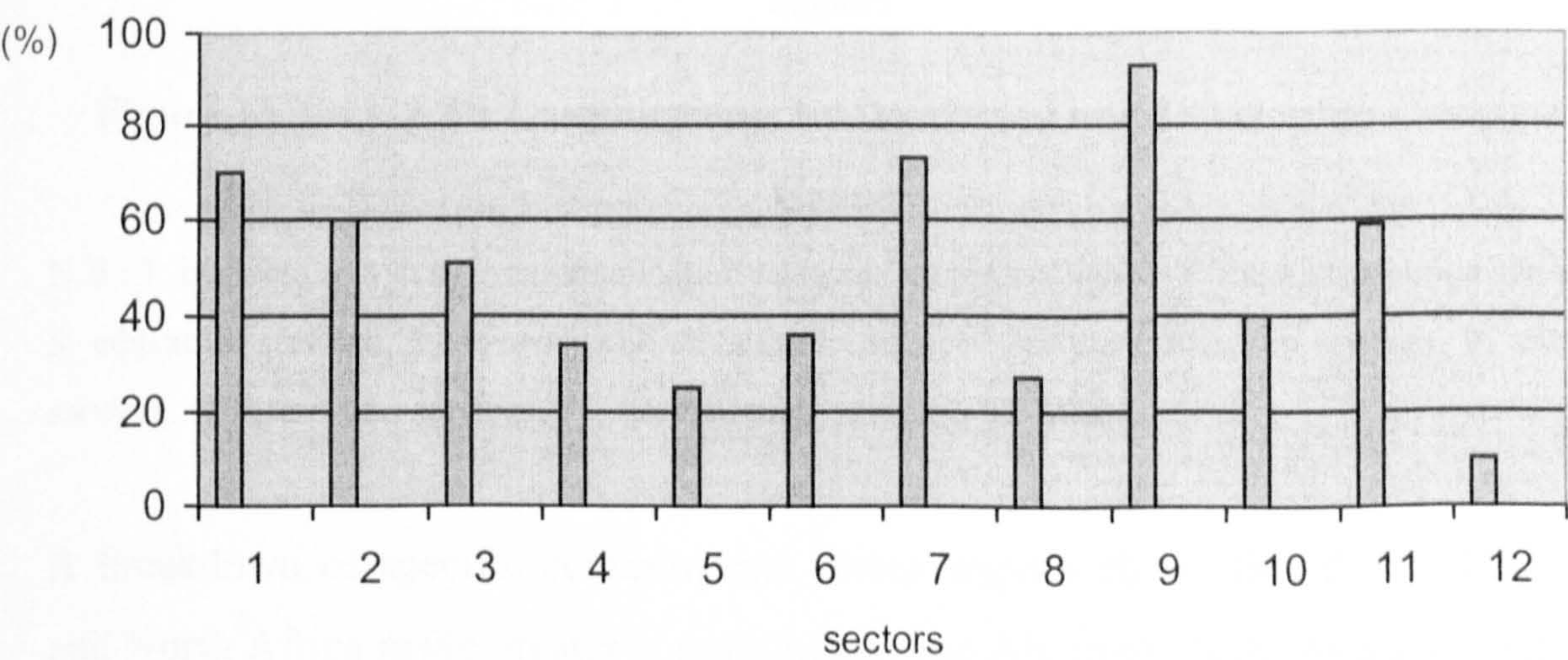


Figure 11.9: Percentage of GATS Commitments by Sector (WTO Countries)
N.B.: 1: business services, 2: communication services, 3: construction services, 4:distribution services, 5: education services, 6: environment services, 7: financial services, 8: health services, 9: tourism services, 10: recreation services, 11: transportation services, 12: others.

When testing the null hypothesis that the probability of making commitments in a particular sector for a developing country is equal to the probability that a developed country makes a commitment in the same sector, the null hypothesis is rejected at the 95% confidence level.

The probability that developing countries make commitments in a sector is consistently lower than the probability that a developed country will make a commitment in the same sector (figure 11.10). For sectors such as business and communication services 51% and 69% respectively of developing countries made commitments in these sectors, while 100% of developed countries made commitments in either sector. The drop in percentages is not as significant for tourism as 100% of developed countries made commitments in this sector and 94% of developing countries made commitments in the same sector.

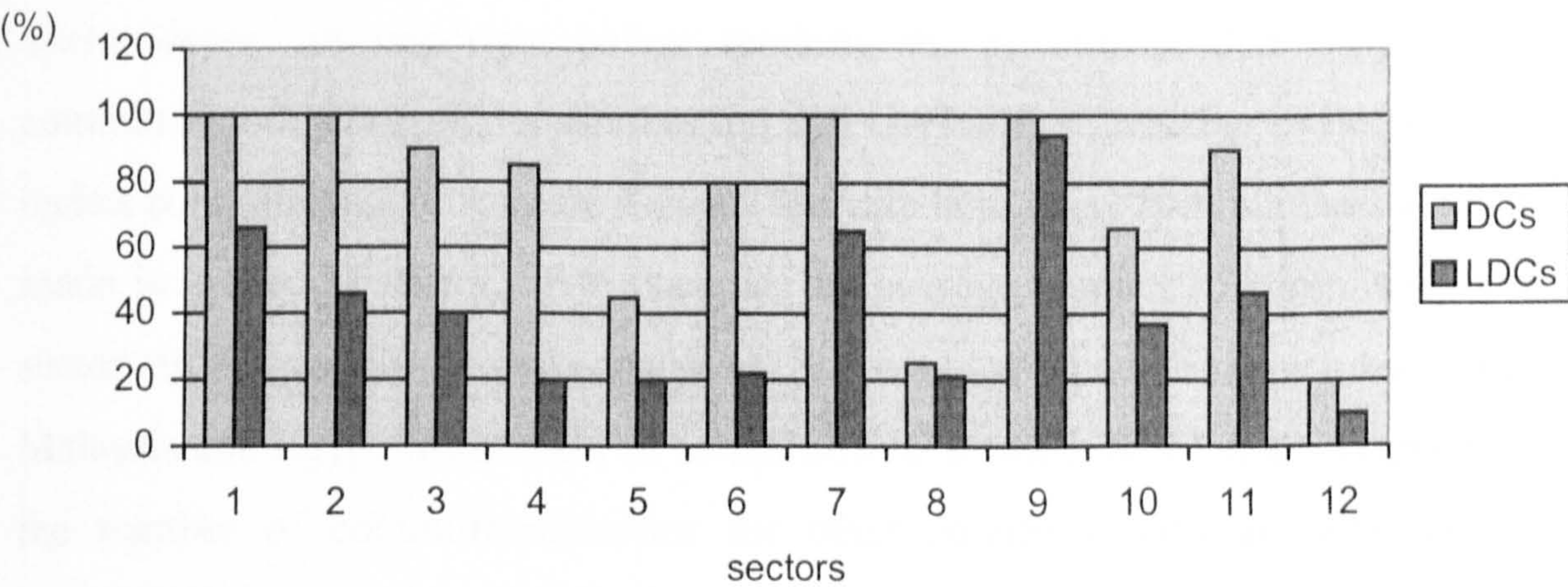


Figure 11.10: GATS Commitments by Developed and Developing Countries Group

N.B.: 1: business services, 2: communication services, 3: construction services, 4:distribution services, 5: education services, 6: environment services, 7: financial services, 8: health services, 9: tourism services, 10: recreation services, 11: transportation services, 12: others.

A breakdown of specific commitments across regions shows that the Middle East and North Africa made greater commitments than Africa or South Asia and does not compare badly with East Asia. However, relative to Eastern European and the Central Asian countries, commitments were almost 3 times lower. With respect to the Arab countries, the average offer made by Algeria, Bahrain and Tunisia were more limited than the average offer of developing countries as a group.

Egypt, as well as Kuwait and Morocco made commitments that can be characterised as more comprehensive than the average of developing countries. Moreover, compared with developing countries as a group, Egypt's number of commitments per sector (sectoral coverage) is not very different from an average developing country. However, Egypt is consistently committing less than large developing countries.

Egypt has made commitments in construction services (3), financial services (7), tourism and travel related services (9) and transportation (11). Therefore Egypt's choice of these four sectors is generally consistent with the willingness of countries to offer commitments. However, there are two sectors where both developed and developing countries' probability of having commitments is over 50%. These are business (1) and communication (2). Egypt does not have any type of commitments in either of these two sectors.

Three issues are important before reaching the conclusion that Egypt is less committed to liberalising its services through GATS: first, whether or not a country makes commitments in a sector does not indicate how many commitments a country made in a specific sector. For example, the average number of commitments per sector differs widely across countries. So, while for countries such as Turkey, Malaysia and Egypt, the number of commitments/ sector is 8, 7.7 and 7 respectively, the number of commitments/sector for other countries such as Indonesia and Bangladesh is 1.2 and 1 respectively. Second, the number of sectors where countries have made commitments does not indicate the extent of liberalisation coverage that these commitments produce in a sector. There are horizontal commitments concerning general market access, national treatment and the MFN that cut across all sectors (with occasional exception). Moreover, there are vertical limitations imposed by countries concerning specific sectors. Both of the horizontal commitments and specific commitments are more far reaching than a single commitment for a single sector. Third, there is also the issue that making the commitments is one thing - making them effective is another. For example, a country that has made more commitments but is less effective in delivering them may be less liberalised than one that makes fewer commitments but makes them effective.

11.6.4.2 Level of Commitments for Tourism Sector

GATS commitments in the tourism sector in Egypt are fairly restrictive with many exemptions to market access and national treatment. Moreover, Egypt's commitments under the GATS regarding the liberalisation of tourism services are quite limited compared to its commitments under the current Economic Reform and structural Adjustment Programme, which was launched in 1991 with technical and financial support from the IMF and the World Bank.

There are restrictions on hotels' and restaurants' ability to employ foreigners, although, the survey shows that personal mobility for hotel sector has been noted as the most important mode of supply for that sector. As a result the willingness of Egypt to liberalise the hotel sector does not satisfy the needs and desires of the private sector, which indicates a lack of collaboration between the government and private enterprises in the decision making process.

Economic needs tests and licensing are also required for the establishment of foreign business. These measures affect liberalisation of the industry and do not meet the requirements of the tourism private sector. As indicated earlier, commercial presence mode of supply is the most important mode of supply for travel agencies business. However, GATS commitments in this mode of supply are restricted.

Moreover, Egypt has made no commitments for guide services and other tourism related services. One respondent states that:

“Despite limitations on market access and national treatment, the sector is outward oriented by nature and can not be protected from international competition, at least in terms of price-quality combinations. Hence, its potential for liberalisation.”

As a result, the degree of liberalisation of trade in tourism under the GATS is not sufficient to improve efficiency. Respondents argue that any meaningful reform must rely mainly on efforts undertaken domestically.

11.6.4.3 Commitments in Services Related to Tourism

The GATS definition of tourism leaves out many services activities, such as CRS, transport, hotel construction and car rentals, which are regarded by the World Tourism Organisation as key tourism-related industries.

The survey attempted to define those sectors deemed to be highly related to the tourism sector. Respondents were asked to rank a given list of service activities in order of their importance to business. The list contained the 11 sectors covered by GATS.

Results revealed that the overall ranking of services is:

1. Communication;
2. Transportation;
3. Distribution services;
4. Business services;
5. Financial services;
6. Education services;
7. Recreational services;
8. Environment services;
9. Health services;
10. Construction services.

Egypt signed for only four sectors: financial, construction, tourism and transport sectors. Respondents argue that the tourism sector interacts with other sectors such as business, distribution, recreational, cultural and sporting services and particularly communication and transport. It was felt that these services are of special interest to tourism and only by comprehensive coverage of all commitments area in these sectors can policy-makers and operators be sure that tourism is completely included and is effectively liberalised. But this is not the case in Egypt's schedule of commitments, which left out many of the services that are related to tourism, such as communication which has been pointed out as the most important service affecting the development of tourism industry.

As a result, this again distorts the overall perception of tourism liberalisation in Egypt. This emphasises the earlier argument that the degree of liberalisation of trade in tourism under the Egypt's schedule of commitments is not sufficient to improve efficiency. Any meaningful liberalisation of the tourism industry must rely mainly on efforts undertaken by the government to liberalise the service industry not only tourism.

Many services in Egypt, such as telecommunication, port and air transport, and insurance are of low quality and/or high cost, in part because of state monopolies or a state-dominated oligopolistic market structure, which directly affect the tourism business in Egypt. Lack of competition and contestability have resulted in poor quality and high costs. Users of these services in tourism sector are put at a comparative disadvantage because of the low quality and high costs.

Respondents argue that liberalised trade in services will improve efficiency in these sectors through competition, which will improve the quality of tourism services, given that, the quality of tourism services is increasingly demanded by international customers.

11.7 IMPACTS OF GATS ON TOURISM DEVELOPMENT IN EGYPT

To a large extent, the impacts of GATS depend on the commitments made by Egypt, given that Egypt's GATS commitments are quite limited. Whether and to what extent Egypt will benefit from the full implementation of the Uruguay Round is difficult to say. This section attempts at assessing the impacts of GATS on tourism development in Egypt.

In evaluating the impact of the GATS, one can focus on the following types of effects:

1. The role of the GATS as an "anchor" for domestic policies;

2. The GATS as a mechanism to foster access to efficient services by the domestic economy;
3. The benefits of tourism liberalisation for domestic service exporters.

Effect (1) and (2) are basically determined by the coverage and degree of liberalisation of offers made by Egypt itself, which have been explored in the last section. The third effect, although influenced by the country's commitments, reflects the overall impact of the GATS agreement in reducing foreign market access barriers.

This section analyses the impacts of GATS on tourism development in Egypt by looking at:

1. Impacts of GATS on tourism revenue;
2. Impacts of GATS on tourism numbers;
3. Impacts of GATS on hotel business;
4. Impacts of GATS on travel agencies business;
5. Impacts of GATS on guide services;
6. Impacts of GATS on airline business;
7. Impacts of GATS on CRS.

This will be explored in both the short and the long term.

11.7.1 IMPACTS OF GATS ON TOURISM REVENUE

The “imports” of tourism services must be locally produced and liberalisation leads to enhanced competition, both domestic and foreign. Greater foreign factor participation and increased competition together imply a large scale of activity, and hence greater scope for generating the special growth enhancing effects.

On the other hand, if foreign participation merely substitutes for domestic factors and the sector does not expand, i.e. the degree of competition remains unchanged, then there cannot be a positive growth impact on account of the scale effect.

In this view, respondents were asked to declare how GATS will affect tourism revenue in Egypt in terms of its impact on Egypt national economy in the short and the long term. In the short term, 73.2% of respondents declared that GATS will negatively affect tourism revenue (38.9% said very negative and 34.3% said negative). In contrast, in the long term it was felt that the impacts will be positive (61.2%) as 31.2% of respondents declared that the impacts of GATS will be very positive followed by 30% of respondents who state that the impact of GATS in the long term is positive. Only 15% state that even in the long term GATS will negatively affect tourism revenue (see figure 11.11).

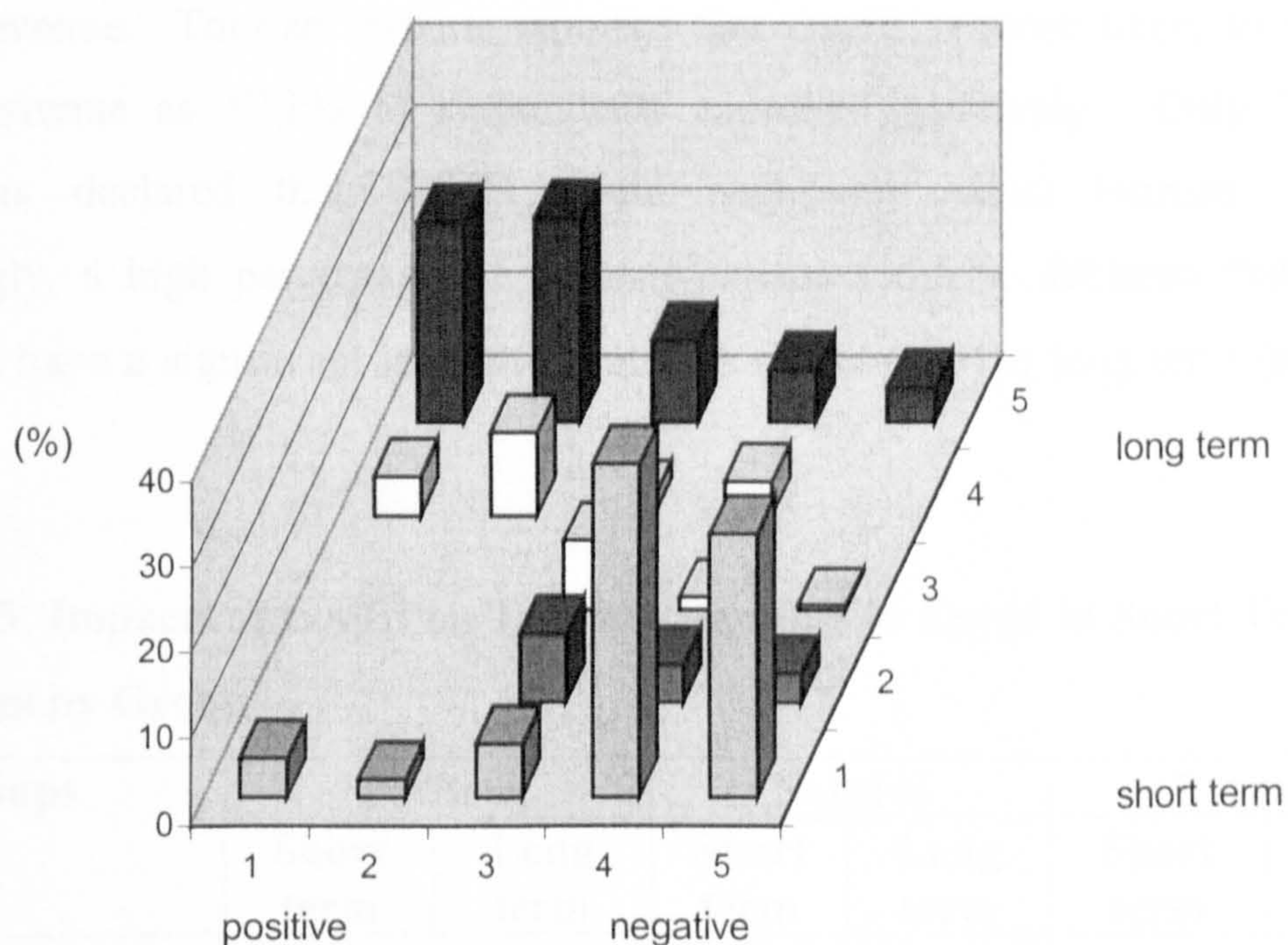


Figure 11.11: Impacts of GATS on Tourism Revenue (short term and long term)

Cross-tabulating the results revealed that the private sector is more likely to see that GATS would negatively affect tourism revenue in Egypt in the short term (86%). For the government group, only 65.9% of respondents state that GATS will negatively affect the tourism revenue in Egypt in the short term, while 21% state that GATS would not. By the same token, 64.8% of tourism experts felt that GATS will negatively affect tourism revenue in the short term. In the long term, they are more likely to see that GATS would not affect tourism revenue (28.5%). There were no significant differences between the government group and the tourism experts group (results are not significant at 5% confidence level) (see table 11.5). Not surprisingly

there were significant differences between the government group and the private sector group.

Consequently, in the long term significant differences were found between the three independent variables (government, private enterprises, and tourism experts). 61.3% of the government group reported that GATS would positively affect tourism revenue in Egypt, while only 13.6% said that GATS would negatively affect it.

69.3% of the private sector stated that GATS would have a positive impact on tourism revenue in Egypt, and 20.6% stated that GATS would negatively affect tourism revenue. Tourism experts reported that GATS is more likely to increase tourism revenue as 57.1% of respondents answered positively. Only 7.1% of respondents declared that GATS would negatively affect tourism revenue. Interestingly, a high percentage of tourism experts (35.6%) declared that GATS would not have a significant impact on tourism revenue in the long term (see table 11.5).

Table 11.5: Impacts of GATS on Tourism Revenue in Egypt in Short Term and Long Term by Group

Groups	Positive		Natural		Negative	
	Short term	Long term	Short term	Long term	Short term	Long term
Hotel	4.2%	52.2%	12.6%	20.9%	83.4%	27.1%
Travel agencies	3.9%	75.1%	10.5%	11.8%	85.6%	13.1%
Airline	12.5%	100%	-	-	87.5%	-
Guide	-	100%	12.5%	-	87.5	-
Total Private sector	5.1%	77.3%	8.9%	16.3%	86%	20.1%
Government	13.6%	61.3%	20.4%	24.9%	65.9%	13.6%
Tourism experts	7.1%	57.1%	28.5%	35.6%	64.8%	7.1%
Total	9.6%	65.2%	19.2%	25.6%	72.3%	13.6%

As a result, one can conclude that the impacts of GATS on tourism revenue in Egypt are felt to be negative in the short term but positive in the long term. However, the impact of GATS on growth is an issue that requires consideration. The impact of GATS on GNP growth can be disaggregated into factor and productivity impacts. The research revealed that feelings about the impact of liberalisation on employment of the nationally-owned factors in the tourism sector are not definitive.

If the tourism sector in Egypt was domestically competitive prior to liberalisation, then national employment in the sector will certainly decline, given that Egypt is a net importer of tourism services. But if there were also restrictions on domestic entry prior to liberalisation, as is the case for Egypt's schedule of commitments, it is possible that national employment will also expand.

Concerning productivity impact, liberalisation is likely to lead first, to an increase in the aggregate scale of the sector and, secondly, to technology spillovers from the local presence of foreign factors. Both effects will enhance the productivity of the nationally owned factors. Taking into account the employment and productivity effects together, it can be concluded that the effect of liberalisation on GNP is ambiguous, especially in the short term. As a result the dynamic effects of tourism liberalisation brought about by GATS (impacts on GNP) can be summarised as follows:

EFFECT 1

Spillovers of technology or skills embodied in factor flows will increase productivity and hence increase GNP.

EFFECT 2

Although the scale of domestic activity (involving the sum of foreign and domestic factors) is likely to expand, employment of national factors of production need not.

The impact on GNP growth will comprise a factor effect (which could be negative) and a productivity-enhancing effect, which will be positive.

To conclude, for tourism liberalisation, the challenge is to integrate the three key aspects of policy namely, competition, foreign ownership and regulation into an index.

11.7.2 IMPACTS OF GATS ON TOURISM NUMBERS

According to the World Tourism Organisation (1996a), GATS will contribute to the worldwide development of tourism. Since the overall objectives of the GATS and other WTO agreements are to spur trade and economic growth, there will be more demand for exhibitions, incentive and business travel, meeting and conventions, which in turn entails the expansion of leisure and personal tourism. The survey was interested to explore how Egypt will benefit from the increasing demand for travel.

Respondents were asked to indicate how GATS was likely to affect tourism numbers in Egypt in the short term and long term. In the short term, 65.1% of interviewees answered positively (28.8% very positive, 36.3% positive); only 1.5% answered negatively and 33.3% said that the impacts would not be very significant in the short term.

In the long term results were very similar with 86.6% answering positively (63.1% very positive and 26.7% positive). None of the respondents answered negative or very negative. Only 10.1% stated that impacts would not be significant in the long term (see figure 11.12).

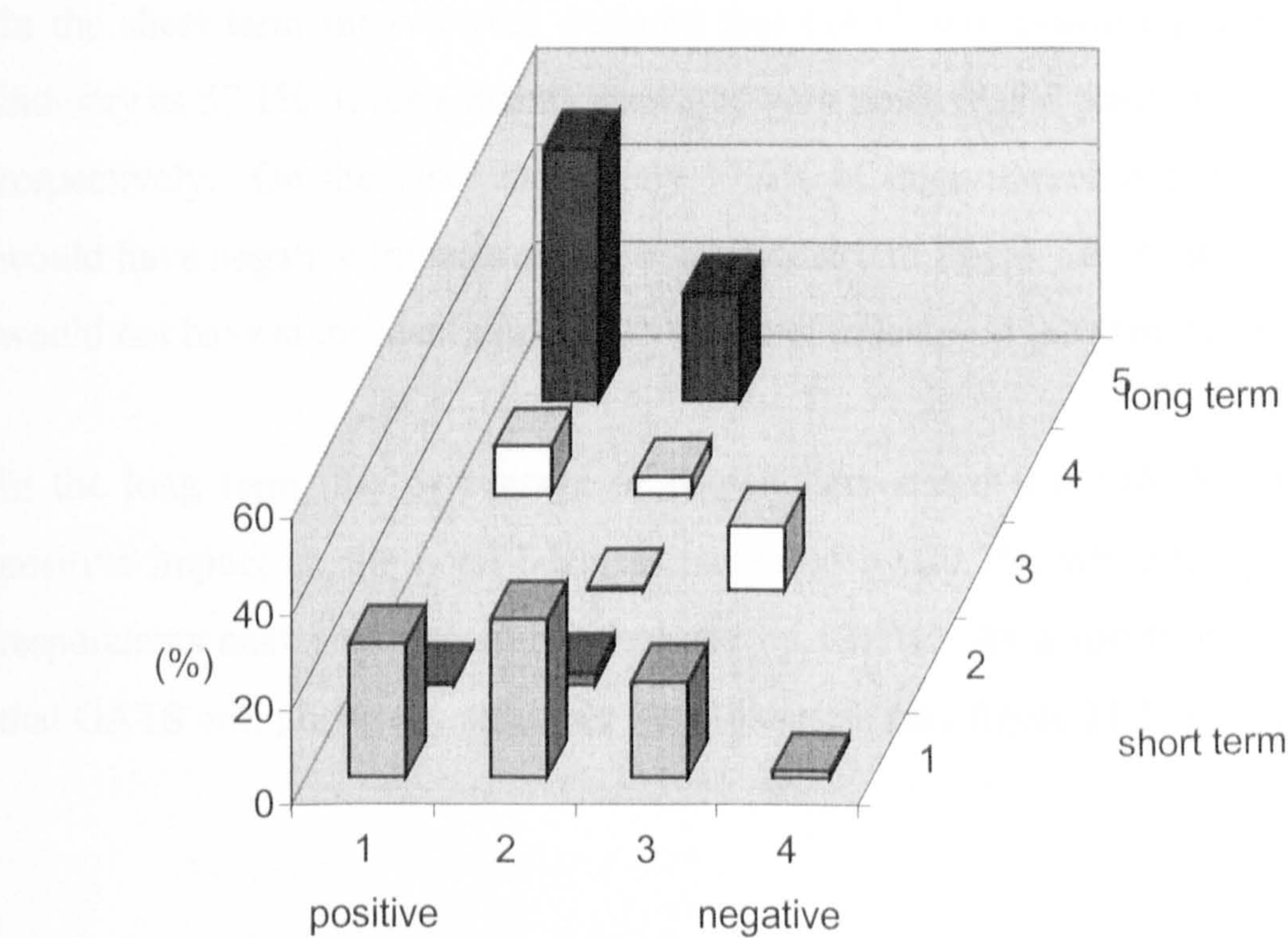


Figure 11.12: Impacts of GATS on the Tourism Numbers (short term and long term)

As a result, the impacts of GATS on tourism numbers in Egypt in both the short and long term is thought to be positive. GATS will increase the number of tourists travelling to Egypt as the demand for travelling in general will increase. The overall assessment of the impacts of GATS on tourist traffic to Egypt is positive. This is not surprising as the increase in flows of trade and investment between countries and progressive liberalisation and integration have been fundamental factors in the growth of tourism.

There were no significant differences between the groups and all agreed that GATS is more likely to have a positive impact on tourism traffic to Egypt.

11.7.3 IMPACTS OF GATS ON HOTEL BUSINESS IN EGYPT

In examining the impacts of GATS on hotel business in Egypt, similar patterns those for the tourism numbers have occurred. The overall assessment of the impacts in both the short and long term are positive.

In the short term interviewees declared that GATS will positively affect the hotel industry as 57.1% of respondents answered very positive and positive, 30.3%, 26.8% respectively. On the other hand, only 17.6% of interviewees declared that GATS would have negative impacts on the hotel industry in Egypt. 12.1% states that GATS would not have significant impacts on the hotel industry in the short term.

In the long term, the percentage of respondents stated that GATS would have a positive impact on the hotel business increased by 20.7%, while the percentage of respondents answered negatively declined by 12.1%. As a result, it is more likely that GATS will positively affect the hotel business (see figure 11.13).

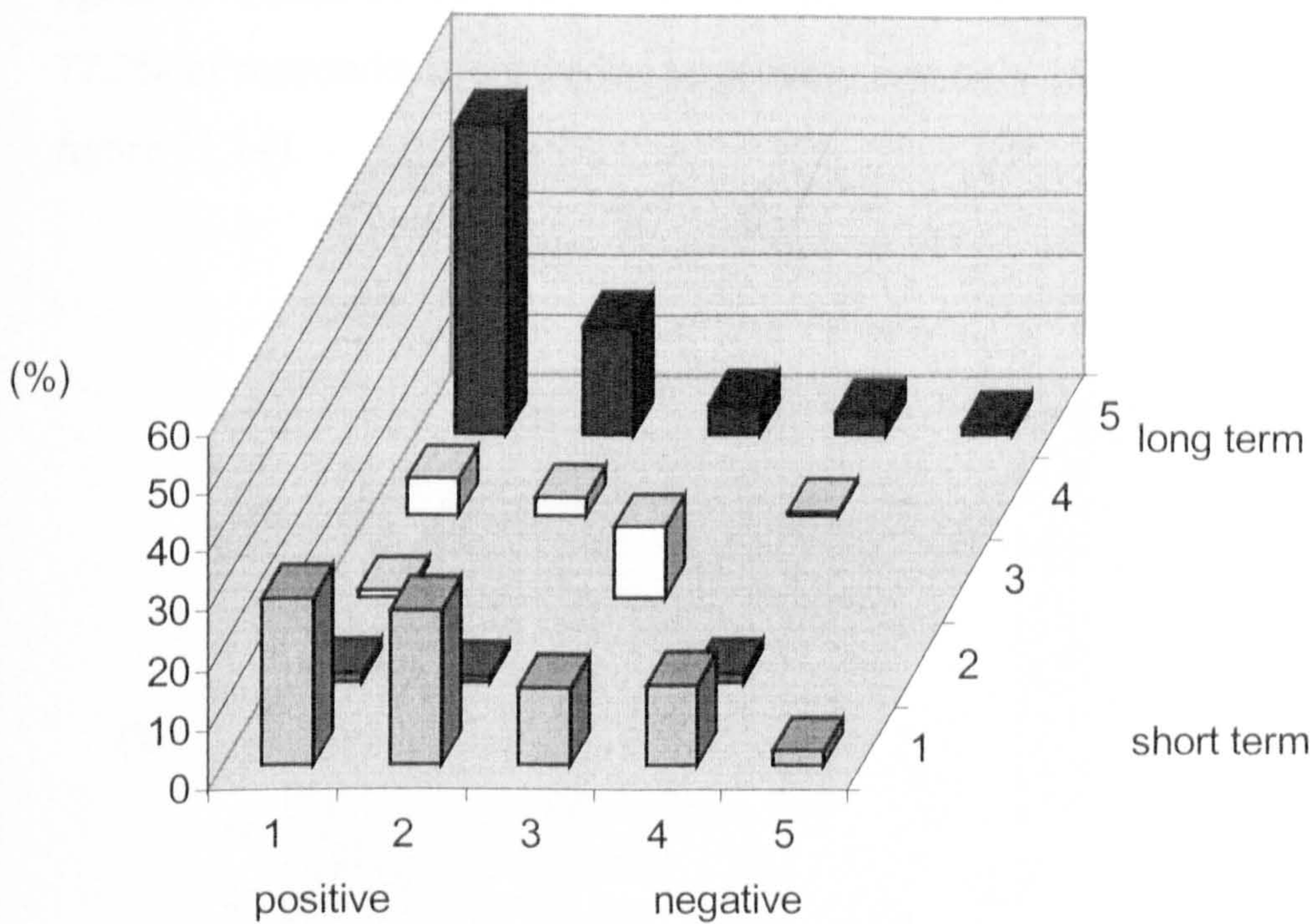


Figure 11.13: Impacts of GATS on Hotel Business (short term and long term)

Results revealed that there is a high positive significant correlation between the increasing tourist numbers and the development of hotel business in the short and long term. In the short term results were significant at 0.01 confidence level (Spearman's $r = 0.644$), and in the long term correlation was also significant at 0.01 confidence level (Spearman's $r = 0.618$). The higher the number of tourists the higher the development in the hotel industry.

11.7.4 IMPACTS OF GATS ON TRAVEL AGENCIES BUSINESS

As the literature suggests, travel agencies are the retailers of tourism products, such as package tours. The travel agent industry in Egypt is fragmented, as the majority of the firms are SMEs. The industry is dominated by a few large firms offering integrated services, particularly with hotels. Other firms are highly fragmented, therefore, the survey was interested in obtaining information about how GATS will affect such firms in the short and long term.

In the short term only 2% felt that GATS would have a positive impact on their business activities whereas 80.3% felt that its effects would be negative. It is worth mentioning that 58.1% of respondents answered that the impacts of GATS on travel

agencies would be very negative. In the long term, the picture was similar with 77.2% of respondents answering negatively and only 15% answering positively (see figure 11.14).

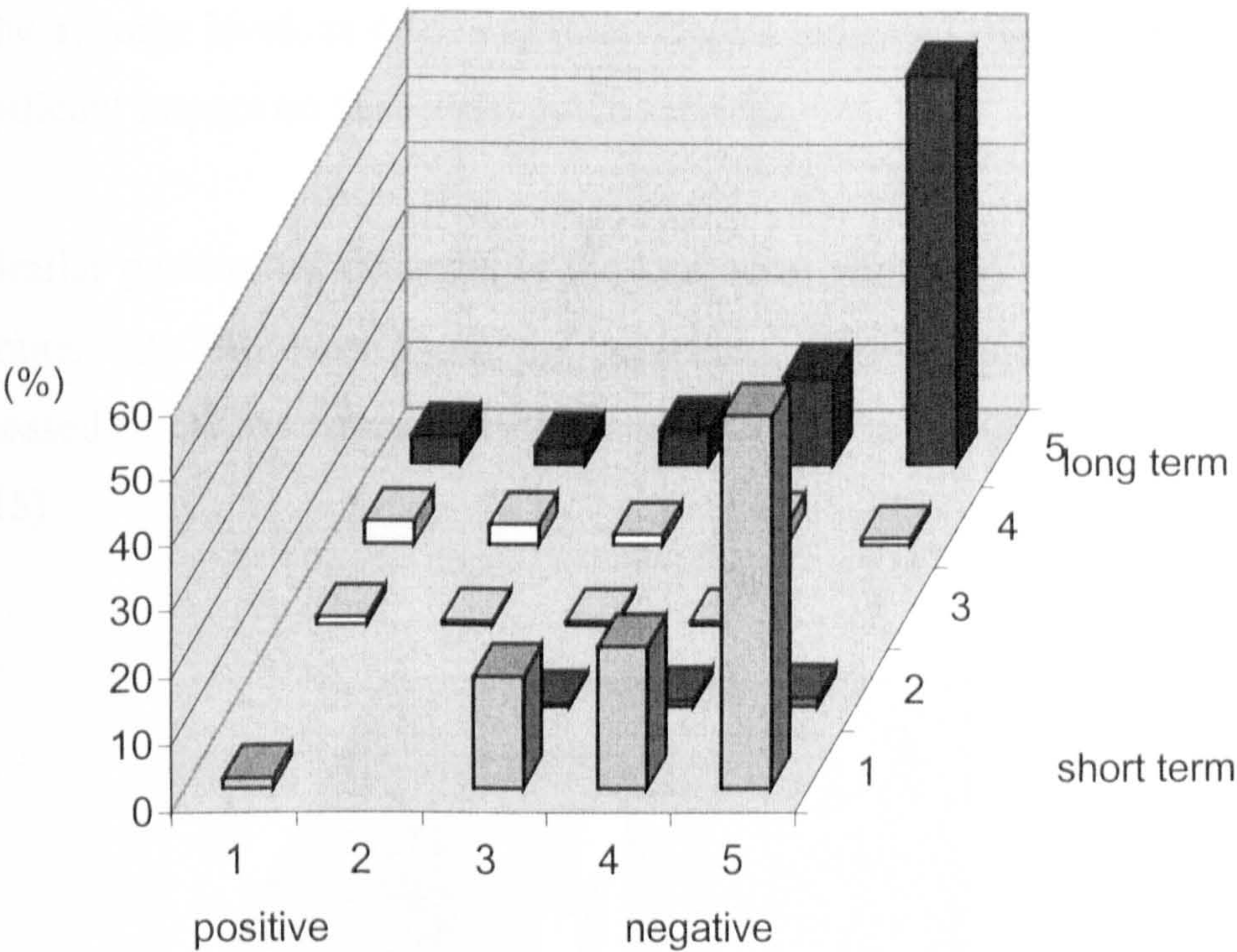


Figure 11.14: Impacts of GATS on Travel Agencies (short term and long term)

The impacts of GATS on travel agencies are thought to be negative in both the short and long term. This is not surprising as the role of the travel agencies in Egypt as an intermediate began to decline since the trend towards integration, particularly between tour operator and hotel chains.

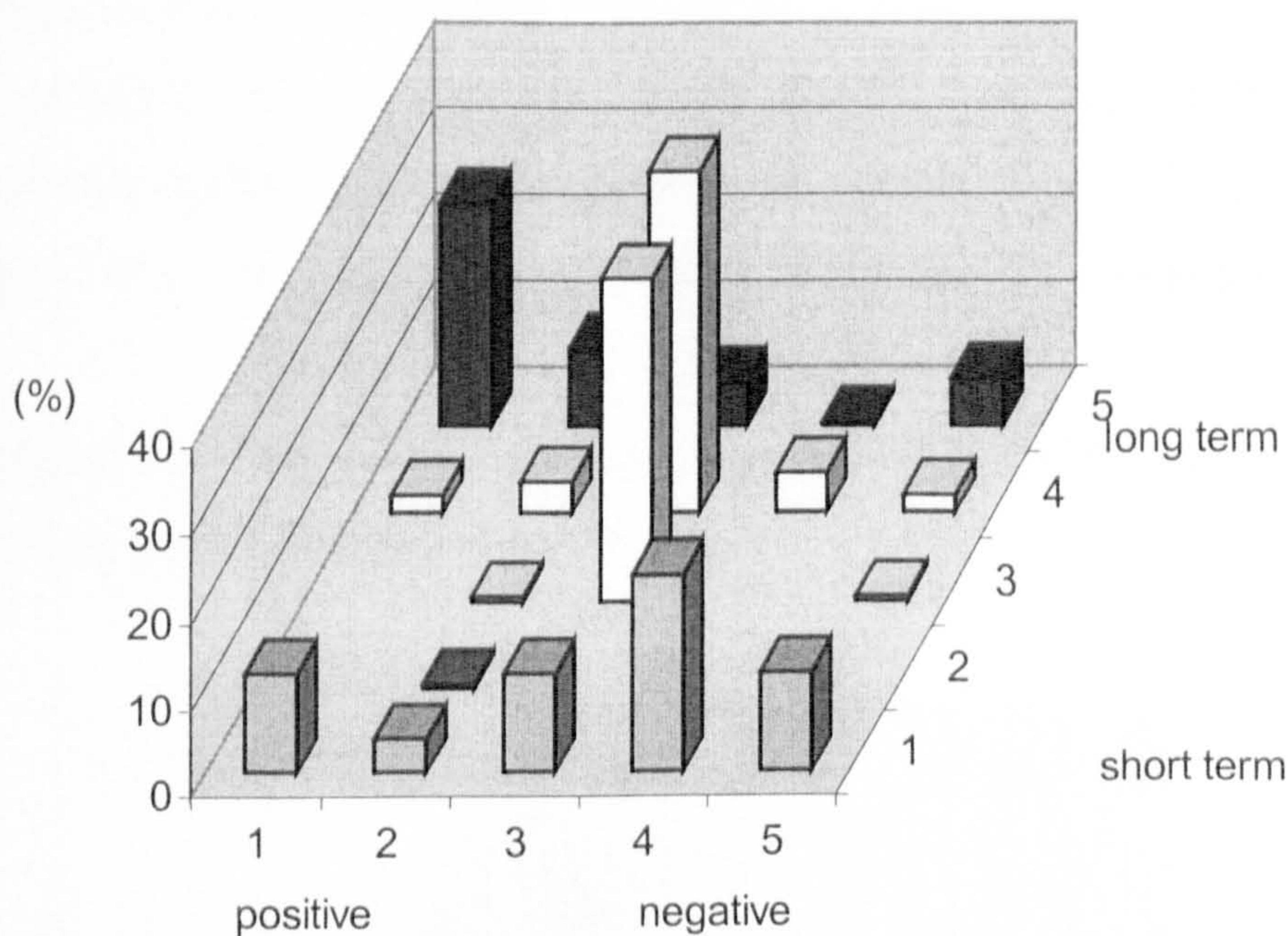
11.7.5 IMPACTS OF GATS ON TOURIST GUIDE SERVICES

As mentioned above, hotel business and tourism numbers are the only two segments that are affected positively by the GATS in both the short and long term. Bearing this in mind, guide services are expected to be positively affected by the GATS, especially as Egypt did not present any commitments in guide services in its schedule of specific commitments and preserved the right to practice the service to its citizenship.

To investigate how GATS will affect guide services; interviewees were asked to indicate the level of the impacts in both the short and long term.

The findings indicate that in the short term, only 16.6% of respondents answered positively while 34.9% answered negatively. The highest percentage has been found in the average level, as 48.5% of interviewees indicated that GATS would not have a significant impact on the tourist guide services.

A similar pattern has occurred in the long term with 47% of respondents answering average. On the other hand, the percentage of respondents answering positively increased by 23.8% to reach 40.4% and only 12.6% answered negatively (see figure 11.15).



**Figure 11.15: Impacts of GATS on Tourist Guides Business
(short term and long term)**

The overall assessment of the impacts on the tourist guide services seem to be average, which means that GATS is not expected to affect the guide services as much.

11.7.6 IMPACTS OF GATS ON AIRLINES

Air transport in Egypt is the means of transport used by the majority of tourists arriving in Egypt. As discussed in the literature, the main recent developments affecting air transport and the industry structure are the increased international ownership of airlines and their growing concentration, world-wide moves to liberalise and deregulate the sector, the privatisation of airlines and the formation of strategic alliances among firms.

Given that air transport in Egypt is dominated by the national carrier Egypt Air, limited progress has occurred in liberalisation and privatisation of the air transport sector in Egypt.

Having said that, respondents were asked to indicate the level of impacts of GATS on airlines in Egypt. Findings revealed that in the short term, airlines would be negatively affected by the liberalisation of the industry (80.8% answered negatively). Only 11.6% of respondents answered positively and 6.6 answered average.

Investigating the impacts in the long term, 58.6% answered positively and only 2.8% answered negatively (see figure 11.16).

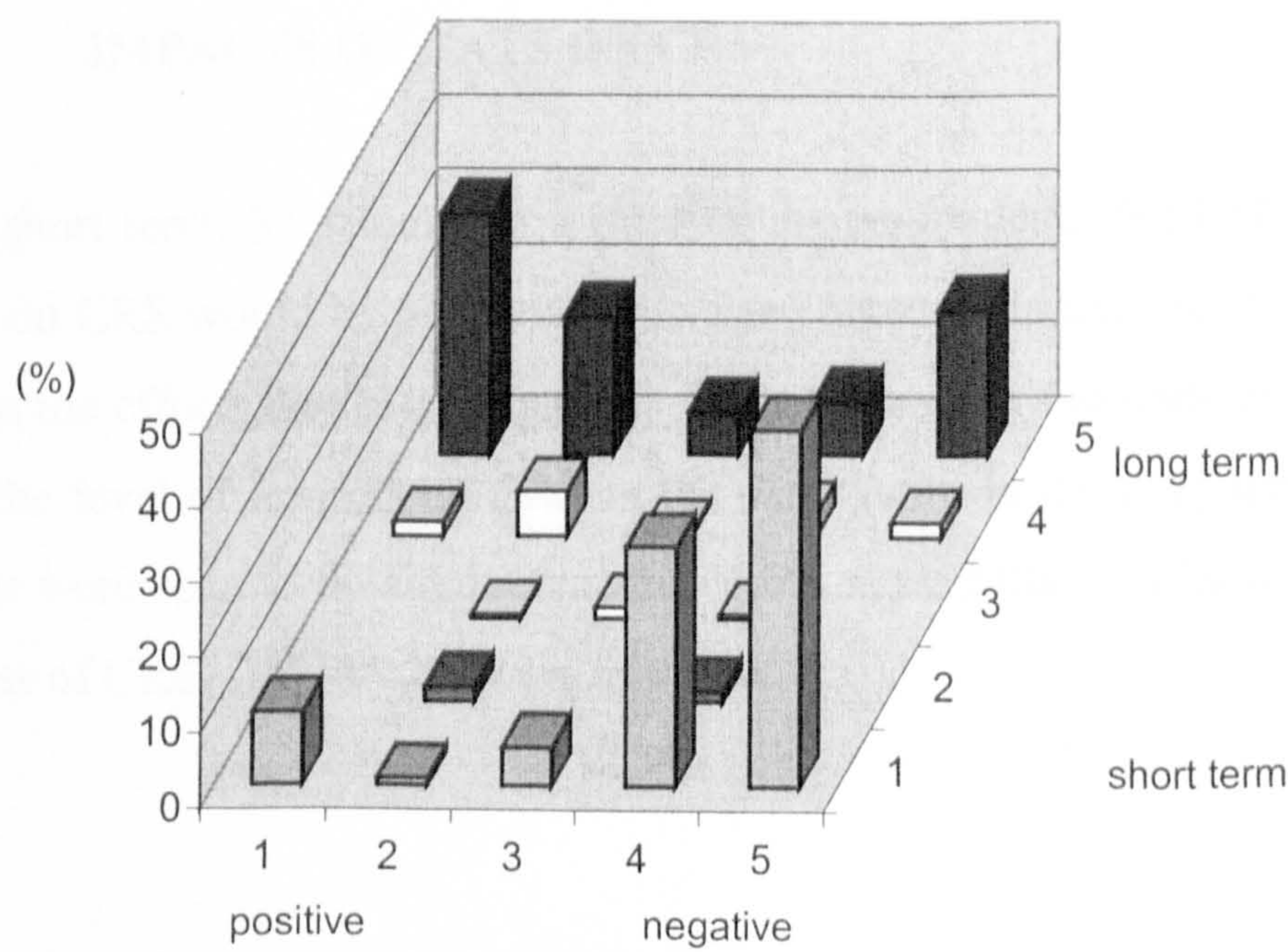


Figure 11.16: Impacts of GATS on Airlines (short term and long term)

Nevertheless, recently Egypt has started to privatise its national air carrier “Egypt Air”, but the programme of privatisation of Egypt Air is not promising. As a central conclusion of the literature on privatisation, larger welfare gains arise from an increase in competition than from simply a change in ownership from public to private hands. Does the conclusion change when the change of ownership is from national to foreign hands? Interviewees declared that foreign investment in general clearly brings benefits even when it does not lead to enhanced competition (i.e. there are entry restrictions). Foreign equity may relax a capital constraint, can help ensure that weak domestic firms (i.e. Egypt Air) are bolstered (e.g. via recapitalising Egypt Air), and serve as a vehicle for transferring technology and know-how, including improved management which is one of the central problems of Egypt Air.

Analysis revealed that private airlines were more likely to declare that GATS will positively affect the airlines business. An interview with private airlines revealed that they are more interested in liberalising air transport in Egypt, as they suffer the most from the monopoly of Egypt Air. Liberalisation will allow them to participate effectively in the market and seek more capital investment (local and foreign alike) to expand the sector. This will enable them to compete more effectively and enhance the development of the sector. Prices will be reduced and demand will increase, which will benefit both the sector and the national economy.

11.7.7 IMPACTS OF GATS ON CRS

In the short term, 32.8% almost a third of the respondents felt that the impacts of GATS on CRS would be positive. This was counter balanced by another third who felt that the effects would be negative. This shows that respondents were confused about the level of impacts on CRS in the short term. In the long term, the positive impacts were seen to be significant. As 46.0% agreed that GATS will facilitate the business of CRS. Only 15.7% were negative.

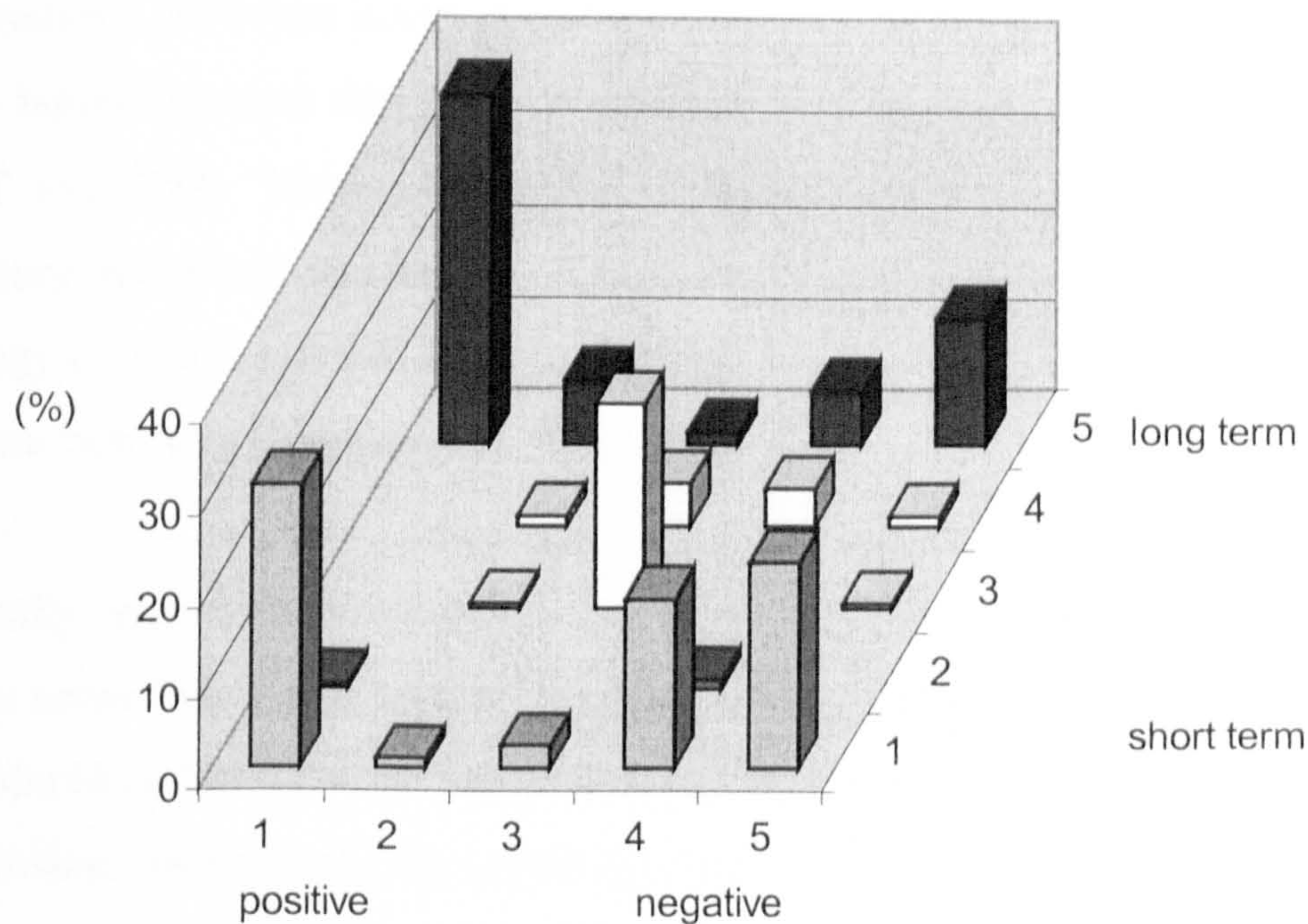


Figure 11.17: Impacts of GATS on CRS (short term and long term)

11.8 SUMMARY

Based on the research findings, several conclusions can be drawn from this analysis.

□ Tourism Policy

The Egyptian government has long recognised the importance of tourism to the country’s national economy and its potential for job creation. It is also increasingly realising the potential trade-off between extensive tourism activity and historical, cultural and natural resources. This realisation has developed into an awareness that tourism development cannot be left to pure market forces. Based on that a national strategy for the tourism sector has been formulated and priority areas and projects have been identified.

The underlining argument of the analysis of this section is that tourism development is often driven by an effective tourism policy that adopted by the government at the macro and micro level.

First, despite the importance of tourism policy in ensuring the success of tourism destinations, a written document on a comprehensive national tourism policy has not been issued yet and therefore development strategies are mainly the work of the MOT and TDA. More importantly, tourism plans in Egypt focus only on tourism numbers, revenues, and length of stay. The tourism policy also lacks the elaborate strategy to achieve its goals. Nevertheless, there is no clear mechanism by which the tourism policy in Egypt could achieve its goals.

Secondly, one of the weaknesses of tourism policy in Egypt is that it is not dynamic in the sense that the changing environment (political, social or economic) must be considered as the policies formulated and implemented. The evidence supports this conclusion, for example, the negative impacts of the Gulf War, terrorism attacks, and the economic crises in East Asian countries.

Third, tourism trade to Egypt is not fully liberalised yet and needs to be liberalised. When designing tourism development policies, the government should identify and take into account all the measures that can potentially limit tourism liberalisation and expansion of tourism. The most important ones which have been identified by the research are: the restrictions on the movement of tourists, restrictions on private investment and foreign investment, restrictions on pricing tourism product and limitations on access to and the use of GDS and CRS.

In summary, while the current tourism strategy is more comprehensive and pragmatic than the previous five-year plan, it is still inefficient to drive tourism development in Egypt. It is also inadequate in terms of providing the integrated plans needed for the stable development of the sector. Tourism policy should be the expression of the State's will and has to be embodied in a legislative document. It should identify and take into account all the measures, which can affect tourism liberalisation.

Related to this, the research investigated the institutional constraints affecting tourism private business in Egypt. From the analysis, it can be concluded that the institutional climate deprives firms of the means to compete in a highly competitive

global market. Trade in tourism in Egypt is distorted multiple governmentally imposed quantitative and non-quantitative barriers, which affect the competitive structure of the tourism market, more importantly, the barriers imposed by the government impact on both travellers and travel business

The most critical elements that should be considered in tourism business development are tax rates and tax administration, dominance of local monopoly in the tourism service and services related to tourism (i.e. transport, communication, insurance), personal mobility and restrictions on ownership. The research concluded that the macroeconomic and institutional environment seems to be responsible for the unsatisfactory performance of the tourism private sector in Egypt.

□ GATS and Tourism

The results revealed that Egypt was influenced by the political issues more than potential gains from liberalisation in signing the agreement. The question arises as to what extent the macroeconomics environment in Egypt offers the necessary conditions for liberalisation and tourism development? The results revealed that despite government efforts to improve the business environment in Egypt, it is still far below the level needed to liberalise the market and foster Egyptian integration in the world market economy and to ensure economic growth through liberalisation.

Egypt is less committed to liberalising the service industry through GATS. It signed for only four sectors, while the world average is 7.8 sectors. Moreover, GATS commitments in tourism are fairly restrictive with many exemptions to market access and national treatment. Moreover, Egypt commitments under the GATS are quite limited compared to its commitments under the current economic reform and structural adjustment programme. Results revealed that liberalisation of the tourism industry through market access and national treatment can only be achieved if commitments are made on a combination of the relevant modes.

Interestingly, the results revealed that Egypt's commitments under the GATS regarding the liberalisation of tourism services are quite limited compared to its commitments under the current Economic Reform and Structural Adjustment

Programme. This again suggests that Egypt has signed the WTO and its agreements for political issues rather than economic issues.

Furthermore, Egypt did not present any commitments in services, which are highly related to the development of the tourism industry, such as communication, business, and distribution services. The research argues that only by comprehensive coverage of all commitments area in sectors related to tourism can policy-makers and operators be sure that tourism is completely included and is effectively liberalised. This again distorts the overall perception of tourism liberalisation in Egypt.

Many services in Egypt are of low quality and/or high cost, in part of state monopolies or state-dominated oligopolistic market structure. Lack of competition has resulted in poor quality and high costs. Users of these services in tourism sectors are put at a competitive disadvantage because of low quality and high cost. Based on that, liberalise trade in services will improve efficiency in these sectors through competition, which will improve the quality of tourism services.

To conclude, the degree of liberalisation of trade in services in general and in tourism services in particular under the GATS is not sufficient to improve efficiency and drive economic growth. Any meaningful reform must rely mainly on efforts undertaken domestically. Moreover, Egypt's efforts to liberalise the service industry and tourism services through the WTO and GATS must be reinforced with a strong belief in the benefits of free trade.

□ Impacts of GATS

To a large extent, the impacts of GATS depend on the commitments made by Egypt, given that Egypt's GATS commitments are quite limited. The overall assessment of the impacts of GATS on tourism development in Egypt is ambiguous.

Liberalisation of trade in tourism under the GATS and allowing foreign firms to establish in the Egyptian market are not enough to develop the tourism sector. Further efforts are therefore required at the domestic level to improve competition in the tourism industry and regulatory reform.

While the overall assessment of the impacts of GATS on tourism development in Egypt is limited, they differ from one sub-sector to another. Results revealed that GATS will positively affect, in both the short and long term, the number of tourists, as well as increasing hotel business. In terms of tourism revenues and its share to the Egyptian economy, it will take time to feel its benefits. There is concern about the “leakage factor” in tourism, that part of the tourist revenue that leaves the country to pay for imports consumed by the tourism sector.

Results show very significant negative impacts on the travel agencies business in Egypt, which are highly fragmented and whose business performance is very low and unsatisfactory. They will face fierce competition from big companies. By the same token, airlines will face tough competition especially in the short term, which will slow down their business.

The tourism private sector in Egypt is insufficient to drive tourism development and far behind the tourism private sector in other countries. The challenges for Egypt to benefit from tourism liberalisation include encouraging the role of the private sector and facilitating domestic and foreign investment.

Competitiveness, Egypt’s ultimate aim, is best achieved through a comprehensive reform agenda. Long term determinants of competitiveness will include technology acquisition, openness to investment, human capital development, and efficient institutions that govern the economic activity in Egypt.

CHAPTER TWELVE

PERCEPTIONS OF THE TOURISM LIBERALISATION AND GATS PROCESS

12.1 INTRODUCTION

Underpinning the drive towards service liberalisation is the fairly well accepted economic literature that competition and liberalisation of markets (for goods and services) provide the best environment for the allocation of resources. Starting from the premise that it takes a combination of economic and institutional reforms to begin implementing liberal policies, the purpose of this chapter is to examine the perceptions of the community groups (government, private enterprises and tourism experts) on tourism liberalisation and the GATS process in Egypt, in order to identify similarities and differences in their views towards tourism liberalisation. It is hoped that by achieving a better understanding of the community's views, the research can determine the extent to which the community groups support tourism liberalisation and specify the forms of tourism liberalisation most favoured by the community.

The chapter is divided into three sections. Section one investigates the perception of the community groups with respect to tourism liberalisation and compares the ratings of the three groups in order to identify differences in their perceptions.

Section two explores the opinions of the three groups with respect to the foreign trade policy in Egypt (WTO and GATS), and presents a proposal for further tourism liberalisation policy for the tourism sector.

Section three presents the perceptions of the three groups on the impacts of GATS on tourism development in Egypt.

The statistical measures of association used in this chapter were t-test, ANOVA, and χ^2 .

12.2 SECTION ONE: TOURISM LIBERALISATION

12.2.1 PERCEPTIONS OF TOURISM LIBERALISATION

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;
- Policy changes towards liberalisation;
- Constraints facing tourism investment.

An examination of the data revealed generally positive views towards liberalisation. As table 12.1 shows, the three groups favoured tourism liberalisation (Mean = 1.84) because they feel it will ease the flow of tourists, information and capital across boundaries (81.8% of respondents agreed or strongly agreed that tourism trade to Egypt should be liberalised).

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, competition will enhance quality, which is increasingly demanded by international tourists. Respondents stated 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.

Furthermore, 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%).

Although liberalising foreign investment is identified as one of the important ways to liberalise tourism trade and to open up the market for competition, as well as one of the main objectives of the GATS, 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.
- **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.

Table 12.1: Overall Response to Tourism Liberalisation Statements
(Section I. Concept of Liberalisation)

	1*	2	3	4	5*	Mean	Std.
I. Concept of Liberalisation	%	%	%	%	%		
1. International tourism trade to Egypt should be liberalised and all trade barriers should be removed.	34.3	47.5	18.2	-	-	1.84	.71
2. Tourism liberalisation means foreign investment.	44.9	37.9	11.6	5.6	-	1.78	.86
3. Tourism liberalisation means foreign management.	52.5	30.3	12.6	4.5	-	1.69	.86
4. Tourism liberalisation means liberalising visa's regulation.	79.8	15.7	4.5	-	-	1.25	.53
5. Tourism liberalisation means free pricing system	55.6	28.3	13.6	5.1	-	1.68	.89
6. Tourism liberalisation means transparency of information.	56.6	28.3	12.1	3.0	-	1.62	.81
7. The current policy of liberalisation is effective.	-	3.0	69.7	27.3	-	3.24	.50

1* = strongly agree, 5* = strongly disagree

Regarding the policy change statements, more than 88% of respondents declared that in 1990, Egypt began implementing far-reaching macroeconomic reforms to create a more competitive and market-based economy. Respondents expressed positive opinions on the policy changes in Egypt with respect to the changes in the international trade policy worldwide. There is a major perception among respondents that after decades of state domination of economic activity, Egypt began implementing liberal policies to allow the private sector to lead economic growth. The government is becoming less engaged in the direct provision of goods and services, while becoming more active in developing markets, creating supporting institutions and providing safeguards to ensure equitable distribution. Therefore, the Standard Deviations of these statements are moderate, indicating a consensus of respondent's opinions on the positive changes of trade policy in Egypt (see table 12.2).

In contrast, government policy regarding tourism liberalisation was criticised for being inefficient, only 16.2% agreed that tourism legislation/regulations were changed with respect to Egypt signing the GATS agreement.

Table 12.2: Overall Response to Tourism Liberalisation Statements
(Section II. Policy Changes)

	1*	2	3	4	5*	Mean	Std.
II. Policy changes	%	%	%	%	%		
8. Egypt has moved towards privatisation since 1990.	55.1	20.2	10.6	2.5	11.6	1.55	.81
9. Egypt adopted a new economic removal policy.	33.3	55.1	-	-	11.6	1.62	.49
10. Egypt changed its investment policy with respect to the changes in the international trade policy worldwide.	60.1	23.2	4.5	.5	11.6	1.38	.61
11. Egypt changed its integration policy with respect to the changes in the international trade policy worldwide.	45.5	33.3	2.5	7.1	11.6	1.67	.87
12. Egypt changed its monetary policy with respect to the changes in the international trade policy worldwide.	37.4	37.9	8.6	4.5	11.6	1.78	.82
13. Egypt changed its tariff policy with respect to the changes in the international trade policy worldwide.	21.7	49.0	14.6	3.0	11.6	1.99	.74
14. Egypt changed its quality control policy with respect to the changes in the international trade policy worldwide.	27.8	39.9	8.1	12.6	11.6	2.06	.99
15. Egypt changed its air transport policy	19.7	39.4	11.6	17.7	11.6	2.31	1.03

1* = strongly agree, 5* = strongly disagree

Regarding the constraints of tourism development, the vast majority of respondents suggested that tourism investment in Egypt faces many institutional constraints that affect tourism development in the country. More than 85% of respondents pointed out that taxation rules, unfair competition, monopoly and limitations on number of service suppliers are the main obstacles to the private investment in Egypt (see table 12.3).

Table 12.3: Overall Response to Tourism Liberalisation Statements (Section III. Constraints for Tourism Investment)

	1*	2	3	4	5*	Mean	Std.
III. Constraints for tourism investment*	%	%	%	%	%		
16. Discrimination in licensing and qualification requirements is a constraint for tourism development.	16.2	35.7	31.8	6.5	9.7	2.58	1.04
17. Dominance of local monopoly is barrier for tourism development.	74.7	11.0	3.9	0.6	9.7	1.60	1.24
18. Restrictions on movement of personal mobility are barriers for tourism industry.	34.4	37.0	14.3	4.5	9.7	2.18	1.23
19. Restrictions on ownership are constraints for tourism development.	18.2	50.0	19.5	2.6	9.7	2.36	1.11
20. Nationality and residency requirements are barriers for tourism development.	10.4	51.9	23.4	3.9	10.4	2.52	1.08
21. Limitations on number of services suppliers are barriers for tourism business.	61.7	18.8	7.1	2.6	9.7	1.80	1.28
22. Limitations on the type of the legal form requested to operate are constraints for tourism business.	27.9	37.7	18.2	5.8	10.4	2.33	1.24
23. Taxation rules are constraints facing tourism industry	85.7	5.2	0.6	8.4	-	1.40	1.13
24. Unfair competition is barrier for tourism development	68.8	20.1	2.6	8.4	-	1.59	1.15
25. Legal measures are barriers for tourism business	-	14.3	80.7	5.0	-	1.91	.43
26. Administrative burdens are constraints facing tourism industry	-	87.1	12.9	-	-	1.13	.34
27. Unsafe environment is barrier for tourism development	-	2.1	5.0	92.9	-	2.91	.36

1* = strongly agree, 5* = strongly disagree

*Statements only directed to private enterprises and tourism experts.

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 (see figure 12.1).

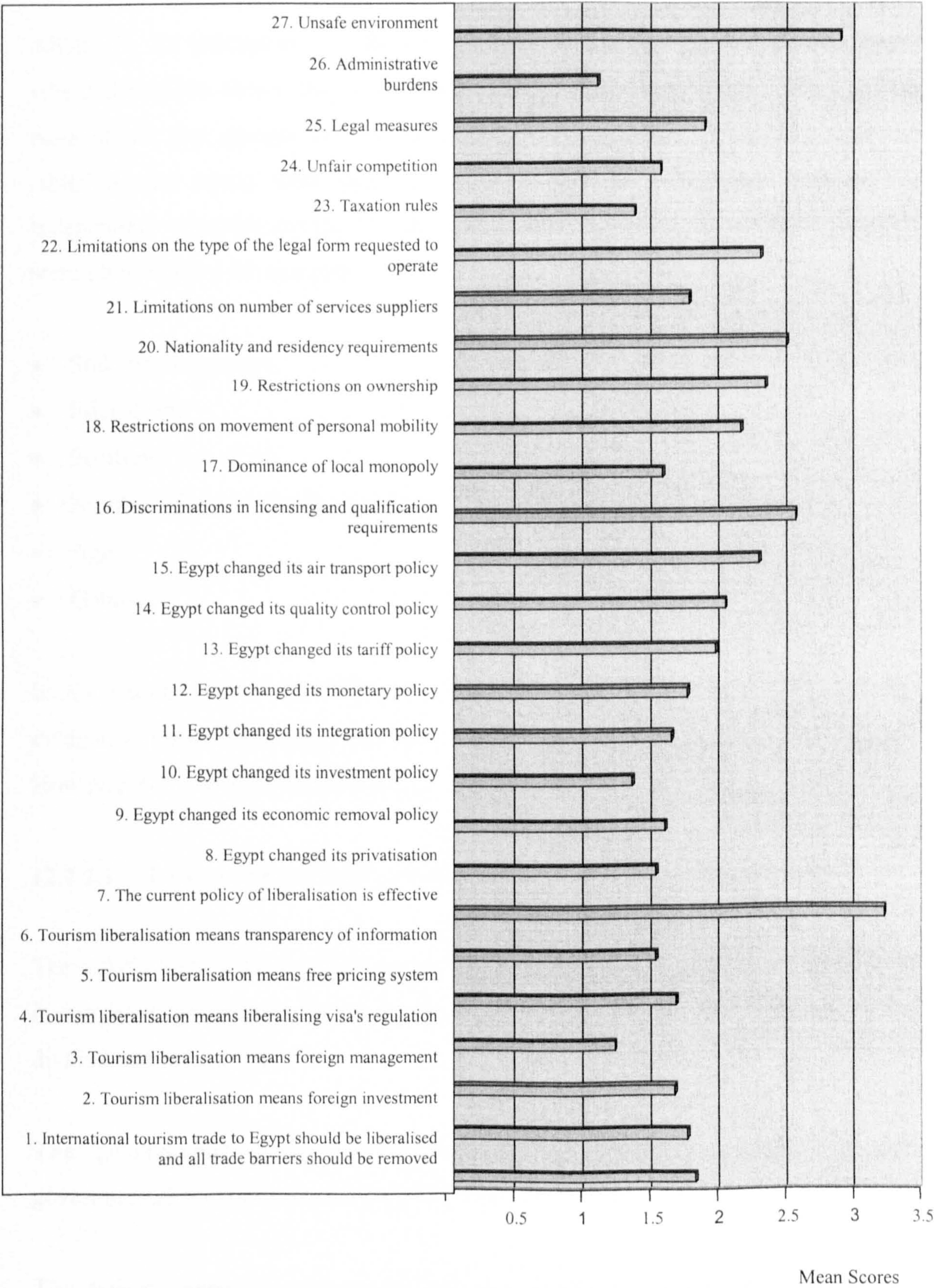


Figure 12.1: Mean Scores for the Total Sample (27 Liberalisation Statements)

12.2.2 SINGLE EXPLANATORY FACTORS AFFECTING GROUPS PERCEPTIONS

Although, the perceptions of the total sample on tourism liberalisation in Egypt revealed positive views, they may differ because of various factors. Many studies have stated that groups are not necessarily homogeneous. Therefore one-way ANOVA and t-tests were used to identify significant differences between the independent variables and the 27 Likert scale statements. Six independent variables were identified by the research:

- Stakeholder groups;
- Education;
- Position;
- Number of years with the company;
- Age;
- Gender.

In the results of the ANOVA and t-tests, not many statistical differences were evident, as respondents displayed quite a high degree of similarity in their responses. However, some groups presented some differences.

12.2.2.1 Perceptions of Tourism Liberalisation by Stakeholder Groups

The stakeholders were divided into groups and sub-groups. Three main groups were investigated: government, private enterprises, and tourism experts. They are further divided into sub-groups:

The government group was divided into governmental organisation, non-governmental organisation and the public sector.

The private enterprises were divided into hotels, travel agencies, airlines and guides. Of hotels, three categories were investigated (five stars, four stars and three stars). Of travel agencies, the research also investigated three categories (A, B, and C).

A. Perceptions by Group

The results revealed significant differences among the three main groups' attitudes towards tourism liberalisation. It can also be concluded from the results that stakeholder groups were the best discriminators of attitudes towards tourism liberalisation among the six independent variables used.

They were discriminators for 8 of the statements:

1. Tourism liberalisation means free pricing system;
2. Tourism liberalisation means transparency of information;
3. The current policy of liberalisation is effective;
4. Egypt changed its integration policy with respect to the changes in the international trade policy world-wide;
5. Egypt changed its monetary policy with respect to the changes in the international trade policy world-wide;
6. Egypt changed its air transport policy;
7. Nationality and residency requirements are barriers for tourism development;
8. Limitations on number of services suppliers are barriers for tourism business.

The attitudes of the government group towards liberalisation were significantly different from the other two groups. Almost 81% of the government group agreed and strongly agreed that tourism trade to Egypt needs to be liberalised, while almost all of the tourism experts agreed (54.3% strongly agreed and 45.7% agreed), followed by 80% of the private enterprises. Furthermore, the government group was also less likely to agree that tourism liberalisation means:

- Free pricing system (27.3%);
- Free foreign management (40.9%);
- Transparency of information (27.3%).

On the other hand, the majority of tourism experts (87.6%) perceived the pricing system, foreign management (78.5%) and transparency of information (85.7%) as

important factors affecting tourism liberalisation. Although private enterprises were less positive about the three factors affecting tourism liberalisation, they are significantly more positive than the government group (62.1%, 53.6%, and 62.9% respectively) (see figure 12.2).

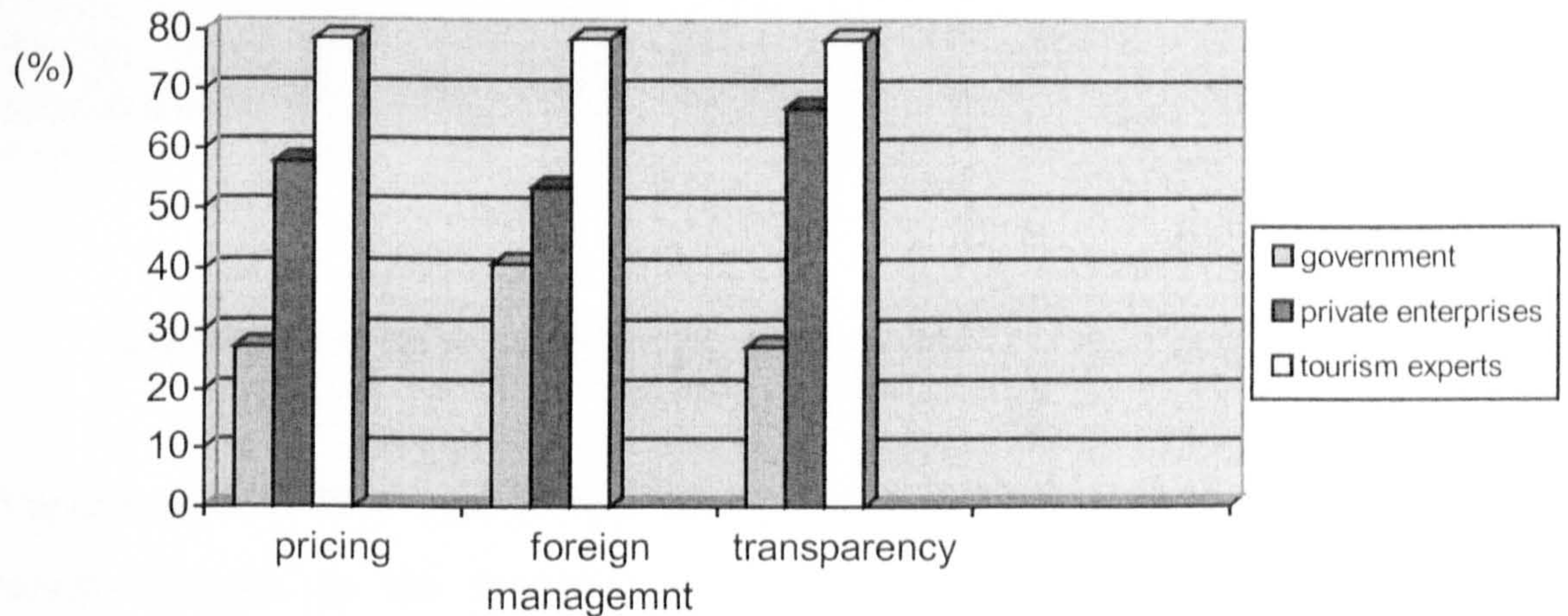


Figure 12.2: Factors Affecting Tourism Liberalisation by Group

Given the importance of tourism policy for liberalisation, the overall response to the level of effectiveness of the current level of liberalisation in the tourism policy of Egypt was moderate (Mean = 3.24). On the other hand, the attitudes of private enterprises and tourism experts were more negative about the effectiveness of the current tourism policy for liberalisation in Egypt than the government with 33.6% and 21.4% of private sector and tourism experts respectively being negative, compared to only 9.1% of the government group. Moreover the government group was the only group to respond positively to the level of effectiveness of the policy (13.6%). Therefore, the private sector and tourism experts agree that the government needs to realise the need for a greater focus on tourism policy in Egypt (see figure 12.3).

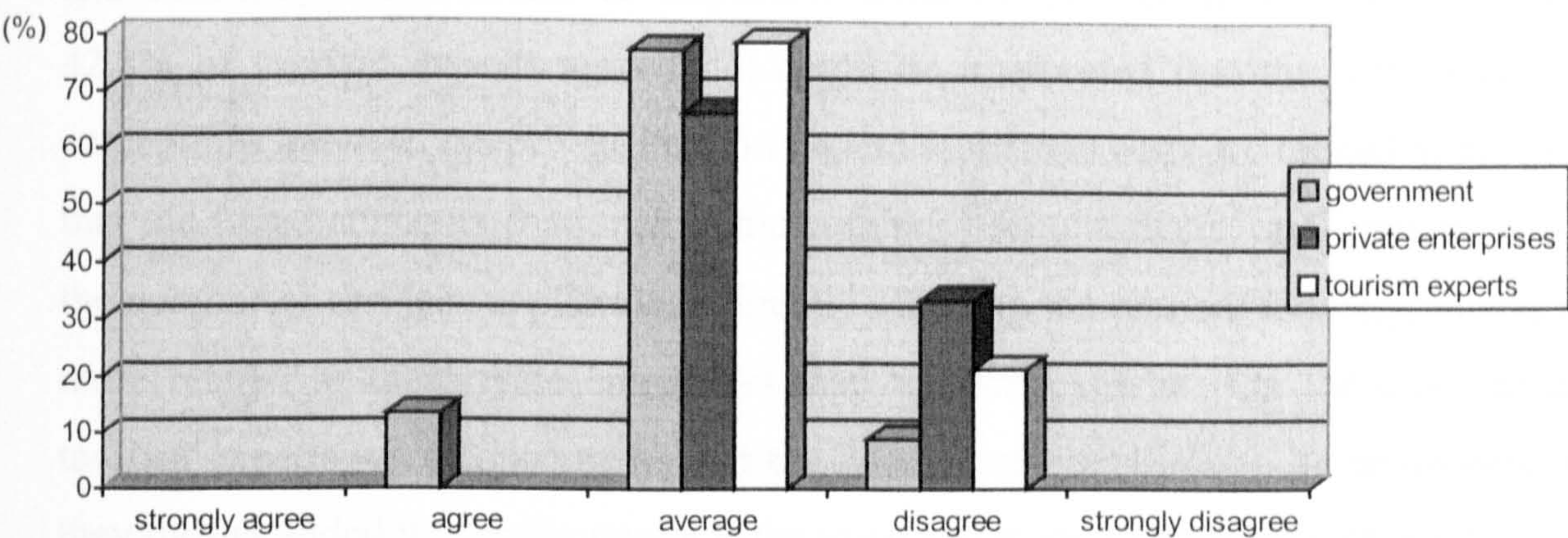


Figure 12.3: Level of Effectiveness of the Policy by Groups

When asked whether they agreed that "Egypt has changed its policy with respect to the recent changes in the structure of the world trade", the majority of the government group answered positively. They agreed that significant changes covered the following policies:

- Privatisation;
- Economic removal policy;
- Investment policy;
- Integration policy;
- Monetary policy;
- Air transport policy.

However, a lower proportion of private enterprises and tourism experts felt that much has been done for the integration policy, monetary policy and air transport policy.

Regarding the constraints of tourism investment (statements were only directed to the private enterprises and tourism experts) (t-test was used to identify the significant differences between the two groups), nationality and residency requirements, and limitations on the number of service suppliers were the only two statements affected by different groups. 83.6% of private sector strongly agreed and agreed (64.3% and 19.3% respectively) that limitations on the number of service suppliers are important constraints to tourism investment, while only 50% of tourism experts agreed and strongly agreed. In addition, almost 64.3% of the private sector viewed nationality

and residency requirements as important obstacles to tourism investment, while 42.8% of tourism experts agreed. It could be interpreted that the differences in perceptions between the private enterprises and tourism experts are related to the fact that the two statements (nationality and residency requirements, and limitations on the number of service suppliers) are directly affecting the tourism industry, thus it is more related to the private enterprises than tourism experts. On the other hand, tourism experts were concerned about the impacts of liberalisation on environment, they further added that environment is the main assets for tourism development.

B. Perceptions by Sub-Groups

The results did not reveal any significant differences among the sub-groups of private sector (hotel, travel agencies, airlines and guide services). However, the sub-groups did act as a discriminator of attitudes towards tourism liberalisation for only three of the statements:

- Tourism liberalisation means free pricing system;
- Egypt changed its air transport policy;
- Restrictions on personal mobility are trade barriers for tourism development.

For the statement "tourism liberalisation means free pricing system", 98% of the hotels agreed that free pricing system is an important factor for tourism liberalisation, followed by 85.5% of the travel agencies. On the other hand, only 62% of airlines agreed.

When asked about changes in air transport policy, the majority (97%) of airlines agreed that there have been changes in air transport policy, although a lower percentage of other sub-groups agreed.

Given the importance of human resources for the tourism industry, almost 78.9% of travel agencies agreed that restrictions on personal mobility is an important constraints facing tourism business, followed by 75.2% of the hotels. Surprisingly, only 25% of airlines agreed. This could be related to the fact that air transport has

been already liberalised and airlines are free to establish their branches all over the world and moreover, they are free to have their own employees.

C. Perceptions by Size of Enterprises

The attitudes towards tourism liberalisation are also affected by the size of the enterprise. The results revealed that there were also significant differences between the sub-groups' size. In the hotel group, size of the hotel was a discriminator for 6 of the statements:

- International tourism trade to Egypt should be liberalised and all trade barriers should be removed;
- Egypt changed its investment policy with respect to the changes in the international trade policy world-wide;
- Egypt changed its monetary policy with respect to the changes in the international trade policy world-wide;
- Limitations on number of services suppliers are barriers for tourism business;
- Unfair competition is barrier for tourism development;
- Legal measures are barriers for tourism business.

On average, small hotels were less positive about tourism liberalisation than big hotels. When asked whether they agreed that "tourism trade to Egypt needs to be liberalised" almost 82.7% of the five star hotels answered positively (72.7% strongly agreed and 10.0% agreed), while 45.5% and 58.8% of four star hotels and three star hotels respectively agreed. This could be attributed to the fact that most of the four star and three star hotels are owned and managed by Egyptian, which could explain why they are not interested in tourism liberalisation. On the other hand, five star hotels are mostly managed by foreign companies, who are interested on tourism liberalisation.

For the statement "Egypt has changed its investment policy", five star hotels were more positive (80% agreed), while 63.7% and 76% of the four star and three star hotels respectively agreed. This is because most of the four star and three star hotels

in Egypt are small and medium size businesses and investment policy changes do not affect their business very much.

Of constraints of tourism investment, the size of the hotel was a discriminator for three statements:

- Legal form requested to operate is constraint for tourism development;
- Legal measures are barriers for tourism development;
- Unsafe environment is barrier for tourism development.

Five star hotels were significantly different from four and three star hotels. They argued more frequently that the three statements are important constraints to tourism investment. This again could be attributed to the fact that small hotels in Egypt are more likely to be family businesses and the capital investment associated with their business is not very high.

The category of travel agencies was a discriminator for only two of the statements. The travel agencies category (A) were more positive about tourism liberalisation than other categories, with 93.2% agreeing that tourism trade to Egypt needs to be liberalised, compared with 42.9% and 60% of travel agencies category (B) and (C) respectively.

Moreover, 88.1% of travel agencies category (A) agreed that tourism liberalisation means liberalising foreign investment followed by category (B) (85.7%), while a lower proportion of travel agencies category (C) (60%) agreed.

For the government group (governmental organisation, non-governmental organisation, and public sector), no significant differences were found among the sub-group's attitudes towards tourism liberalisation.

12.2.2.2 Number of Years with the Company

The number of years with the company was only significant as an explanatory variable of attitudes for just four statements:

- Tourism liberalisation means free pricing system;
- Dominance of local monopoly is barrier for tourism development;
- Taxation rules are constraints facing tourism industry;
- Unfair competition is barrier for tourism development.

Almost all respondents with more than 30 years with the company agreed that the pricing system is an important factor affecting tourism liberalisation. Surprisingly, only 20% of respondents who had worked in the company for less than 3 years agreed. This could be attributed to the changes in the business environment in Egypt, or simply lack of awareness and experience. However, as stated in earlier chapters, Egypt has moved towards liberalisation since early 1990s, which has been felt by younger participants.

When asked about the constraints for tourism development, respondents who had worked in the company more than 30 years argued more frequently (87%) that monopoly is an important obstacle to their business. The percentage with the same views was lower for respondents who had worked in the company 1-2 years (33%). This could be attributed to the changes in attitudes between older and younger respondents. Younger respondents tend to be more optimistic about the impacts of liberalisation. Again, it could also be interpreted that respondent who worked in the company for only 1-2 years have less experience, which affect their attitudes.

By the same token, taxation was more frequently viewed by those who had worked in the company over 30 years as a very important obstacle for tourism business (96%), while a lower percentage of respondents who had worked in the company less than 3 years agreed (33%). This is again could be attributed to the lack of experience.

12.2.2.3 Position In the Company

Concerning the position of the respondent in the company, 10 variables recorded significant relationships:

- Tourism liberalisation means foreign investment;
- Tourism liberalisation means liberalising visa's regulation;
- Tourism liberalisation means free pricing system;
- Tourism liberalisation means transparency of information;
- Egypt changed its air transport policy;
- Discrimination in licensing and qualification requirements is a constraint for tourism development;
- Restrictions on ownership are constraints for tourism development;
- Nationality and residency requirement are barriers for tourism development;
- Limitations on number of service suppliers are barriers for tourism development;
- Limitations on the type of the legal form requested to operate are constraints for tourism business.

A moderate contrast of views was found between general managers, owner/managers, and consultants. Although more than 87.6% of consultants agreed that foreign investment is an important liberalisation policy, 81% and 77.7% of general managers and owner/managers respectively agreed, and other positions (sales manager and academic) also recorded positive attitudes towards foreign investment.

For visa regulations, 95.6% of owner/managers suggested more frequently that visa regulation is one of the most important tourism liberalisation policies, followed by academic staff (85.7%). On the other hand, 75% of consultants agreed, followed by the general managers at 73.7%.

Although owner/managers, academic staff and sales manager, agreed that a free pricing system would encourage tourism business (71.1%, 78.6%, and 60.0% respectively), only 25% of consultants agreed. It is important to mention that the consultant's position was held by the government group only. Therefore, it is not

surprising that they did not perceive pricing policy as an important obstacle, as the pricing policy is developed by the government.

When asked whether respondents agreed that "transparency of information is an important factor affecting tourism liberalisation", almost all academic staff agreed and strongly agreed, followed by owner/managers (91%), sales managers (90%), and general managers (80%). On the other hand, consultants were more negative (only 31.3% agreed). This could reflect the government attitudes towards transparency.

With the statement suggesting that there are changes in air transport policy, academic staff were more negative (only 7.1% agreed), followed by owner/managers (17.8%), while consultants were more positive (31.3 % agreed and 31.3% strongly agreed).

When asked about the barriers for tourism investment, the majority of sales manger (65%) followed by academic staff (57.2%) and owner/managers (53.3%) agreed that licensing and qualification requirements is a significant obstacle to tourism business, although 40.3% of general managers agreed. Moreover, 75% of general managers and 73.3% of owner/managers agreed that limitations on ownership are obstacles to investment, while only 57.1% of academic staffs agreed. It could be interpreted that these obstacles directly affect the industry, which explains the high positive response of the general managers and owner/managers. They viewed the removing of these constraints as a priority for the development of their business. On the other hand, academic staff (tourism experts) has a broad vision about the constraints affecting tourism development as a whole (not only the private enterprises), thus could explain the low response rate to the statements dealing with the constraints for tourism development.

In addition, 93.4% of owner/managers agreed and strongly agreed that limitations on number of services suppliers are important obstacles to their business, while 50% of academic staff viewed them as important obstacles, they argued more frequently that limitations on number of services are moderate obstacles to tourism investment. Academics were concerned about the impacts of expanding the number of hotels and other tourism services on the environment.

"Legal form requested" was also viewed by 77% of owner/managers as an important obstacle while only %35.7 of academic staffs agreed. Again this could be related to the nature of the respondents interest.

To sum up, positions of general managers, sales manger, owner/managers and academic staff were favourite foreign investment, visas regulation, pricing policy and transparency policy as important factors affecting tourism liberalisation than consultants. On the other hand, owner/managers and general managers viewed licensing qualification, ownership, nationality and residency requirements, number of service suppliers and legal form requested as important constraints to tourism business than academic staff.

12.2.2.4 Education

A. Education Level

Reliance on education was a discriminator of attitudes towards tourism liberalisation for only four of the statements, this could be attributed to the fact that 98% of the sample have received higher education (35% of them have a post-graduate degree). Therefore, it was expected to find similarities in their opinions.

For the statement, "the current tourism policy of liberalisation is effective", almost 80% of the highly-educated (post-graduate) agreed and strongly agreed that tourism policy in Egypt is not effective, although the proportion for the medium-educated groups (graduate) was less than 69%.

When asked whether they agreed that Egypt had changed its policies towards integration, highly educated and medium-educated respondents were more positive (93.4% and 88.2% respectively), compared to 50% of the less educated group.

With the statement, "Egypt has changed its air transport policy", highly educated group and the medium-educated group agreed. On the other hand none of the less-educated answered positively.

Although the higher educated group was more positive about the air transport policy in Egypt than the less educated group, they agreed that little has been done for the aviation policy. Egypt Air continues its monopoly on domestic air transport, with minimal private sector charter competition. They further added that the air transport sector does not appear to be a priority sector for liberalisation. Respondents also stated that increased competition from foreign carriers would enhance the efficiency of flag carriers and other domestic carriers.

Other countries' experience suggests that there are major gains to be had from the liberalisation of air transport services. For example, the USA Airline Deregulation Act of 1978, which ended four decades of Civil Aeronautics Board (CAB) control of the domestic air passenger industry, has resulted in a relaxation of price and entry regulations. This led to lower airfares and thus to a significant increase in aggregate output. On the other hand, the liberalisation of air transport seemed to have negative as well as positive aspects, as was evident on the 11th of September (the terrorist attack on New York and Washington); this issue will be addressed in more details in the following chapter.

Finally, 58.1% and 77.6% of highly-educated and medium educated respectively agreed that personal mobility is one of the most binding policies affecting tourism development. They argue that the human resources skills of tourism service suppliers play a key role in determining the quality of the services offered. However, the pool of human resources available for tourism in Egypt lacks of skilled and semi-skilled labours at the management level and lower levels.

Unfair competition was also identified by 88.3% and 89.7% of highly educated and medium educated respondents respectively as an obstacle to tourism business, compared with 50% of less educated group.

B. Educational Background

The research also investigated the impacts of educational background of respondents on their perceptions of tourism liberalisation. Interestingly, it was not a significant discriminator for attitudes towards tourism liberalisation. Only one statement was

affected by the educational background of respondents. More than 30% of respondents who have law and business administration background declared that legal measures are important obstacles for tourism business, while other categories registered a lower percentage.

12.2.2.5 Age

Age was not a significant discriminator for section one and two of the 27 Likert statements (concept of liberalisation and policy changes). However, age was a discriminator for three statements of section 3 "constraints for tourism development".

The majority of the younger group (25-34) found that monopoly is only a moderate obstacle for tourism investment, while 96% and 88% of older group (55-over) and (45-54) respectively viewed it as an important obstacle. In addition, the younger group argued more frequently that legal measures are significant barriers to their business (100% of group 25-34 years old), while 89% of (55-over) agreed. Furthermore, the older group argued more often that administrative burdens are important barrier for their business.

12.2.2.6 Gender

No significant association between gender and the attitude towards tourism liberalisation was found.

Overall, the most important factors affecting attitudes towards tourism liberalisation were stakeholder groups (groups and sub-groups) and position in the company. For the remaining single factors (education, number of years with the company, age, and gender), not many significant associations were found.

12.2.3 FACTOR ANALYSIS

To examine the relationships between the 27 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).

Exploratory factor analysis is employed to identify the main constructs, which will explain the inter-correlation matrix between variables with as few factors as possible. A factor explains the variance in the inter-correlation matrix, and the amount of variance explained is known as the Eigenvalue for the factor.

A factor loading is the correlation of a variable with a factor. A loading of ± 0.3 or more is frequently taken as meaningful when interpreting a factor. The literature also indicates that the loading ± 0.4 is considered more important, and if the loadings are ± 0.5 or greater, they are considered very significant. Thus, the larger the absolute size of the factor loading, the more significant the loading is in interpreting the factor matrix.

Communality is the proportion of the variance in each variable, which the factors explain; the higher it is, the more the factors explain the variable's variance.

The interpretation and labelling of factors is not a simple matter. They depend entirely on the discretion and understanding of the researcher. The process of giving meaning to the extracted factors involves substantive interpretation of the pattern of factor loading for the variables in an effort to name each of the factors. Variables with a higher loading influence to a greater extent the name or the label selected to represent a factor.

The process of factor interpretation in this section allowed interpretation to be done up to factor 5. One reason of that is that factor 6 did not have any variables. Moreover, two of the statements failed to meet the criterion $\pm .30$ loading (tourism liberalisation means liberalising tourism management and tourism liberalisation means liberalising visa regulations) and were excluded from the factor analysis.

The results of factor analysis for this section are shown in table 12.4. The principal axis factoring analysis used extracted 6 factors indicating that the 6 factors underlie the scores on the 27 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 three factors account in total for 9.9% of variance; ranging from 4.8% to 1.5%.

The last column presents the communalities (H^2). The variable dealing with administrative burdens, followed by the variable dealing with taxation rules had the highest communalities ($H^2 = .993$ and $.875$ respectively), indicating that these variables explain a higher proportion of the variance than is accounted for, by all the factors taken together. Two items had very low communality, the variable "current tourism policy of liberalisation is effective" ($H^2 = .283$) and "tourism liberalisation means liberalising foreign investment" ($H^2 = .280$), showing that they had little relation to the factors (see table 12.2).

Table 12.4: Factor Analysis Results

	1	2	3	4	5	6	H ²
1. The international tourism trade to Egypt should be liberalised.				.572			.426
2. Tourism liberalisation means foreign investment				.462			.280
3. Tourism liberalisation means free pricing system					.755		.583
4. Tourism liberalisation means transparency of information.					.542		.303
5. The current tourism policy of liberalisation is effective				-.513			.283
6. Egypt has moved towards privatisation since 1990.		.845					.722
7. Egypt adopted a new economic removal policy.		.899					.837
8. Egypt changed its investment policy with respect to the changes in the international trade policy worldwide.		.883					.804
9. Egypt changed its integration policy with respect to the changes in the international trade policy worldwide.		.817					.694
10. Egypt changed its monetary policy with respect to the changes in the international trade policy worldwide.		.825					.705
11. Egypt changed its tariff policy with respect to the changes in the international trade policy worldwide.		.848					.764
12. Egypt changed its quality control policy with respect to the changes in the international trade policy worldwide.		.717					.535
13. Egypt changed its air transport policy		.649					.459
14. Discrimination in licensing and qualification requirements is a constraint for tourism development.	.730						.627
15. Dominance of local monopoly is barrier for tourism development.	.880						.816
16. Restrictions on movement of personal mobility are barriers for tourism industry.	.841						.862
17. Restrictions on ownership are constraints for tourism development.	.891						.839
18. Nationality and residency requirements are barriers for tourism development.	.873						.831
19. Limitations on number of services suppliers are barriers for tourism business.	.851						.747
20. Limitations on the type of the legal form requested to operate are constraints for tourism business.	.827						.704
21. Taxation rules are constraints facing tourism industry	.928						.875
22. Unfair competition is barrier for tourism development	.902						.863
23. Legal measures are barriers for tourism business			.859				.801
24. Administrative burdens are constraints facing tourism industry			.960				.993
25. Unsafe environment is barrier for tourism development				.483			.473
Eigenvalue	7.68	5.42	2.01	1.69	1.50	1.04	
Percentage of variance explained	27.6	19.07	6.2	4.8	3.6	1.5	

- 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%

Factor 1: Institutional Constraints Dimension

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

1. Discrimination in licensing and qualification requirements is barrier for tourism development;
2. Dominance of local monopoly is barrier for tourism development;
3. Restrictions on movement of personal mobility are barriers for tourism development;
4. Restrictions on ownership are barriers for tourism development;
5. Nationality and residency requirements are barriers for tourism development;
6. Limitations on number of services suppliers are barriers for tourism development;
7. Limitations on the type of the legal form requested to operate are barriers for tourism development;
8. Taxation rules are barriers for tourism development;
9. Unfair competition is barrier for tourism development.

They have very high loadings compared to all other factors, ranging from .928 to .730, indicating a high interrelationship of the variables. Variable 23 (taxation rules) 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. For the reason that factor reflects the constraints to tourism investment, it was labelled *institutional 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 investment derived from the 9 variables. This was not unexpected since the literature shows in some studies (Fawzy, 1998b, and Fawzy and Galal, 1997) that institutional constraints are major obstacles to tourism investment, 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 2: Macro-Policy and Regulation Dimension

Although the institutional constraints 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 19.07% of the variance and 8 variables allocated in this factor, they are:

1. Egypt changed its privatisation policy;
2. Egypt changed its economic removal policy;
3. Egypt changed its investment policy;
4. Egypt changed its integration policy;
5. Egypt changed its monetary policy;
6. Egypt changed its tariff policy;
7. Egypt changed its Quality control policy;
8. Egypt changed its air transport policy.

Since this factor incorporates statements dealing with trade policy, it was labelled *macro-policy and regulation dimension*. The majority of respondents supported the view that macro-economic front are needed to correct distortions accumulated from decades of inward-looking policies. In contrast with factor 1, which deals with barriers to liberalisation, this factor introduces solutions for liberalisation and economic growth, through an effective macro-policy structure.

It was noted that the 8 statements were highly correlated with each other, which indicates that the right institutional framework is a key component of a successful liberalisation policy and successful tourism sector. Country case studies (World Bank, 1983; World Bank, 1996; and World Bank, 2000d) suggest that countries where macro-economic reforms have been successful in bringing about sustainable economic growth have also deregulated and liberalised economic activity, strengthened contract enforcement, and built a reputation for making credible

commitment against arbitrary policy reversal. A closer look at these issues indicates that these principles are the main principles of the WTO and the GATS.

Factor 3: Obstacles to Trade

Factor 3 incorporates two statements dealing with trade barriers; therefore, it was labelled *obstacles to trade*. The two variables are:

1. Legal measures are obstacles to tourism development;
2. Administrative burdens are obstacles to tourism development.

Administrative burdens (variable 26) are the most important variable. It has the highest loading in any factor (.960). The two variables are highly correlated to each other. It could be interpreted that the Egyptian economy is over-regulated. According to the literature, over-regulation of inputs (labour, capital, other inputs), outputs (especially exports), and administrative burdens (especially tax administrative) increases the transaction costs of investment and operation of firms. Therefore, it decreases the process of liberalisation. It is also noted that the two variables are negatively correlated, indicating that respondents, who agreed that administrative burdens are major obstacles to trade, did not agree as much that legal measures are a significant constraint to trade.

Factor 4: Tourism Liberalisation Policy Dimension

Five variables are allocated in this factor:

1. International tourism trade to Egypt needs to be liberalised and all trade barriers need to be removed;
2. Liberalisation of tourism means liberalising foreign investment;
3. The current tourism policy of liberalisation in Egypt is effective;
4. Unsafe environment is obstacle to tourism development.

The central issue in this factor is the tourism liberalisation policy; therefore it was labelled *the tourism liberalisation policy dimension*. In this factor we see that three

of the variables are positively related to each other and negatively correlated to the statement (the current tourism policy of liberalisation is effective) and (unsafe environment). Thus it can be interpreted that respondents having supported the three positively related statements had disagreed with the fourth and the fifth negative ones. As a result, respondents who expressed their dissatisfaction with the current liberalisation policy, and that an unsafe environment could affect the process of liberalisation and investment expressed agreement with:

- Tourism trade to Egypt needs to be liberalised;
- Liberalisation of tourism means liberalising foreign investment;
- Liberalisation of tourism means foreign management.

Factor 5: Pricing and Transparency Dimension

Factor 5 is the last factor to be considered in this section. It accounts for 3.6% of the variance. The central issue in this factor reflects a very important fact in tourism liberalisation, which is transparency of information. Transparency is one of the most important principles of the WTO as well as the GATS. It requires all relevant laws, regulations and administrative guidelines affecting trade in services to be published. Therefore, the main objective of transparency is to eliminate the use of direct controls of trade flows, in particular the use of quotas and similar quantitative restrictions. In that sense, transparency will encourage the use of instruments whose economic effects are more visible and more certain. This will allow the markets to operate effectively and therefore efficiently.

For many different reasons, many respondents relate tourism liberalisation to the pricing system, which, in Egypt, is regulated by the government. As discussed in the literature, competition in the tourism industry is driven not just by price and volume, but also by innovation, technology and entrepreneurial management. Nevertheless, price is a major element in the tourists' decision to choose one destination over another. Therefore, there is an overall perception that a free pricing system will allow suppliers to offer a competitive price.

It can be concluded that transparency of information and a free pricing system are specific regulations that affect the operation of tourism business. Therefore this factor is labelled *the pricing and transparency dimension*.

To summarise, the factor analysis shows that the five most important issues in tourism liberalisation are:

- Institutional constraints facing tourism investment;
- Macro-policy and investment regulations;
- Obstacles to trade;
- Tourism policy and tourism liberalisation policy;
- Pricing system and transparency of information.

12.2.4 MULTIPLE REGRESSION ANALYSIS

Multiple regression is the most widely used method for conducting multivariate analysis, particularly when more than three independent variables are involved. The aim of the multiple regression analysis is to identify which of the independent variables are more strongly related to the dependent variables and to estimate the percentage of variance in the factors explained by the independent variables.

Therefore, stepwise multiple regression models were performed between each of the 5 factors as dependent variables and eight independent variables:

- Stakeholder groups (groups and sub-groups);
- Age of the company;
- Education (level and background);
- Position;
- Number of years with the company;
- Number of years in the position;
- Age;
- Gender.

In the stepwise method, the independent variables are entered in steps, with the variable that exhibits the highest correlation with the dependent variable being entered at the first step. This variable must also meet the program's criteria for inclusion in terms of the required F ratio (allow to test the significant level of the correlation).

The variable that exhibits the largest part correlation with the dependent variable (with the effect of the first independent variable partialled out from it) is then entered. In addition, as each new variable is entered, variables that are already in the equation are reassessed to determine whether they still meet the necessary statistical criteria. If they do not, they are removed from the equation.

12.2.4.1 Factor 1: Institutional Constraints Dimension

Table 12.5 shows the results of the multiple regression analysis for factor 1. Five independent variables were eliminated from the equation by the procedure chosen for including variables in the analysis (the stepwise procedure) because they failed to conform to the criteria for inclusion operated by the stepwise procedure (F ratio was not significant).

In the table, column one shows the nine variables that form factor 1 and the independent variable that shows significance in each dependent variable.

Column two is R^2 (multiple correlation) sometimes called (coefficient of determination) which measures the percentage of total variation of each dependent variable explained by the independent variables. The model explaining the limitations on number of services suppliers performed much better than all others, explaining 15% of the variance. The next model explaining a high amount of variance was the restrictions on movement of personal mobility (11%) followed by the restrictions on ownership (10.9%). The other six models had a lower prediction ranging from 10.6% for the dominance of local monopoly to 8.6% for the taxation rules.

Column three shows the F ratio and the significance level (ANOVA), which is based on the multiple correlation (R^2) for the analysis. The F ratio test allows the researcher to test the null hypothesis that the multiple correlation is zero in the population from which the sample was taken (the significance level). By using the F ratios all the nine regression models have shown significance.

Column four presents the beta (β) coefficient that shows the relative effect of each independent variable on each dependent variable (regression coefficient).

Column five presents the t value (t) and its significance level. T values explain the correlation between the dependent variable and the independent variables (t-test statistics).

The results show that age of the company was the best contributor, making prediction for 8 out of the nine variables that form factor 1. The older companies were more concerned about taxation rules ($\beta = .217$) and the limitations on number of service suppliers ($\beta = .421$), followed by restrictions on ownership ($\beta = .356$) and restrictions on movement of personal mobility ($\beta = .351$). On the other hand, they were less concerned about the impacts of the legal form requested to operate ($\beta = .232$) and the discrimination in licensing and qualifications requirement ($\beta = .314$) on the tourism business.

Another predictor was "the number of years that respondents had worked in the company". The results revealed that the longer the period with the company, the more concerned respondents were about discrimination in licensing and qualifications requirements ($\beta = -.279$) and the taxation rules ($\beta = -.264$). Limitations on number of service suppliers and restrictions on ownership registered the lowest β value, indicating that "the number of years in the company" does not significantly affect the perceptions of respondents ($\beta = .194$).

Position in the company was also a predictor for only two of the nine variables that form factor 1. Owner/managers were more concerned about discrimination in licensing and qualification requirement ($\beta = -.202$), while general managers argued

more frequently that limitations on the type of the legal form requested to operate is an important constraint to tourism investment ($\beta = .180$).

Table 12.5: Multiple Regression Analysis (Factor 1)

Variables	R ²	F		β	T. test	
		Ratio	Sig.		Value	Sig.
Discrimination in licensing and qualification requirements is barrier for tourism development.						
Position in the company	.041	6.434	.012	-.202	-2.537	.012
Dominance of local monopoly is barrier for tourism development.						
Age of the company	.041	6.488	.012	.314	3.742	.000
Number of years with the company	.106	11.022	.001	-.279	-3.320	.001
Restrictions on movement of personal mobility are barriers to tourism investment.						
Age of the company	.068	11.030	.001	.351	4.182	.000
Number of years with the company	.110	7.212	.008	-.225	-2.685	.008
Restrictions on ownership are barriers to tourism investment.						
Age of the company	.077	12.698	.000	.356	4.246	.000
Number of years with the company	.109	5.422	.021	-.195	-2.328	.021
Nationality and residency requirements are barriers for tourism development.						
Age of the company	.056	8.969	.003	.319	3.770	.000
Number of years with the company	.092	5.989	.016	-.207	-2.447	.016
Limitations on number of services suppliers are barriers for tourism development.						
Age of the company	.118	20.360	.000	.421	5.143	.000
Number of years with the company	.150	5.579	.019	-.194	-2.362	.019
Limitations on the type of the legal form requested to operate are barriers to tourism development.						
Age of the company	.070	11.367	.001	.232	2.958	.004
Position in the company	.101	5.261	.023	-.180	-2.294	.023
Taxation rules are barriers to tourism development.						
Age of the company	.027	4.264	.041	.217	3.193	.002
Number of years with the company	.086	9.665	.002	-.264	-3.109	.002
Unfair competition is barrier for tourism development.						
Age of the company	.047	7.485	.007	.310	3.663	.000
Number of years with the company	.092	7.557	.007	-.233	-2.749	.007

12.2.4.2 Factor 2: Macro-Policy and Regulation Dimension

By using the F ratio, all the nine variables that form factor 2 have shown significance. The model explaining the monetary policy explained the highest

amount of the variance in the equation (12.7%). The other remaining 8 models had a lower amount of variance ranging from 4.4% for "tourism liberalisation means liberalising visas regulations" to 2% for the integration policy.

Gender was the best contributor to the factor, making prediction for 6 out of the 9 variables that form factor 2. As shown in table 12.6, the beta weight of gender was higher for the variable "monetary policy" ($\beta = .278$), indicating that men were more positive about the changes in the monetary policy in Egypt. In the model dealing with the quality control policy gender was the best predictor ($\beta = 1.86$), on the other hand, investment policy and privatisation policy were the least models affected by gender ($\beta = .142$ and $.152$ respectively).

Age of the company was the second predictor in factor 2. Older companies were less positive about the changes in the air transport policy ($\beta = -.155$) followed by the changes in the integration policy ($\beta = .141$).

Position in the company, stakeholder groups and sub-groups were indicators for only one variable each. General managers and owner/managers suggested more frequently that liberalisation of visas regulation is an important factor affecting tourism development ($\beta = -.211$).

In the model dealing with monetary policy, the stakeholder groups were the best predictors. The high beta weight ($\beta = .425$) indicates that consultants perceived the changes in monetary policy as an important macro-economic policy that affects tourism development. In addition, hotels were more positive about the changes in the monetary policy ($\beta = .314$).

Table 12. 6: Multiple Regression Analysis (Factor 2)

Variables	R ²	F		β	T. test	
		Ratio	Sig.		Value	Sig.
Tourism liberalisation means liberalising visas' regulation						
Position in the company	.044	9.116	.003	-.211	-3.019	.003
Egypt changed its privatisation						
Gender	.023	4.610	.033	.152	2.147	.033
Egypt adopted new economic removal policy						
Gender	.029	5.907	.016	.171	2.431	.016
Egypt changed its investment policy						
Gender	.020	4.057	0.045	.142	2.014	.045
Egypt changed its integration policy						
Age of the company	.020	3.956	.048	-.141	-1.989	.048
Egypt changed its monetary policy						
Gender	.072	15.103	.000	.278	4.135	.000
Stockholder sub-groups	.098	5.643	.018	-.425	-3.441	.001
Stockholder groups	.127	6.452	.012	-.314	-2.540	.012
Egypt changed its tariff policy						
Gender	.033	6.651	.011	.181	2.579	.011
Egypt changed its quality control policy						
Gender	.035	7.015	.009	.186	2.648	.009
Egypt changed its air transport policy						
Age of the company	.024	4.807	.030	-.155	-2.193	.030

12.2.4.3 Factor 3: Obstacles to Trade

A closer look at the coefficient of determination (R²) in factor 3 indicated that the model explaining the administration burdens performed better than legal measures model, explaining 18.7% of the variance.

Table 12.7 shows that age of the company was the best predictor for the variable deals with the administrative burdens (β = -.308). The older and medium age companies suggested more frequently that administrative burdens are significant obstacles to tourism industry in Egypt.

In addition, age of respondents was the best predictor for the variable "legal measures" (β = .278), indicating that the older group suggested more frequently that legal measures is an obstacle to tourism development.

Education background also showed significance. In the model dealing with legal measures, education background was the least predictor. The beta weight for education background was small ($\beta = .176$), indicating that less educated people were more negative about the legal measures as trade obstacle.

Four independent variables were eliminated from the equation by the procedure chosen for including (the stepwise procedure), because it failed to meet the criteria for inclusion (F ratios was not significant).

Table 12.7: Multiple Regression Analysis (Factor 3)

Variables	R ²	F		β	T. test	
		Ratio	Sig.		Value	Sig.
Legal measures are obstacles to tourism development						
Stockholder sub-groups	.069	10.246	.002	-.180	-2.163	.032
Age	.108	6.022	.015	.278	3.330	.001
Age of the company	.140	4.996	.027	-.194	-2.391	.018
Education background	.168	4.508	.036	-.176	-2.123	.036
Administrative burdens are obstacles to tourism development						
Age	.065	9.572	.002	-.299	-3.696	.000
Age of the company	.152	14.167	.000	.308	3.855	.000
Stockholder sub-groups	.187	5.772	.018	.188	2.402	.018

12.2.4.4 Factor 4: Tourism Liberalisation Policy Dimension

By using F ratios, 3 out of the five regression models that form factor 4 have shown significance. Two models (international tourism trade to Egypt need to be liberalised and safe environment) did not make any significant predictions and are not presented in the analysis.

The model "the current tourism policy of liberalisation is effective" presents the best relationship between the dependent variable and the independent variable ($R^2 = .100$), implying that 10% of the variance in the model was explained by the dependent variables in the equation.

Educational background and stakeholder groups were the best contributors to factor 4. Respondents with an economic or business administration background argued

more frequently that liberalising foreign investment would positively affect tourism industry in Egypt ($\beta = .145$).

Furthermore, education background was a predictor to the model dealing with liberalisation of management ($\beta = .155$), the positive value of beta indicates that liberalising foreign management will contribute positively to the development of the industry.

In the model dealing with the effectiveness of tourism policy in Egypt, consultants were more positive about the level of the effectiveness of the policy ($\beta = -.316$), while other positions were more negative about the level of effectiveness of the policy. They argued more frequently that tourism policy in Egypt is not effective and needs to be modified.

Level of education, number of years with the company, number of years in the position and age did not make any significant prediction; therefore they were removed from the equation (see table 12.8).

Table 12.8: Multiple Regression Analysis (Factor 4)

Variables	R ²	F		β	T. test	
		Ratio	Sig.		Value	Sig.
International tourism trade to Egypt needs to be liberalised						
Liberalisation of tourism means liberalising foreign investment,						
Education background	.021	4.232	.041	.145	2.057	.041
Liberalisation of tourism means foreign management						
Education background	.024	4.854	.029	.155	2.203	.029
The current tourism policy of liberalisation in Egypt is effective.						
Stockholder groups	.100	21.673	.000	-.316	-4.655	.000
Unsafe environment is obstacle to tourism development.						

12.2.4.5 Factor 5: Pricing and Transparency Dimension

Two variables form factor 5: pricing system and transparency of information. The model explaining the pricing system explained the highest amount of the variance (21.7%). On the other hand, transparency explained 15.6% of the variance.

In the model "pricing system" stakeholder groups were the best indicators ($\beta = .474$). The high value of beta indicates that different groups have different perceptions towards the pricing system in Egypt. Private enterprises and tourism experts argued more frequently that the pricing system in Egypt negatively affects the competitiveness of the tourism product, although the government group did not agree.

Furthermore, stakeholder groups were also a significant predictor to the model dealing with transparency of information ($\beta = .999$), indicating that the transparency of information was highly affected by the activity of the group. Tourism experts and private enterprises suggested more frequently that transparency of information is an important factor affecting tourism investment, and more specifically foreign investment in Egypt

In addition, stakeholder sub-groups were also significant indicators to the same model (transparency of information) ($\beta = .672$). The results revealed that hotels and travel agencies were more positive about the impacts of transparency of information on tourism liberalisation.

Table 12.9: Multiple Regression Analysis (Factor 5)

Variables	R ²	F		β	T. test	
		Ratio	Sig.		Value	Sig.
Pricing system						
Stockholder groups	.164	38.407	.000	.474	7.170	.000
Age	.217	13.345	.000	-.242	-3.653	.000
Transparency of information						
Stockholder groups	.124	27.650	.000	.999	4.072	.000
Stockholder sub-groups	.156	7.501	.007	.672	2.739	.007

12.2.5 INFLUENCE OF INDEPENDENT VARIABLES ON FACTORS

The previous section investigated the influences of the independent variables on each dependent variable that form the five factors (26 variables). In this section, the researcher attempts to analyse the impacts of the independent variables on the five factors (dependent variables) in order to identify which of the independent variables are more strongly influence the factors and to evaluate the percentage of variance in

the factors explained by the independent variables. Therefore, stepwise multiple regression models were utilised.

As table 12.10 shows, the coefficient of determination (R^2) for the model explaining the institutional constraints dimension (factor 1) performed much better than all other models, explaining 18.7% of the variance. The next model explaining a high amount of variance was the obstacles to trade dimension (factor 3) (16.8%) followed by the model dealing with the pricing and transparency dimension (factor 5) (15.6%). The other two models had a lower prediction (12.7% for the macro-policy and regulation dimension and 10% for tourism liberalisation policy dimension).

The results revealed that age of the company, stakeholder groups and sub-group were the best contributor, making a prediction for three out of the five factors.

Age of the company was the best predictor for the model dealing with the institutional constraints dimension. The older companies perceived negatively the institutional constraints ($\beta = .315$) followed by the obstacles to trade ($\beta = .251$), although they were more positive for the macro-policy and regulation ($\beta = .148$).

In the model dealing with pricing and transparency, stakeholder groups were the best predictors ($\beta = .736$), indicating that the private enterprises and tourism experts perceived more favourably the liberalisation of the pricing system and the transparency of information.

Moreover, activity by group influenced the model dealing with the macro-policy and regulation. The high beta value ($\beta = -.425$) indicates that the government group was more positive about the macro-policy in Egypt.

In addition, in the model dealing with tourism liberalisation policy, stakeholder groups were the best predictors ($\beta = -.316$), indicating that the government group argued more frequently that tourism liberalisation policy in Egypt is effective, while tourism enterprises and tourism experts group did not agree.

Stakeholder sub-groups were predictors to three models. In the model dealing with the pricing and transparency of information, stakeholder sub-groups were high predictors ($\beta = .672$), implying that hotels and travel agencies suggested more frequently that liberalisation of pricing system in Egypt and the transparency of information affecting positively the tourism liberalisation policy in Egypt.

In the model explaining the macro-policy and regulation, stakeholder sub-groups were strong predictors ($\beta = .314$), indicating that tourism enterprises group and tourism experts were less positive about the recent economic policy in Egypt. Activity by sub-group was also a predictor for the obstacles to trade dimension ($\beta = .184$).

Age was the best predictor in the obstacles to trade model ($\beta = -.288$), suggesting that younger respondents argued more frequently that obstacles to trade are significant barrier to tourism development in Egypt. In addition age, was a predictor for the model explaining pricing and transparency of information ($\beta = -.242$) indicating that younger respondents suggested more frequently the liberalisation of pricing system and the transparency of information.

Position in the company contributed to the institutional constraints model ($\beta = .191$). The small beta value suggested that general managers and owner/ managers were less positive about the impacts of the institutional constraints in Egypt on the tourism development. Furthermore, they were also less positive about the macro-policy and regulation in Egypt ($\beta = .211$).

Number of years with the company was a predictor for only one factor (factor 1). Respondents who worked with the company for a longer time perceived negatively the institutional constraints ($\beta = -.228$).

In the model explaining the obstacles to trade, educational background was a predictor ($\beta = -.176$). Respondents with an economic and business administration background argued more frequently that obstacles to trade in Egypt needs to eliminated, while respondents with tourism background argued that tourism liberalisation policy in Egypt is not satisfactory ($\beta = .155$).

Finally, in the model dealing with macro-policy and regulation dimension, gender was a contributor to the model ($\beta = .185$), implying that younger respondents were less positive about the macro-policy in Egypt.

However, in the five models, the number of years in the position did not make any significant prediction, therefore it was removed from the analysis by the procedure used (stepwise method).

Table 12.10: Influence of Independent Variables on Factors

Factors	R ²	F		β	T. test	
		Ratio	Sig.		Value	Sig.
Institutional constraints dimension						
Position in the company	.071	5.847	.017	-.191	-2.415	.017
Age of the company	.063	15.485	.008	.315	3.862	.000
Number of years with the company	.187	14.557	.005	.228	2.714	.015
Macro-policy and regulation dimension						
Position in the company	.044	9.116	.003	-.211	-3.019	.003
Gender	.035	7.223	.019	.185	2.659	.016
Age of the company	.022	4.381	.039	-.148	-2.210	.039
Stockholder groups	.098	5.643	.018	-.425	-3.441	.001
Stockholder sub-groups	.127	6.452	.012	-.314	-2.540	.012
Obstacles to trade dimension						
Stockholder sub-groups	.128	8.009	.010	.184	-2.590	.025
Age	.086	7.787	.008	-.288	-3.513	.000
Stockholder groups	.146	9.581	.013	.251	3.123	.009
Education background	.168	4.508	.036	-.176	-2.123	.036
Tourism liberalisation policy dimension						
Education background	.024	4.854	.029	.155	2.203	.020
Stockholder groups	.100	21.673	.000	-.316	-4.655	.000
Pricing and transparency dimension						
Activity by group	.144	33.028	.000	.736	5.621	.000
Age	.217	13.345	.000	-.242	-3.653	.000
Stockholder sub-groups	.156	7.501	.007	.672	2.739	.007

12.3 SECTION TWO: GATS AND WTO

12.3.1 PERCEPTIONS OF GATS AND WTO

The world economy is currently witnessing two distinct trends, globalisation and regionalisation, and within this context States as well as companies are pursuing a variety of different strategies in order to become more competitive. The General Agreement on Trade in Services (GATS) became part of the "new world trade order" under the aegis of the World Trade Organisation (WTO).

GATS has universal coverage and includes a comprehensive definition of trade in services comprising four modes of supply. They are: cross-border, consumption abroad, commercial presence and the presence of natural persons, and to these modes the three principles of liberalisation enshrined in GATS (MFN, market access and national treatment) are to be applied.

Therefore, the research investigates the perceptions of community groups of the liberalisation of tourism through GATS. To gain an overall indication of community perceptions, attitudes were examined through a series of statements, which were divided into four sections:

1. Motivations for signing the agreement (Importance of GATS);
2. GATS modes of supply;
3. GATS principles and rules;
4. Inter-sectoral relationship.

12.3.1.1 Motivations for Signing the GATS

For the statements dealing with motivation for signing the agreement, as table 12.11 shows, respondents ranked "to encourage the volume of trade" the highest (75.8% agreed and strongly agreed), followed by membership of the WTO (71.2% agreed and strongly agreed). This shows that Egypt was motivated by the expected gains from liberalisation. As stated in the literature, the main benefits embodied in the GATS are an increase in the economic efficiency of the service sectors of the

signatories brought about by an improvement in domestic resource allocation and greater access to lower-cost/higher-quality service inputs. In addition, a higher level of domestic efficiency will bring with it increased export opportunities.

On the other hand, "increase tourism flow and tourism income" registered a lower percentage (18.7% and 16.2% respectively); this was expected as the majority of respondents argued that tourism had already undergone various forms of liberalisation before the Uruguay Round and the GATS. It is also one of the most liberalised sectors among the service sectors. However, with the changing political environment all over the world after the 11th of September, it is less likely that liberalisation will encourage travelling. As a result, it is expected that travel would be more likely to be intra-regional and therefore, travel outside the region would be less likely. It is also expected that the current attitudes towards travel and tourism are not expected to change in the short term.

The most negative response to the motivation for signing the GATS was "because of partner countries" with 75.3% of respondents giving a score below the mid-point of three (only 11.6% agreed). This was not unexpected for the reason that respondents see the trend towards regionalism as a return to the past. They were concerned that the expansion of regionalism will undermine the multilateral system and weaken its thrust toward liberalisation.

However, as discussed in earlier chapters, there is a role for both regional and multilateral agreements. Today the motives driving agreements are fundamentally different from those in the 1930s, 1950s, and 1960s. Today countries integrate together seeking greater integration in the global economy. In conclusion, regional and multilateral integration initiatives are complements rather than alternatives in the pursuit of more open trade.

Table 12.11: Overall Response to Motivation for Signing the GATS

	1*	2	3	4	5*	Mean	Std.
I. Motivation for signing the GATS	%	%	%	%	%		
1. Egypt signed the GATS for the membership of WTO	43.9	27.3	1.5	10.6	16.7	2.29	1.52
2. Egypt signed the GATS because of some partner countries	1.0	10.6	13.1	6.1	69.2	4.32	1.12
3. Egypt signed the GATS to encourage the volume of trade	50.5	25.3	7.6	3.0	13.6	2.04	1.39
4. Egypt signed the GATS to increase the tourism flow	7.1	11.6	29.8	11.6	39.9	3.66	1.30
5. Egypt signed the GATS to increase tourism income	7.6	8.6	12.1	23.2	48.5	3.96	1.28

1* = strongly agree, 5* = strongly disagree

12.3.1.2 GATS Modes of Supply

As discussed in the literature, the GATS is based on the four modes of supply. The results revealed that 76.3% of respondents were positive about the impacts of consumption abroad on the liberalisation of tourism through GATS. This is not unexpected as tourism services are generally supplied in the recipient country through locally established facilities. Therefore, the consumption abroad mode of supply is the most relevant mode for tourism industry. This explains why the majority of respondents agreed that consumption abroad is an important way of exporting tourism.

Furthermore, respondents were positive about the impacts of commercial presence on tourism liberalisation (75.3% agreed). This reflects the desire of the community group to attract foreign investment in order to stimulate technology transfer, including management know-how, create employment and reduce foreign exchange payments for imported service.

In addition, respondents were quite moderate about the impacts of personal mobility on tourism liberalisation (48.5%). As discussed in earlier chapters, movement of natural persons has been limited to horizontal commitments on the temporary movement of management personnel and specialists linked to commercial presence. This explains why the majority of respondents did not encourage the liberalisation of the tourism industry under this mode. Nevertheless, respondents expressed

contradiction views between the desire to attract or allow the entry of skilled labour and the desire to protect jobs for locals (Standard deviation = .94).

Although cross-border trade has been growing increasingly as a result of the development of telecommunication networks, advances in information technology and the advent of the Internet/electronic commerce, it registered the lowest percentage (41.4%). On the other hand, the rest of the respondents argued that information technology supports intermodal substitution; the potential to provide services electronically cross-border (e.g. tour operators and airlines) could reduce dependence on either commercial presence or movement of natural persons (see table 12.12).

Table 12.12: Overall Response to GATS Modes of Supply

	1*	2	3	4	5*	Mean	Std.
II. GATS Modes of Supply	%	%	%	%	%		
6. Cross border is an important mode of supply	31.3	10.1	14.1	44.4	-	2.72	1.31
7. Consumption abroad is an important mode of supply	59.6	16.7	18.7	5.1	-	1.69	.95
8. Commercial presence is an important mode of supply	52	23.2	12.6	12.1	-	1.85	1.06
9. Personal mobility is an important mode of supply	9.1	39.4	28.3	23.2	-	2.66	.94

1* = strongly agree, 5* = strongly disagree

12.3.1.3 GATS Principles and Rules

For the statements dealing with GATS principles and rules, on average, the results revealed that respondents are not aware of the GATS principles; the high Standard deviation also shows a high dispersion in the respondents' views (Std. = 1.64). The vast majority of respondents (73.9%) agreed that they do not understand the GATS principles and rules, thus they do not know what the implementation of the agreement is, as 76.6% of respondents agreed that the agreement is complicated to use. Moreover, 46.2% of respondents agreed that they did not know about the agreement.

Not surprisingly, 97.3% of respondents stated that they have never considered using the GATS to support their business. Respondents pointed out that the modalities of

scheduling, the overlap between national treatment and market access obligation, the relationship between market access and MFN, and between scheduled commitments and domestic regulation, making the agreement less understandable and moreover, reflect the structural weaknesses of the GATS.

On the other hand, respondents expressed positive views towards the level of understanding of the MFN principles with 65.7% of respondents agreeing that they understand the MFN clause. Similarly, respondents expressed positive views about the willingness to use the GATS principles (market access and national treatment) (60.9%). However, they were moderate about the implication of the MFN principle (only 48% agreed that MFN is helpful for tourism development)

In investigating whether Egyptian companies will benefit from market access, results revealed that there has been a perception among the community group that Egypt is not in a position to benefit from market access opportunities in respect of commercial presence, given the heavy costs of establishment. This was evident as only 31.8% of respondents agreed that investment abroad is a priority for their business (see table 12.13).

Table 12.13: Overall Response to GATS Principles and Rules

	1*	2	3	4	5*	Mean	Std.
III. GTAS principles and rules	%	%	%	%	%		
10. You did not know about GATS	12.6	20.4	26.1	20.7	9.8	2.90	1.21
11. GATS is difficult to understand	33.2	36.4	15.8	14.7	-	2.12	1.03
12. GATS is complicated to use	31.5	29.9	21.7	12.0	4.9	2.29	1.17
13. GATS does not help you in your business	14.7	38.0	21.7	21.2	4.3	2.13	1.10
14. *Have you ever considered using the GATS in support of tourism development?	2.7	97.3	-	-	-	1.97	.16
15. You understand the MFN principle in GATS means	64.1	1.5	5.6	11.6	17.2	2.16	1.64
16. MFN principal is helpful with respect to the tourism industry	44.4	3.5	8.1	22.7	21.2	2.73	1.68
17. You willing to use the GATS principles market access and national treatment for the tourism development	58.7	2.2	3.3	16.3	19.6	2.36	1.71
18. Investment abroad is a priority of your business	25	6	3.3	33.7	32.1	3.42	1.59

1* = strongly agree, 5* = strongly disagree

14*: for statement no.14, 1 = yes, 2 = No.

12.3.1.4 Inter-sectoral Relationships

It is important to realise that the intersectoral relationships are important in the context of liberalisation under the GATS. As discussed in earlier chapters, the structure of the GATS implies that negotiations in the services area are and will be sectoral, and can be expected to be driven very much by the concerns and interests of the major players in each industry.

A potential constraint in the present approach to liberalisation in the GATS relates to the uneven liberalisation commitments or anti-competitive practices in different sectors. For example, tourism operations may be competitively designed but lose market share due to the pricing practices of monopoly transportation providers stop bringing tourists to their markets. Moreover, the subsections of tourism services in the GATS are not entirely focused and in this form they are probably insufficient for tourism policy-makers and services suppliers. Tourism sectors interact with other sectors such as business, distribution, recreational, cultural and sporting service and particularly, transports and communication services.

Respondents stated that only by comprehensive coverage of all commitment areas can policy-makers and operators be sure that tourism is completely included. This is not the case in Egypt, as it signed for only four sectors of the GATS (construction, financial, tourism and transport sectors), leaving out other important sectors.

Transport services. The results revealed that transport services are of special interest to tourism as they are the means, which make travel possible. Respondents ranked the transport service as the most important service related to the tourism industry (99.5%). They argued that growth constraints to the tourism industry in Egypt relate primarily to domestic factors, such as transport. The monopoly of Egypt Air slowed down tourism growth.

Communication services. 96.5% of respondents stated that communication and information technology are prerequisites for the competitiveness of the tourism industry. Communication and information technology not only support the delivery

of tourism services but are also increasingly critical in marketing, reservations or sales, staff training, and the redesign of the tourism service. For example, leisure tourists from developed markets now expect to be able to research tourism destinations on-line, make electronic reservations and travel on a "paper less" electronic ticket.

Financial services. The results revealed that 90.4% of respondents perceived highly positive views towards the impacts of liberalisation of financial services on tourism growth in Egypt. They argued that restrictions on banking and insurance services in Egypt have slowed the development of tourism sector.

Recreational, cultural and sporting services. The focus on the recreational cultural and sporting services as important services for tourism development was very clear, with 89.4% of respondents expressing positive views. Respondents also expressed similar attitudes to education service (81.8%).

Environmental and health services. Environmental and health services showed positive views (81.3% and 80.8% respectively agreed).

Construction services. Finally, respondents expressed negative views towards the relationship between tourism and construction services. Only 28.8% of respondents agreed that liberalisation of construction service has potential impacts on tourism development. This could be attributed to the fact that construction and engineering services in Egypt are advanced sectors and Egypt has a comparative advantage. On the other hand, the high standard deviation (Std. = 3.11) for this statement shows a very high dispersion of community attitudes towards the impacts of liberalising construction services on tourism development, which indicates that respondents could not reach an agreement on whether construction services are important to tourism business or not (see table 12.14 and figure 12.4).

Table 12.14: Overall Response to Intersectoral Relationship

	1*	2	3	4	5*	Mean	Std.
IV. Intersectoral relationship	%	%	%	%	%	2.03	1.23
19. Business services including legal, accounting services are important for tourism business.	47.5	16.2	21.2	11.6	3.5	2.08	1.21
20. Communication services are important for tourism business.	92.9	3.5	2.5	1.0	-	1.12	.46
21. Construction services are important for tourism business.	9.6	19.2	25.3	39.9	6.1	3.14	1.10
22. Distribution services are important for tourism business.	48.5	29.3	13.6	5.6	3.0	1.85	1.05
23. Educational services are important for tourism business.	25.8	56.1	13.1	2.5	2.5	2.0	.85
24. Environmental services are important for tourism business.	24.2	57.1	10.4	4.5	3.5	2.0	.92
25. Financial services are important for tourism business.	48.5	41.9	4.5	1.5	3.5	1.70	.91
26. Health related and social services are important for tourism business.	29.3	51.5	13.1	2.0	4.0	2.0	.93
27. Recreational and cultural services are important for tourism business.	50.5	38.9	6.6	.5	3.5	1.68	.90
28. Transport services are important for tourism business.	93.4	5.6	.5	.5	-	1.09	.39

1* = strongly agree, 5* = strongly disagree

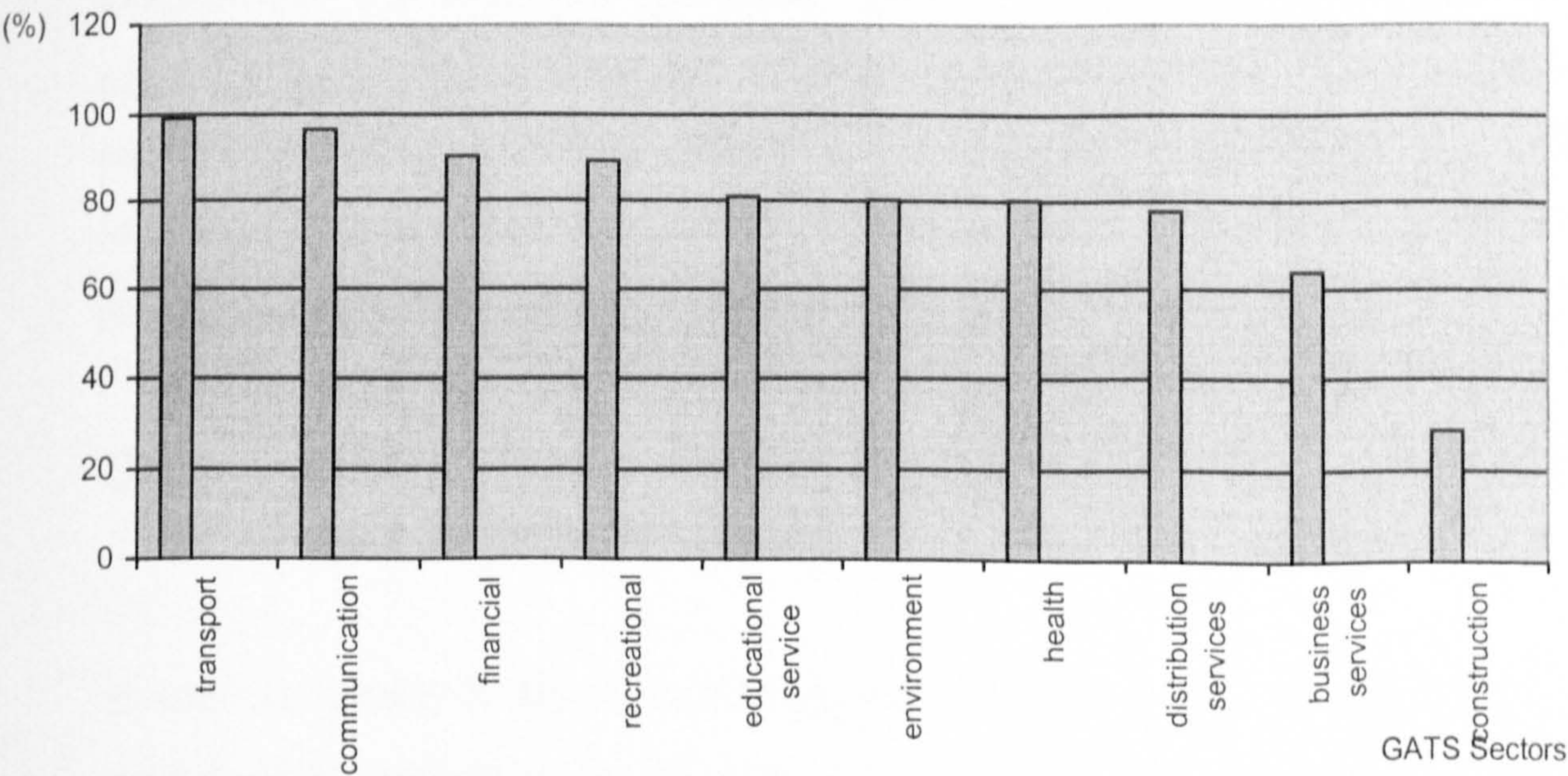


Figure 12.4: Importance of Related Services to Tourism Industry

To summarise, there is a general view that Egypt signed the GATS for both economic and political reasons, with more than 85% of respondents agreeing that the GATS will encourage the volume of trade and will also ease the relationship between countries. On the other hand, there was a general negative view about the GATS principles and rules, with more than 50% of respondents not knowing about the GATS and more than 80% did not understanding its principles and rules. Moreover, almost 80% found it complicated to use. This could reflect the structural problems of the GATS itself as well as the lack of communication between the private sector in Egypt and the government, assuming that the government should play a better role in informing the private sector about the changing economic environment in Egypt.

Furthermore, respondents agreed and strongly agreed that commercial presence is the most important mode of supply for tourism development in Egypt. They argued that foreign investment would create a competitive environment, which will improve the quality as well as the quality/price ratio, taking into account that quality in tourism services is highly demanded by tourists. Having said that, it is worth mentioning that commercial presence is the mode of supply that faces most restrictions in Egypt's schedule of specific commitments.

Respondents also expressed favourable opinions on the need to liberalise other service sectors, which are highly related to the tourism industry. Communication and transport services were a priority, more than 90% of respondents stated that communication services in Egypt are far behind other countries, developed and developing alike, followed by distribution services and business services.

12.3.2 ANOVA AND T.TEST (SIGNAL FACTORS AFFECTING GROUPS PERCEPTIONS)

In order to identify if any of the independent variables played a significant role in explaining perceptions on the 28 items, ANOVA and T.test were used. The results revealed that many statistical differences were evident, as groups presented differences in their responses. This indicates that groups were not homogeneous. Stakeholder groups and sub-groups, size of the company, educational level, educational background, position in the company, age of the company, age, and

gender were used as independent variables. No significant association between gender, age and age of the company and the attitudes towards tourism liberalisation through GATS was found.

12.3.2.1 Perceptions by Stakeholder Groups

A. Perceptions by Groups

The activity of the groups appears to play a significant role in explaining attitudes, as it was a discriminator for most items (11 in total).

Private enterprises and tourism experts were the most negative about the statement "Egypt signed the GATS because of some partner countries" (85.3% and 67% of private enterprises and tourism experts respectively gave a score below the mid-point of three), although 22.7% of the government group were positive. For the statement "Egypt signed the GATS to increase tourism income", tourism experts were more positive than the other two groups, with 42.9% expressing their agreement that GATS will increase tourism income in Egypt. On the other hand, private enterprises were less positive (only 10% gave a score above the mid-point), and argued that GATS might increase tourism numbers but not tourism revenues.

The second distinction between groups was with reference to the importance of cross-border mode of supply for tourism liberalisation. Again, private enterprises were the most negative (only 34% agreed), compared to 54.6% of the government group. On the other hand, tourism experts were the most positive (64.3% agreed or strongly agreed).

For the statements dealing with GATS principles and rules, the government group showed the most positive attitudes towards the understanding and the implications of the GATS, followed by tourism experts. Almost 84.1% and 85.7% of government and tourism experts respectively agreed that they understood what the MFN principle in GATS means, while only 57.8% of private enterprises answered positively. 50.7% of private enterprises further agreed that they did not know about GATS, 67.2% stated that it is complicated to use and 63.7% pointed out that GATS does not

help them in their business. This is not surprising, as the government and tourism experts were involved in the GATS negotiations, thus it is expected that they probably know more about GATS principles and rules.

The government also showed more positive views towards the implementation of GATS in Egypt. 95.5% of them agreed that they are willing to use the GATS principles market access and national treatment for tourism liberalisation, while only 50% of private enterprises agreed (agreed) (see table 12.15).

Table 12.15: GATS Principles and Rules by Group

	Government	Private enterprises	Tourism experts	F ratio	Sig.
	%	%	%		
You did not know about GATS	18.2	50.7	-	7.608	.000
GATS is complicated to use	43.2	67.2	-	6.420	.000
GATS does not help you in your business	18.2	63.7	-	14.467	.000
You understand the MFN principle in GATS means	84.1	57.8	85.7	2.664	.024
*You willing to use the GATS principles market access and national treatment for the tourism development	95.5	50	-	10.060	.000

For the statements dealing with intersectoral relationships, the government was the most favourable about the impacts of liberalising educational services (97.7%) and environmental services (93.2%) on tourism development, compared to 64.3% and 85.7%, of tourism experts respectively. Private enterprises registered lower scores.

For the statement "investment abroad is a priority for your business", the government was the most positive with 47.7%, compared to 30% of private enterprises (the statement was only directed to the government and the private enterprises group, therefore t.test was used).

B. Perceptions by Sub-Groups

It can be concluded from the results that perceptions of respondents by sub-groups were the best discriminator of attitudes towards tourism liberalisation through GATS.

The private sector sub-group (hotels, travel agencies, airlines and guides) was a discriminator for most of the statements (17 of total).

From the ANOVA results, the four sectors (sub-groups) were negative about the statement "Egypt signed the GATS because of some partner countries". Guides were the most negative (87.5% gave a score below the mid-point of three), followed by travel agencies (86.9%) and hotels (85.4%). Airlines were also negative with a lower percentage (62.5%).

For the statement dealing with "GATS modes of supply", 50% of airlines agreed that cross-border mode of supply is important for tourism liberalisation, while hotels were less positive (41.7% agreed). This was expected, as cross border mode of supply is important for the liberalisation of air transport services (e.g. buying and selling flight tickets on the Internet). On the other hand, it is not important for hotel services (the hotel services are generally supplied in the recipient country through locally established facilities).

For commercial presence, 88.2% of travel agencies and 75% of airlines were positive, compared to 62.5% of hotels. Due to the nature of the hotel services, commercial presence is the mode of supply that faces most restrictions with respect to market access and national treatment. Respondents were concerned about protecting the environment and artistic or historic areas.

Regarding the personal mobility mode of supply, 57.9% of travel agencies were more positive, followed by hotels (47.9%). On the other hand, airlines were the most negative about the liberalisation of tourism industry through personal mobility, only 12.5% agreed that personal mobility is important for tourism development, followed by guides with 25% (see figure 12.5).

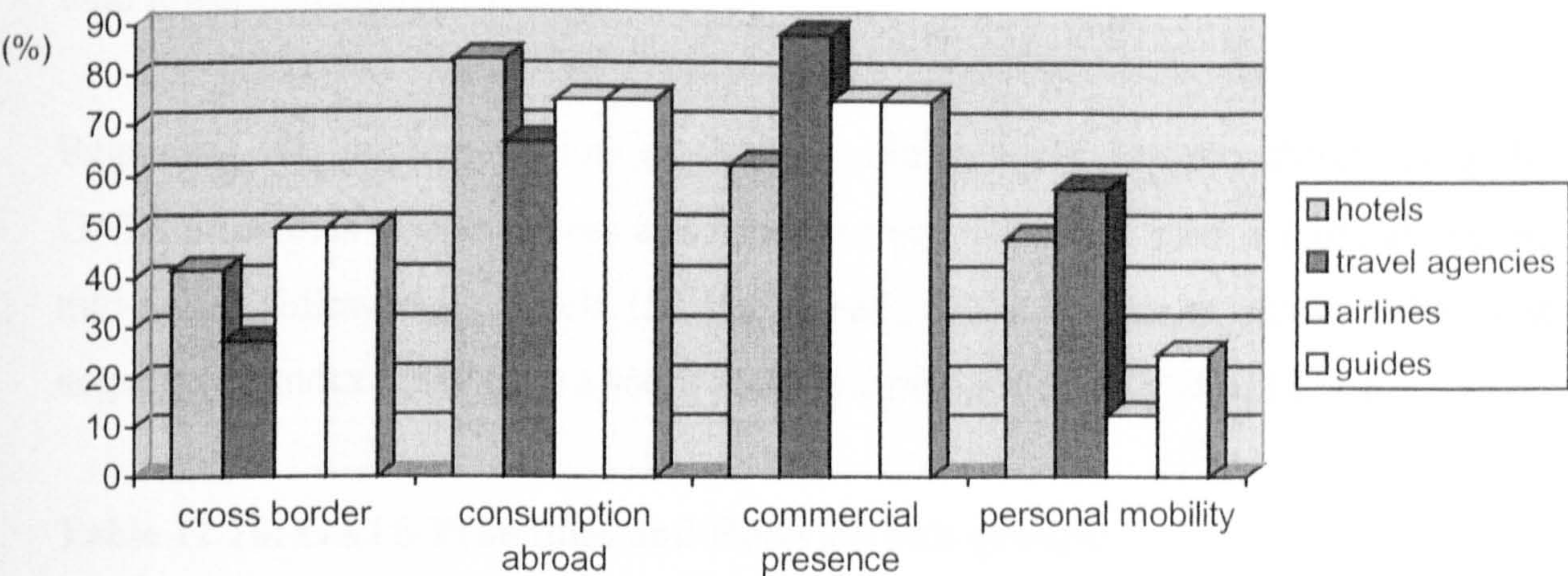


Figure 12.5: Importance of Modes of Supply by Sub-groups

Regarding the GATS principles and rules, hotels and travel agencies were more positive about understanding the agreement. Hotels argued more frequently that they understand the MFN principle (68.8%), followed by 56.6% of travel agencies, while a lower proportion of airlines and guides agreed (37.5% and 25% respectively).

In addition, 76% of guides stated that they did not know about the agreement, thus they found it complicated to use (62.5%) and moreover, they stated that it does not help them in their business.

Although, airlines' attitudes towards the GATS were less negative, they were significantly more negative than hotels and travel agencies. 60.2% of airlines stated that they did not know about GATS and 75% expressed their agreement that GATS is difficult to use. On the other hand airlines were the most positive group about the statement "GATShelp you in your business", 68.3% of airlines pointed out that GATS would help them in their business.

The results also revealed that, hotels and travel agencies know more about GATS and its implication. Only 46.1% of travel agencies agreed that they did not know about GATS, followed by 58.3% of hotels. 67.1% of travel agencies further added that GATS is complicated to use, while 66.7% of hotels agreed. Travel agencies were also not sure that GATS would help them in their business (64.5% agreed that

GATS does not help them in their business), hotels also perceived the same attitudes with lower percentage (62.6%).

Regarding the implementation of GATS, airlines were positive about using the GATS principles market access and national treatment (75% gave a score above the mid-point) followed by hotels (58.4% agreed), although guides showed the most negative attitudes (25% gave a score above the mid-point) (see table 12.16).

Table 12.16: GATS Principles and Rules By Sub-groups

	Hotels	Travel agencie s	Airlines	Guides	F ratio	Sig.
	%	%	%	%		
You did not know about GATS	58.3	46.1	50	50	6.052	.000
GATS is complicated to use	66.7	67.1	75	62.5	5.107	.000
GATS does not help you in your business	62.6	64.5	37.5	87.5	11.509	.000
you understand the MFN principle in GATS means	68.8	56.6	37.5	25	2.664	.024
you willing to use the GATS principles market access and national treatment for the tourism development	58.4	44.7	75	25	10.000	.000

Given the importance of the service industry for the tourism sector, almost 87.5% of hotels agreed that business services are important for tourism business. Not surprisingly, guides were the most negative (82% gave a score below the mid-point of three).

Hotels were also significantly different from other sectors, and argued more frequently, that construction and related engineering services are important for their business (62.5% agreed), followed by airlines (50% agreed), while 68.4% of travel agencies did not agree. This could be attributed to the importance of construction services to the hotel industry and air transport industry (building airports). Guides also showed negative attitudes (only 12.5% agreed).

Not surprisingly, hotels and airlines were the most positive about the relationship between tourism and distribution services, including retail, wholesale, franchising and marketing. 89.6% of hotels and 87.5% of airlines agreed that distribution

services are very important for their business. Travel agencies were also positive with lower percentage (80.2%). As was expected, guides were the most negative about the relationship between distribution services and their business (89.2% gave a score below the mid-point).

Similarly, about the relationship between financial services and tourism industry, airlines were the most positive (100% agreed), followed by hotels (95.9% gave a score above the mid-point) and travel agencies (89.4%). On the other hand, guides were less positive, with only 37.5% of respondents giving a score above the mid-point.

Hotels and airlines perceived education services as an important sector affecting their business development. Almost all airlines and 91.7% of hotels were positive about the relationship between tourism and education services. Travel agencies and guides were also positive with a lower percentage (80% and 50% respectively).

For environmental services, airlines were the most positive about the importance of the environment for tourism (87.5%), followed by hotels (85.4%) and travel agencies (75%). For health services, respondents from the four sectors perceived similar attitudes to that for environmental services. Finally, hotels argued more frequently that recreational cultural and social services are important for tourism development, followed by travel agencies (90.8%) and airlines (75%) (see figure 12.6).

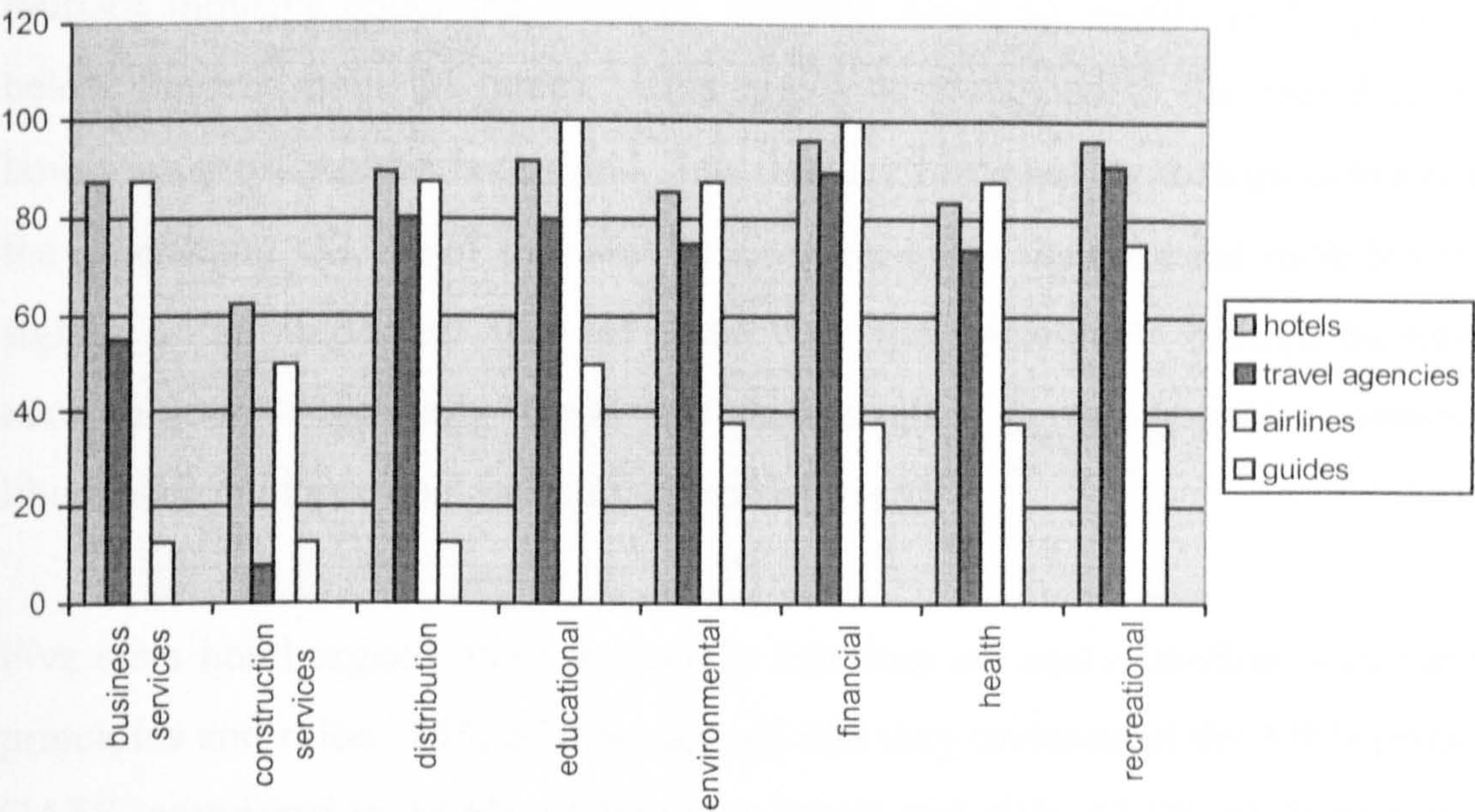


Figure 12.6: Intersectoral Relationship by Sub-Groups

In summary, although, hotels, travel agencies and airlines were more positive about the impacts of other service sectors on tourism business, guides were less positive, which could be attributed to the nature of their business.

C. Perceptions by the Size of the Enterprises

The attitudes towards the implications of GATS were also affected by the size of the enterprise. The results revealed that in the hotel group, size of the hotel was a discriminator for 8 of the statements.

On average big hotels were more positive about the implication of GATS. Almost 95% of five star hotels agreed that GATS would positively affect the volume of trade, while only 58.8% of three star hotels agreed.

For modes of supply, 65% of five star hotels agreed that cross-border mode of supply is not important for their business. This again could be attributed to the fact that this mode is not technically feasible for the accommodation sector. Four and three star hotels were also negative, with a lower percentage (62.3% and 58.2% respectively agreed that cross-border is not important for their business).

Surprisingly, five star hotels were the most negative about the liberalisation of the tourism industry under the personal mobility mode of supply (80% gave a score below the mid-point of three). This might be attributed to the fact that five star hotels are mostly chain hotels and, thus they are managed by foreign companies. On the other hand, 72.7% of four star hotels agreed that the personal mobility mode of supply is an important way of improving their business through better-trained management. Similarly three star hotels also showed positive views about liberalisation of personal mobility (70.6% agreed)

Five stars hotel argued more frequently that they are more familiar with the GATS principles and rules. 95% of them agreed that they understand the MFN principle of GATS, compared to 54.6% of four star hotels and only 47.1% of three star hotels. Furthermore, 80% of five star hotels are willing to use the market access and national treatment principles in support to their business. On the other hand, the attitudes of the four star and three star hotels were significantly different, with only 27.3% and 52.9% respectively were less willing to use the GATS principles market access and national treatment

Regarding intra-sectoral relationships, four and five star hotels argued more frequently that educational services and health services are important sectors affecting their business. 100% of four star hotels, followed by 95% of five star hotels, agreed and strongly agreed that health services are important for their business development. Three star hotels also showed positive attitudes with a lower percentage than the other two groups (80.4% agreed). Similarly, 100% of four star hotels were positive about the importance of health services, followed by 85% of five star hotels and 70.5% of three star hotels.

Almost all hotels were negative about investing abroad, although 25% of five star hotels agreed that investment abroad is a priority for their business. On the other hand, none of the four and three star hotels agreed.

The category of travel agencies was a discriminator for 8 of the statements. The eight statements were related to the intersectoral relationship section. Travel

agencies Category A was more positive about the relationship between different services sectors and the tourism sector, while category B and C were less positive.

Regarding the importance of business services for the tourism industry, travel agencies category A were the most positive with 64.5%. On the other hand category B and C showed negative views with only 42% and 10% respectively agreeing that business services are important for their business.

Travel agencies category A were also positive about the importance of distribution business for their business (81.4% agreed), followed by 80% of travel agency category C, this was not surprising as category C deals with tourism transport, thus marketing, retail and wholesale are important for their business. Travel agencies category B were also positive with a lower percentage (57.1% agreed)

Furthermore, Category A was more concerned about the educational services in Egypt, 89.8% of them stated that educational services are important to improve their performance in the market. On the other hand, category B and C were less concerned as only 42.9% and 50% of category B and C agreed respectively.

Travel agencies category A expressed agreement with the importance of financial services for their business. 94.9% of category A and 80% of category C agreed, while only 57.1% of category B agreed.

In addition, travel agencies category A were more concerned about environmental services (84.7%), compared to 42% and 40% of category B and C respectively. Moreover, category A were more concern about the health services in Egypt and their impact on tourism development (84.7% agreed), although only 28.6% and 40% of category B and C agreed respectively.

For investment abroad, category A were more interested in investing abroad (37.3% agreed), although non-of the category B or C agreed.

The government sub-group was a discriminator for 7 of the statements. Non-governmental organisations argued that Egypt signed the GATS for membership of

the World Trade Organisation (92.3% agreed), while only 62.5% and 52.2% of public enterprises and governmental organisation agreed. On the other hand, 62.5% of public enterprises found that GATS is complicated to use, followed by non-governmental organisation (53.9%). Governmental organisations were less negative with only 47.8% of respondents agreeing that GATS is complicated to use. Furthermore, governmental organisation and non-governmental organisations were more positive about the implication of GATS through market access and national treatment obligation (almost all respondents agreed), while 75% of public sector were positive.

For the intersectoral relationship section, government sub-group was a discriminator for three statements: environmental services, health services and recreational services. In the three statements the governmental organisation was the most positive, followed by the non-governmental organisation and public sector. For environmental services, almost all respondents from governmental organisations and 92.3% from non-governmental organisations agreed and strongly agreed that environmental services are vital for tourism development, although 75% of public enterprises agreed. Health services recorded the same pattern, with almost 100% of governmental organisation and non-governmental organisation agreeing that health services are also related to tourism, thus any improvement in these services will positively affect tourism industry. The public sector was less positive (75%).

Similarly 95.7% of governmental organisations and almost all respondents from non-governmental organisations showed positive views about the importance of recreational services for the tourism industry, again, public sector was positive with a lower percentage (75%).

12.3.2.2 Education

A. Education Level

Education was a discriminator for 11 of the statements. Less-educated respondents were the most positive, Almost all of them agreed that Egypt signed the GATS because of some partner countries, followed by 83% of mid-educated respondents, while only 61.4% of the highly-educated respondents agreed.

For the cross mode of supply, mid-educated and less-educated respondents were negative about the importance of cross border mode of supply for the tourism industry (67.7% and 50% gave a score below the mid point respectively), although the highly-educated were positive (56.6% agreed).

For the implications of GATS, the highly-educated and mid-educated respondents were the most positive about the understanding of the GATS principles and rules. 85.7% and 55.6% of them respectively agreed that they understand what MFN principle in GATS means, while 50% of less-educated respondents agreed. Similarly, highly-educated and mid-educated respondents were more positive about the implication of market access and national treatment (73.2% and 56.4% respectively agreed), although only 50% of less-educated respondents agreed. Moreover, less-educated respondents stated that GATS does not help them in their business (54.3%), although highly-educated were less negative. 65.8% of highly-educated further stated that GATS would help them to achieve their business goals.

For the intersectoral relationship, mid-educated were the most favourable about the importance of distribution services for tourism industry (86.3% agreed), followed by 62.9% of highly-educated respondents. Less-educated respondents were the least positive (only 50% agreed). Furthermore, liberalising educational services was viewed by mid-educated respondents as important way to improve tourism business in Egypt (84.7%) followed by highly-educated respondents (77.2%), while a lower proportion of less-educated respondents agreed (50%).

In addition, highly-educated respondents showed the most positive attitudes towards the relationship between tourism and financial services, health services and recreational services. 88.5% of highly educated followed by 77.4% of mid-educated were more positive about the liberalisation of financial services. On the other hand, only 50% of the less-educated agreed. Similarly, 92.9% followed by 75% of highly-educated and mid-educated respectively argued that health services are important for tourism, while less than 50% of the less-educated answered positively. Recreational services were also arguably by 94.2% of the highly-educated and 87.1% of the mid-

educated as important services for tourism development. Less-educated respondents were less positive (less than 50% agreed).

For investment abroad, less-educated respondents perceived the most negative attitudes with almost all respondents agreeing that investment abroad is not a priority for their business followed by mid-educated respondents (89.4% gave a score below the average point). Highly-educated respondents were the only group that showed positive views about investment abroad (51.7% gave a score above the mid-point).

B. Educational Background

Educational background was a discriminator for 10 of the statements. For the statement "Egypt signed the GATS because of some partner countries", the over all attitude was negative. 75.7% of respondents with a tourism studies background answered negatively, followed by 71.2% of respondents with a business administration background. Respondents with an economics background were less negative (58.9% gave a score below the mid-point of three).

Respondents were also negative about the importance of cross-border to tourism industry. The most negative views were respondents with a law background (88.9% gave a score below the average point), followed by respondents with a tourism studies background (62.1% gave a score below the average point).

For the GATS principles and rules, respondents with a law and economics background showed more positive attitudes towards the understanding of the agreement, (100% and 91% agreed respectively), while only 62.2% and 65.2% of respondents with tourism studies and business administration background respectively agreed.

About the implementation of the agreement, respondents with law background were more confident, 77.5% agreed that MFN is helpful for tourism industry. Other groups showed a lower percentage, 58.8% of respondents with economic background and 51.4% of respondents with tourism background agreed. The only negative views

were shown by respondents with business administration background (54.2% gave a score below the mid-point).

Economists were the most positive about the implication of market access and national treatment (89.7%) followed by 65.6% of respondents with a business administration background. Respondents with a tourism and a law background perceived negative views towards the implication of market access and national treatment (58.6% and 52.6% gave a score below the mid-point respectively).

For intra sectoral relationships, educational background was a discriminator for four of the 10 statements. Respondents with a tourism studies background were more concerned about the environment and its impact on tourism development (94.6% gave a score above the mid-point of three), followed by respondents with an economics background (91.1%). On the other hand a lower proportion of respondents with a business administration background agreed (80.3%).

Respondents with an economics background showed the most positive attitudes towards the relationship between tourism industry and financial services (97% agreed) followed by respondents with a tourism background (94.6%). Again, respondents with a business administration background were less positive (89.4%). The responses towards the importance of health services and recreational services were similar. Respondents with an economics background were the most positive towards the importance of the two sectors (97% and 100% respectively), followed by respondents with a tourism background (89.2% and 89.3% respectively), and respondents with a business administration background (80.3% and 92.4% respectively).

For investment abroad, most respondents were negative. Respondents with a law background were the most negative about investment abroad (83.2% gave a score below the mid-point), followed by 73.1% of respondents with a tourism background. However, respondents with an economics background and a business administration background were more positive (51.7% and 42.2% gave a score above the mid-point respectively).

12.3.2.3 Position in the Company

Position in the company was a discriminator for 15 of the statements. Owners/managers were the most negative about the statement "Egypt signed the GATS because of some partner countries" (90.2% gave a score below the mid-point of three). Sales managers were also negative (70.6% gave a score below the mid-point), consultants were the least negative group, as 18.8% of respondents agreed that Egypt signed the GATS because of some partner countries, it is worth mentioning that consultants position was held by the government group. However, academic staff argued more frequently that GATS will increase tourism income (42.9%), while all other positions registered lower percentage.

For the modes of supply statements, academic staff were the most positive about the importance of cross-border mode of supply for tourism liberalisation, followed by general managers (46.3%) and sales managers (45%), although owner/managers were the most negative (70.6% gave a score below the mid-point). On the other hand, owner/managers were the most positive about the importance of commercial presence for tourism industry (91.2%) followed by consultants (81.3%) and general managers (71.6%). They argued more frequently that foreign investment would positively affect tourism development in Egypt. On the other hand, academic staff were more concerned about the impacts of liberalisation under this mode of supply on the local investment (only 57.1% agreed).

For the principles and rules of GATS, 53.3% of owner/managers stated that they did not know about GATS, compared to 45% of sales managers and 44.2% of general managers. On the other hand, the only positive group was the consultants group, all respondents agreed that they know about GATS. Furthermore, 66.3% of general managers and 65% of sales managers pointed out that GATS does not help them in their business. Owner/managers were also negative with a lower percentage (55.6% agreed that GATS does not help them in their business). Again the only positive attitudes were among the consultants, almost all of them stated that GATS will help them in their business.

Consultants perceived positive views about the implication of GATS, as almost all respondents agreed and strongly agreed that they are willing to use the GATS principles market access and national treatment. General managers were also positive (61.1%), while owner/managers were less positive (only 35% agreed).

Regarding the intra-sectoral relationships, sales manager were the most positive about the relationship between tourism industry and business services, they argued more frequently (75%) that liberalisation of business services including accounting and legal services could contribute to the liberalisation of tourism industry. 73.3% of owner/managers and 65.2% of general managers showed similar views. The only group to show negative attitudes was the academic staff group (51.2% gave a score below the mid-point).

The attitudes towards construction services were mostly negative, academic staff were the most negative with 42.9% of respondents giving a score below the mid-point. Only 37.5% of consultants were positive, followed by 33.7% of general managers and 22.2% of owner/managers.

Owner/managers viewed distribution services as the most service related to their business (88.9% agreed), followed by general managers (82.2%) and sales managers (80%), compared to 67.2% of academic staff and 57.1% of consultants. Respondents perceived similar attitudes to the importance of the financial services for the tourism industry. General managers, sales managers and consultants were the most positive (92.6%, 100% and 100% respectively), compared to 88.9% of owner/managers and 85.8% of academic staff.

Furthermore, general managers and sales managers agreed that efficient educational services are important for tourism development, they were the most positive groups (90% and 95.5% agreed respectively). Other groups were also positive with a lower percentage. On the other hand, consultants were the most positive group about the importance of environmental services and health services (100% and 99% respectively), they argued more frequently that these two services are highly important for tourism development and liberalisation might improve their performance in Egypt. Academic staff, general managers, and sales managers were

also concerned about the environmental services in Egypt and their impact on tourism development, especially in the long run (85.7%, 85.3% and 80% respectively). Owner/managers were less positive, only 73.3% agreed. Respondents also registered similar attitudes towards the importance of health services for tourism. Finally, general managers were the most positive about the importance of recreational services (95.7%), compared to 80% of sales managers and 85.8% of academic staff. Consultants and owner/managers also perceived positive views (93.8% and 88.9% respectively).

12.3.3 FACTOR ANALYSIS

To examine the relationship between the 28 variables, further analysis was undertaken using exploratory factor analysis. The results of factor analysis revealed that 9 factors were extracted, which indicate that the 9 factors underlie the scores of the 28 statements. However, the process of factor interpretation in this section allowed interpretation to be done up to factor 8, as factor nine did not have any variables. Three items failed to meet the criterion of $\pm .30$ loading and were excluded from the factor analysis.

The results revealed that the variable dealing with cross border mode of supply, followed by health related and social services had the highest communalities (the proportion of the variance in each variable which the variable explain) ($H^2 = .957$ and $.915$ respectively), indicating that these variables explain a higher proportion of the variance than accounted for, by all the factors taken together. On the other hand, the variable dealing with transport services had very low communality, ($H^2 = .153$), showing that it had little relation to the factors.

As shown in table 12.16, the nine factors accounted for 50.4% of the variance in the data. The factor solution used (Direct oblimin) extracted the factors in the order of their impotence, with the largest and best combination first, and then proceeding to smaller. Factor 1 accounts for the most of the variance (15.87%), whereas the second accounts for 8.59%, the third for 7.30%, and the forth for 5.33%. The remaining five factors account in total for 13.6% of variance; ranging from 4.15% to 1.79% (see table 12.17).

Table 12. 17: Factor Analysis (GATS Principles and Rules)

	1	2	3	4	5	6	7	8	H ²
Egypt signed the GATS for the membership of WTO			-.585						.381
Egypt signed the GATS because of some partner countries			-.302						.385
Egypt signed the GTS to encourage the volume of trade			.499						.368
Egypt signed the GATS TO increase the tourism flow			.692						.629
Egypt signed the GATS to increase tourism income			.716						.614
Cross border is an important mode of supply		.965							.957
Commercial presence is an important mode of supply		-.569							.398
Personal mobility is an important mode of supply		-.665							.548
You did not know about GATS						.492			.302
GATS is difficult to understand						.592			.413
GATS is complicated to use					.861				.183
You understand the MFN principle in GATS means					.613				.821
MFN principal is helpful with respect to the tourism industry				-.746					.407
You willing to use the GATS principles market access and national treatment for the tourism development							.393		.357
Investment abroad is a priority of your business							.455		.382
Business services including legal, accounting services are important for tourism business				-.746					.593
Communication services are important for tourism business								.450	.250
Construction services are important for tourism business				-.487					.465
Distribution services are important for tourism business				-.745					.745
Educational services are important for tourism business	.686								.600
Environmental services are important for tourism business	.818								.786
Financial services are important for tourism business	.712								.687
Health related and social services are important for tourism business	.944								.915
Recreational cultural and sporting services are important for tourism business	.686								.655
Transport services are important for tourism business								.379	.153
Eigenvalue	4.44	2.59	2.39	1.82	1.52	1.37	1.29	1.09	
Percentage of variance explained	15.8	8.59	7.30	5.33	4.15	3.02	2.38	1.95	

Notes:

1. Extraction Method: Principal Axis factoring. Rotation Method: oblimin with Kaiser Normalization.
2. H² = Communalities
3. Only loadings greater than ± 0.30 are considered in the analysis
4. Total percentage of explained variance, 50.426

Factor 1: Social and Environmental Related Services

Factor 1 is the most important factor. It accounts for the greatest amount of variance (15.8%) and it consists of five variables, they are:

1. Educational services are important for tourism business;
2. Environmental services are important for tourism business;
3. Financial services are important for tourism business;
4. Health services are important for tourism business;
5. Recreational and cultural services are important for tourism business;

The five variables have very high loadings compared to all other factors, ranging from .944 to .686, indicating a high interrelationship between variables. Variable 23 (health services) is an important variable; it has the second highest loading in any factor (.944) and therefore influences dramatically the name and how the factor interpreted. For the reason that the factor reflects the importance of social and environmental services for tourism industry, it was labelled *social and environmental related services*.

Looking at this factor we see that all factors are positively related to each other, suggesting that there is an agreement that social and environmental services in Egypt dramatically affecting the tourism industry. This was not unexpected since the literature shows that social services and environmental services in Egypt are not satisfactory, something that has made respondents view the social services and environmental services in Egypt as obstacles to tourism development.

As discussed in the literature, a limited number of countries have covered health, education and environmental sectors in their schedule of specific commitments. The relatively limited number of commitments in these sectors is largely a reflection of the fact that in many countries these services are provided essentially by government and that competitive commercial provision is not widespread.

In Egypt, the five related services, which form factor 1 (educational, environmental, financial, health and recreational services) are dominated by the government

monopoly and they are characterised by poor performance. For example, previous research proved that the top complaints in the 1998 business survey in Egypt (conducted by the Egyptian Centre for Economic Studies) were about the education system. The research argued that the failings of the educational system in Egypt are beginning to inhibit competitiveness by squeezing the supply of skilled labour and management. There is a surplus of poorly-trained labour in tourism industry as well as a shortage of well-trained skilled managers. Therefore, respondents suggested that educational services are highly related to tourism industry and moreover, they directly affect tourism development.

Regarding environmental services in Egypt, during the last decade, considerable progress has been made in understanding the consequences of the degradation and pollution of coastal and nature-based assets and in improving policies and physical planning for mitigation and for management of these assets. However, the environmental issues related to tourism are still not perfectly understood nor are foolproof prescriptions available for more sustainable use of natural for tourism process, something that has made respondents view environmental services in Egypt as weaknesses for tourism industry.

There is also increasing support for the view that removing barriers for financial services are critical to encouraging foreign investment and facilitating tourism business.

As a result, the need to liberalise tourism services in Egypt is highlighted against the limited number of commitments undertaken by Egypt. Looking at Egypt's commitments, we found that Egypt included few sectors in its schedule of commitments (four sectors) and also tabled few measures with respect to these sectors. However, the absence of commitments in sectors related to tourism industry, such as health, education, and environmental services undermine the competitiveness of tourism sector.

Factor 2: GATS Modes of Supply

Although the social and environmental related services factor accounts for the largest amount of variance, it does not mean that the other factors are not important. Factor 2 accounts for 8.59% of the variance and 3 variables allocated in this factor, they are:

1. Cross border is an important mode of supply.
2. Commercial presence is an important mode of supply.
3. Personal mobility is an important mode of supply.

Since this factor incorporates statements dealing with GATS modes of supply, it was labelled *GATS modes of supply*. It was noted that two of the statements (commercial presence and personal mobility) are negatively correlated to the statement dealing with cross border, indicating that respondents perceived commercial presence and personal mobility as important tools for tourism liberalisation, they did not respond the same way to cross border mode of supply.

The majority of respondents supported the view that the commercial presence mode of supply is the most important mode for tourism liberalisation. This is not surprising since the literature suggested that the main emphasis under the GATS has so far been placed on improving the market access conditions for establishment of commercial presence.

As factor 1 suggested, the education system in Egypt needs to be modified as it negatively affects tourism industry. Thus, it is the intention of most of respondents to liberalise tourism industry through personal mobility mode of supply. Nevertheless, Egypt schedule of commitments restricts the entry of foreign labour and high management to 10% of total labour in the company. Moreover, liberalisation under personal mobility mode of supply has been limited to horizontal commitments, which cut across all sectors.

Egypt also did not present commitments on the cross border mode of supply, which specifically would affect the business of travel agencies and airlines. As discussed in the literature, cross border trade has been growing increasingly as a result of the

development of telecommunication networks, advances in information technology and the advent of the Internet/electronic commerce. Respondents argued that the potential to provide services electronically cross border could reduce dependence on either commercial presence or movement of natural persons. Therefore granting market access under this mode would entail both inflow and outflow of tourists.

However, the literature review suggests stresses that meaningful market access can only be achieved if commitments are made on a combination of the relevant modes.

Not surprisingly, respondents argued that Egypt's schedule of commitments suggest that Egypt is less committed to liberalising its services through GATS. They pointed out that the decision to liberalise services in Egypt should not be open for compromise.

Factor 3: The Importance of GATS

Factor 3 consists of five variables, which accounts for 7.3% of the variance. The five variables are dealing with the motivation for signing the GATS; therefore it was named *the importance of GATS*. The five variables are:

Egypt signed the GATS:

1. For the membership of World Trade Organisation;
2. Because of some partner countries;
3. To encourage the volume of trade;
4. To increase the tourism flow;
5. To increase the tourism income.

Looking at this factor, we see that the first two variables are negatively correlated to the other three factors, indicating that respondents, who agreed that Egypt signed the GATS to encourage the volume of trade, increase the tourism flow and increase tourism income, did not agree as much that the motivation for signing the agreement was because Egypt is a member of WTO or because of some partner countries.

As discussed in the literature, one of the important objectives of the GATS is to improve trade and investment conditions through multilaterally agreed disciplines. This liberalisation will promote economic growth and will stabilise trade relations through policy bindings on a MFN basis. Given that, respondents agreed that the GATS will encourage the volume of trade in Egypt.

In addition, the WTO stated that since the overall objectives of GATS and other accords of the WTO agreements are to be spur trade and economic growth, there will be more demand for exhibitions, incentives and business travel, meeting and conventions. More trade in both goods and services will mean more business opportunities for the travel trade. Having said that the results revealed that respondents were positive about the importance of GATS as a tool to increase tourism number in Egypt and thus, tourism income.

Factor 4: Business and Marketing Related Services

Factor 4 incorporates three statements dealing with business services related to tourism industry; therefore, it was labelled *business and marketing related services*. The three variables are:

1. Business services, including legal and accounting services are important services for tourism development;
2. Construction and related engineering services are important services for tourism development;
3. Distribution services, including retail, wholesale franchising and marketing are important services for tourism development;

As discussed in the literature, GATS aim is to liberalise trade in all services and all modes of their supply. This approach is beneficial for the tourism sector because of the multitude of tourism industry and their linkages with other sectors. Respondents argued that the key services for tourism services are the business services and the distribution services, if trade restrictions for these services are removed tourism will grow and increasingly focus on quality. Respondents suggested that Egypt should remove trade barriers affecting these two sectors through liberalisation, however

Egypt did not present any commitments in these two sectors in the GATS schedule of commitments.

Respondents also related liberalisation of tourism industry to the liberalisation of construction services, which are highly important for accommodation sector.

Factor 5: General Obligations of the GATS

Only two variables are allocated in this factor:

1. You understand the MFN principle in GATS means;
2. MFN is helpful for tourism industry.

The central issue in this factor is the MFN principle, which is a general principle in GATS. Therefore, the factor was labelled *general obligations of the GATS*. In this factor we see that the two variables are highly correlated to each other. Thus it can be interpreted that respondent having agreed that they understand the meaning of MFN principles in GATS had supported the idea that MFN principle in GATS is helpful with respect to the tourism industry.

Factor 6: Structure of the GATS

Factor 6 accounts for 3% of the variance. The central issue in this factor reflects a very important fact about the GATS, which is that the GATS is complicated and difficult to understand. Therefore it was labelled *structure of the GATS*. Three variables constituted this factor, they are:

1. You did know about the GATS;
2. The agreement is difficult to understand;
3. You find it complicated to use.

The high positive correlation between the three variables indicates that respondents agreed that GATS structure is difficult to understand. This was not unexpected, as much discussion has taken place about the structural problems of GATS. The

problem include the lack of transparency, sector-specificity, the modalities of scheduling, the overlap between national treatment and market access obligations, and the relation between market access and MFN. All of these problems reflect the structural weaknesses of the GATS and make it hard to understand and to implement.

Factor 7: GATS Specific Commitments

Factor 7 accounts for 2.389% of the variance and was named *GATS specific commitments* as it discusses the specific commitments of the GATS, the market access and national treatment. Two variables are allocated in this factor, they are:

1. You are willing to use the GATS principles market access and national treatment;
2. Investment abroad is a priority for your business.

The two variables that constituted factor 7 are highly correlated to each other which indicates that respondents who agreed that they are willing to use market access and national treatment principles they are also interested to invest abroad.

Factor 8: Communication and Transport Dimension

Factor 8 is the last factor to be considered in this section. It accounts for 1.95% of the variance. The central issue of this factor reflects the importance of communication and transport for tourism development. Therefore, it was labelled *communication and transport dimension*.

Looking at this factor we see that the two variables are positively correlated to each other, indicating that respondents who perceived that communication is important service to tourism, also agreed that transport is important for tourism development.

Respondents stressed the fact that transport services are important for tourism industry. A potential constraint in transport services would directly affect tourism business (e.g. pricing monopoly). Air access in international tourism depends on the availability and conditions of air transport connecting tourist-generating countries and destination countries (e.g. prices, frequencies, travel time, etc.).

Strategic global alliances are the new business technique being used in the air transport industry. These alliances aim at world coverage by pooling the networks of their members, through cost reductions and efficiency gains that can be achieved by the joint use of resources, by creating synergies and by providing "network value", i.e. the wider coverage of points serviced by the carrier and its partners without the need to physically expand operations.

Furthermore, Global Distribution System (GDS), which had their origin in the Computer Reservation System (CRS) developed by large air carriers, offer a variety of services such as storage of information on a world-wide basis, the issuance of tickets, and marketing or sale of products and services (e.g. package tours, hotel and vehicle rentals). GDS have also minimised their costs and reduced the need for direct commercial presence by entering into strategic alliances or merges in the most important markets. They have increased the efficiency of travel agents and become the main marketing and trading tool of international tourism. However, they are regarded as a major barrier to market entry for developing countries, mainly because they are controlled by major carriers that set unfavourable access conditions for competitors (e.g. prohibitively high access costs for SMEs). Respondents argued that the GATS will ease the entry for such companies and allow them to benefit from the new global system.

Communication services are also very important for tourism. An effective communication system will establish closer contact between service suppliers and consumers. The literature suggested that continuing innovations in information technology have changed the trading environment for services in general and in tourism in particular. Computerised, globally networked systems are becoming a prerequisite for competitiveness in tourism industry. Not only does the system support delivery of services at a distance, but they are also increasingly critical in marketing, reservations or sales, staff training, and the redesign of tourism packages.

To summarise, the factor analysis shows that the eight most important issues for the tourism liberalisation through GATS are:

- Social and environmental related services;
- GATS modes of supply;
- Importance of GATS;
- Business and marketing related services;
- General obligations of the GATS;
- Structure of the GATS;
- GATS specific commitments;
- Communication and transport related services.

12.3.4 MULTIPLE REGRESSION ANALYSIS

Stepwise multiple regression was used to identify which of the independent variables are more strongly related to the dependent variables (eight factors) and to estimate the percentage of variance in the factors explained by the independent variables.

12.3.4.1 Factor 1: Social and Environmental Related Services

Table 12.18 shows the results of stepwise multiple regression analysis for factor 1. In the table, column one shows the five variables that form factor 1 and the independent variables that shows significance in each dependent variable.

Column two is R^2 (multiple correlation). The model explaining the health related services performed much better than all others, explaining 19.8% of the variance following by the model explaining the recreational and cultural related services (15.7%) and the model explaining the financial services (13.1%). The other two variables had a lower prediction ranging from 11.1% for environmental services to 6% for educational services.

Column three shows the F ratio and the significance level (ANOVA). By using the F ratio all the five regression models have shown significance. Column four presents the beta (β) coefficient that shows the relative effect of each independent variable on each dependent variable. Finally, column five presents the t value and its significance level, which explains the correlation between the dependent variable and the independent variables (t-test statistics).

The results show that educational background was the best contributor, making prediction for four out of the five variables that constitute factor 1. Respondents with business administration and economic background were more concerned about the relationship between health services and tourism ($\beta = .275$) as well as the environmental services ($\beta = .264$), followed by financial services ($\beta = .205$) and recreational and cultural services ($\beta = .189$).

Another important predictor was "stakeholder groups" making prediction for three out of the five variables. Private enterprises were more positive about the relationship between financial services and tourism services ($\beta = .316$), on the other hand they were less positive about the direct impacts of educational services on tourism ($\beta = .156$).

Position in the company was also a predictor for two of the five variables. Owner/managers were more positive about the impacts of educational services in Egypt on tourism development ($\beta = .212$) and they were less positive about the impacts of liberalising recreational and cultural services on tourism development in Egypt ($\beta = .143$).

The results also show that age of the company was a predictor for two of the variables. Younger companies were more positive about the relationship between financial services and tourism ($\beta = -.212$), while they were less positive about the relationship between environmental services and tourism services ($\beta = -.171$).

Moreover, higher educated respondents were more positive about the relationship between health related services and recreational and cultural services, and tourism services ($\beta = -.212$ and $-.180$ respectively). The last predictor was age of respondents, which was a predictor for two variables. Younger respondents agreed that liberalising health services and recreational services would affect positively tourism development in Egypt.

Table 12. 18: Multiple Regression Analysis (Factor 1)

Variables	R ²	F		β	T. test	
		Ratio	Sig.		Value	Sig.
Educational services are important for tourism development						
Position in the company	.042	8.610	.004	.212	3.058	.003
Stockholder groups	.066	6.942	.001	.156	2.257	.025
Environmental services are important for tourism development						
Educational background	.084	17.887	.000	.264	3.874	.000
Age of the company	.112	12.332	.000	-.171	-2.509	.000
Financial services are important for tourism development						
Stockholder groups	.069	7.252	.001	.316	3.981	.000
Age of the company	.119	8.749	.000	-.288	-3.610	.000
Educational background	.143	8.063	.000	.205	3.030	.000
Health related services are important for tourism development						
Education level	.111	24.379	.000	-.212	-3.056	.003
Educational background	.167	19.584	.000	.275	4.031	.000
Age	.198	15.929	.000	-.180	-2.710	.007
Recreational and cultural services are important for tourism development						
Educational background	.068	14.245	.000	.189	2.534	.012
Age	.094	10.140	.000	-.173	-2.507	.013
Stockholder groups	.117	8.576	.000	.221	2.996	.003
Education level	.139	7.789	.000	-.180	-2.333	.021
Position in the company	.157	7.148	.000	.143	2.021	.045

12.3.4.2 Factor 2: GATS Modes of Supply

By using the F ratio, two of the variables that form factor 2 showed significance, while the model dealing with "Personal mobility" was eliminated from the analysis by the stepwise procedure because it failed to conform to the criteria for inclusion operated by the stepwise procedure (F ratio was not significant).

The model explaining the cross border mode of supply explained the highest amount of the variance in the equation (9.5%). The other model "commercial presence" had a lower amount of variance (6%).

Position in the company was the best contributor to factor 2, making prediction for the two factors included in the analysis. As shown in table 12.19, the beta weight of position in the company was higher for the variable commercial presence ($\beta = -.257$), indicating that general managers and owner/managers were more positive about the importance of commercial presence mode of supply for tourism liberalisation. In the model dealing with cross border mode of supply, position in the company was the best predictor ($\beta = .236$), followed by stakeholder groups ($\beta = -.189$). Consultants and respondents from the government group argued more frequently that cross-border mode of supply is important way to liberalise tourism.

Table 12. 19: Multiple Regression Analysis (Factor 2)

Variables	R ²	F		β	T. test	
		Ratio	Sig.		Value	Sig.
Cross border is an important mode of supply for tourism liberalisation						
Position in the company	.060	12.433	.001	.236	3.465	.001
Activity of the company	.095	10.254	.000	-.189	-2.766	.006
Commercial presence is an important mode of supply for tourism liberalisation						
Position in the company	.066	13.843	.000	-.257	-3.721	.000

12.3.4.3 Factor 3: The Importance of GATS

By using F ratios, two out of the five regression models that form factor 3 did not show any significance (Egypt signed the GATS for the membership of WTO and Egypt signed the GATS to encourage volume of trade), therefore they were eliminated from the analysis.

A close look at the coefficient of determination (R^2) in factor 3 indicated that the model explaining that Egypt signed the GATS for some partner countries performed better than other models, explaining 16.3% of the variance. The other two models explained lower percentage of the variance. The model "Egypt signed the GATS to increase tourism income" explained only 2.7% of the variance, followed by the model dealing with "Egypt signed the GATS to increase tourism flow" (2.1% of the variance).

Table 12.20 shows that stakeholder groups were the best predictors, making a prediction for two of the three models included in the analysis. Tourism experts group suggested more frequently ($\beta = -.356$) that Egypt signed the GATS because of some partner countries, while they were less positive about the impacts of the GATS on the tourism income ($\beta = -.166$).

In the model dealing with "Egypt signed the GATS because of some partner countries" educational level was the second predictor ($\beta = -.211$), implying that less-educated were more positive about the expected benefits from some partner countries.

Age of respondents also showed significance. In the model dealing with "Egypt signed the GATS to increase the tourism flow", age was the only predictor. The beta weight for age was quite small ($\beta = -.146$), indicating that younger group were more positive about the impacts of the GATS on tourism flow in Egypt.

Table 12. 20: Multiple Regression Analysis (Factor 3)

Variables	R ²	F		β	T. test	
		Ratio	Sig.		Value	Sig.
Egypt signed the GATS because of some partner countries						
Stockholder groups	.127	28.399	.000	-.269	-3.740	.000
Education level	.163	19.037	.000	-.211	-2.929	.004
Egypt signed the GATS to increase the tourism flow						
Age	.021	4.289	.040	-.146	-2.071	.040
Egypt signed the GATS To increase tourism income						
Stockholder groups	.027	5.533	.020	-.166	-2.352	.020

12.3.4.4 Factor 4: Business and Marketing Related Services

The model explaining the "construction and related engineering services" performed better than other models, explaining 13.3% of the variance, followed by the model dealing with the importance of business services for tourism development (9.5%). On the other hand, the model explaining the importance of distribution services explained the smallest amount of the variance (8.1%).

Table 12.21 shows that stakeholder groups were the best predictors, making prediction for two out of the three variables that form factor 4. The beta weight of activity of the company was higher for the model explaining the importance of business services for tourism industry ($\beta = .351$), indicating that private enterprises suggested more frequently that business services are very important for tourism industry. For the same model, age of the company was the second predictor ($\beta = -.272$), indicating that younger companies were more concerned about the impacts of business services in Egypt on tourism.

For the model dealing with construction and related engineering services, stakeholder was the best predictor ($\beta = .319$), indicating that private enterprises, especially hotels, showed positive views about the relationship between construction services and tourism development, followed by age of the company ($\beta = -.222$), indicating that younger companies were more concerned about the impacts of construction on tourism development.

Age of respondents was also a predictor of the same model ($\beta = -.201$). Younger respondents argued more frequently that construction is an important service for the hotel industry. The last predictor to be considered in this model is the educational background ($\beta = .154$). The small beta weight indicated that less-educated respondents were less aware of the importance of construction for tourism development.

For the model dealing with distribution services, stakeholder groups were the best predictors ($\beta = .235$), followed by gender ($\beta = .160$). Men argued more frequently that distribution services, including retail, wholesale and franchising are important services for tourism industry.

Table 12. 21: Multiple Regression Analysis (Factor 4)

Variables	R²	F		ß	T. test	
		Ratio	Sig.		Value	Sig.
Business services are important for tourism business						
Stockholder groups	.042	8.618	.004	.351	4.352	.000
Age of the company	.095	10.233	.000	-.272	-3.375	.000
Construction services are important for tourism business						
Age	.035	7.038	.009	-.201	-2.831	.005
Stockholder groups	.069	7.239	.001	.319	4.003	.000
Age of the company	.110	8.009	.000	-.222	-2.704	.007
Educational background	.133	7.407	.000	.154	2.257	.025
Distribution services are important for tourism business						
Stockholder groups	.056	11.534	.001	.235	3.428	.001
Gender	.081	8.603	.000	.160	2.326	.021

12.3.4.5 Factor 5: General Obligations of the GATS

Two variables form factor 5: "you understand what the MFN in GATS means and the MFN is helpful for tourism business". The model explaining the level of understanding of the NFN principle explained the highest amount of variance (9.4%), while the importance of the MFN for tourism industry explained only 4.1% of the variance.

In the first model, gender was the best predictor ($\beta = .180$), indicating that men argued more frequently that they understand the MFN principle in GATS, followed by educational level ($\beta = -.155$), less educated respondents argued less frequently that they understand the MFN principles in GATS, and finally educational background ($\beta = .145$). Respondents with economic and law background argued more frequently that they understand the principles and rules of GATS.

Moreover, educational background was a predictor for the model dealing with the importance of the MFN for tourism industry ($\beta = .156$), again respondents with economic and law background argued more frequently that MFN is beneficial for tourism industry.

Number of years with the company was a predictor for the model dealing with the importance of MFN for tourism industry ($\beta = -.145$), indicating that respondents who

had spent longer time with the company were more positive about the importance of MFN than other groups (see table 12.22).

Table 12. 22: Multiple Regression Analysis (Factor 5)

Variables	R²	F		β	T. test	
		Ratio	Sig.		Value	Sig.
You understand MFN in GATS						
Education	.042	8.592	.004	-.155	-2.160	.032
Gender	.075	7.907	.000	.180	2.640	.009
Educational background	.094	6.720	.000	.145	2.024	.044
MFN is helpful to tourism industry						
Educational background	.020	3.962	.048	.156	2.212	.028
Number of years with the company	.041	4.126	.018	-.145	-2.055	.041

12.3.4.6 Factor 6: Structure of the GATS

The model "you did not know about the GATS" presents the best relationship between the dependent variable and the independent variables ($R^2 = .166$), implying that 16.6% of the variance in the model was explained by the dependent variable in the equation. The model "you find it complicated to use" explained 14.6% of the variance. For the model "GATS is difficult to understand", only 3.2% of the variance were explained by that model.

Stockholder was the best contributor to factor 6. Private enterprises argued more frequently that they did not know about the GATS ($\beta = .374$), GATS is difficult to understand ($\beta = .178$) and it is complicated to use ($\beta = .361$).

In the model "you did not know about the GATS", gender was a predictor ($\beta = -.152$), indicating that men were less aware of the GATS.

In the model "it is complicated to use", general managers and owner/managers found the GATS is complicated to use ($\beta = -.150$) more than consultants. Moreover, less educated respondents found the GATS is complicated to use (see table 12.23).

Table 12. 23: Multiple Regression Analysis (Factor 6)

Variables	R ²	F		β	T. test	
		Ratio	Sig.		Value	Sig.
You did not know about the GATS						
Activity of the company	.143	30.380	.000	.374	5.516	.000
Gender	.166	18.034	.000	-.152	-2.240	.026
GATS is difficult to understand						
Activity of the company	.032	5.970	.016	.178	2.443	.016
GATS is complicated to use						
Activity of the company	.108	22.015	.000	.361	5.004	.000
Position in the company	.128	13.238	.000	-.150	-2.164	.032
Educational level	.146	10.293	.000	-.144	-1.992	.048

12.3.4.7 Factor 7: GATS Specific Commitments

The model explaining that "you would be willing to use the GATS principles market access and national treatment for tourism industry" performed better than the other model, explaining 22% of the variance. On the other hand, the model dealing with the ability of the Egyptian companies to invest abroad explained 14.5% of the variance.

Age of the company was the best contributor to that model ($\beta = -.229$), older companies were more willing to use the GATS principles market access and national treatment for tourism business. Older respondents showed the same attitudes ($\beta = -.204$), followed by the younger group ($\beta = -.161$). Number of years with the company was also a predictor for that model indicating that respondents who had spent longer time with the company were more positive about the willingness of using the GATS principles market access and national treatment.

Furthermore, Age of the company was a predictor for the model dealing with the ability of the Egyptian companies to invest abroad. Older companies showed more interest in investing abroad ($\beta = -.281$), while less-educated respondents were less interested in investing abroad ($\beta = -.199$) (see table 12.24).

Table 12. 24: Multiple Regression Analysis (Factor 7)

Variables	R ²	F		β	T. test	
		Ratio	Sig.		Value	Sig.
You would be willing to use the GATS market access and national treatment						
Stockholder groups	.104	21.081	.000	-.161	-2.081	.039
Age	.147	15.610	.000	-.204	-2.665	.008
Gender	.168	12.073	.000	.150	2.177	.031
Age of the company	.190	10.481	.000	-.229	-2.865	.005
Number of years with the company	.220	10.059	.000	.198	2.641	.009
Investment abroad a priority for your business						
Age of the company	.107	21.912	.000	-.281	-3.971	.000
Education	.145	15.308	.000	-.199	-2.806	.006

12.3.4.8 Factor 8: Communication and Transport Dimension

Two variables constitute factor 8: communication services and transport services. The model explaining the transport services was removed from the analysis as the F ratio was not significant, therefore the procedure used to include variables (stepwise procedure) removed the model.

The model communication services explained 5.4% of the variance. Two independent variables contributed to that model: educational background and gender. Educational background was the best predictor ($\beta = -.184$), implying that respondents with business administration and tourism background were more positive about the importance of communication services for tourism development. Furthermore, men were also more positive ($\beta = .144$) (see table 12.25).

Table 12. 25: Multiple Regression Analysis (Factor 8)

Variables	R ²	F		β	T. test	
		Ratio	Sig.		Value	Sig.
Communication services are important for tourism business						
Educational background	.033	6.675	.011	-.184	-2.643	.009
Gender	.054	5.530	.005	.144	2.067	.040

12.3.5 INFLUENCE OF INDEPENDENT VARIABLES ON FACTORS

In the previous section, the researcher analysed the influences of the independent variables on each dependent variable that form the eight factors. In this section, the

researcher investigates the impacts of the independent variables on the eight factors (dependent variables) in order to identify which of the independent variables are more strongly influence the factors and to evaluate the percentage of the variance in the factors explained by the independent variables.

As table 12.26 shows, the multiple correlation for the model explaining the GATS specific commitments (factor 7) performed much better than all other models, explaining 22% of the variance, followed by the model explaining the structure of the GATS (factor 6) (16.6%) and the importance of the GATS (factor 3) (16.3%). The other five models had a lower prediction ranging from 13.3% for the model dealing with business and marketing related services (factor 4) to 4.5% for the model explaining the communication and transport services.

The results revealed that stakeholder was the best contributor, making a prediction for five out of the eight factors. It was the best predictor for the model dealing with the structure of the GATS (factor 6). Private enterprises argued more frequently that the structure of the GATS is complicated and therefore it is difficult to understand ($\beta = .304$).

Moreover, stakeholder was a predictor for the model dealing with "business and marketing related services" (factor 4), private enterprises were more positive about the relationship between business services and tourism ($\beta = .301$), followed by the model explaining the social and environmental services (factor 1) ($\beta = .231$). In this model tourism experts argued more frequently that social and environmental services are a priority for tourism development. For the other two models, GATS modes of supply and GATS specific commitments, regression coefficient were lower ($\beta = -.189$ and $-.161$ respectively), indicating that the government were more positive about the cross border mode of supply and the impacts of market access and national treatment on tourism liberalisation.

In the model dealing with social and environmental services, educational background was the best predictor ($\beta = .233$), indicating that respondents with an economic and a tourism background were more concerned about the impacts of social and environmental services in Egypt on tourism development. Moreover, position in the

company, age of the company and educational level influenced the same model. Owner/managers viewed the social services in Egypt as an obstacle to tourism development ($\beta = .177$). Younger companies and highly-educated respondents also perceived the same view ($\beta = -.229$ and $-.196$ respectively).

Educational background influenced the model dealing with business and marketing related services ($\beta = .154$), respondents with a tourism and business administration background suggested more frequently that business services are important for tourism business progress and directly affect the performance of tourism development. In addition, in the model dealing with the general obligations of the GATS, educational background was a predictor ($\beta = .150$), indicating that respondents with a law and an economic background argued more frequently that they understand the GATS principles and rules, while respondents with tourism and business administration background did not agree.

In the model dealing with communication and transport, educational background was the best predictor ($\beta = -.184$), indicating that respondents with a tourism and business administration background were more positive about the relationship between transport and communication services and tourism.

Age of the company was a predictor to three models. In the model dealing with business and marketing related services, age of the company was the second best predictor ($\beta = .247$), implying that younger companies were more positive about the relationship between business services and tourism. In the model explaining GATS specific commitments, age of the company was the best predictor ($\beta = -.229$), indicating that older companies were more willing to use the GATS specific commitments (market access and national treatment).

Position in the company was the best predictor for the model "GATS modes of supply" ($\beta = .246$), suggesting that Consultants were more positive about the liberalisation of tourism through the four modes of supply, while sales managers were less positive. Furthermore, position in the company was a predictor for the model explaining the structure of the GATS, in this model consultants argued that

they understand the structure of the GATS, although owner/managers and sales managers did not agree.

Educational level contributed to four models. In the model the importance of the GATS, educational level was the best contributor ($\beta = -.211$), suggesting that highly-educated respondents were more positive about the importance of the GATS for tourism development. They were also more positive about the general obligations of the GATS. They argued more frequently that they understand the GATS obligations ($\beta = -.155$). Educational level also contributed to the structure of the GATS model ($\beta = -.144$). The weight of beta suggested that less-educated respondents viewed negatively the GATS structure. They argued more frequently that the GATS structure is complicated and difficult to understand.

Number of years with the company was a predictor for two out of the eight models (factor 5 and 7). Respondents who had worked with the company for longer time perceived positively the general obligations of the GATS ($\beta = -.145$) and GATS specific commitments ($\beta = .198$).

Finally, in the model explaining the general obligations of the GATS, gender was the best contributor ($\beta = .180$), indicating that men were more positive. Men also perceived the same view for the structure of the GATS ($\beta = -.152$) and GATS specific commitments ($\beta = .198$).

However, in the eight models, number of years in the position and age did not make any significant prediction, therefore it was removed from the analysis by the procedure used (stepwise method).

Table 12.26: Influence of Independent Variables on Factors

Factors	R ²	F		β	T. test	
		Ratio	Sig.		Value	Sig.
Social and environmental related services						
Stockholder groups	.084	7.590	.001	.231	3.078	.002
Position in the company	.099	7.879	.000	.177	2.539	.004
Educational background	.115	14.944	.000	.233	3.367	.001
Age of the company	.115	10.540	.000	-.229	3.059	.001
Educational level	.125	12.975	.000	-.196	2.694	.002
GATS modes of supply						
Position in the company	.063	13.138	.000	.246	3.593	.001
Stockholder groups	.095	10.254	.001	-.189	-2.766	.006
The importance of the GATS						
Activity of the company	.077	16.966	.002	-.207	-3.046	.000
Educational level	.163	19.037	.000	-.211	-2.929	.004
Business and marketing related services						
Stockholder groups	.055	9.130	.005	.301	3.927	.000
Age of the company	.102	9.12	.000	.247	3.039	.000
Educational background	.133	7.407	.000	.154	2.257	.025
General obligations of the GATS						
Number of years with the company	.041	4.126	.018	-.145	-2.055	.041
Educational level	.042	8.592	.004	-.155	-2.160	.032
Gender	.075	7.907	.000	.180	2.640	.009
Educational background	.095	5.341	.000	.150	2.118	.034
Structure of the GATS						
Stockholder groups	.094	19.455	.000	.304	4.321	.000
Position in the company	.128	13.238	.000	-.150	-2.164	.032
Educational level	.146	10.293	.000	-.144	-1.992	.048
Gender	.166	18.034	.000	-.152	-2.240	.026
GATS specific commitments						
Stockholder groups	.104	21.081	.000	-.161	-2.081	.039
Age of the company	.148	10.481	.000	-.229	-2.865	.005
Gender	.168	12.073	.000	.150	2.177	.031
Number of years with the company	.220	10.059	.000	.198	2.641	.009
Communication and transport services						
Educational background	.033	6.675	.011	-.184	-2.643	.009
Gender	.045	5.530	.005	.144	2.067	.040

12.4 SECTION THREE: IMPACTS OF GATS

Open markets are expected to encourage quality improvement and product and process innovation; reduce the scope for wasteful resource use and rent-seeking; constrain the power of individual economic operators; and ensures users continued product availability at reasonable conditions. The fact that services have long been

ignored in international trade negotiations is due to the traditional perceptions of services as being non-tradable, for legal and institutional reasons (public monopolies in core sectors such as telecommunication and transport) as well as economic and technical constraints (need for simultaneous presence of producers and users, unavailability of transmission technologies). However, dramatic changes - technical innovation and regulatory reforms - have occurred over the past decades.

Countries throughout the world have recognised the economic benefits to be derived from reform in sectors such as financial services, telecommunication and transport which may be viewed as the infra-structural back bones of any economy. Countries have also recognised the importance of tourism sector, which has a significant impact on growth across a wide range of other industries and, by implication, overall economic performance.

To gain an overall indication of community perceptions of the impacts of GATS on tourism development in Egypt, attitudes were examined through a series of statements, which were divided into three sections:

- Impacts of GATS on the Egyptian economy;
- Impacts of GATS on tourism flow;
- Impacts of GATS on private enterprises.

12.4.1 PERCEPTIONS OF THE IMPACTS OF GATS

An examination of the data revealed generally negative views on the short term and moderate views on the long term. As figure 12. 1 shows, the three groups agreed that GATS will affect tourism development in Egypt in both the short term and long term (99% agreed). When respondents were asked to rank the most affected areas of development according to the magnitude of the effect of tourism liberalisation through the GATS, they stated that the most affected sectors would be:

1. Travel agencies (66.2%);
2. Tourist numbers (65.2%);
3. Hotels and restaurants (56%);

4. Airlines (42.5%),;
5. Guide services (43.5%);
6. CRS (28.3%).

As discussed in the literature, tourism is regarded as the world's largest industry and one of the fastest growing. In the view of the World Tourism Organisation, the tourism sector was already highly liberalised before the Uruguay Round negotiations; few major obstacles remain. Therefore it was expected that the perceptions of respondents towards the impacts of GATS on tourism revenues will be moderate. However, the results revealed that the vast majority of respondents had negative views about the impacts of GATS on tourism revenues in Egypt in the short term (79.2%). This could be attributed to the fact that international tourism has a very substantial impact on trade levels as well as on foreign exchange earnings in Egypt. For developing countries in general and Egypt in particular, opening the market for foreign investment might reduce the potential benefits from international tourism at least in the short term. There will be leakage of foreign exchange earnings as well as a slowdown in the business of the Egyptian companies, which are small and lack competition tools.

In contrast, the perceptions of the groups in the long term were positive with almost 65.2% agreeing that GATS will positively affect the Egyptian economy. Respondents felt that in the long run the Egyptian companies will have the chance to improve its performance and be able to compete effectively in the market.

As discussed in previous chapters, the increase in flows of trade and investment between countries and progressive liberalisation and integration have been fundamental factors in the growth of business travel, which, in turn, entails the expansion of leisure and personal tourism. This could explain why the majority of respondents agreed that GATS will increase the tourism flow to Egypt in both the short and long term (64.1% and 89.9% respectively). Furthermore, respondents stated that the changes in visa regulations, as a result of liberalisation, will help to expand the tourism sector. Such alterations significantly affect both outbound and inbound tourism flows, as evidenced by the sharp rise in tourist flows from and to central and Eastern Europe during the 1990s.

As stated in the literature, tourism services are supplied by hotels, tour operators, travel agents, transport companies and tourist guides. In their business relations with tour operators, many suppliers of tourism services in Egypt are hampered by their weak bargaining position and their lack of negotiation skills, which often result in unfavourable contractual conditions. As regards the impacts of GATS on tourism suppliers in Egypt, results revealed that the impacts of GATS will be different from one sector to another. Generally, the overall perceptions of the three stakeholder groups were negative in the short term and positive or moderate in the long term.

The vast majority of respondents agreed GATS will improve the economic performance of the hotel industry in both short and long term (65.1% and 78.8% respectively). Respondents were positive that GATS will affect positively the occupancy rate, as it will increase tourism numbers. They further added that GATS is expected to encourage alliances among private enterprises (horizontal and vertical) which would help to reduce costs and increase efficiency and bargaining power. In their views, GATS will also improve their quality/cost ratio by investing in human resources development. Finally, respondents mentioned that investment in hotel infrastructure will also increase; this investment can take several institutional and contractual forms, involving both domestic and foreign capital.

On the other hand, the small percentage of respondents who showed negative views about the impacts of GATS on the hotel industry in the short term (17.6%) were concerned about the impacts of the tough competition on the hotels, especially small and medium size hotels who face fierce competition from larger hotels, including those with foreign capital participation.

For travel agencies, the attitudes of respondents were different, with 80.3% and 77.2% respectively agreeing that GATS will affect negatively the business of travel agencies in Egypt in both the short and long term. It could also be viewed from the results that travel agencies had the most negative views about the impacts of GATS on the tourism suppliers. This could be attributed to a number of reasons, some of them internal, related to the travel agency business environment in Egypt and others are external, which are related to the travel agencies business environment

worldwide. The internal reasons affecting the performance of travel agencies are highly related to the nature of the travel agencies business in Egypt, which are mostly small and medium size, lack skilled labour and skilled management, and face fierce competition from foreign tour operators. Moreover, the structure of the travel agencies in Egypt is vague and fragmented; therefore performance is very low.

The external factors affecting the business of the travel agencies could be mainly related to the technological development in communication services. The GDSs have been the main distribution and marketing tool in the international tourism trade, the costs associated with their operations, problems of access for small service suppliers and the fact that they are owned by large air carriers mean that suppliers from Egypt as well as other developing countries may not enjoy the full benefits of GDSs. In that sense, respondents were concerned about the anti-competitive practice of such a system, which would negatively affect their business. In fact, as discussed in the literature, the business of travel agencies in Egypt has started to slowdown. Another powerful marketing tool for tourism businesses, which affect travel agencies, is electronic media, particularly the Internet, through which they can reach consumers directly and avoid the costs associated with intermediaries. For all these reasons, respondents were negative about the future of travel agencies in Egypt in the short term and long term.

The perceptions of respondents towards air transport and CRS were different than travel agencies. 80.8% of respondents agreed that tourism liberalisation will negatively affect the air transport sector in the short term. In the long term the attitudes were different with 58.6% agreeing that the GATS will positively affect air transport. It is also worth mentioning that 31.8% showed negative views in the long term.

Air transport in Egypt is dominated by the government monopoly, with few private airlines operating in the market under many restrictions, imposed by Egypt Air (the national carrier). Respondents feel that the GATS will affect negatively the air transport business in the short term, because neither the national carrier (Egypt Air) nor the private airlines are ready to face the competition from the foreign carriers.

Moreover, the inefficiency of air transport in Egypt and the high-air fare associated with it, hamper the exports of tourism services of Egypt.

On the other hand, in the long term, air transport companies might adopt a combination of policies to increase the efficiency of the airline and lower the prices of domestic and international flights, which will positively affect the tourism flow to Egypt.

For CRS, the perceptions were more likely to be negative as 42.7% showed negative views about the impacts of GATS on the CRS in the short term, while only 32.3% were positive. In the long term, the attitudes were different with 46% being positive and 26.7% were negative. The rapid expansion of Global Distribution Systems (GDS) and Computer Reservation System (CRS) reflect recent technological advances. Unlike most other tourism related services where a physical presence is required, GDS and CRS are characterised by supply of the service on a cross border basis. This could explain why respondents were negative about the impacts of liberalising CRS through GATS on Egyptian tourism suppliers. They fear that providing the service across border will affect the intermediaries supplier in Egypt and weaknesses their role.

For guide services, respondents showed moderate attitudes towards the impacts of GATS on guide services. 48% gave a score point of three, while only 16.2% were positive in the short term and 34.8% were negative in the long term, more positive attitudes were found with 40.4% agreeing that GATS will positively affect the guide services. Only 12.1% were negative (see figure 12.7).

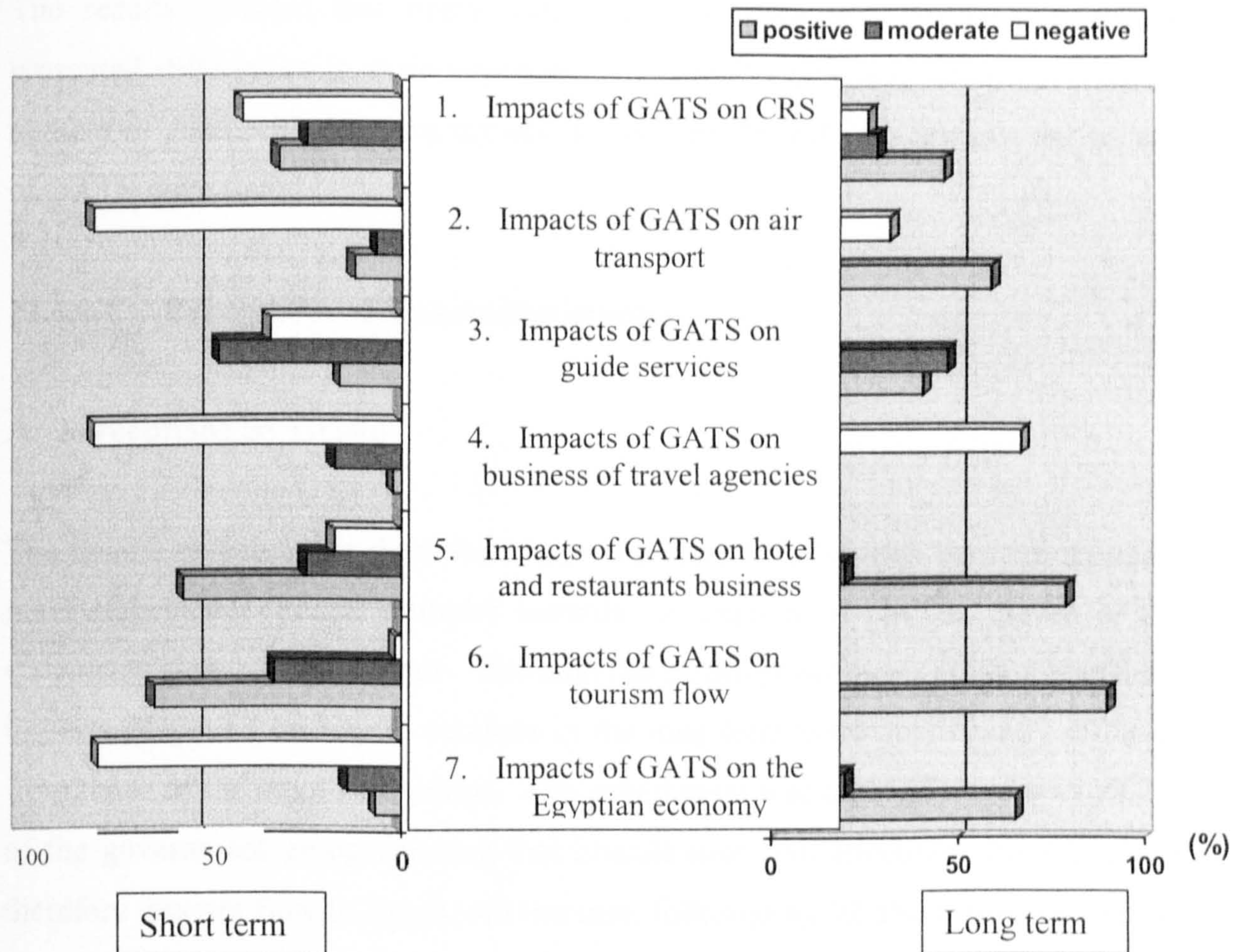


Figure 12. 7: The Impacts of GATS on the Short Term and Long Term

12.4.2 ANOVA ANALYSIS

In order to identify if any of the independent variables played a significant role in explaining perceptions and attitudes, ANOVA was utilised. Eight scio-demographic variables were used to identify significance differences:

1. Stakeholder groups;
2. Educational level;
3. Educational background;
4. Position in the company;
5. Age of the company;
6. Number of years with the company;
7. Age;
8. Gender.

The results revealed that many statistical differences were evident, as groups presented differences in their responses. No significance association between the number of years with the company and gender, and the attitudes towards the impacts of GATS were found.

12.4.2.1 Perceptions of Stakeholder groups

A. Perceptions By Group

The results revealed that there were some significant differences between the three main stakeholder groups' attitudes towards the impacts of GATS. Seven of the statements showed significance. The attitudes of the government group towards the impacts of GATS on tourist numbers in the long term were significantly different from those of the other two groups. The government was more positive with 93.2% of the government group agreeing that liberalisation will encourage travelling and therefore tourism flow to Egypt will increase, followed by 92.8% of tourism experts and 88.6% of private enterprises. Although the differences between the stakeholder groups are significant, they are not significantly large. The lower percentage of private enterprises indicated that they are more concerned about the negative side of the implication of the GATS, such as the leakage of the capital investment, the strong competition within foreign suppliers, and the low prices that occur as a result of liberalisation and competition. On the other hand, experts had wider views about the impacts of GATS, that competition will enhance quality and improve the quality/price ratio.

For the impacts of GATS on hotels in the short and long term, significance differences were found among the groups. In the short term, the government group was more likely to agree that GATS will positively affect the business of the hotel industry (68.2%), while 52.1% of private enterprises agreed. On the other hand, tourism experts were moderate about the impacts of GATS on the hotel business in the short term (42.8% gave a score point of three). It is also worth mention that 36.6% of the private enterprises were negative about the impacts of GATS on the hotel industry, while only 4.5% of the government were negative. None of the tourism experts were negative. It could be interpreted that the government was more

optimistic about the impacts of the GATS on hotel businesses; this could be related to the changes in the business environment in Egypt and the move towards liberalisation and privatisation. On the other hand, private enterprises and tourism experts feel that the hotel industry in Egypt is already liberalised and any further liberalisation is not going to affect the industry significantly, at least in the short term. This could explain why the two group's attitudes were less positive than the government group.

Little was different in the long term where it was similar attitudes were found with 80.7% of the government being positive compared with 78.5% of tourism experts and 75.7% of private enterprises.

For the impacts of GATS on travel agencies, private enterprises showed the most negative attitudes in the long term with 89.2% being negative followed by 71.4% of tourism experts and 71% of government. The negative attitude of private enterprises could be attributed to the fact that competition and market access will directly affect their business. As discussed in previous chapters, travel agencies in Egypt are mostly small and medium size and they will face fierce competition from larger companies.

For guide services the overall attitude of private enterprises were moderate (55.7% gave a score point of three). Tourism experts showed the most negative opinions (64.3%) followed by 59.1% of the government. Tourism experts were more concerned about the quality of the service, they stated that Egyptian guides are not sufficiently qualified, they have many weaknesses, which put them at a disadvantage with the tourists such as: the languages.

For the statements dealing with the impacts of GATS on the CRS, in the short term, government showed the most negative attitudes towards the impacts of the GATS on the CRS with 68.2% agreeing that GATS will negatively affect the CRS, followed by tourism experts (50%). On the other hand, private enterprises showed the most spread views as 38.5% were positively agreed, 37.8% were moderate and 33.6% were negative.

In the long term, the picture was similar with the government being the more negative (41%). On the other hand, tourism experts were the most positive with 57.1% agreeing that GATS will affect positively the CRS, followed by 47.2% of private enterprises. Tourism experts were more concerned about the expanding popularity of the Internet and the CRS. They stated that the rapid expansion of GDS, CRS and the Internet is expected to accelerate the changing role of travel agents. The advantage of the new system is the ability to make travel products globally accessible at a much lower cost. They further added that there are potential benefits as well as risks for Egypt from rapid technological changes that currently affecting tourism. The potential benefits mainly lie on the potential increase of tourism travel, the risks lie in the negative impacts on the travel agencies in Egypt.

B. Perceptions by Sub-Groups

Sub-groups (hotels, travel agencies, airlines and guides) appear to play the most significant role in explaining attitudes. Sub-groups were discriminators for 9 of the statements. Airlines were the most positive about the impacts of the GATS on tourism revenues in the long term (99.2%), followed by travel agencies (72.5%) and tourist guides (62%). Hotels showed also positive views with lower percentage (50.1%). It could be interpreted that the overall attitudes for all the sub-groups were positive, they all agreed that GATS will improve Egypt economic performance through tourism. The only group to show a lower percentage was the hotel group; this could be related to the fact that many of the small hotels in Egypt were concerned about the impacts of the competition on tourism business.

The second distinction between the sub-groups was with reference to the impacts of GATS on tourism flow to Egypt in the long term. Travel agencies were the most positive with 94.7% agreeing that GATS will increase the tourist numbers, followed by airlines and tourist guides (87.5% for each) and hotels and restaurants 79.3%.

Tourist guides and airlines were the most positive about the impacts of GATS on the hotel and restaurants businesses in the short term (87.5% and 75% respectively), followed by hotels (54.2%). Travel agencies were less positive as only 44.7% agreed that there will be positive impacts.

The high positive response rate of guides and airlines could be attributed to the nature of the tourist guides and airlines business, which is quite different from those of the hotels and travel agencies, therefore, they are more likely to underestimate the potential impacts. On the other hand, the low response rate of hotels and travel agencies could be due to their general attitude towards GATS, as stated earlier hotels and travel agencies were less positive about the impacts of tourism liberalisation. They fear that liberalisation might affect negatively their business.

Although there are no significance differences among the sub-groups with respect to the statements dealing with the impacts of GATS on the business of travel agencies in the short term, significance differences were found in the long term. The overall attitudes were negative with travel agencies being the most negative (90.7%), this was expected as liberalisation in this area are directly affecting their business. Hotels also showed negative views (89.7%) followed by airlines (87.5%) and tourist guides (62.5%). The low percentage of guides is related to the nature of their services.

For the statement "the impacts of GATS on tourist guides in the short term", travel agencies and hotels were moderate (63.1% and 52.1% respectively gave a score point of three), while airlines were more likely to be positive (49% responded positively), this was expected, as the general attitudes of airlines towards the impacts of tourism liberalisation through GATS were positive. Guides also showed positive attitudes, they stated that liberalisation will increase the tourist flow to Egypt, which means more business for them.

From the ANOVA results, travel agencies (92%), tourist guides (80.8%) and hotels (79.2%) were negative about the impacts of GATS on air transport business in the short term. They stated that liberalisation will negatively affect the business of Egypt Air, which is characterised by high prices and lower quality. In contrast, airlines were the only positive group (62.5%), this was expected as most of the airlines been interviewed were private airlines, they stated that liberalisation will reduce the power of Egypt Air and give them a chance to develop their business and act efficiently in the market. They also pointed out that GATS will encourage the foreign investment, which might improve their capabilities and efficiency.

Surprisingly, in the long term, the attitudes of the hotels were still negative (62.5%), while the other sub-groups (travel agencies, airlines and tourist guides) were positive (81.5%, 75% and 50% respectively). The negative attitudes of the hotels might be related to the fact that they are not sure that liberalisation will change the structure monopoly of Egypt Air.

CRS are typically proprietary systems used to check flight availability, make reservations and often to issue tickets. Given the importance of CRS to the air transport industry, airlines were more positive about the impacts of GATS on CRS (87.5%). They stated that liberalisation of CRS were more likely to affect positively their business. The same system can also be used for hotel reservations; therefore, hotels in Egypt who do not have access to such system showed negative attitudes (45.9% agreed). They stated that the high cost associated with the operation of CRS and problems of access for small service suppliers made them to response negatively.

C. Perceptions by Size of the Groups

The attitudes towards the impacts of the GATS are also affected by the size of the enterprises. The results revealed that there were significant differences between the size of the groups. In the hotel group, size of the hotel was a discriminator for only four of the statements. Five star hotels were the most positive about the impacts of GATS on tourism flows in the short term (almost all agreed), followed by three star hotels (52.9%). Four star hotels were more likely to be moderate with 63.7% gave a score point of three. In the long term, attitudes were similar with five star hotels being the most positive (80%), and significantly different than the other two hotel groups. Four star and three star hotels showed similar attitudes, they were less positive as 63.6% and 64.7% respectively being positive.

In investigating the perceptions of the three hotel groups on the impacts of GATS on their business in the short term, 85% of five star hotels were positive. They stated that GATS will encourage travelling which will directly affect their business, they further added that liberalisation will encourage foreign investment and mobility of labour, which they need to develop their business.

On the other hand, four star and three star hotels were more likely to be moderate about the impacts of GATS on their business (63.7% and 47% respectively). They feel that the impacts on their business will be vague and not significant. The reasons for that are: first, three star hotels are less likely to be affected by the GATS, they are small businesses and mostly run by family. Therefore, they stated that competition would occur only between the big hotels. Second, four star hotels pointed out that they are not big enough to cope with the competition, therefore, they are less likely to be affected.

Regarding the impacts on the business of the hotels in the long term, there were significant differences between five stars and both four and three star hotels. Again five star hotels seemed to be more supported to the liberalisation of tourism through GATS, as 90% agreed that GATS would positively affect their business. Four star hotels were less positive (54.6%) followed by three star hotels (47.1%).

The category of travel agencies was a discriminator for only three of the statements. Travel agencies category (A) agreed more frequently that the GATS will positively affect the tourism flows to Egypt in the short term (66.1%). Travel agencies category (B) and (C) were moderate (85.7% and 70% respectively). It is worth mentioning that, travel agencies category (B) were the only group score below the mid point of three, 14.3% of them were negative. They stated that liberalisation will affect negatively tourism flow to Egypt. It could be interpreted that as these agents deal with tourism transport (air and maritime), they are more likely to feel the impacts of liberalisation on airfares. They stated that the high airfares of Egypt Air and the inefficiency of their services could be disadvantageous for Egypt and therefore, the tourism flow to Egypt will slow down, as tourists will be free to choose from other competitive prices.

The category of travel agencies was also a discriminator for the statement dealing with the impacts of the GATS on the business of the hotel in the short term, by the same token travel agencies category (A) argued more frequently that GATS will stimulate the business of the hotels in the short term (45.9%). Although the percentage of the travel agencies category (A) that were positive is not high enough

to support the hypothesis that the GATS will positively affect the business of the hotels and restaurants in the short term it was significantly higher than the percentage of travel agencies category (B) and (C). The two categories were more negative as 71.5% of category (B) agreed that GATS will negatively affect the business of the hotels in the short term. Moreover, travel agencies category (C) were the most negative with 90% of them showed their disagreement. This was expected as travel agencies category (B) and (C) are small enterprises and they are more involved with outbound tourism (especially Egyptian travelling to Saudi Arabia for religious reasons). Therefore, their views might be affected by their business environment.

The last significant differences to be considered in this section is the attitudes of the category of travel agencies towards the impacts of GATS on air transport in the short term. The overall perceptions were negative with travel agencies category (A) being the most negative (93.2%) followed by category (C) (90%) and category (B) (85.7%). Travel agencies category (A) were the most negative because they are more likely to know the problems of air transport in Egypt, and that Egypt Air and private airlines cannot face the competition from the big airlines.

For the government group (governmental organisation, non-governmental organisation and public sector), no significant differences were found among the sub-groups attitudes.

12.4.2.2 Position in the Company

Position in the company was significant as an explanatory variable of attitudes for five statements:

1. Impacts of GATS on tourism development in terms of its impacts on the Egyptian economy in the short term;
2. Impacts of GATS on the business of hotel and restaurant in the long term;
3. Impacts of GATS on the business of travel agencies in the long term;
4. Impacts of GATS on tourist guides in the short term;
5. Impacts of GATS on the CRS in the short term.

In general the overall views towards the impacts of GATS on the Egyptian economy in the short term were negative. More than 83% of general managers and owner/managers agreed that GATS will negatively affect the tourism income, followed by consultants who were less negative (only 50% were negative). On the other hand tourism experts were the least negative with only 44.3% of respondents being negative. They argued more frequently that liberalisation and competition will improve the service qualities, which is highly demanded by the international tourists as well as the domestic tourists. Improving quality and quality/price ratio will increase the demand for travelling which in turn will increase the tourism revenues.

For the impacts of GATS on hotels and restaurants in the long term, 78.5% of tourism experts agreed that GATS will positively affect the business of the hotel in the long term, followed by general managers (83.1%) and sales managers (80%). Consultants were less positive as 75.1% were positive followed by 68.8% of owner/managers. The owner/managers were worried about their business.

When asked about the impacts on the travel agencies in the long term, the overall views were negative. Owner/managers were the most negative (almost all were negative), followed by academic staff (78.5%) and general managers (76.8%). Consultants were the least negative (62.6%). As stated earlier, the consultant position is held by the government group, which could explain why they were less negative.

With the statement dealing with the impacts of GATS on guide services in the short term, consultants were the most negative 68.8% followed by academic staff (64.3%). Results reflect the desire of the government to keep the tourist guides profession to the Egyptian employees. Similarly academic staff feel that competition will harm the Egyptian guides as they are not qualified enough.

Owner/managers position showed moderate views (71.1%), in their opinion international tourists would prefer Egyptian tourist guides as they know more about the culture and speak the national language (Arabic) which would help them to communicate with the public (e.g. shops, sightseeing etc)

Finally, the position in the company was a discriminator for the statement dealing with the impacts of GATS on the CRS in the short term. The most negative views were shown by the consultants (75%). They were concerned about the impacts of liberalising tourism services across border, they pointed out that this will negatively affect the Egyptian tourist companies, as discussed in earlier chapters cross-border mode of supply is the most restricted mode in Egypt schedule of commitments. In contrast, sales managers appear to be the only positive group (40%). They feel that liberalising CRS services will stimulate the tourism sales and affect directly their marketing policies. Other groups were moderate about the liberalisation of CRS and did not show significance.

12.4.2.3 Education

A. Educational Level

Education was a discriminator of attitudes for the impacts of GATS for 5 of the statements. The first statement to be considered is the impact of GATS on the Egyptian economy in the short term. Medium educated respondents (graduate) argued more frequently that GATS will affect negatively the Egyptian economy (83.3%), they stated that Egypt economy is small and cannot adjust to sudden changes. Highly educated respondents (post-graduate) were also negative with lower percentage (69.5%), this could be attributed to the fact that highly educated are more aware of the GATS and therefore, they are more able to estimate the impacts. As expected, less-educated (school level) respondents were confused about the impacts as 50% were positive and 50% were negative.

When asked about the impacts on the tourist flow to Egypt, the less educated were the most positive (100%) followed by the highly educated (94.3%) and medium educated (87.1%). In contrast, respondents were negative about the impacts of GATS on the travel agencies in Egypt with significant differences between the less educated, and highly and medium educated respondents. Medium educated respondents were the most negative (95.9%). This could be attributed to the fact that the vast majority of the respondents were medium-educated (graduate) (63%). The highly educated were less negative (65.7%), it appears that some of them was more

optimistic than other categories, as 21.5% were positive. On the other hand, again the less-educated were in-between with 50% agreeing that GATS will positively affect the travel agencies business and 50% being negative.

For the impacts of the GATS on tourist guides in the short term, a very small percentage of the highly educated were positive (11.4%), while the majority were moderate (41.4%). The highly educated stated that GATS will not affect the business of the tourist guides for several reasons: first, the profession of tourist guide is protected by labour law in Egypt and it is not open to any other nationality in Egypt. Second, Egypt did not present any commitments in the sub-sector guide services in its schedule of commitments. Therefore, in their opinion, there will be no effect on the tourist guide at least in the short term.

The medium educated were also moderate (62.4%) for these reasons. Not surprisingly, the less educated split into two groups, as 50% were positive and the other 50% were negative.

In the long term, the less-educated were the most positive about the impacts of the GATS on tourist guides (100%), while the highly educated and medium educated showed moderate views (47.1% and 41.9% respectively).

B. Educational Background

The research was also interested in investigating the differences among the respondents with a different educational background. The educational background of the respondents affected only two statements. First, the impacts of GATS on tourism revenues in the short term, although the overall perception was negative, there were significance differences among the groups, which could be related in some extent to their area of business. Respondents with a business administration background were the least negative (83.3%); this was expected, as this group of respondents were more concerned about the profit and loss. Respondents with a tourism studies background were also negative with (68%), followed by respondents with an economics background (64.7%) and a law background (66.6%).

Second, significant differences were found in the statement dealing with the impacts of GATS on travel agencies in the long term. As expected, respondents with an economics background were the most negative (91.5%) followed by respondents with a tourism background (83.8%) and a business administration background (78.7%). Respondents with a law background were the least negative with 55.5%, this was expected, as their area of study is not related to the economic impacts.

12.4.2.4 Age of the Company

The results revealed significant differences between companies of different ages and their views towards the impacts of GATS. The age of the company was a discriminator for 6 of the statements:

The impacts of GATS on:

1. Tourism revenues in the short term;
2. Hotels and restaurants in the short term;
3. Travel agencies in the long term;
4. Tourist guides in the long term;
5. CRS in the short term;
6. CRS in the long term.

The attitudes of the younger companies (5-10) were the most positive (74%), which could be attributed to the fact that the new companies in Egypt are operating under the new investment law, which is more liberalised and gives more advantage to foreign investment. Therefore, the new companies are characterised by higher capital investment (due to the share of foreign investment) and using new business techniques (e.g. using advanced technology). Therefore, their opinions are affected by their business environment, they are more confident in the market and they feel that they can compete. By the same token, middle age companies' (11-20) showed positive views with a very close percentage to the younger companies (72.1%), this is again related to the new investment law, as many of these companies seeking foreign share and most of them succeed into attracting foreign investment.

On the other hand, older companies, especially (21-30) were less positive (only 48.8% were positive); this could be related to the nature of their business, which is mostly small and run by the family. They suffered for a long time from the in-ward-economic policies as well as the economic depression in Egypt for the period 1960-1975 (Arab Israel war). Thus, the older companies did not have the chance to develop their business and they still operate in the same manner.

Regarding impacts on hotels in the short term, surprisingly older companies were more positive (77.8%). It could be interpreted that these companies have seen changes in the business environment over the years and they are optimistic that liberalisation will improve the tourism industry in Egypt as it will encourage foreign investment, which companies need to improve performance. On the other hand, younger companies were less positive (only 40.7% were positive), this could be attributed to the fact that they are new and they need time to develop their business and benefit from liberalisation. As stated in the literature, one of the reasons that countries impose tariffs and other restrictions is to protect the infant industry (new business).

For the impact on travel agencies, non-of the younger companies were positive, they all agreed that liberalisation in the area of travel agencies will harm Egyptian companies. They were the most negative among other age groups (92.6%) followed by medium age companies (83.9%). The older companies were less negative with a lower percentage (66.5%). Again this could be related to the fact that they feel tourism is better off with liberalisation than discrimination and restrictions.

Given the importance of information technology for the tourism industry, younger companies were more positive about the liberalisation of CRS in the short and long-term (59.3% and 63% respectively). Although they were not very positive, they were significantly more positive than other companies. In their view, the liberalisation of CRS services in Egypt will allow them to benefit from the services (e.g. marketing, join the GDS and CRS system etc). Older companies were less positive and were more likely to be moderate in the short and long term (41.25% and 38.8% respectively). This could be because they are not familiar with such a system

and therefore do not know what are the advantages and disadvantages of liberalising such a system.

12.4.3 FACTOR ANALYSIS

To examine the relationships between the 14 variables, further analysis of community perceptions of the impacts of GATS was undertaken using exploratory factor analysis. The process of factor interpretation in this section allowed interpretation to be done up to factor 5. The results of factor analysis for this section are shown in table 12.7. The principal axis factoring analysis used extracted 5 factors indicating that the five factors underlie the scores on the 18 variables.

The five factors accounted for 51.5% 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 combination first, and then proceeding to smaller. Factor 1 accounts for the most of the variance (19.08%), whereas the second accounts for 14.6%; and the third for 7.7%. The remaining two factors account in total for 10.03% (5.8% and 4.2% respectively).

The variable dealing with the impacts of GATS on guide services in the long term, followed by the impacts of GATS on air transport in the long term had the highest communalities ($H^2 = .749$ and $.748$ respectively), indicating that these variables explain a higher proportion of the variance than is accounted for, by all the factors taken together. Two variables had very low communality, the variable "the impacts of GATS on the business of tour operators and travel agencies in the long term" ($H^2 = .214$) and "the impacts of GATS on the business of tour operators and travel agencies in the short term" ($H^2 = .221$), indicating that they had little relation to the factors (see table 12.27)

Table 12. 27 Factor Analysis (The Impacts of GATS)

	1	2	3	4	5	H²
1. Impacts of GATS on Egyptian Economy in the short term.			.744			.611
2. Impacts of GATS on Egyptian economy in the long term				.537		.315
3. Impacts of GATS on tourism numbers in the short term		.726				.600
4. Impacts of GATS on tourism numbers in the long term		.661				.454
5. Impacts of GATS on hotel and restaurants business in the short term		.768				.624
6. Impacts of GATS on hotel and restaurants business in the long term		.625				.475
7. Impacts of GATS on the business of travel agencies in the short term			.434			.221
8. Impacts of GATS on the business of travel agencies in the long term				.370		.214
9. Impacts of GATS on the guide services business in the short term				.537		.452
10. Impacts of GATS on the guide services business in the long term				.830		.749
11. Impacts of GATS on the air transport in the short term					-.462	.332
12. Impacts of GATS on the air transport in the long term					-.599	.748
13. Impacts of GATS on CRS in the short term	.804					.677
14. Impacts of GATS on CRS in the long term	.834					.741
Eigenvalue	3.05	2.49	1.54	1.33	1.11	
Percentage of variance explained	19.0	14.6	7.7	5.8	4.2	

- Notes:
- 1. Extraction Method: Principal Axis factoring. Rotation Method: oblimin with Kaiser Normalization.
 - 2. H² = Communalities
 - 3. Only loadings greater than ±.30 are considered in the analysis
 - 4. Total percentage of explained variance, 51.51

Factor 1: The Role of Information Technology

Factor 1 is the most important factor, it accounts for the largest amount of variance (19.08%), two factors allocated in this factor, they are:

- 1. The impacts of GATS on the business of the CRS in the short term;
- 2. The impacts of GATS on the business of the CRS in the long term.

The two variables seem to have a very high loading compared with all of the other factors (.804 and .834 respectively), indicating a high interrelationship of variables.

Variable 14 (impacts of GATS on the CRS business in the long term) is the most important variable; it has the highest loading in any factor (.834) and therefore influences dramatically the name and how the factor is interpreted. As factor reflects the importance of information technology, it was labelled *the role of information technology*.

The two variables that constitute factor 1 are positively correlated to each other, suggesting that the impacts of GATS on the CRS business will be similar in the long term as well as the short term. This could be related to the fact that the CRS businesses are already liberalised and liberalisation brought about by GATS is not expected to affect them significantly. As discussed in the literature, continuing innovations in information technology have revolutionised the trading environment for the services industries in general and the tourism industry specifically. Computerised, globally networked systems are becoming a prerequisite for competitiveness.

Factor 2: GATS and Tourism Demand and Supply Dimension

Factor 2 incorporates 4 statements dealing with the impacts of GATS on tourist numbers and hotel businesses in both short and long term. It is not surprising that the four variables are highly positively correlated to each other. As stated in the literature, any changes in the tourism numbers will directly affect the business of the accommodation sector. The four variables are:

1. The impacts of GATS on tourism flow in the short term;
2. The impacts of GATS on tourism flow in the long term;
3. The impacts of GATS on the business of hotels and restaurants in the short term;
4. The impacts of GATS on the hotel and restaurants in the long term;

The central issue in this factor is the impacts of GATS on tourism numbers and hotels in the short and long term; therefore it was labelled *GATS and tourism demands and supply dimension*. It could be interpreted that Egypt can use the multilateral trade framework and free trade agreements to dismantle barriers and

support the implementation of a new generation of tourism policy, to help the country face up to amore competitive trade environment and globalised markets.

Factor 3: GATS and Output Dimension

Two variables are allocated in this factor:

1. The impacts of GATS on the Egyptian Economy in the short term;
2. The impacts of GATS on the business of tour operator in the short term.

It was noted that the two variables were positively related to each other, indicating that the impacts of GATS on the short term on the Egyptian economy and on the business of tour operators are similar. As mentioned in the previous chapter, the impacts of GATS on both the Egyptian economy and the business of tour operators in the short term are negative, indicating that the negative impacts of the GATS on the travel agencies affect negatively the tourism economic performance.

As this factor discusses the potential impacts of the GATS on the Egyptian economy, it was labelled *GATS and output dimension*. It could be interpreted that any improvement in the performance of the travel agencies in Egypt could reduce the negative impacts of the GATS. As discussed in the literature, the travel agencies in Egypt are in a weak position and have very little capability to compete in a more globalised market.

Factor 4: GATS and Business Operations of Tourism Service Suppliers

Factor 4 accounts for 5.8% of the variance and 4 variables are allocated in this factor, they are:

1. Impacts of GATS on the Egyptian Economy in the long term;
2. The impacts of GATS on the business of tour operators and travel agencies in the long term;
3. The impacts of GATS on the guide services in the short term;
4. The impacts of GATS on the guide services in the long term.

Since this factor incorporates statements dealing with the impacts of GATS on tourism suppliers it was labelled *GATS and business operations of tourism service suppliers*. The majority of respondents supported the view that the impacts of GATS on tourism revenues, travel agencies and business of guide services are positive in the long term. It was noted that the four variables are positively related to each other, which indicates that the GATS open the door for Egypt to improve the tourism economic performance and the competitiveness of the tourism supply sector. As discussed in the literature, the liberalisation of tourism could help to expand the international tourism, which can stimulate development in terms of income, employment, foreign exchange earnings, taxation and multiplier and spillover effects.

Factor 5: Air Access Dimension

Factor 5 is the last factor to be considered in this section. It accounts for 4.2% of the variance. The central issue in this factor reflects a very important fact in tourism development, which is the importance of air transport for tourism. The long distance separating Egypt from the main tourist generating areas and the high air fares hamper exports of tourism services of Egypt. As the factor suggest the impacts of the GATS on air transport in Egypt represented in Egypt Air will be negative in both the short and long term. However, what important here is not the impacts on Egypt Air as much as the impacts on the whole industry as an important tool for tourism development. The factor labelled *Air access dimension*.

Egypt could adopt a combination of policies through GATS in order to increase the efficiency of airlines and reduce the prices of domestic and international flights, and ensure that its national air transport policy is consistent with their tourism objectives.

As stated in the literature the World Trade Organisation will be shortly reviewing the GATS air transport Annex and the possibility of incorporating air transport rights into GATS disciplines.

To summarise, the factor analysis shows that the five most important issues of the impacts of GATS are:

- The role of information technology;
- Tourism demand and supply conditions;
- Output dimension;
- Business operation of tourism service suppliers;
- Air access dimension.

12.5 SUMMARY

This chapter discussed the perceptions of the stakeholder groups of tourism liberalisation in Egypt.

It can be concluded that 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.

The analysis also showed that there was a general view that Egypt signed the GATS for both economic and political reasons. On the other hand, there was a general negative view about the GATS principles and rules, with more than 50% of respondents not knowing about the GATS and more than 80% not understanding its principles and rules. Moreover, almost 80% found it complicated to use. This could reflect the structural problems of the GATS itself as well as the lack of communication between the private sector in Egypt and the government, assuming that the government should play a better role in informing the private sector about the changing economic environment in Egypt.

Furthermore, respondents agreed and strongly agreed that commercial presence is the most important mode of supply for tourism development in Egypt. They argued that foreign investment would create a competitive environment, which will improve the quality as well as the quality/price ratio, taking into account that quality in tourism services is highly demanded by tourists. The analyses also revealed that commercial presence is the mode of supply which, faces most restrictions in Egypt's schedule of specific commitments.

Respondents also expressed favourable opinions on the need to liberalise other service sectors, which are highly related to the tourism industry. Communication and transport services were a priority, more than 90% of respondents stated that communication services in Egypt are far behind other countries, developed and developing alike, followed by distribution services and business services.

An examination of the data revealed generally negative views about the impacts of GATS on the short term and moderate views on the long term.

The results revealed that the vast majority of respondents showed negative views about the impacts of GATS on tourism revenues in Egypt in the short term. In contrast, the perceptions of the groups in the long term were positive. Respondents felt that in the long run the Egyptian companies will have the chance to improve its performance and be able to compete effectively in the market.

Respondents also agreed that GATS will increase the tourism flow to Egypt in both short and long term. As regards the impacts of GATS on tourism suppliers in Egypt, results revealed that the impacts of GATS will be different from one sector to another. Generally, the overall perceptions of the three stakeholder groups were negative in the short term and positive or moderate in the long term.

CHAPTER THIRTEEN

CONCLUSIONS AND RECOMMENDATIONS

13.1 SUMMARY OF THE RESULTS

This study has analysed the potential impacts of the GATS and the WTO on tourism development in Egypt and examined the perceptions of the stakeholder groups of the liberalisation of tourism industry. The research was undertaken from September 1998 to April 2002 using a multi-method approach.

A literature review on tourism liberalisation was undertaken in order to: first, examine the possible economic explanations for international tourism based on trade theory and second consider the importance of international tourism in international trade. The first aim is concerned with issues which have received virtually no attention in the tourism literature, while the importance of the international tourism which are subsequently considered to have been the subject of some empirical research.

The literature review started by discussing the traditional theories of comparative advantage of Ricardo and Heckscher and Ohlin in a context of competitive market structures. Alternative facts of international tourism based on imperfectly competitive markets are then examined, including the demand for ranges of tourism product qualities, the supply of differentiated products and differences in technology. Little empirical work has been undertaken on many of the topics covered in this section of the literature review. Therefore, the aim was to explain why some countries have specialised in tourism, and whether gains have resulted from the new pattern of production and trade.

Understanding the new world trading system in relation to international tourism is a vital component of exploring this research topic and a review of the literature was undertaken in chapters four and five. The creation of the WTO in January 1995 was

a symbol of a more global economic system. The two chapters discussed the liberalisation of international trade and international tourism in the context of the WTO and the GATS. They also investigated the relationship between the regional arrangements and the multilateral trading system. More importantly, chapter five discussed what the GATS does to bind current trade in services policies in general and tourism in particular. It also highlighted the implications of GATS for tourism industry.

Secondary data were collected and analysed in order to investigate the development of the tourism industry in Egypt and the commitments that Egypt has made in the GATS with respect to tourism industry. The aim was first, to evaluate the importance of the tourism industry in Egypt as a source of income, employment and growth; second, to summarise Egypt's policy options regarding liberalisation of services in general and tourism in particular.

To examine whether the stakeholder groups prefer tourism liberalisation, whether they understand the principles and rules of GATS, and estimate the expected impacts of the GATS on tourism development in Egypt, primary data were collected during July 2000 by interviewing the stakeholder groups (government, private enterprises and tourism experts). The aim was to assess whether the Egyptian private enterprises could face the competition and achieve economic growth under liberalisation as well as explore the overall impacts of the GATS on tourism development in Egypt, taking into account the macroeconomic environment and the institutional climate in Egypt. The underlying argument of the analysis was that it takes both economic and institutional reforms to allow liberalisation to play a leading role in economic growth.

13.2 MAIN FINDINGS OF THE RESEARCH

13.2.1 TOURISM LIBERALISATION

Tourism was one of the highest growth activities in the world during the 1980s and 1990s, in terms of both expenditure and foreign currency generation. The high levels

of tourism expenditure have significant implications for both tourist origin and destination countries, contributing to a worsening of the balance of payments of net tourism generator countries and an improvement of that of net recipients countries. Tourism is highly important for developing countries particularly, those whose economics, apart from tourism, are based on primary products. While over the long term both domestic and international tourism can make a significant contribution to a country's economic growth, its potential for generating income and employment within a destination may be considered by the countries ability to supply the goods and services which tourists wish to consume.

In Egypt, the results of this research show that tourism is an important source of income and employment. Its share in the balance of payments increases over the years. Despite the incidents that have affected tourism in Egypt since early 1990s, it is still important for the economic growth of the country.

Trade in goods and services and foreign investment are major engines of growth in developed and developing countries alike. The case for open markets rests on solid foundations. One of these is the fact that when individuals and companies engage in specialisation and exchange, a country will exploit its comparative advantage. It will devote its natural, human, industrial and financial resources to their highest and best uses. This will provide gains to firms and consumers alike. Another is the strong preference of people the world over for more, rather than less, freedom of choice.

The results revealed that respondents were positive about the tourism liberalisation. A more open domestic market is not a handicap, it is a source of competitive strength. Exposure to international trade and international tourism is a powerful stimulus to efficiency. Efficiency in turn contributes to economic growth and rising incomes. Other countries' experiences show that, in the last decade, countries that have been more open have achieved double the annual average growth of others. According to the OECD (1999b), liberalisation from the Uruguay Round alone has delivered a global tax cut estimated to be worth more than \$ 200 billion per annum: the equivalent of adding a new Korea or Switzerland to the world economy over the next ten years. For international tourism, open markets is no different than

international trade. Results speak for themselves. In the last decade, Eastern Europe has achieved remarkable growth in both inbound and outbound tourism.

However, the tourism liberalisation area is a very recent field of research. Very little work has been done on the liberalisation of services industry and the literature is dominated by the exploration and examination of the liberalisation of the international trade in goods at the regional and multilateral level. As discussed throughout this study, there is clear evidence to suggest that countries will be better off with liberalisation than restrictions.

Given that, the investigation of the tourism liberalisation through GATS has contributed to a better understanding of the tourism liberalisation in Egypt and the level of openness in Egypt trade in service in general and tourism in particular.

The results also show that liberalisation is likely to 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.

As the results revealed, liberalisation could benefit the tourism sector in Egypt in different ways: first, foreign investment brings higher wages, second it is a major source of technology transfer and managerial skills in the sector. This contributes to rising prosperity in the country as well as enhancing demand for higher value-added exports.

On the other hand, the results show that there are concerns that liberalisation of trade and investment may be fundamentally inimical to the environment or will lead to "race to the bottom" in environmental standards. 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.

But the evidence shows that trade and investment liberalisation, by promoting a more efficient use of resources as sustaining growth, can make a vital contribution towards creating the conditions necessary for environmental improvement. There is a positive link between countries' environmental performance and rising per capita income levels, security of propriety rights and administrative efficiency.

Trade and investment liberalisation is, of course, only a part of the overall growth process, but it clearly plays a vital contributing part, fuelling the improvement in environmental quality that has gone with it. It has done so by promoting a more efficient allocation of resources (including environmental resources), by removing restrictions and distortions (e.g. subsidies) that are damaging to the environment, and by speeding the transfer, adoption and diffusion of environmentally friendly technologies.

Moreover, the results revealed that there are concerns about the way in which market openness may 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.

Trade and investment form a vital part of a country's overall strategy to maintain and even strengthen its capacity to determine its own future (and thus its sovereignty), by improving its competitiveness and raising incomes and making it less vulnerable to external shocks. Thus, liberalisation and regulatory reforms are undertaken by national governments (whether unilaterally or in the context of international negotiations between sovereign governments) to enhance national interests. Such decisions are made precisely in order to gain added security, stability and enhanced

prospects for national welfare, that internationally agreed rules provide. An agreement such as the WTO is essentially an exercise of national sovereignty rather than a surrender of it.

Multilateral trade and investment agreements do not regard all national regulatory measures as unnecessary. Nor do they require the removal of all barriers to foreign trade and investment or that all of these be lowered. Indeed, governments retain the sovereign right to set their own objectives on such matters. The rules do require countries to prepare, implement and administer national regulations that affect foreign goods, services and investment in a transparent, non-arbitrary and non-discriminatory way. But that is because governments have taken a sovereign decision to abide by such rules. And they have done so because they recognise that such principles help to promote fairness and stability in an international economy in which all countries have a stake and from which they benefit themselves.

13.2.2 TOURISM POLICY AND LIBERALISATION IN EGYPT

The analysis shows 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.

The findings of this research showed that despite the importance of tourism policy, in Egypt such a policy is not effective. The government needs to realise the need for a greater focus on tourism policy and the need for greater articulation of tourism policy

goals and objectives. Moreover, tourism policy in Egypt lacks clear goals and objectives and does not provide clear guidelines for tourism development. For decades, tourism policy in Egypt has focused on only two goals:

1. Maximising tourist arrivals; and
2. Maximising tourism receipts (improving the balance of payments through international tourism receipts).

It could be argued that a written document on national tourism policy in Egypt has not been issued yet and therefore development strategies are mainly the work of the Ministry of Tourism (MOT) and the Tourism Development Association (TDA), which may change according to the Ministers' wishes.

13.2.3 CONSTRAINTS FOR TOURISM LIBERALISATION

As stated earlier, the goals of tourism policy should ensure the competitiveness and sustainability of a destination. Moreover, in order to enhance tourism development in Egypt, tourism policy needs to be liberalised and trade barriers need to be removed. The results showed that when designing tourism development policies, the government should identify and take into account all the measures, which can potentially limit the expansion of the tourism sector and tourism liberalisation. The most important ones that have been identified by the research are:

1. Restrictions on the movement of tourists;
2. Difficulties associated with the delivery of visas;
3. Restrictions on the work of professionals in the tourism sector;
4. Restrictions on the right to manage tourism companies;
5. Restrictions on private investment;
6. Restrictions on foreign investment;
7. Restrictions on pricing tourism product;
8. Sectoral regulatory restrictions;
9. Restrictions on transparency of information;
10. Limitations in access to and the use of Global Distribution System (GDS);
11. Restrictions on air transport services.

Despite economic reform in Egypt in 1990, the results revealed that trade in tourism is a distorted myriad of governmentally imposed quantitative and non-quantitative barriers, which affect the competitive structure of the tourism sector in Egypt. The institutional climate in Egypt deprives private enterprises of the means to compete in a highly competitive global market. One approach has been and remains to be, the protection of the domestic industry and workers by raising trade barriers. Societies typically pay a high price when they resort to protection. Protection raises the price of both imports and domestic products, and restricts consumer choice. It defers change and raises its cost, inflicts damage on exporting firms by making them less competitive and almost invariably translates into greater long-term hardship.

The most critical issues to be considered in tourism development and tourism liberalisation in Egypt are:

1. Taxation rules;
2. Dominance of local monopoly;
3. Unfair competition;
4. Limitations on the number of service suppliers;
5. Restrictions of movement of personal mobility;
6. Limitations on the type of the legal form requested to operate;
7. Restrictions on ownership;
8. Discrimination in licensing and qualification requirements;
9. Nationality and residency requirements.

This research has revealed that taxation rules in Egypt are the most significant trade barriers affecting tourism investment in Egypt. The research shows that when a country's tax rate is relatively high, investment is discouraged and competitiveness is eroded. Likewise, if the tax system fails to treat alternative investment opportunities in a neutral way, distortions are introduced in investment decisions. In that sense, differential tax treatment may very well distort investment allocation.

The research demonstrates that the industry believes that in a globalised world characterised by increased capital mobility; a well-designed and neutral national

corporate tax system is likely to have a strong bearing on attracting foreign direct investment.

Taxes in Egypt are raised through the sovereign power of the government. The tax rates and bases in Egypt are set nationally, and tax administration is centrally controlled through the government directorate. The survey shows that the Egyptian system of business taxation is multifaceted. It involves direct taxes such as income and property taxes, as well as indirect taxes including customs duties, sales taxes, stamp duties and surcharges. The tax system also provides special incentives, under different income and investment laws, to encourage investment.

Results also revealed that tax administration is the one of the greatest constraints to private sector development. Interviews revealed that investors do not complain about the level of taxes as much as tax administration itself. The combined effect of other taxes and complicated tax administration increases transaction costs and thus impedes firms' efficiency.

Private enterprises also complains about: the lack of trust between tax collectors and tax payers, the inefficiency of the dispute settlement system, and the arbitrary estimation of taxable profits.

To conclude, the results show that the central problem is that the criteria for tax assessment in Egypt are ambiguous, and tax collectors enjoy unlimited discretionary powers which lead tax officers and taxpayers to extreme initial bargaining positions.

The dispute settlement system in Egypt is costly and time consuming. The perception of business people, lawyers, and judges of the administration of justice in Egypt is that the system is simply too slow, expensive, and uncertain. According to the World Bank (1995), in 1993/94 the clearance rate of commercial cases in Egypt was only 36%, compared with 80% in Japan, and 88% in Belgium. Moreover, respondents point out that the situation seems to have deteriorated overtime.

Dominance of local monopoly and unfair competition were also among the major trade barriers in Egypt. The findings showed that respondents did not complain

about the dominance of local monopoly in tourism industry as much as the monopoly in other economic activities that are related to their business and that are directly and indirectly affect the tourism business in Egypt (e.g. transport, communication, banking and insurance). A Survey showed that the relatively high transaction costs that result from inefficiencies in banking, telecommunication, transport and insurance reduce the competitiveness of the tourism sector. The protection of intermediate services related to the tourism business, in the interest of such objectives as political control, also has significant costs that hinder the competitiveness of tourism suppliers in Egypt.

Protection does not deliver what it promises according to the findings of this research. The average cost to consumers of a job protected exceeds the wages of employees whose jobs are saved. According to the World Bank (2000g), in one extreme case, the consumer cost of saving a single job in one OECD country was estimated to be US\$ 600000 per annum. Protection consumes resources that could be more fruitfully be used to retain or provide transitional income support to displaced workers, or to help firms develop new products or new businesses.

The fact that resorting to protection is not the answer is a vital message in its own right. But it is not the whole story. Policies are still needed to ease the plight of those in the front line of adjustment. It is just as important to stress, therefore, that there is, in fact, a better way.

In sum, a balanced mix of policies is needed to reinforce adaptive capacity in the face of all structural changes, including those stemming from trade and investment liberalisation. Social protection policies also need to be reoriented to ensure that those who lose their jobs - including as a result of trade or investment liberalisation - are insured against excessive income loss during the period of search for a new job. There is no inevitable connection between increased openness and less social protection, rather than a rationale for reducing them.

13.2.4 GATS AND TOURISM

13.2.4.1 Motivations and Awareness of GATS

The GATS has an extremely wide scope of application. It applies to measures imposed by a member that affect trade in services. As mentioned in the literature, GATS does not define services, but does define trade in services. It defines trade in services in terms of the four modes of supply (cross border, commercial presence, consumption abroad and personal mobility).

In 1995, Egypt signed the WTO and its agreements. The results revealed that Egypt was influenced by the potential gains from liberalisation. A number of political, economic and social factors influenced the government to join the WTO. Destler (1996) stated that trade is part of a global strategy to promote both economic prosperity and political stability. For example, in 1940s and 1950s, trade was seen as a key element in maintaining and promoting peace among nations. At least three reasons can be given as to why international trade in goods and services in general and in tourism particularly and peace are closely inter-related, and why integration through trade promotes world peace. First, trade reduces the likelihood of conflict by establishing vested interests in the welfare and prosperity that trade helps to bring about. Second, trade generates information about other countries and cultures and builds relationships among people across countries. Third, trade helps to build peace-oriented structures, including international rules. In short, the increased contracts between nations can lead to increased knowledge and understanding which, in turn, can contribute to a relaxation of tensions between nations.

From an economic point of view, the results revealed that trade liberalisation benefits economies in two important ways. First, when tariffs are lowered and relative price changes, resources are reallocated to production activities that raise national incomes. Second, much larger benefits occur in the long run as economies adjust to technological innovations, new production structures and new patterns of competition.

Since the GATS is based on the realisation that there are regulatory obstacles which restrict the ability of foreign businesses to enter a market and operate without discrimination, participating countries are required to commit themselves to respecting the twin freedoms of market access and national treatment. Closely related to that is the most favoured nation (MFN).

However, the results show that most of the respondents do not understand the GATS principles and rules. Moreover, they do not know what the implications are of GATS. Many respondents have pointed out aspects of design of schedules and schedules techniques that introduce an unwelcome element of opacity and interpretation ambiguity into the GATS, making the agreement less effective as a system of rules and vehicle for further liberalisation. The problem includes the lack of transparency, sector-specificity, the modalities of scheduling, the overlap between market access and most favoured nation principal. All of these reflect the structural weaknesses of the GATS.

Moreover, the results show that the problem of not understanding the agreement is related to a large extent to the lack of co-operation between government and private enterprises. It was evident from the analysis that the government did not provide the private sector with enough information about the GATS. The central problem is the lack of transparency of information, which reduces the chance of the private sector to be engaged in the world market and to improve its economies of scale.

Although MFN is a general obligation, the GATS contains an Annex allowing countries to invoke an exemption to MFN. The provision for MFN exemption in the GATS is designed to give members some flexibility. The results revealed that the list of MFN exemption in Egypt has been ill chosen for an open market economy. It needs to be reformed and improved as well as does the whole schedule of the specific commitments. Most of the countries listed in the MFN exemption list are not an important tourism market to Egypt (e.g. Iraq, Sudan and Yemen).

On the other hand, the results revealed that Europe has been pointed out as the most important area for tourism in Egypt followed by the Middle East and Arab countries. More importantly; respondents suggested that intra-regional tourism should be

regarded as an important tourism policy to develop tourism in Egypt. Collaboration between neighbouring countries and regional partners in the field of tourism has been undertaken in recent years, particularly in the context of regional trade agreements.

13.2.4.2 Egypt's GATS Commitments

Despite the expected benefits from liberalisation, looking at Egypt's schedule of commitments, it was evident that Egypt is less willing to liberalise the service sector and more specifically the tourism sector through GATS. Egypt has signed for only four sectors out of the twelve sectors that constitute the GATS commitments leaving out important sectors that have been chosen by most of developed and developing countries, i.e. business and communication service sectors. For the tourism sector, Egypt imposed many restrictions in its schedule of commitments with regards to market access and national treatment. The most restricted mode of supply is mode 2 and 4 (commercial presence and personal mobility respectively).

Although commercial presence and personal mobility were the most restricted modes of supply in Egypt schedule of commitments, the results revealed that they were identified by the interviewees as the most important modes of supply for tourism liberalisation. The commercial presence mode of supply has been given preference in order to encourage foreign direct investment, expand service exports and build domestic capacity.

The results revealed that restriction on personal mobility is an important obstacle to tourism business. Interviews with the private sector suggested that the lack of skilled, semi-skilled, and qualified local management staff is one of the major impediments to their business growth. Given the importance of the quality aspects in the tourism product and its labour intensity, the pool of human resources available for tourism is a fundamental factor in the successful development of the industry in general and in the firm in particular.

The findings show that the education system in Egypt seems to be a source of weakness in terms of human resources as it does not reflect the skills in demand in

the local labour market. There is currently a gap between the secondary education system and the vocational training needs of the private sector.

Thus the private enterprises suggested that one way of developing their business is through effective management. Therefore, when designing tourism development policies, the government should take into account that restrictions on the work of professionals in the tourism sector is one of the important trade barriers which affect their business.

It is important to realise that tourism is not a homogeneous or isolated industry, and liberalisation of this sector requires other sectors to be liberalised. For example, tourism operations may be competitively designed but lose market share due to the pricing practices of monopoly transport providers stop bringing tourists to their markets.

The research shows that services like communication, transport and financial are of special interest to tourism and only by comprehensive coverage of all commitments area in these sectors can policy-makers and operators be sure that tourism is completely included and is effectively liberalised. But this is not the case in Egypt's schedule of commitments, which left out many of the services that are related to tourism, such as communication which has been pointed out as the most important service affecting the development of tourism industry.

As a result, this again distorts the overall perception of the tourism liberalisation in Egypt. This emphasises the research argument that the degree of liberalisation of trade in tourism under the Egypt's schedule of commitments is not sufficient to improve efficiency. Any meaningful liberalisation of the tourism industry must rely mainly on efforts undertaken by the government to liberalise the service industry not only tourism.

Many services in Egypt, such as telecommunication, port and air transport, and insurance are of low quality and/or high cost, in part because of state monopolies or state-dominated oligopolistic market structure, which directly affect the tourism business in Egypt. Lack of competition and contestability have resulted in poor

quality and high costs. Users of these services in tourism are put at a comparative disadvantage because of the low quality and high costs.

The research argued that liberalising trade in services will improve efficiency in these sectors through competition, which will improve the quality of tourism services, given that, the quality of tourism services is increasingly demanded by international customers.

Finally, the research argued that the classification of tourism services for the purpose of GATS is unsatisfactory. Moreover, the subsections of tourism services in GATS are not entirely focused and in this form they are probably insufficient for tourism policy-makers and services suppliers. In that sense, by comprehensive coverage of all commitment areas can policy makers and operators be sure that tourism is completely included.

13.2.4.3 Transitional Period and Preparations for the GATS

Many governments are preparing policies and strategies to maximise their benefits from liberalisation; the question arises; to what extent the macro-economic environment in Egypt offer the necessary conditions for liberalisation and for tourism development?

The results revealed that the government has started to prepare the environment in Egypt for liberalisation. The analysis revealed that in general there are four main indicators of change towards trade liberalisation:

- Changes in tariffs and additional taxes and subsidies;
- Changes in the non-tariff barriers to trade;
- Changes in the exchange rate system; and
- Privatisation.

On the other hand, the results show that although, the government has recently taken remarkable steps to improve the business environment in Egypt it is still far below

the level needed to liberalise the market and to foster Egypt integration in the world market economy and to ensure economic growth through liberalisation.

Concerning tourism policy, interestingly the results revealed that there are no tourism legislation/regulation changes directly to Egypt signing the GATS agreement. It could be concluded that the government is not influenced by the benefits of liberalisation of tourism sector through GATS.

In general, the results argue that the Uruguay Round generally has a very limited impact on Egypt policies in the areas of investment and services. This reflects a defensive attitude toward liberalisation, this does not bode well for an economy that will be facing growing competitive pressures as the world economy becomes more integrated. In summary, results pointed out that Egypt did not prepare well for the GATS and more competitive market.

Furthermore, the research shows that while the concept behind the GATS is the promotion of trade in tourism, GATS also serves additional policy objectives, such as:

- Increase tourism flow;
- Improve tourism facilitation;
- Encourage investment in tourism industry;
- Promote the sharing of research, statistics and information;
- Recognise the importance of the safety and security of tourists;
- Acknowledge benefits from education and training in tourism; and
- Recognise the importance of quality in tourism.

13.2.5 IMPACTS OF GATS

For developing countries, the internationalisation of services is creating opportunities for expanding into new exports, in particular through long-distance service exports and the attraction of FDI. As discussed in the literature, opportunities in service trade have expanded as a result of several specific global trends:

1. Information technologies, coupled with telecommunication, have made services more tradable on a cross border basis;
2. Information technology are also supporting the unbundling of production and consumption, allowing for more specialised producer service inputs;
3. Organisations in both goods and services production are externalising or outsourcing their non-core producer services inputs to increase their competitiveness, creating new producer service opportunities.

The results revealed that despite the fact that open trade and investment produces overall gains, Egypt might experience adjustment pains and income losses as a result of liberalisation. This presents a genuine challenge to society. The level of the impacts of the GATS will depend upon the level of commitments that were undertaken by Egypt. As mentioned earlier, Egypt commitments are quite limited, therefore, the expected impacts of the GATS are also limited.

Concerns are voiced about the openness of labour markets. It is recognised that trade, investment and technological change have interacted in ways that depress demand for unskilled workers. Quality in tourism services is increasingly being demanded by consumers and therefore, it is gradually becoming a fundamental competitive tool for firms. It requires inter alia, managerial, technical and language skills. Therefore, Egypt must mobilise and develop its human resources in order to expand their exports of tourism services. In Egypt, the results revealed that the facilities to train the workforce for the tourism sector are inadequate, seriously restricting the labour pool from which supplying firms can draw. This hampers their efforts to upgrade their services and attain international quality standards.

The results reveal that the overall assessment of the impacts of the GATS in Egypt is negative in the short term and positive in the long term. In the long term, firms will have the chance to improve the quality/price ratio and adopt a combination of policies to increase the efficiency of tourism services and enhance their negotiation power. However, the impacts of tourism liberalisation under the GATS will always depend on how much Egypt will open its market and how rapidly it will strengthen

its industries and make them competitive internationally. To some extent this assumes that competitors will not also improve their quality and efficiency – so it has to be relative quality/competitiveness.

The results also revealed that the impacts of the GATS differ from one sector to another. Tourism flow and the business of hotels and restaurants are expected to rise after the fully implication of the GATS. GATS will encourage travelling, which will directly affect the business of the accommodation sector.

However, as the results revealed, hotels in Egypt which have not associated themselves with foreign firms, face competition from transitional hotel chains integrated through GDSs and using marketing techniques such as promotional offers during the low seasons, corporate rates and discounts for international customers, service quality concepts, loyalty programs, alliances with airlines and car rentals. At the same time, a large number of small and medium size hotels in Egypt face difficulties in improving quality standards and introducing the technological innovations required by international and domestic demand, mainly due to the lack of capital.

Air transport, CRS and tourism revenues will suffer in the short term from liberalisation through GATS, while they will gain some benefits from liberalisation in the long term. Tourism in Egypt is strongly hindered by two factors:

1. The long distances separating Egypt from the main tourist-generating countries, which entail a long travel time; and
2. Low international air traffic density, which means higher air fares than those for competing destinations.

The main recent developments affecting air transport and the industry structure are the increased international ownership of airlines and their growing concentration, world-wide, moves towards liberalise and deregulate the sector, the privatisation of airlines and the formation of strategic alliances among firms. Until now Egypt Air, the national carrier, did not move towards liberalisation, therefore, it is expected to suffer in a more globalised market. Moreover, the research argued that alliances can

restrict competition particularly if they collectively achieve a dominant position in certain routes.

Results also show that if the barriers affecting air transport in Egypt are removed, Egyptian airlines are likely to suffer only in the short term. In the long term competition will increase efficiency and enhance the quality of services. The results revealed that tourism enterprises in Egypt complained about the monopoly of Egypt Air and its high prices and price/quality ratio. They stated that, Egypt Air Services are one of the main impediments affecting their performance and affecting tourism development in Egypt in general.

For tourism revenues, concerns have been voiced about the leakage of the capital investment and the foreign exchange earnings. The results reveal that respondents are concerned about:

- **Local investment:** foreign investment could easily affect local investment, which is mostly small and medium size.
- **Leakages:** Concerns are frequently expressed about the “leakage factor” in tourism, 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 results revealed that the extent of the leakage of foreign exchange is directly related to a country’s level of development, its economic diversification and the openness of its trade arrangements. The analysis showed that the factors that determine the extent of the foreign exchange leakage are:

- The types of tourism facilities developed and the costs of their marketing and promotion;
- The demand pattern and volume of tourists;
- The extent of local ownership, management and employment in the accommodation and services sector;
- The availability of free transfer of profits;
- Import restrictions and duties on imports;
- The prior existence of infrastructure, particularly that is capital intensive like airports, and of technology for telecommunications; and
- The level of development of industries and sectors that are linked to tourism that can supply materials needed at the construction stage and during operation of tourism facilities.

Yet, because the leakage factor is related to the country's level of development, it would seem logical and evident that if the leakage factor in tourism is high, it will be so in other economic activities in the country. However, this phenomenon has not yet been adequately studied, and further work needs to be done in order to assess its extent and to identify the mechanisms through which it takes place, as well as to devise strategies to minimise its occurrence.

For travel agencies, the results reveal that the impacts of GATS are likely to be negative in both the short and long term. Only big companies with sophisticated communication infrastructure and huge capital investment will survive the huge competition. Travel agencies as well as other tourism suppliers in Egypt participate in the international tourism market mainly through the transactions of tour operators from developed countries. The travel agency industry in Egypt is mostly fragmented, and the majority of them are SMEs. The main revenue of average travel agencies in Egypt comes from commissions on ticket sales.

Finally, the results show that the impacts of GATS on tourist guides are likely to be neutral. Foreign tourists would prefer a native speaker guide who knows more about the culture and the whole country. However, results revealed that respondents were concerned about the quality of tourist guides in Egypt (level of knowledge, language,

skills and act). They stated that tourist guides in Egypt need to up grade their skills in order to compete effectively in the market.

To conclude, the results reveal that in order to take advantage of trade liberalisation opportunities and thrive in an increasingly competitive global services environment, Egypt service firms will need opportunities to continuously up-skill and keep current with technical and professional advances, as well as to meet and exceed international service quality standards and incorporate information technology into the provision of their services.

The finding of this research show that expansion of services exports from Egypt depends not only on national capabilities but also on the quality of the telecommunications infrastructure in place and on emerging market opportunities. Success requires a world class telecommunication infrastructure, and the ability to move natural persons temporarily, including on business travel, to foreign markets unimpeded by visa restrictions, a sophisticated array of financing support, and access to appropriately skilled staff.

The overall image of Egypt (Security, level of education, attitude of population), as well as the quality and safety of the service being exported (reliable services, efficient and safe airlines, adequate tourist facilities) are essential components of the capacity of the country to export.

13.3 RECOMMENDATIONS AND IMPLICATIONS OF THE RESEARCH

In analysing the impacts of the GATS on tourism development in Egypt, this research searches for more reliable measurement tools and formulates new ways and techniques. The aim was to recommend policy options for Egypt in order to maximise the benefits of tourism liberalisation and minimise the loss.

There are likely to be transitional impacts of trade liberalisation through WTO and GATS. The World Bank (2000) states that globalisation and liberalisation do not

benefit everyone equally. Developing countries and the least developing countries are always the least able to take advantage of the opportunities that GATS presents, and globalisation and liberalisation may lead to an increase in inequality in these countries.

Participation of developing countries in the trade in service liberalisation process was one of the key objectives of the Uruguay Round. Developing countries were concerned about the existing imbalance between the development of services in their economies compared with those in the developed countries.

The question of how to facilitate the economic and institutional integration of developing countries and countries in transition into the world trading system and at the same time offer a more equal sharing in its benefits is a major challenge for international economic co-operation.

The future of tourism development in Egypt, as well as the ability of Egypt to integrate successfully into the global trading system will depend, as regards services, both upon its ability to strengthen its capacity to produce internationally competitive services and upon the extent of liberalisation in the services sectors in general and tourism sector in particular.

The study has identified the strengths and the weaknesses of GATS as they apply to Egypt. Therefore, in order to alleviate the weaknesses without losing the strengths of the GATS, the analysis in this study give rise to the policy recommendations set out below for the consideration of Egypt and the Member states of developing countries. Recommendations cover the following area:

1. Lobby to Change GATS;
2. Change Egypt to give it a better fighting chance;
3. Enhance regional co-operation.

13.3.1 STRATEGIES TO RESTORE THE OVERALL BALANCE OF GATS

Since the completion of the Uruguay Round, developing countries as well as Egypt have undertaken major commitments autonomously and as a result of the extended negotiations on financial and telecommunication services without obtaining reciprocal benefits. According to the World Bank (1999), developing countries generally consider that there are imbalances between the four modes of supply of GATS. There has been an emphasis on mode 3 (commercial presence) in negotiations and commitments made both during the Uruguay Round and in subsequent negotiations on trade in services, but there has been considerably less progress in negotiations on commitments on mode 4 (movement of natural person). The basis for seeking equilibrium is given by articles IV and XIX of GATS, which should, in their view, be fully implemented. Developed countries, on the other hand, argue that the question of the relation between different modes of supply need to be analysed on a sector-specific basis, since the relative importance of each mode varies considerably among sectors. There is broad agreement that the mix of different modes of supply of services is also affected by technological change. In particular, advances in information technology and the rapid expansion of electronic commerce have greatly expanded the opportunities for international trade in services through mode 1 (cross border).

Thus, the UNCTAD (1999) suggests that there may be a need to restore the overall balance of rights and obligations in terms of sectors and modes of supply, just as there is a need to provide credit for post-Uruguay Round liberalisation by developing countries. In recognition of the concern expressed by developing countries on the need to improve their participation in service markets and based on the main findings of this research, recommendation for developing countries and Egypt cover the following areas:

13.3.1.1 Ensuring Effective Implementation of Article IV and Article XIX of the GATS in the Context of the Development of the Guidelines for GATS Negotiations

Article XIX.3 (Negotiation of Specific Commitments) of the GATS provides that, for each round, negotiating guidelines should be established, for the purposes of which an assessment of trade in services in overall terms and on a sectoral basis with reference to the objectives of the GATS, including Article IV.1 (Increasing Participation of Developing Countries), will be carried out. Based on that the research suggests that assessment should contribute to the knowledge base necessary to take decisions on liberalisation. It suggests that in the short term, services statistics need to be improved in order to help the developing countries to take decisions on liberalisation of service sectors.

As Article IV.1 provisions (Increasing Participation of Developing Countries) are accorded through negotiated specific commitments, the relative imbalance in negotiating leverage between developed and developing countries has made it difficult for developing countries to derive the expected benefits from these provisions.

The research suggests that in the long term, the matter of increasing participation of developing countries could be pursued in the context of the assessment and the next round of multilateral negotiations on trade in services. The required negotiating guidelines should address issues, which have arisen in the implementation of the GATS. The research also suggests that effective implementation of Article IV to ensure strengthening of competitiveness of services sectors of developing countries could be achieved through the transfer of commercially viable technology on preferential terms, particularly in the area of telecommunications and information technology; this would involve the full implementation of the Annex on Telecommunications (i.e. the provisions on technical and financial assistance). Provision could be made for developing countries to grant incentives to their firms and institutions for the purpose of encouraging transfer of technology.

Implementation of Article IV.1 (b) of the GATS will require restoring symmetry between the four modes of supply and ensuring that services of export interest to developing countries are included in the schedules of commitments of developed countries. The impact of electronic commerce and new technologies on trade in services and expansion of their capacity to export through the cross-border mode (mode 1) and the impact on national policy objectives could be evaluated.

In this regard, the research suggests that it would be useful to undertake an assessment of the extent of access provided for developing countries to technology, distribution channels and information networks in the schedules of commitments of developed countries. One possibility would be to establish specific measures and benchmarks to grant developing countries preferential access to networks and new technologies.

13.3.1.2 Strategies to Restore the Overall Balance of Rights and Obligations in Modes of supply

In relation to the cross-border supply mode (mode 1), the research suggests that guidelines need to take into account the fact that prior to further liberalisation of the cross-border mode, developing countries would require technical and financial assistance for infrastructure building mechanism, as well as for setting in place an accompanying regulatory framework and competition policy.

In improving their commitments on the cross-border mode, developing countries would need to link market access in the cross-border mode to establishment of commercial presence to ensure implementation of Article IV provisions. Such a linkage would enable them to tackle effectively issues relating to liability, jurisdiction, quality control and consumer protection, and to establish an appropriate environment for access, including, for example, transfer of know-how and imposition of performance requirements.

As regards commercial presence (mode 3), the research suggests that it would be useful to gather information on the extent to which investment in developing countries has increased as a result of their granting security and predictability

through their market access commitments. An inventory of anti-competitive practices could provide useful guidance for future negotiations.

On the movement of natural persons (mode 4), a comparison could be made in terms of what access is currently granted in the national legislation of developed countries in respect of temporary movement of service suppliers and what has been bound in the schedules of specific commitments. A list could be drawn up for categories of persons for which countries would agree to abolish ENTs, and criteria for the application of ENTs for categories not covered by the list could be established.

Consideration could also be given to binding existing access contained in immigration legislation and to the adoption of an agreement for liberalisation of access for sector-specific categories of persons, coupled with the possibility of abolishing those requirements which prohibit developing countries from providing professional services.

The impact of MRAs (Mutual Recognition Agreement) on exports of developing countries in this mode also requires attention. Given the importance of information as a production factor, the research suggests that an examination is needed of whether developed countries' contact points have provided relevant market information to developing countries service exporters which has assisted them in developing and implementing export strategies. A mechanism could be established to promote and monitor effective access of developing countries to MRAs in relation to all professional services.

Other areas which could be addressed in the long run by the negotiating guidelines to be established under Article XIX.3 relate to accelerating work on emergency safeguard measures to enable countries to expand market access commitments in all modes and sectors, subjecting subsidies of developed countries to disciplines in the context of negotiations under Article XV (subsidies), strengthening Article IX (Business Practices) by ensuring that importing and exporting countries would control abuse of dominant position, and establishing a notification requirement for restrictive business practices. Reference papers could be negotiated to ensure

competition safeguards and address private sector practices, for example in relation to GDSs and CRSs.

13.3.2 RECOMMENDATION FOR POLICY MAKERS TO CHANGE THE MACRO-ECONOMIC ENVIRONMENT AND INSTITUTIONAL CLIMATE IN EGYPT

13.3.2.1 Formulation of an Effective Tourism Development Policies and Strategies with Respect to GATS

The importance of tourism in Egypt can be measured by its share in employment, foreign exchange earnings, investment and fiscal revenues, and by its overall contribution to development. Tourism contributes to the economic development through its spillover effects on other areas of economic activity, whereby it creates additional social and economic benefits for the country.

Nevertheless, in Egypt the tourism sector has not received the attention it deserves in national development policies. As in other development sectors in Egypt, tourism is usually centrally planned and developed. In tourism terms, there is a consequence of potential tension between a national authority and a regional one over scales and resources management for tourism. For public policy makers at the national policy level, perhaps equality is a more important priority than efficiency, which may not be the best scenario for tourism development in the country.

Having said that, to design and formulate an effective tourism policy, which could help to overcome the negative impacts of the GATS, the research recommends that policy makers should take into account the following points:

1. Institutional Strengthening and Knowledge Management

The right institutional framework is a key component of a successful tourism sector. At some central level in Government, normally in a ministry of tourism, it suggests that there must be a small team of people capable of planning for the sector, based on sound information and a good understanding of the issues and complexities. The

leader should have sufficient authority to enlist support and inputs from other technical ministries. The team must be capable of managing a process of preparation of a master plan for tourism, together with a strategic action plan for its implementation that will require close collaboration with the private sector.

Within this framework, the role of the Government as a mediating structure in developing tourism becomes even more crucial. Physical planning measures and environmental and building standards need to be introduced and their implementation ensured. Investment proposals have to be reviewed and project development will entail co-ordination with local authorities, which will often require technical guidance. Furthermore, co-ordinated efforts are required between the public and private sectors for promotion and marketing. Statistics are the domain of the public sector.

As a generalisation, most ministries of tourism require strengthening prior to and in order to manage tourism growth. Weak tourism ministries cannot expect to gain cabinet-level support for the demands that tourism makes on other ministries or departments of government, such as public works and transport, and even on statutory bodies when these are in charge of utilities. Many of these responsibilities cannot be successfully undertaken by civil servants operating under civil service rules. Many of them are best undertaken in co-ordination with other departments of government and in partnerships with the private sector.

2. The Collaboration Between the Government and the Private Sector

Edgell (2000) suggests that the formulation and implementation of national tourism development plans and programmes should be undertaken by national Governments in close collaboration - at all stages of the process - with private-sector representatives, as well as local communities and local authorities. Only in this way can the views and priorities of all stakeholders be duly taken into account and the sustainability of projects ensured. This approach also allows for consideration of the interdependency between tourism and the ecological, cultural and social dimensions of countries. Moreover, such collaboration should ensure that large companies support and co-operate with small and local businesses and act in a transparent way.

Public-private partnerships are essential in tourism. The capital that valorises the tourism assets stems from the private sector, but the private sector cannot operate efficiently without considerable government support for this cross-sectoral service export.

The research suggests that one of the most frequently adopted measures to achieve a common vision or strategy for the sector is the creation of a high-level consultative forum, which has the support of the highest political authority, and where government and the private sector, e.g., the head of the hotel, restaurant and services association(s), and other stakeholders, such as local authorities and NGOs, are represented. The ministry of tourism usually has the mandate for policy formulation, which can include formulating a national strategy or master plan, generally with consultant assistance, and for monitoring its implementation.

The research also recommends that Government and the private sector can set up a separate tourism development authority as a statutory body with product development and marketing and promotion functions, particularly if large-scale tourism development is envisaged. Within this structural approach, an important function of the statutory body is responsibility for investment promotion and its facilitation.

3. Barriers Affecting Tourism Sector

Based on the findings, 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 business. 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 tend to discourage the establishment of business by foreigners.

While these barriers are approached separately, they have a major impact on tourism development and are very often interrelated.

Concerning GATS, most of the potential gains associated with GATS membership will result from liberalising access to domestic service markets. There is substantial evidence that many of the constraints that reduce the economic efficiency of service industries in general and tourism industry on particular in Egypt as well as other developing countries, are “home grown”, in that appropriate policies are not pursued (World Bank and UNCTAD, 1999). The evidence available for Egypt suggests that tourism services are of a higher cost and lower quality than those in developed countries.

This issues leads to the need to liberalise travel and tourism policies, and the national or central government is the only body that can take national level decisions regarding aviation liberalisation, industry privatisation, and specifically the degree to which regional open sky policies are implemented.

The research also suggests that liberalisation of trade and investment may need to be augmented by regulatory change (frequently deregulation) and an effective competition policy in order to increase the efficiency of service sectors such as finance, transportation, and telecommunications. If liberalisation is simply equated with increased market access for certain foreign suppliers, this may have little effect on markets that are characterised by a lack of competition. The main result will then simply be to redistribute rents across firms.

It is important to realise that the effective supply of services requires the use of all modes of supply, and to effectively compete in world markets would require the liberalisation of all factors of production. The research suggests that the modal approach in GATS has created a flexible framework for liberalisation, as well as for the possibility of trade-offs between different modes of supply.

The research could also suggest that the adoption of specific criteria for the application and eventual removal of such barriers would be central to future efforts to liberalise trade in services. Facilitating the movement of service providers, through

the introduction of streamlined GATS visas for example would enhance the service exports of developing countries.

Based on the above illustration, when designing tourism development policies, Egypt should identify and take into account all the barriers, which can potentially limit the expansion of their tourism sector.

In summary, tourism requires a degree of co-ordination and complementariness between the government and the private sector, civil society in general and, in particular, with local communities that are specifically impacted by tourism, where NGOs can facilitate the process. Given its cross-sectoral nature, tourism will only develop sustainably if its needs and impacts are integrated into the country's overall policies and economic and physical planning mechanisms. Partial policy measures will be inadequate to address vested interests, underlying economic relationships and generic social or physical constraints.

13.3.2.2 Ways to Increase the Bargaining Power of Tourism Service Suppliers in Egypt

The analysis show that the future of the tourism development in Egypt after the GATS as well as the abilities of Egypt to integrate successfully into the global trading system will depend as regards services, both upon its ability to strengthen its capacity to produce internationally competitive services and upon the extent of liberalisation in the services sectors in general and tourism sector in particular. At the same time tourism suppliers from Egypt are hampered by their weak bargaining position and their lack of negotiating skills, which often result in unfavourable contractual conditions.

With this conceptual framework in mind, and based on the main findings of this research, it suggests that a serious of measures and policies can be adopted by the government and private sector acting in collaboration, with the aim of increasing the bargaining power of the tourism suppliers such as:

1. Increase the Attractiveness of the Country.

The more attractive the country, the stronger its negotiating capacity – this is its competitive edge and its product differentiation rolled in to one. The research suggest that the following issues could increase the attractiveness of the country:

(a) **Relative Prices:** these are strongly influenced by macroeconomic policy and fiscal policy. Macroeconomic policy (exchange rates and fiscal policies) can have a very strong impact on tourist flows. Overvalued exchange rates impair countries' competitiveness and reduce international tourist flows. For example, this has been a particularly acute problem for many Latin American countries recently (World Bank, 2000). The problem is more visible under liberalisation brought about by GATS. As discussed in the literature, liberalisation could lead to lower prices and increase competition. In Egypt, fiscal policy places a heavy tax burdens on tourism service suppliers (particularly small and medium-sized enterprises), which reduce its competitiveness position. Therefore, Egypt has to take into account the impacts of pricing issues on tourism development in more competitive opened market.

(b) **Quality of Tourism Services:** this is increasingly demanded by international customers and certainly affect the attractiveness of the country. Therefore, it suggests that service suppliers in Egypt should pay attention to this factor. Enhancing the quality of the tourism product is also a way to improve its quality/price ratio. Suppliers of tourism services have to ensure the quality of all elements of the tourism product (including transportation, accommodation, personal services, etc.). The research recommends that ideally, policies to enhance the quality of tourism services should be undertaken through co-operation between the public and private sectors. Improving the quality of tourism services was identified as a source of further growth in the sector in Egypt, enhancing its chances of achieving economic and environmental sustainability.

- (c) **Economic Proximity Vis-à-Vis the Main Generating Markets:** this factor includes the availability of transport (particularly air transport) to and from the country and the conditions attached to the supply of such services. In this respect, Egypt Government should carefully analyse the relationship between tourism policies and transport policies, so as to ensure that they are complementary and mutually supportive. Egypt also should prepare herself for effective participation in the future multilateral negotiations under GATS and the possible revision of the GATS Annex on Air transport services. This means that Egypt needs to restructure the air transport policies and regulations by making it more liberalised and by giving a chance for the private investment to play a leading role.
- (d) **Image of the country:** a country's image is negatively affected by natural and man-made disasters. Travel warnings issued unilaterally by the Governments of the main generating markets, while aiming at the security of their nationals, tend to overemphasise the risks of destination countries and often remain in place after the causes that justified the warnings have been removed. Another related problem for Egypt as a country in the Middle East is the political instability of the region and the terrorist attacks.
- (e) **Resources and infrastructure:** these define the capacity of Egypt to absorb increasing flows of visitors using various means of transportation. Inadequate provision of these resources generates a poor first impression about Egypt and often leads to the emergence of a few transport carriers in dominant positions in air and maritime services. This is more important after the implementation of the GATS. As discussed in earlier chapters, GATS will increase the tourism flow, which requires efficient and sufficient infrastructure. As discussed in earlier chapters, the availability of an infrastructure for tourism is an essential element of successful tourism development strategies. However, it is frequently an impediment to tourism expansion in countries where that infrastructure is deficient. This is particularly true in Egypt in the case of the transport (modes and roads) and telecommunications infrastructure (including access to the EC). The main reason for deficiencies in infrastructure in Egypt is the scarcity of public funds to finance projects, given that infrastructure projects have

traditionally been the responsibility of the State. However, the research suggests a number of ways to overcome the financing constraints facing Egypt:

a. Financing by Regional Banks and by Multilateral Financial Institutions.

Such financing can be used in a number of ways, including:

- Financing of public-sector projects, as has traditionally been the practice;
 - Provision of funds for private companies which operate public concessions;
 - Direct financing of projects developed by the private sector (though usually Governments are still required to provide guaranties).
- b. Concession of Services to Private-Sector Operators, Both Domestic and International.** This option mobilises private capital and therefore bypasses the issue of mobilisation of public funds; however, the assistance of the international community may be required in establishing the appropriate legal framework.
- c. Build-Operate-Transfer Policies.** Not only do these operations place no burden on public budgets, but they may also foster the participation of local communities in tourism flows and their benefits (e.g. building airports).
- d. Foreign Direct Investment.** This can also be combined with some of the options mentioned above (e.g. concessions, build-operate-transfer operations).

2. Degree of Dependence on the Main Tourist-Generating Markets

Liberalisation and regional integration will result of an increase in intra-regional tourism. The government of Egypt needs to realise this fact and try to encourage the inter-regional tourists (Arab and Middle East) as well as domestic tourism. The promotion of both domestic and regional tourism can result in a strengthened bargaining position for tourism services suppliers from Egypt. Regional economic and trade integration schemes provide the framework for enhancing regional tourist flows. Experience has shown that international tourism development only becomes sustainable when domestic tourism accompanies international tourist flows. Therefore, Egypt should promote its domestic tourism.

3. Availability of Information.

The position of suppliers would be greatly strengthened if they shared information on contractual conditions, given that there is often a situation in which a few organised buyers confront a large number of uncoordinated suppliers. It suggests that suppliers' associations could play a useful role in spreading this type of information. In other words, tourism service suppliers in Egypt should co-operate in order to compete. Moreover, tourism service suppliers also need access to information on the international market and the latest developments in it. Article IV in the GATS require the developed countries to establish inquiry points in order to provide the developing countries with the information (regulations, facilities and etc) needed to expand their service industry.

4. Domestic Regulation.

This is necessary to prevent unfavourable clauses from being included in contracts (franchising contracts with import requirements, exclusive dealing, reservations without deposit, inadequate repayment periods and other examples were cited by various speakers).

5. Operating and Negotiating Capacity of Local Suppliers

Special attention should be paid to strengthening the bargaining positions of tourism service suppliers in Egypt, in particular, governments should make efforts to develop new model contracts to use in negotiations with tour operators and other suppliers, which may include, inter alia, insurance against non-payment by intermediaries. Such clauses are not visible in Egypt at the moment.

The research also suggest that, in order to improve the negotiation capacity of local suppliers, the government and the private –sector suppliers should adopt policies aiming at the following:

- Diversifying the supply of tourism services;
- Encouraging alliances among private agents to reduce costs and increase efficiency and bargaining power;
- Improving their quality/cost ratio by investing in human resource development; and
- Upgrading suppliers' negotiation skills.

The research also suggests that the pursuit of initiatives at the regional and sub-regional levels can be effective in improving the bargaining power of service suppliers from Egypt. The negotiating power of local suppliers can be also enhanced by policies to develop human resources, including those aimed at training in the use of new technologies.

13.3.2.3 Strategies to Expand Tourism Exports under the GATS

The scope for the expansion of Egypt tourism exports under the GATS can be enhanced by actions at the national level both to enhance capacity and to help national suppliers improve their competitiveness in response to new business techniques, the liberalisation brought about the GATS, and possible anti-competitive practices. In addition, action will be required at the multilateral level to facilitate the continued growth of tourism trade. Some suggestions are provided below in this regard.

1. Action at the National Level to Enhance Capacity and Improve Competitiveness

(a) Human Resource and Technology Capacity Building.

Given the importance of the quality aspect of the tourism product and its labour intensity, the pool of human resources available for tourism in Egypt is a fundamental factor in the successful development of this industry. It requires, *inter alia*, managerial, technical and language skills. Therefore, the research suggests that Egypt must mobilise and strongly develop its human resources in order to expand its

exports of tourism services. This includes the establishment of technical, middle and higher-level schools of hotels, tourism operations and tourism management.

Increasing the level of education, particularly in new technologies, is a key element in improving competitiveness and attracting foreign investment. Government expenditure on education and research has to be increased and geared to the development of indigenous technological research to strengthen competitiveness and to adapt foreign technology to specific national conditions.

Article XXV (Technical Co-operation) in the GATS states that technical assistance to developing countries shall be provided at the multilateral level by the competent secretariat and shall be decided upon by the Council for trade in Services. Such assistance need not be provided solely by the Secretariat of the GATS, but can involve any multilateral organisation deemed to be competent. Examples include United Nations bodies and agencies, the World Bank and sectoral agencies such as the International Telecommunications Union, the International Civil Aviation Organisation, the International Maritime Organisation etc.

In this sense, the research suggests that for Egypt, in order to develop its human resources for the tourism sectors, Egypt could ask for technical assistance from the relevant international organisations. Moreover, it could ask the international financial institutions to provide financing for human resource development and capacity-building programmes for the reasons of liberalisation.

(b) Telecommunications Infrastructure.

Accessibility via the "information superhighway" (including the Internet) is becoming the new international competitive arena for successful services exporting. Upgrading telecommunications infrastructure is key to exploiting cross-border trade opportunities. The recent agreement on liberalisation in basic telecommunications and the ITA will provide support for such infrastructural improvements, as will innovative development strategies.

The WTO (2001) points out that continuing innovation in information technology have revolutionised the trading environment for services. Computerised, globally networked systems are becoming prerequisite for competitiveness. Not only do such systems support delivery of services at a distance, but they are also increasingly critical in marketing, reservations of sales, staff training, and the redesign of tourism services. For example, leisure tourists from developed markets now expected to be able to research tourism destinations on-line, make electronic reservations and travel on a "paper less" electronic tickets.

The research recommends that 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.

For GATS, it is essential to recognise that the development of electronic commerce (EC) has dramatically increased the relevance of the cross-border mode as a means of exporting services. The explosion in the Internet use has been achieved through the use of open, non-proprietary standards that exploit the existing communications network. The Internet will facilitate many professional and business services, health and education, travel and ticketing services, software, entertainment and financial services. The Internet allows commercial activities to be conducted without the heavy cost of establishing and maintaining physical stores and inventories and facilitates establishment of market interlinkages. EC will also have an important impact on government services

The rapid expansion in electronically supported cross-border service trade, including back office services, can be significantly constrained by the stage of development and interconnectivity of telecommunications infrastructures in Egypt.

The Internet provides developing countries with the opportunity to obtain hitherto inaccessible and unaffordable information. The resulting transfer of know-how could stimulate expansion of exports of services from developing countries and assist in their integration into the world trading system. However, Egypt suffers from inadequate infrastructure and information technology.

Based on the above illustration, the research suggests that efforts need to be made to ensure that access of Egypt to trans-border data flows is not constrained, as information constitutes an increasingly important factor of production. The main opportunity of electronic commerce in services is that it will permit persons in Egypt to offer their skills in world markets without their having to leave their own countries, thus benefiting from what has been termed low-cost/high-tech comparative advantage. The Internet will also permit them to advertise their services.

Another important feature of EC concerns the opportunities it will open up for SMEs in Egypt, which will now be able to tap into global markets for suppliers and customers. The virtual market space means that the size of a business is no longer an indicator of the geographical spread of its customers and activities. Some SMEs have already achieved a global start-up by setting up a Web site. For tourism services, such a site can build niche markets into mass markets. Moreover, internal information used by a firm can be repackaged and made available to customers and the public to help build customer confidence and loyalty.

A substantial range of transactions carried out through electronic commerce are already covered under the GATS. These include Internet services, products which can be delivered as digitised information flows (e.g. financial services; telecommunications, computer and computer software services; business, entertainment, postal and courier services; and air transport). The most relevant modes of supply are cross-border supply and consumption abroad.

The Research suggests that liberalising commitments in services sectors that are complementary to electronic commerce and all four modes of supply can contribute to the development of EC (Electronic Commerce). It should be noted, however, that if supply through the cross-border mode is preferred to commercial presence, this could reduce the flow of FDI, transfer of technology and management techniques, and employment opportunities.

Certain provisions of the GATS relate to the facilitation of EC:

- a. Commitments on market access and national treatment in telecommunications services and regulatory principles in basic telecommunications provide for gradual liberalisation of these services, as well as competitive safeguards;
- b. The GATS Annex on Telecommunications provides for access to and use of public telecommunications networks and services (when the services are included in the GATS schedule of the importing country concerned); it also provides for technical co-operation to strengthen developing countries' telecommunications infrastructure and to expand their telecommunications trade;
- c. Article IV contains provisions on strengthening domestic services capacity, efficiency and competitiveness (inter alia through access to technology) and the improvement of their access to distribution channels and information networks; and
- d. Article XIX.

For Egypt, as well as developing countries in general, to benefit from the opportunities offered by electronic commerce, it is important that the provisions in Articles IV and XIX.2 and the provision on technical and financial co-operation in the Annex on Telecommunications are faithfully implemented. The Information Technology Agreement (ITA) removes a range of tariffs on information technology products essential to the infrastructure for electronic commerce and the Internet. Furthermore, although it will be difficult for Governments to restrict access to the Internet, many of the services provided over the Internet would be subject to domestic regulation to ensure quality and establish liability and for prudential reasons. GATS Article VI would apply to electronic commerce.

(c) Coherent Domestic Regulatory Framework.

In order to expand tourism exports, the research suggests that there is a need for the Government to develop a coherent domestic regulatory framework for goods and services, trade and investment and to put in place incentives that enhance the competitiveness of tourism firms. These would need to deal, inter alia, with:

- a. Extending current tax incentives and duty waivers to tourism firms, particularly with regard to basic office equipment (e.g. computer hardware and software, fax machines, etc.)
- b. Establishing appropriate performance measures for foreign commercial presence and the operation of global service delivery networks, such as local purchase of service inputs, export earnings, transfer of technology, staff training;
- c. Liberalising the business structures available to tourism firms; and
- d. Modernising banking regulations and strengthening supervisory capacity.

(d) National Services Export Strategy.

A coherent strategy for raising the profile of service industries in general and tourism services in particular and exports in the domestic economy is important so that services exports are seen as being vital to economic development. Initiatives like the Co-ordinated African Programme of Assistance on Services (CAPAS) are important in this respect and need to be reinforced and extended. Initiatives can be aimed at improving the quality of services and emphasising the differences of these services as compared to those of their competitors.

Commitment to international quality standards (such as ISO 9000) can be augmented by training in service quality and customer service, study tours abroad to visit leaders in service excellence, information for benchmarking one's own service against international standards, joint ventures with foreign firms known for high quality standards, or media exposure and resolution of service quality problems. National Bureaux of Standards could foster a "service" culture in both the public and the private sectors with a commitment to high service standards, with a needs assessment to identify the key barriers to improved service quality.

UNCTAD (1999) suggests plans for expanding services exports need to be integrated into overall national development planning and include strategies such as the following:

- a. Disseminating timely trade and business information to SMEs and different government bodies;

- b. Featuring national service export capabilities on a national Website;
- c. Publicising service export success stories, including supplying service statistics and success stories for speeches by political leaders;
- d. Expanding the coverage of service firms in exporters' directories;
- e. Uploading information on existing service exporters into partnering databases, including on the International Trade Centre UNCTAD/WTO's Services Exporting Homepage;
- f. Identifying and developing regional market opportunities;
- g. Negotiating mutual recognition agreements (MRAs) and terms for temporary entry of service providers and business persons with key target markets; and
- h. Changing the regulatory framework relating to market entry, behaviour of firms and the establishment of monopolies.

More importantly, the research suggests that the Government should help SMEs to access new technologies and management techniques, including sophisticated marketing expertise, capacity to design differentiated products and export planning skills. The government can do so by the following:

- Establishing an information support system to disseminate information on trade and business;
- Assist SMEs by promoting their exports, for example through partnering events;
- Assist SMEs to form business alliances and partnerships;
- Develop linked data base systems to assist SMEs to discover the economic environment in each region;
- Identify potential partners to increase business;
- Provide training programmes on effective use of information technology, cultural aspects of service innovation, and the skills needed to negotiate and partner effectively in the context of business alliances.

(e) Measures to Discipline Anti-Competitive Behaviour.

Many markets for tourism services are dominated by relatively few firms, and the trend in mergers, acquisitions and strategic alliances has exacerbated this situation. Such a situation tend to reduce the pattern completion in those sectors, change the pattern of international price-setting, alter the international division of labour and

regional market and ultimately affect developing countries; capacity to formulate national policies. The trend is particularly evident in the sectors of air transport, global distribution systems, telecommunications and software, auditing and constancy services. The consolidation of this type of market structure make it more difficult for service suppliers) particularly small and medium size enterprises) from developing countries enter the international market and take advantage of the opportunities it offer.

It is clear that anti-competitive practices have a major impact on trade in tourism services and on the ability of Egypt as well as other developing countries to benefit from this trade. Therefore, they should be addressed by the international community and by the national Governments, which should co-operate to this end.

At the national level, the research suggest that privatisation policies should give attention to competition aspects, so that privatisation does not result in the replacement of public monopolies by private ones engaging in anti-competitive practices. As well as drawing attention to potential anti-competitive practices in the operation of public services, the experts repeatedly drew attention to several examples of private anti-competitive conduct, such as:

- a. Exclusive dealing clauses incorporated in contracts between tour operators and hotels in Egypt;
- b. Clauses on import and supply requirements in franchising contracts;
- c. Abuse of dominance resulting in significant entry barriers, such as the allocation of airport slots.

At the international level, competition issues have to be looked into when analysing access to global distribution systems and to air transport (e.g. the potential anti-competitive effects of the reduction in the number of airlines as a result of the consolidation, concentration and privatisation of the air transport industry). National competition policies are needed and some multilateral mechanism is necessary to counter the effects on trade of mergers, cartels and abuse of dominance. Several experts saw this as a prerequisite for the further liberalisation of air transport at the multilateral level.

There is a need to develop national competition rules as well as multilateral mechanisms to strengthen co-operation amongst competition authorities to deal with transfer pricing, exclusive dealing arrangements, alliances, mergers and acquisitions, and export cartels.

(f) Service Industry Associations.

The Research suggests that Government can support tourism exporters by strengthening its national service industry associations as agents to establish and enforce codes of conduct and standards for professional continuing education. Associations can also link members to potential partners in target export markets and serve as a coherent voice for the needs of the service industry (including exporters) with government. In addition, Government may wish to support the formation of a coalition of service industries linked to other such coalitions.

2. Action at the Multilateral Level

(a) Collaborative Efforts

According to the UNCTAD (2000), to facilitate the continued growth of international trade in tourism, three areas require collaborative efforts among member Governments:

- a. Services trade statistics, including common agreements as to the definition of industries such as tourism and environmental services, accompanied by the development of satellite accounts as needed;
- b. Development of international standards for electronic service delivery, including interconnectivity, and analysis of the impact of developments in intellectual property rights protection on access to databases;
- c. Creation of effective access to mutual recognition agreements relating to professional qualifications, and agreement on the cross-border handling of professional liability issues that currently constrict the distance delivery of services such as telemedicine.

(b) International Financial Institutions.

In their role of supporting economic development, international financial institutions can facilitate the expansion of tourism services trade in at least two ways:

- a. Fast-tracking improvements to the telecommunications and Internet infrastructure in developing countries in general and Egypt in particular, including through help with privatising state telecoms, attracting foreign investment, and establishing an independent regulator;
- b. Instituting "set-asides" by intergovernmental organisations and international financial institutions of a percentage of services contract work for service firms from developing countries.

(c) International Standards in the Tourism Sector

The research suggests that standards, which have traditionally been applied to industrial goods, should also cover services in general and tourism in particular. Consultations with the major stakeholders in the tourism sector and with consumer associations have revealed strong support for the development of international standards in this sector. They would offer a means of ensuring and assessing the quality of tourism services. Given the growing importance of the quality aspect of tourism, standards will be increasingly needed and applied by the industry.

UNCTAD (2000) stated that the International Organisation for Standardisation (ISO) is in the process of developing international standards for tourism for their voluntary adoption by the international community. This process needs to be approached with caution, so as to avoid setting standards, which could become barriers to trade in the tourism sector and impair the position of Egypt suppliers' and developing-country suppliers. To this end, article VI of the General Agreement on Trade in Services (GATS) on domestic regulation is being fully taken into account.

13.4 RECOMMENDATION TO ENHANCE REGIONAL CO-OPERATION

13.4.1 POLICY OPTIONS FOR EGYPT AFTER THE FULL IMPLEMENTATION OF GATS TO MAXIMISE THE BENEFITS AND MINIMISE THE LOSS

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. The best selection of policies and instruments depends to a large extent to the level of the specific commitments undertaken by Egypt in the GATS schedule of commitments and to the level of the openness in the market economy in Egypt.

13.4.1.1 Options for Tourism Service Suppliers in Egypt

1. Co-operation/Association with Foreign Companies

According to UNCTAD (2000) there are several forms of association with foreign companies which can be pursued by tourism suppliers in Egypt, especially:

- (a) **Regional Alliances:** they are achieved by pooling the resources of companies from neighbouring countries, thus increasing the volume of tourism traffic. The research suggests that regional alliances can pursue joint development plans, increase the supply of regional and possibly longer distance international air traffic, and enhance their negotiating power. Moreover, they can become interesting partners for larger tour operators, hotel chains, carriers or alliances. Regional trading agreements can provide a framework for regional co-operation. The option of establishing regional alliances or joint ventures seems to be particularly suited to countries with a low tourism traffic density (e.g. Egypt). One of the main ways to expand tourism in Egypt is through regional co-operation mechanisms. Collaboration between neighbouring countries and regional partners in the field of tourism has been undertaken in recent years,

particularly in the context of regional trade agreements. These initiatives enhance two types of tourism:

Intra-regional Tourism worldwide, the bulk of international tourism flows take place within the same region. However, Egypt has traditionally concentrated most of its efforts on the larger generating markets of developed countries. Only recently Egypt has realised the potential of developing regional tourism and seriously targeted this market, with very positive results (e.g. the raise of Arab tourist numbers after the Gulf War).

Extra-regional Tourism this type of tourist flow is enhanced by mechanisms adopted jointly by regional partner countries, such as the development of joint regional circuits, regional air passes and joint promotional activities.

According to the UNCTAD (1998) the experience of Spain - one of the most successful countries in international tourism development - may provide guidance to Egypt, which is in a similar situation to that of Spain 30 years ago. Spain's tourism development basically underwent two phases. The first phase relied on strong backing of the State, including through the creation of hotel and tourism schools, investment in infrastructure, promotion of the destination abroad, the provision of credits for tourism development projects and the establishment of the *paradores* network, which set an important benchmark for quality standards in the hospitality sector. During this initial phase, Spain had to deal with several of the problems which plague tourism suppliers from developing countries, such as the bankruptcy of tour operators, in order to tackle this problem, the country set up a guaranty fund. The second, and current, phase is characterised by a more focused role for the Government, the deregulation of transport (including air transport) and of tour operators, and the rise of domestic tourism, which has strengthened national tourism service suppliers and provided a counterweight to the power of tour operators.

(b) **Entry into Global Alliances (Vertical and Horizontal):** until now most members of the major international alliances in air transport and tourism businesses (hotels, tour operators) have been from developed countries. With regards to air transport, some larger airlines from developing countries have also

joined the international alliances, such as Thai, Singapore and Varig (Brazil), which have become members of the Star Alliance. Such an option is more feasible to carriers with large domestic markets or which have already established a significant regional or long-haul international network, since this makes them more attractive to the other members of the alliance and gives them more bargaining power when negotiating with their larger partners. This option is also feasible to travel agencies with high capital investment. Therefore, Egypt Air, as well as Misr Travel (the biggest national tour operator) should consider this option along with the regional co-operation option.

- (c) **Association with Large International Airlines:** smaller airlines are interesting to large trunk-line operators because they feed their hubs, but may be too small to become full members of the larger alliances. This also could apply to either Egypt Air or the private airlines in Egypt.

2. The Hub Strategy (Air Transport)

The Hub Strategy could be one of the policy options for Egypt. The establishment of a regional air hub in a country entails the expansion of the network connected by the hub, and, consequently, an increase in the volume of air traffic to and from the country. An alternative, when one or more regional hubs are already well established, is to ensure good connections between the country and the regional hubs. Economically, this option is easier to achieve than the alliance, as the distances to be covered are shorter and thus the capital, fleet and personnel requirements are lower. This sort of strategy can be followed by countries or carriers with small domestic markets, which are located close to international hubs.

13.4.2 DOMESTIC POLICY OPTIONS FOR TOURISM

1. Changes in Domestic Market Regulations

In this context, the main policy shifts available to the government are:

- (a) **Liberalising Domestic Regulation:** this is done by enlarging market access for tour operators and hotels, derestricting routes for airlines and allowing competition in some or all of them, and abolishing or easing price controls on tourism product. The aim is to increase competition and enhance efficiency as well as to obtain lower fares.
- (b) **Privatisation:** privatisation contracts involving clauses mandating substantial investment to upgrade equipment and expand operations.
- (c) **Enhancing National Carriers:** liberalising domestic air transport regulations usually requires action to increase the competitiveness of national carriers. An alternative is to invest heavily in fleet and human resource development, which usually implies large transfers of public funds to the flag carrier. Privatisation also would help enhancing the national carriers.

2. Investment in Tourism Infrastructure

Investment in physical infrastructure must be accompanied by policies to foster the development of adequate human resources to operate and manage it.

13.5 OVERALL POLICY RECOMMENDATIONS

The analysis in this study gives rise to the policy recommendations set out below for the consideration of Egypt.

13.5.1 NATIONAL LEVEL

The following policy initiatives could be taken at the national level:

1. Identifying barriers to services exports, for example by circulating questionnaires to the private sector with respect to problems in obtaining visas and work permits;

2. Strengthening producer services, inter alia through externalisation and liberalisation of market access;
3. Adopting an enterprise structure for the export of labour-intensive services aimed at providing a package of services, linking the duration of the stay of temporary personnel to a specific project and clearly defined skills;
4. Preparing inventories of the occupation of nationals working abroad in order to identify areas of comparative advantage and where requests could be made in the next round of GATS negotiations; and
5. Accelerating the inclusion of services and their liberalisation in the context of sub-regional arrangements and strengthening co-operative efforts through such arrangements to prepare for the next round of GATS negotiations.

13.5.2 INTERNATIONAL COMMUNITY

The following initiatives could be taken by the international community:

1. ensuring effective implementation of Article IV and Article XIX of the GATS in the context of the development of the guidelines for GATS negotiations;
2. Preparing a schedule of specific criteria for the application of economic needs tests and eventually their removal, particularly with respect to clearly identifiable categories of professions,
3. Creating the conditions conducive to the transfer of technology from firms in developed countries to firms in developing countries, as well as the diffusion to the developing countries of technologies in the public domain;

4. Assisting the UNCTAD and WTO secretariats in improving services statistics to meet the needs of policy-makers and trade negotiators for the next round of GATS negotiations.

13.6 CONTRIBUTION OF THE RESEARCH

The major topics of this study are relatively new areas of research. Moreover, when this research was about to take place, there were almost no relevant up-to-date data about the WTO and GATS in relation to the tourism industry. Therefore, one of the purposes of this research was to provide up-dated information about the WTO and GATS and their implications for tourism.

The research explained and analysed the terms and codes of the WTO and GATS and its implication for tourism industry. It also highlighted the implication of the WTO and GATS for developing countries. This could contribute to better understanding of the terms and key concepts of the WTO and GATS. Therefore, the developing countries as well as Egypt could benefit and learn how to use the GATS to achieve their goals. Then lessons might be learnt which could be incorporated into future planning for tourism sector after the GATS implementation. The results also could contribute to the next coming GATS negotiations.

The findings in this research have implications for the current liberalisation policy in Egypt for service industry in general and tourism in particular. The research outcome repeatedly suggests that there is a wide gap between the level of liberalisation in Egypt and the WTO member countries with respect to service industry, moreover this gap exist between Egypt and other developing countries. It raises the questions of does the macroeconomic environment in Egypt offer the necessary conditions for liberalisation and for tourism private sector developments, local and foreign alike? And is the institutional climate amenable to investment growth and competitiveness?

In the international trade theory, it is understood that nations involved in free trade can benefit even in the situation where one of the countries has an absolute

advantage in the production of all goods and services, by specialising in, and exporting the commodities in which it is relatively less efficient. However, in this study, there is some doubt that liberalisation and free trade can benefit every one equally. Developing countries are always the least able to take advantage of the opportunities that liberalisation through, for example WTO and GATS presents.

The results also show that success in free trade is not static. The ability to compete well in particular products or services can shift from country to country when the market changes or new technologies make cheaper and better products possible. A country that may have enjoyed an advantage because of lower labour costs or because it had good supplies of natural resources, could also become uncompetitive as its economy develops.

If this is true, tourism firms in Egypt would need to continuously keep up to date with technical and professional advances, as well as to meet and exceed international service quality standards and incorporate information technology in the provision of their services.

It could be concluded that there are four findings this research has contributed in the area of the implication of tourism liberalisation policy:

1. The macroeconomic environment in Egypt does not offer the necessary conditions for liberalisation. Despite the recent economic reforms, the private sector initiatives are insufficient to enable Egypt to compete in more liberalised economy.
2. The institutional environment in Egypt seems to be responsible about the slow pace of liberalisation. It also deprives private firms of the means to compete in a highly competitive global market.
3. The pattern of public sector dominance in services has created government monopolies where privatisation and anti-trust issues slow down the progress of liberalisation and further GATS commitments.

4. Lack of effective tourism policy. The research argues that the immediate task for national policy is to secure an advanced role in international tourism traffic for Egypt through export expansion and diversification, in terms of both products and markets. This objective can be promoted through policies and actions designed to strengthen supply capabilities and capacities for trade efficiency.

In the literature review, there is substantial evidence that many of the constraints that reduce the economic efficiency of tourism industry of developing countries are home grown, in that governments have not always pursued appropriate policies. Therefore, thus, policy measures should focus on augmenting domestic production capacity and increasing quality, which is highly demanded by international tourists.

The expansion of international tourism in Egypt is dependent not only on national capabilities, but also on the quality of the telecommunications infrastructure in place and on emerging market opportunities. The effective supply of tourism services requires the use of all GATS modes of supply, and to effectively compete in the world markets would require the liberalisation of all related services.

The model approach in GATS has created a flexible framework for liberalisation, as well as for the possibility of trade-offs between different modes of supply.

Furthermore, the finding of this research contribute to the area of tourism policy after the GATS. It offers input to policy makers in order to present an effective tourism policy. This can be seen as a challenge to restructuring an economy and the problems of development after the fully implication of the GATS.

The research also contributes to the area of private sector development in general and tourism private sector in particular. The research argues that tourism supply sectors in Egypt are mostly SMEs, face competition from large multinationals companies with enormous financial strength access to the latest technology, world-wide networks, and sophisticated information technology infrastructure. In order to overcome some of the barriers to exports of tourism services in Egypt, the research suggests that Egypt should consider these areas of development:

1. Human resources development;
2. Institutional capacity-building;
3. Access to technology;
4. Formulation of adequate legislation and design; and
5. Implementation of service development policies and strategies aimed at fostering an internationally competitive supply capacity.

Finally the research contribute to the area of the impacts of the GATS. The ability of Egypt to integrate successfully into the global trading system will depend as regard tourism, both upon:

1. The ability of Egypt to strengthen its capacity to produce internationally competitive services; and
2. The extent of liberalisation in the services sectors in general and tourism sector in particular.

The investigation in this research of the impacts of the GATS contributes to the private and public business as well as the government policies, with planning and resources allocation.

13.7 RECOMMENDATION FOR FURTHER RESEARCH

Considering that GATS and its effect on tourism is a recent field, as well as other concepts described in this study (e.g. globalisation, liberalisation and integration), the ground for future research is very fertile.

There are still fundamental problems that need to be addressed, such as structural problems of the GATS, classification problems of tourism sector in the GATS, air transport liberalisation, GATS and environment. Those are problems that require immediate attention, particularly because the world is moving towards globalisation very fast and more integrated economies.

The present research, nevertheless, is hoped to be a small contribution towards the advancement in those research areas. This research identified barriers to liberalisation that hinder the expansion of tourism sector.

Much research in the area of GATS and service industry is needed especially for tourism industry. For example, the issue of tourism definition in the GATS is important one. Therefore, it would be interesting to know whether the definition of tourism sector as it is now in the GATS is enough to liberalise the sector or not. The questions arises here are: would it make sense to expand the current GATS definition of tourism, as reflected in the tourism sector W/120, to ensure that other tourism related service activities are included when member make commitments in tourism? Would the sector coverage in the GATS be useful in helping future negotiators to negotiate commitments in all service sectors affecting tourism?

Another area that needs more investigation is the information technology and tourism liberalisation under the GATS. It is important to know what is available in the developing countries or more specifically in Egypt for example and what should be done to improve the effectiveness of telecommunications infrastructure. It is important to understand that the information technology plays a critical role for tourism industry especially in more globalised world. In fact, the information technology contributes to accelerate liberalisation. The question here is what are the potential benefits and risks for Egypt of the rapid technological changes currently affecting tourism with respect to tourism liberalisation?

If one of the goals of tourism development policy is to achieve sustainability, future research should be directed towards the impacts of liberalisation on the environment. Although there are many studies examining issues about tourism and the environment, little has been done about tourism liberalisation and the environment. Therefore, there is a need to investigate the impacts of liberalisation at the multilateral and regional level on the environment, considering that liberalisation encourage travelling and foreign investment.

The research shows that one of the central factors behind the drive towards the multilateral free trade is that trade could promote both economic prosperity and

political stability. The debate has intensified in recent years over the links between foreign direct investment and the political risk. Although there are many studies about determinants of FDI, little has been done about the impacts of political stability on the FDI. This area of research needs immediate investigation, especially in the Middle East region.

This research pointed out that concerns are frequently expressed about the “leakage factor” in tourism. However, this phenomenon has not yet been adequately studied, and further work needs to be done in order to assess its extent and to identify the mechanisms through which it takes place, as well as to devise strategies to minimise its occurrence.

13.8 CONCLUDING REMARKS

In today’s globalised market, a country competes with every other destination in the type and price of tourism it offers. If Egypt is to be successful in competing in the international tourism market, standards of excellence must be introduced for its products, particularly for infrastructure and accommodation and services. Management and administration of the sector must improve. Governments must shift to policies that encourage tourism. For example, the sector cannot develop without improvements in public health and personal safety in tourist areas. Air policies that support ease of access and traffic growth are also critical. Governments must also invest in expanded human resource development and institutional capacity building, and improve environmental mitigation and protection. The value to the final consumer is determined by the quality of all these components of the tourism package.

Decisions to support tourism and about its scale for the international market should be taken only after analysis of the demand for tourism to a particular country or region. The flow of tourists to a destination is to a considerable extent determined by the world-wide tourism industry, represented by tour operators, travel agents and transport services primarily in the countries of tourist origin.

To be acceptable as a development tool, tourism must generate economic benefits for a broad spectrum of the population and must also ensure their inclusion in decision-making about sector development and trends, as well as preserve the resource base on which tourism is based. The private sector requires a profit on its investments. Government's role is to create the policy framework that will encourage for-profit investments, in combination with incentives and regulatory frameworks that will ensure good economic returns to a broad range of beneficiaries from these investments and will conserve the country's cultural and environmental heritage.

Given its cross-sectoral nature, tourism will only develop sustainably if it is integrated into the country's overall policies and economic and physical planning mechanisms and if linkages are created across the many sectors spanned by tourism. Partial policy measures will be inadequate to address vested interests, underlying economic relationships and generic social or physical constraints.

The creation of a highly competitive product through good management of natural and built tourist assets is most likely to convince the international industry to promote one country over another in the global market place. Countries can influence these external industry managers through an effective and continuing promotion and marketing campaign, but will be successful only if there is a high-quality, competitive product to sell that competes in value and not just price.

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APPENDIX: 1

QUESTIONNAIRS

QUESTIONNAIRE 1: GOVERNMENT

1. The international tourism trade to Egypt should be liberalised and all trade barriers should be removed. Do you agree?

Strongly agree	Agree	Average	Disagree	Strongly disagree
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. What do you understand by and how do you define the liberalisation of the tourism industry?

2.a. Does liberalisation affect the following sectors? Please rank the following with respect to the magnitude of the effect. 1 being the most effective.

	Rank
Hotel and restaurant	<input type="checkbox"/>
Tour operator and travel agency	<input type="checkbox"/>
Guides services	<input type="checkbox"/>
Airlines	<input type="checkbox"/>
CRS	<input type="checkbox"/>
Tourists	<input type="checkbox"/>
Other (please indicate)	

3. How effective is the current policy of liberalisation?

Very effective	Effective	Average	ineffective	Very ineffective
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. What is the motivation for signing the GATS? Please rank the following in order of importance, 1 being the most important.

	Rank
For the membership of the World Trade Organisation	<input type="checkbox"/>
Because of some partner countries	<input type="checkbox"/>
To encourage the volume of trade	<input type="checkbox"/>
To increase the tourist flow	<input type="checkbox"/>
To increase tourism income	<input type="checkbox"/>
Other (please indicate) _____	

5. Have recent changes in the structure of world trade made Egypt change its policies with respect to international trade?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

5.a. if yes, what kind of policy changes?

6. Are there any tourism legislation/regulation changes directly attributable to Egypt signing the GATS agreement?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

6.a. If yes, which sectors would be affected most? Please rank in order of importance, 1 being the most affected.

	Rank
Hotel and Restaurant including catering	<input type="checkbox"/>
Tour operators and Travel agencies	<input type="checkbox"/>
Guides services	<input type="checkbox"/>
Air transport	<input type="checkbox"/>
CRS (Central Reservation System)	<input type="checkbox"/>
Other (please indicate) _____	

7. Please rank the following modes of supply with respect to the relative impact of trade liberalisation on the tourism industry, 1 being the most important.

Rank

Cross border¹☐

Consumption abroad²☐

Personal mobility³☐

Commercial presence⁴☐

8. Which of the four modes of supply are most important in the following sectors? Please indicate with 1, 2, 3 or 4, 1 being the most important.

Sectors	Cross border	Consumption abroad	Personal mobility	Commercial presence
Hotel & restaurant				
Tour operator & travel agencies				
Guides services				
Air lines				
CRS				

9. Have you ever considered using GATS in support of tourism development?

YesNo

☐☐

9.a. If yes, how beneficial has it been?

Very BeneficialBeneficialAverageNot beneficialNot beneficial at all

12345

☐☐☐☐☐

¹ Covers all the cases where a service crosses a border independently of those who either provide or consume this service (e.g. Tour operator and travel agencies)

² The case where the consumer crosses the border to go abroad and consume a service.

³ Covers the presence of the foreign suppliers in the host country on a temporary basis (e.g. Travel agency manager and restaurant chefs)

⁴ The movement of capital abroad and allows foreign service suppliers to invest in the market. Such an investment can typically take the form of the creation of a subsidiary or a branch office in a country.

9.b. If no, why?

You did not know about it ☐

It is difficult to understand ☐

You find it complicated to use ☐

It does not help you in your business ☐

Other (please indicate) _____

10. Do you understand what the Most-Favoured-Nation¹ principle in GATS means?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

10.a. Is the Most-Favoured-Nation principle helpful with respect to the tourism industry?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

11. From where would you have the highest commercial expectations for new market opportunities should the current trade barriers be eliminated? If possible please rank in order of expectation, 1 being the highest expectation.

	Rank
Europe	<input type="checkbox"/>
North America	<input type="checkbox"/>
Middle East	<input type="checkbox"/>
Asia	<input type="checkbox"/>
Japan	<input type="checkbox"/>
Arab countries	<input type="checkbox"/>

Other (please indicate) _____

¹ It means exactly the opposite of what it says: according to that the most favourable treatment that is granted to the service suppliers from any foreign country must equally be offered to all foreign suppliers of this service. (MFN therefore prohibits discrimination among developing countries.)

12. Which trade partners, Members of the GATS, should be considered as key countries in terms of tourism business, please indicate the top five?

1. _____

2. _____

3. _____

4. _____

5. _____

13. Do you understand how you could use GATS to achieve your business goals?

YesNo

☐☐

13.a. Would you be willing to use the GATS principle (Market access¹ and National treatment²) for the tourism industry?

YesNo

☐☐

14. In your opinion, will GATS affect tourism development in Egypt?

YesNo

☐☐

14.a. If yes, how will GATS affect tourism development in terms of its impacts on the Egyptian economy? (*Horizontal line, 1 indicates positive impacts, 5 indicates negative impacts*), (*Vertical line, 1 indicates the impacts in the short-term, 5 indicates the impacts in long-term*)

Long-term

5					
4					
3					
2					
Short-term 1					
	1	2	3	4	5
	Positive			Negativ	

1 Allow foreign business to enter the market and operate without discrimination. GATS and WTO members are committed themselves to respect the twin freedom of market access.

2 Once a country has allowed foreign investment to enter the country, it is under obligation to treat it in the same manner as the local competitors without resorting to discriminatory regulation.

15. How will GATS affect the tourism flow to Egypt in terms of tourist numbers?

Long-term

5					
4					
3					
2					
Short-term 1					
	1	2	3	4	5
	Positive				Negative

16. How will GATS affect the business of the following supply sectors in Egypt:

a. Hotel and Restaurant including catering

Long-term

5					
4					
3					
2					
Short-term 1					
	1	2	3	4	5
	Positive				Negative

b. Tour Operators and Travel agencies

Long-term

5					
4					
3					
2					
Short-term 1					
	1	2	3	4	5
	Positive				Negative

c. Guide services

Long-term

5					
4					
3					
2					
Short-term 1					
	1	2	3	4	5
	Positive				Negative

d. Air Transport

Long-term

5					
4					
3					
2					
Short-term 1					
	1	2	3	4	5
	Positive				Negative

e. CRS (Central Reservation System)

Long-term

5					
4					
3					
2					
Short-term 1					
	1	2	3	4	5
	Positive				Negative

17. Are there specific services that are particularly important to your business?
Please rank the following, 1 being the most important.

	Rank
Business services, including legal, accounting services	<input type="checkbox"/>
Communication services	<input type="checkbox"/>
Construction and related engineering services	<input type="checkbox"/>
Distribution services, including retail, wholesale and franchising	<input type="checkbox"/>
Educational services	<input type="checkbox"/>
Environmental services	<input type="checkbox"/>
Financial services, including banking, insurance services	<input type="checkbox"/>
Health related and social services	<input type="checkbox"/>
Recreational cultural and sporting services	<input type="checkbox"/>
Transport services, including maritime, air, land and space services	<input type="checkbox"/>
Other services not included, please specify _____	

18. Do you consider the following services as important to your business?

	Very Important 1	Important 2	Average 3	less important 4	Not important at all 5
Business services, including legal, accounting services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Communication services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Construction and related engineering services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Distribution services (retail, wholesale and franchising)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Educational services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmental services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial services, including banking, insurance services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Health related and social services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Recreational cultural and sporting services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transport services (maritime, air, land and space services)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

19. Is investment abroad a priority for your business?

Yes

No

☐☐

Personal questions:

1. Type of business the company operates:

2. Age of the company:

3. Number of years with the company:

4. If less than three years, please indicate the previous job:

5. Position in the company:

6. Responsibilities within the company:

7. Number of years in the position:

8. Education:

☐ School

☐ Graduate

☐ Postgraduate

☐ Business qualification

9. If graduate or postgraduate, please specify the subject area.

10. Age:

☐ 25-34

☐ 35-44

☐ 45-54

☐ 55-over

11. Gender:

☐ male

☐ female

Your co-operation in this research is very much appreciated. Thank you very much for your help.

QUESTIONNAIRE 2: PRIVATE ENTERPRISES

1. The international tourism trade to Egypt should be liberalised and all trade barriers should be removed. Do you agree?

Strongly agree	Agree	Average	Disagree	Strongly disagree
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. What do you understand by and how do you define the liberalisation of the tourism industry?

2.a. Does liberalisation affect the following sectors? Please rank the following with respect to the magnitude of the effect, 1 being the most effective.

	Rank
Hotel and restaurant	<input type="checkbox"/>
Tour operator and travel agency	<input type="checkbox"/>
Guides services	<input type="checkbox"/>
Air lines	<input type="checkbox"/>
CRS	<input type="checkbox"/>
Tourists	<input type="checkbox"/>
Other (please indicate)	

3. How effective is the current policy of liberalisation?

Very effective	Effective	Average	ineffective	Very ineffective
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. What is the motivation for signing the GATS? Please rank the following in order of importance, 1 being the most important.

	Rank
For membership of the World Trade Organisation	<input type="checkbox"/>
Because of some partner countries	<input type="checkbox"/>
To encourage the volume of trade	<input type="checkbox"/>
To increase the tourist flow	<input type="checkbox"/>
To increase tourism income	<input type="checkbox"/>
Other (please indicate) _____	

5. Have recent changes in the structure of world trade made Egypt change its policies with respect to international trade?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

5.a. if yes, what kind of policy changes?

6. Are there any tourism legislation/regulation changes directly attributable to Egypt signing the GATS agreement?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

6.a. If yes, which sectors would be affected most? Please rank in order of importance, 1 being the most affected.

	Rank
Hotel and Restaurant including catering	<input type="checkbox"/>
Tour operators and Travel agencies	<input type="checkbox"/>
Guides services	<input type="checkbox"/>
Air transport	<input type="checkbox"/>
CRS (Central Reservation System)	<input type="checkbox"/>
Other (please indicate) _____	

7. Please rank the following modes of supply with respect to the relative impact of trade liberalisation on the tourism industry, *1 being the most important*.

Rank

Cross border⁵

☐

Consumption abroad⁶

☐

Personal mobility⁷

☐

Commercial presence⁸

☐

8. Which of the four modes of supply are most important in the following sectors? Please indicate with 1, 2, 3 or 4, *1 being the most important*.

Sectors	Cross border	Consumption abroad	Personal mobility	Commercial presence
Hotel & restaurant				
Tour operator & travel agencies				
Guides services				
Air lines				
CRS				

9. Have you ever considered using GATS in support of tourism development?

Yes

No

☐

☐

9.a. If yes, how beneficial has it been?

Very Beneficial

Average

Not beneficial

Not beneficial

Beneficial

at all

1

2

3

4

5

☐

☐

☐

☐

☐

⁵ Covers all the cases where a service crosses a border independently of those who either provide or consume this service (e.g. Tour operator and travel agencies)

⁶ The case where the consumer crosses the border to go abroad and consume a service.

⁷ Covers the presence of the foreign suppliers in the host country on a temporary basis (e.g. Travel agency manager and restaurant chefs)

⁸ The movement of capital abroad and allows foreign service suppliers to invest in the market. Such an investment can typically take the form of the creation of a subsidiary or a branch office in a country.

9.b. If no, why?

You did not know about it ☐

It is difficult to understand ☐

You find it complicated to use ☐

It does not help you in your business ☐

Other (please indicate) _____

10. Do you understand what the Most-Favoured-Nation¹ principle in GATS means?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

10.a. Is the Most-Favoured-Nation principle helpful with respect to the tourism industry?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

11. From where would you have the highest commercial expectations for new market opportunities should the current trade barriers be eliminated? If possible, please rank in order of highest expectation. 1 being the highest.

	Rank
Europe	<input type="checkbox"/>
North America	<input type="checkbox"/>
Middle East	<input type="checkbox"/>
Asia	<input type="checkbox"/>
Japan	<input type="checkbox"/>
Arab countries	<input type="checkbox"/>

Other (please indicate) _____

¹ It means exactly the opposite of what it says: according to that the most favourable treatment that is granted to the service suppliers from any foreign country must equally be offered to all foreign suppliers of this service. (MFN therefore prohibits discrimination among developing countries.)

12. Which trade partners, Members of the GATS, should be considered as key countries in terms of tourism business, please indicate the top five?

- 1. _____
- 2. _____
- 3. _____
- 4. _____
- 5. _____

13. Do you understand how you could use GATS to achieve your business goals?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

13.a. Would you be willing to use the GATS principle (Market access¹ and National treatment²) for the tourism industry?

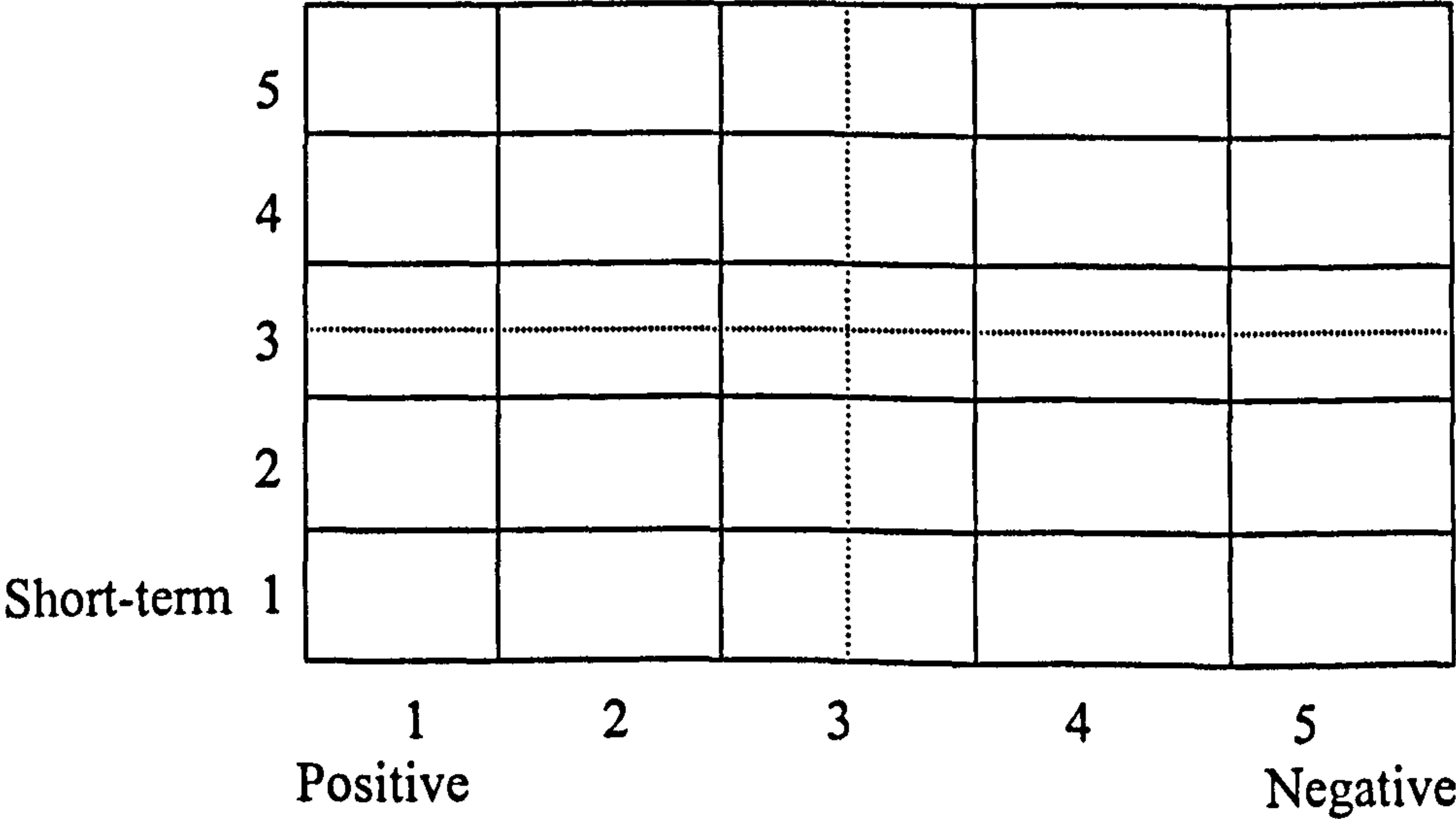
Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

14. In your opinion, will GATS affect tourism development in Egypt?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

14.a. If yes, how will GATS affect tourism development in terms of its impacts on the Egyptian economy? (*Horizontal line, 1 indicates positive impacts, 5 indicates negative impacts*), (*Vertical line, 1 indicates the impacts in the short-term, 5 indicates the impacts in long-term*)

Long-term



¹ Allow foreign business to enter the market and operate without discrimination. GATS and WTO members are committed themselves to respect the twin freedom of market access.
² Once a country has allowed foreign investment to enter the country, it is under obligation to treat it in the same manner as the local competitors without resorting to discriminatory regulation.

15. How will GATS affect the tourism flow to Egypt in terms of tourist numbers?

Long-term

5					
4					
3					
2					
Short-term 1					
	1	2	3	4	5
	Positive				Negative

16. How will GATS affect the business of the following supply sectors in Egypt:

a. Hotel and Restaurant including catering

Long-term

5					
4					
3					
2					
Short-term 1					
	1	2	3	4	5
	Positive				Negative

b. Tour operators and Travel agencies

Long-term

5					
4					
3					
2					
Short-term 1					
	1	2	3	4	5
	Positive				Negative

c. Guide services

Long-term

5					
4					
3					
2					
Short-term 1					
	1	2	3	4	5
	Positive				Negative

d. Air transport

Long-term

5					
4					
3					
2					
Short-term 1					
	1	2	3	4	5
	Positive				Negative

e. CRS (Central Reservation System)

Long-term

5					
4					
3					
2					
Short-term 1					
	1	2	3	4	5
	Positive				Negative

17. What type of discrimination does your business currently face? Please rank the following in order of importance, 1 being the most important.

	Rank
Discrimination in licensing and qualification requirements	<input type="checkbox"/>
Dominance of local monopoly	<input type="checkbox"/>
Restriction on movement of personal mobility	<input type="checkbox"/>
Restriction on ownership	<input type="checkbox"/>
Nationality and residency requirements	<input type="checkbox"/>
Limitation on the number of services suppliers	<input type="checkbox"/>
Limitation on the type of the legal form requested to operate	<input type="checkbox"/>
Taxation rules	<input type="checkbox"/>
Unfair competition	<input type="checkbox"/>

17.a. How important do you consider the following trade barriers as trade obstacles?

	Very Important 1	Important 2	Average 3	less important 4	not important at all 5
Discrimination in licensing & qualification requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dominance of local monopoly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Restriction on movement of personal mobility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Restriction on ownership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Nationality and residency requirement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Limitation on the number of services suppliers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Limitation on the type of the legal form requested to operate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Taxation rules	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Unfair competition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

18. Which type of obstacles do you face most? Please rank in order of importance, 1 being the most important

	Rank
Legal measures	<input type="checkbox"/>
Administrative burdens	<input type="checkbox"/>
Unsafe environment	<input type="checkbox"/>
Others (please indicate) _____	

19. Are there specific services that are particularly important to your business? Please rank the following, 1 being the most important.

	Rank
Business services, including legal, accounting services	<input type="checkbox"/>
Communication services	<input type="checkbox"/>
Construction and related engineering services	<input type="checkbox"/>
Distribution services, including retail, wholesale and franchising	<input type="checkbox"/>
Educational services	<input type="checkbox"/>
Environmental services	<input type="checkbox"/>
Financial services, including banking, insurance services	<input type="checkbox"/>
Health related and social services	<input type="checkbox"/>
Recreational cultural and sporting services	<input type="checkbox"/>
Transport services, including maritime, air, land and space services	<input type="checkbox"/>
Other services not included, please specify _____	

19.a. Do you consider the following services as important to your business?

	Very Important	Average	less		
Not important	Important	important	at all		
	1	2	3	4	5
Business services, including legal, accounting services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Communication services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Construction and related engineering services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Distribution services (retail, wholesale and franchising)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Educational services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmental services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial services, including banking, insurance services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Health related and social services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Recreational cultural and sporting services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transport services (maritime, air, land and space services)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

20. Is investment abroad a priority for your business?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

Personal questions:

13. Type of business the company operates:

14. Age of the company:

15. Number of years with the company:

16. If less than three years, please indicate the previous job:

17. Position in the company:

18. Responsibilities within the company:

19. Number of years in the position:

20. Education:

☐ School ☐ Graduate ☐ Postgraduate ☐ Business qualification

21. If graduate or postgraduate, please specify the subject area.

22. Age: ☐ 25-34 ☐ 35-44 ☐ 45-54 ☐ 55-over

23. Gender: ☐ male ☐ female

Your co-operation in this research is very much appreciated. Thank you very much for your help.

QUESTIONNAIRE 3: TOURISM EXPERTS

1. The international tourism trade to Egypt should be liberalised and all trade barriers should be removed. Do you agree?

Strongly agree	Agree	Average	Disagree	Strongly disagree
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. What do you understand by and how do you define the liberalisation of tourism industry?

2.a. Does liberalisation affect the following sectors? Please rank the following with respect to the magnitude of the effect, 1 being the most effective.

	Rank
Hotel and restaurant	<input type="checkbox"/>
Tour operator and travel agency	<input type="checkbox"/>
Guides services	<input type="checkbox"/>
Airlines	<input type="checkbox"/>
CRS	<input type="checkbox"/>
Tourists	<input type="checkbox"/>
Other (please indicate)	

3. How effective is the current policy of liberalisation?

Very effective	Effective	Average	ineffective	Very ineffective
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. What is the motivation for signing the GATS? Please rank the following in order of importance, 1 being the most important.

	Rank
For the membership of the World Trade Organisation	<input type="checkbox"/>
Because of some partner countries	<input type="checkbox"/>
To encourage the volume of trade	<input type="checkbox"/>
To increase the tourist flow	<input type="checkbox"/>
To increase tourism income	<input type="checkbox"/>
Other (please indicate)	<hr/>

5. Have recent changes in the structure of world trade made Egypt change its policies with respect to international trade?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

5.a. If so, what kind of policy changes?

6. Are there any tourism legislation/regulation changes directly attributable to Egypt signing the GATS agreement?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

6.a. If yes, which sectors would be affected most? Please rank in order of importance, 1 being the most affected.

	Rank
Hotel and Restaurant including catering	<input type="checkbox"/>
Tour operators and Travel agencies	<input type="checkbox"/>
Guides services	<input type="checkbox"/>
Air transport	<input type="checkbox"/>
CRS (Central Reservation System)	<input type="checkbox"/>
Other (please indicate)	<hr/>

7. Please rank the following modes of supply with respect to the relative impact of trade liberalisation on the tourism industry, *1 being the most important*.

	Rank
Cross border ⁹	<input type="checkbox"/>
Consumption abroad ¹⁰	<input type="checkbox"/>
Personal mobility ¹¹	<input type="checkbox"/>
Commercial presence ¹²	<input type="checkbox"/>

8. Which of the four modes of supply are most important in the following sectors? Please indicate with 1, 2, 3 or 4, *1 being the most important*.

Sectors	Cross border	Consumption abroad	Personal mobility	Commercial presence
Hotel & restaurant				
Tour operator & travel agencies				
Guides services				
Air lines				
CRS				

9. Do you understand what the Most-Favoured-Nation¹ principle in GATS means?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

9.a. Is the Most-Favoured-Nation principle helpful with respect to the tourism industry?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

⁹ Covers all the cases where a service crosses a border independently of those who either provide or consume this service (e.g. Tour operator and travel agencies)

¹⁰ The case where the consumer crosses the border to go abroad and consume a service.

¹¹ Covers the presence of the foreign suppliers in the host country on a temporary basis (e.g. Travel agency manager and restaurant chefs)

¹² The movement of capital abroad and allows foreign service suppliers to invest in the market. Such an investment can typically take the form of the creation of a subsidiary or a branch office in a country.

¹ It means exactly the opposite of what it says: according to that the most favourable treatment that is granted to the service suppliers from any foreign country must equally be offered to all foreign suppliers of this service. (MFN therefore prohibits discrimination among developing countries.)

10. In your opinion, will GATS affect tourism development in Egypt?

Yes

No

☐

☐

10.a. If yes, how will GATS affect tourism development in terms of its impacts on the Egyptian economy? (*Horizontal line, 1 indicates positive impacts, 5 indicates negative impacts*), (*Vertical line, 1 indicates the impacts in the short-term, 5 indicates the impacts in long-term*)

Long-term

5					
4					
3					
2					
Short-term 1					
	1	2	3	4	5
	Positive				Negative

11. How will GATS affect the tourism flow to Egypt in terms of tourist numbers?

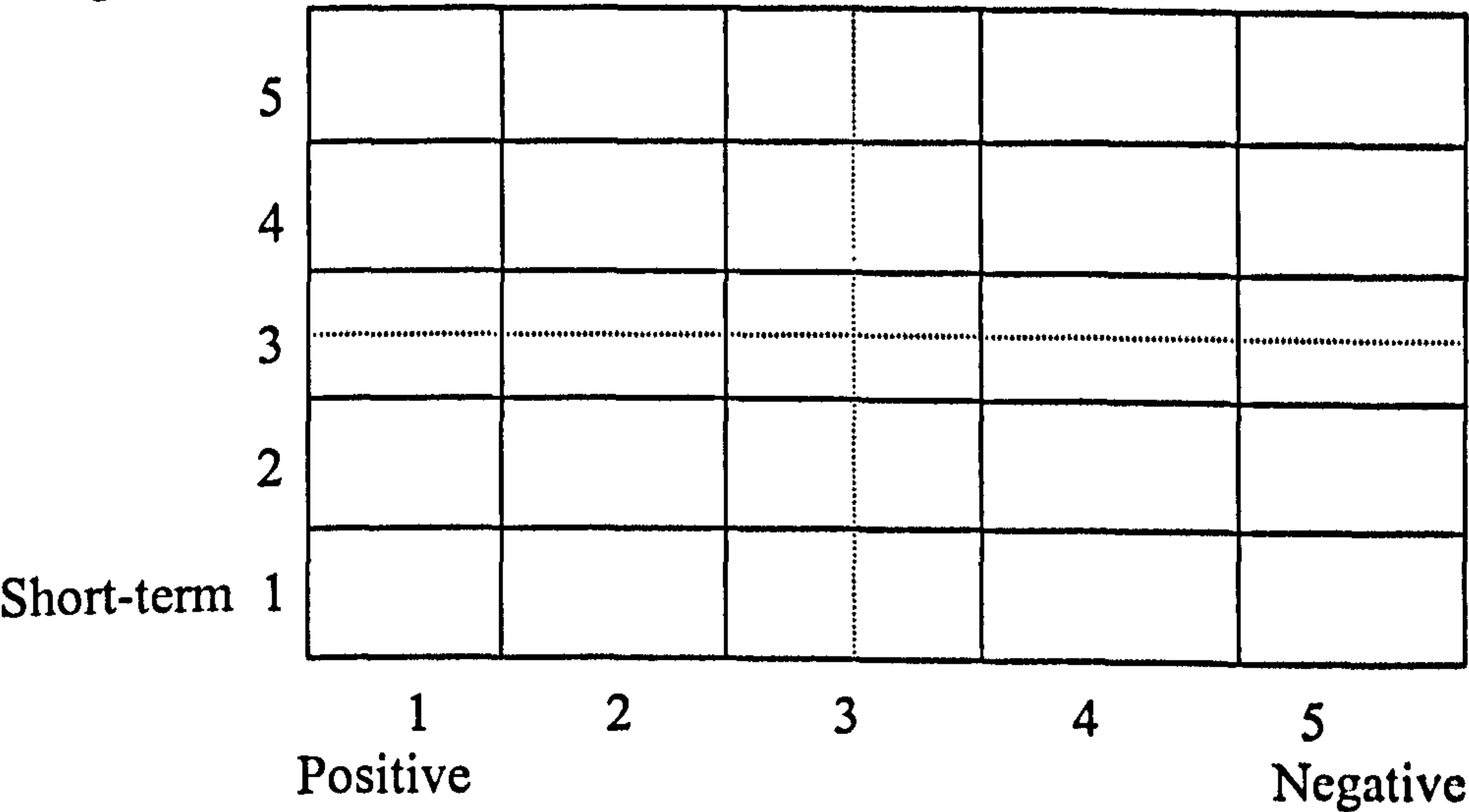
Long-term

5					
4					
3					
2					
Short-term 1					
	1	2	3	4	5
	Positive				Negative

12. How will GATS affect the business of the following supply sectors in Egypt:

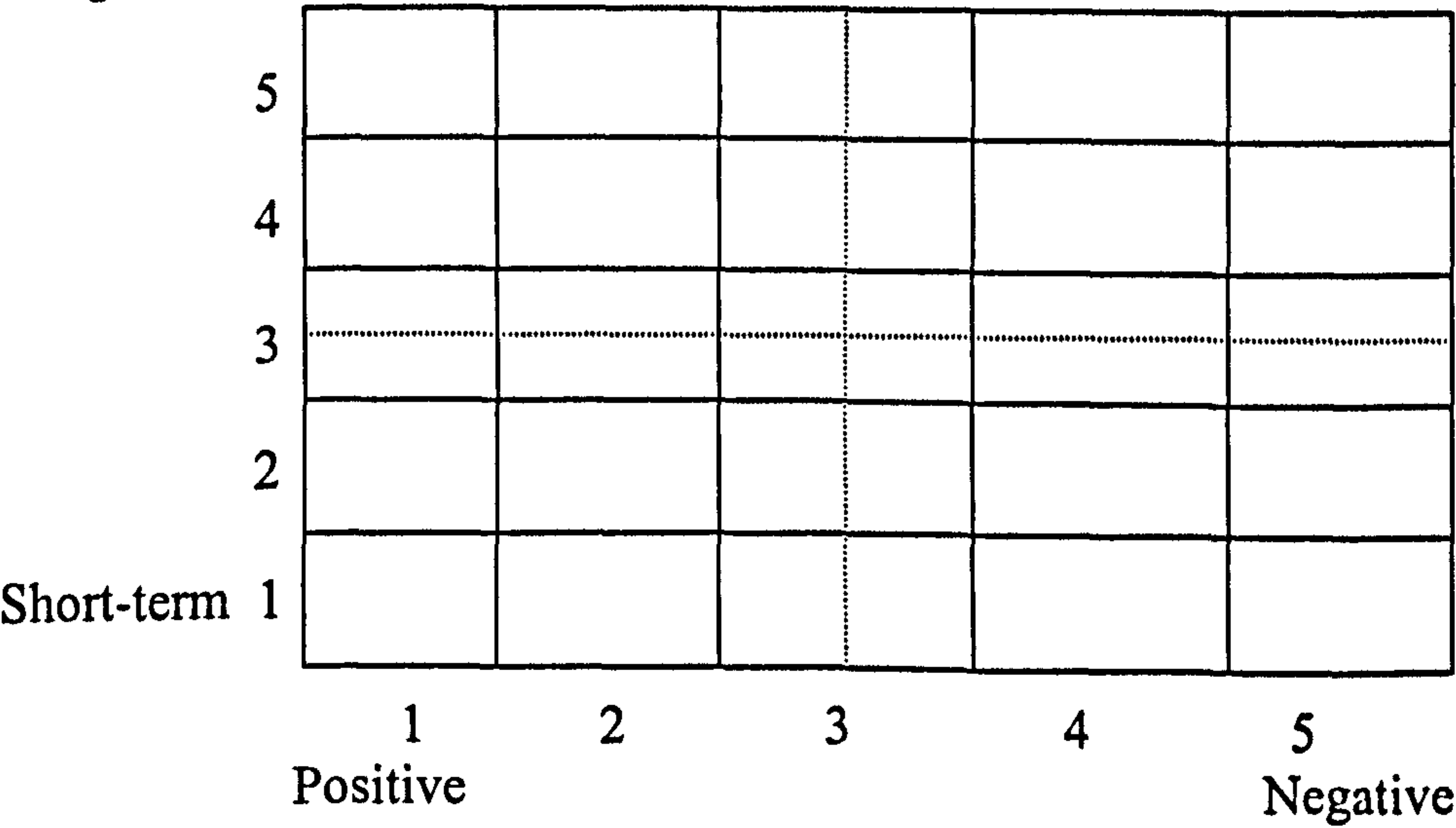
a. Hotel and Restaurant including catering

Long-term



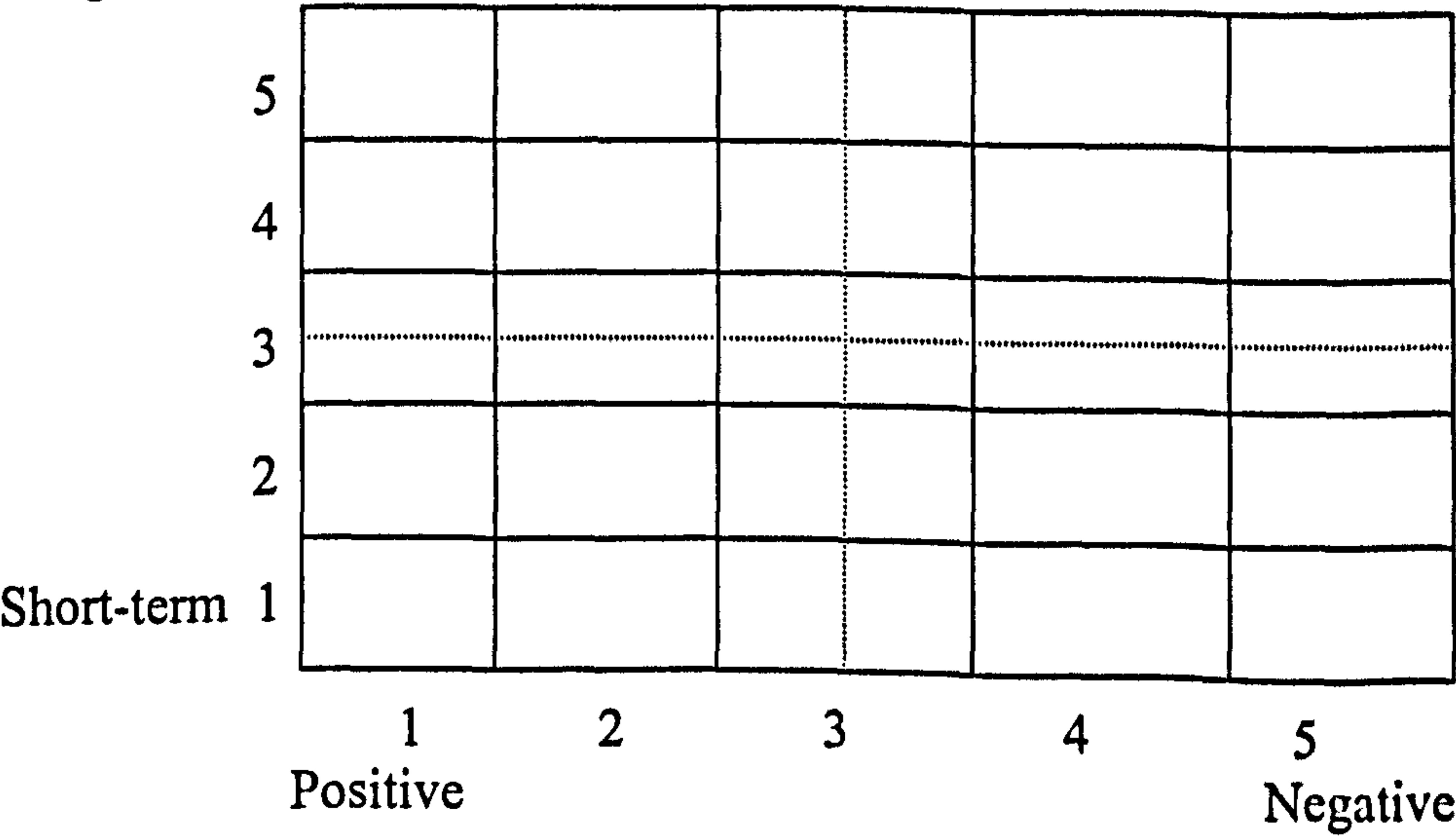
b. Tour operators and Travel agencies

Long-term



c. Guide services

Long-term



d. Air transport

Long-term

5					
4					
3					
2					
Short-term 1					
	1	2	3	4	5
	Positive				Negative

e. CRS (Central Reservation System)

Long-term

5					
4					
3					
2					
Short-term 1					
	1	2	3	4	5
	Positive				Negative

13. How important do you consider the following trade barriers as trade obstacles?

	Very important	Important	Average	less important	not at all
	Important			important	at all
	1	2	3	4	5
Discrimination in licensing & qualification requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dominance of local monopoly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Restriction on movement of personal mobility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Restriction on ownership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Nationality and residency requirement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Limitation on the number of services suppliers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Limitation on the type of the legal form requested to operate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Taxation rules	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Unfair competition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Personal questions:

9. Type of business the company operates:

10. Age of the company:

11. Number of years with the company:

12. If less than three years, please indicate the previous job:

13. Position in the company:

14. Responsibilities within the company:

15. Number of years in the position:

16. Education:

☐ School ☐ Graduate ☐ Postgraduate ☐ Business qualification

17. If graduate or postgraduate, please specify the subject area.

18. Age: ☐ 25-34 ☐ 35-44 ☐ 45-54 ☐ 55-over

19. Gender: ☐ male ☐ female

Your co-operation in this research is very much appreciated. Thank you very much for your help.

APPENDIX: 2

WTO MEMBERS

WTO MEMBERS

144 Members on 1 January 2002, with dates of membership

Albania	8 September 2000
Angola	23 November 1996
Antigua and Barbuda	1 January 1995
Argentina	1 January 1995
Australia	1 January 1995
Austria	1 January 1995
Bahrain, Kingdom of	1 January 1995
Bangladesh	1 January 1995
Barbados	1 January 1995
Belgium	1 January 1995
Belize	1 January 1995
Benin	22 February 1996
Bolivia	12 September 1995
Botswana	31 May 1995
Brazil	1 January 1995
Brunei Darussalam	1 January 1995
Bulgaria	1 December 1996
Burkina Faso	3 June 1995
Burundi	23 July 1995
Cameroon	13 December 1995
Canada	1 January 1995
Central African Republic	31 May 1995
Chad	19 October 1996
Chile	1 January 1995
China	11 December 2001
Colombia	30 April 1995
Congo	27 March 1997
Costa Rica	1 January 1995
Côte d'Ivoire	1 January 1995
Croatia	30 November 2000
Cuba	20 April 1995
Cyprus	30 July 1995
Czech Republic	1 January 1995
Democratic Republic of the Congo	1 January 1997
Denmark	1 January 1995
Djibouti	31 May 1995
Dominica	1 January 1995
Dominican Republic	9 March 1995
Ecuador	21 January 1996
Egypt	30 June 1995
El Salvador	7 May 1995
Estonia	13 November 1999
European Community	1 January 1995
Fiji	14 January 1996
Finland	1 January 1995
France	1 January 1995

Gabon	1 January 1995
The Gambia	23 October 1996
Georgia	14 June 2000
Germany	1 January 1995
Ghana	1 January 1995
Greece	1 January 1995
Grenada	22 February 1996
Guatemala	21 July 1995
Guinea Bissau	31 May 1995
Guinea	25 October 1995
Guyana	1 January 1995
Haiti	30 January 1996
Honduras	1 January 1995
Hong Kong, China	1 January 1995
Hungary	1 January 1995
Iceland	1 January 1995
India	1 January 1995
Indonesia	1 January 1995
Ireland	1 January 1995
Israel	21 April 1995
Italy	1 January 1995
Jamaica	9 March 1995
Japan	1 January 1995
Jordan	11 April 2000
Kenya	1 January 1995
Korea, Republic of	1 January 1995
Kuwait	1 January 1995
Kyrgyz Republic	20 December 1998
Latvia	10 February 1999
Lesotho	31 May 1995
Liechtenstein	1 September 1995
Lithuania	31 May 2001
Luxembourg	1 January 1995
Macao, China	1 January 1995
Madagascar	17 November 1995
Malawi	31 May 1995
Malaysia	1 January 1995
Maldives	31 May 1995
Mali	31 May 1995
Malta	1 January 1995
Mauritania	31 May 1995
Mauritius	1 January 1995
Mexico	1 January 1995
Moldova	26 July 2001
Mongolia	29 January 1997
Morocco	1 January 1995
Mozambique	26 August 1995
Myanmar	1 January 1995
Namibia	1 January 1995
Netherlands	1 January 1995
New Zealand	1 January 1995

Nicaragua	3 September 1995
Niger	13 December 1996
Nigeria	1 January 1995
Norway	1 January 1995
Oman	9 November 2000
Pakistan	1 January 1995
Panama	6 September 1997
Papua New Guinea	9 June 1996
Paraguay	1 January 1995
Peru	1 January 1995
Philippines	1 January 1995
Poland	1 July 1995
Portugal	1 January 1995
Qatar	13 January 1996
Romania	1 January 1995
Rwanda	22 May 1996
Saint Kitts and Nevis	21 February 1996
Saint Lucia	1 January 1995
Saint Vincent & the Grenadines	1 January 1995
Senegal	1 January 1995
Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu	1 January 2002
Sierra Leone	23 July 1995
Singapore	1 January 1995
Slovak Republic	1 January 1995
Slovenia	30 July 1995
Solomon Islands	26 July 1996
South Africa	1 January 1995
Spain	1 January 1995
Sri Lanka	1 January 1995
Suriname	1 January 1995
Swaziland	1 January 1995
Sweden	1 January 1995
Switzerland	1 July 1995
Tanzania	1 January 1995
Thailand	1 January 1995
Togo	31 May 1995
Trinidad and Tobago	1 March 1995
Tunisia	29 March 1995
Turkey	26 March 1995
Uganda	1 January 1995
United Arab Emirates	10 April 1996
United Kingdom	1 January 1995
United States of America	1 January 1995
Uruguay	1 January 1995
Venezuela	1 January 1995
Zambia	1 January 1995
Zimbabwe	5 March 1995

APPENDIX: 3
SUMMARY OF SPECIFIC COMMITMENTS

SUMMARY OF SPECIFIC COMMITMENTS TOURISM AND TRVEL RELATED SERVICES

COUNTRIES	09.A.	09.B.	09.C.	09.D	TOTAL
Angola	X				1
Antigua and Barbuda	X				1
Argentina	X	X	X	X	4
Australia	X	X	X		3
Austria	X	X	X		3
Bangladesh	X				1
Benin	X				1
Bolivia	X	X			2
Botswana	X	X			2
Brazil	X				1
Bulgaria	X	X			2
Burkina Faso	X	X			2
Burundi	X	X	X		3
Cameroon	X	X			2
Canada	X	X			2
Central African Republic	X	X	X	X	4
Chad	X	X			2
Chile	X	X	X		3
Colombia	X	X			2
Congo	X	X	X		3
Congo R.P	X	X	X		3
Costa Rica	X	X	X		3
Côte d'Ivoire	X	X	X		3
Cuba	X	X	X		3
Czech Republic	X	X	X		3
Djibouti	X				1
Dominica	X				1
Dominican Republic	X	X	X		3
Ecuador	X	X			2
Egypt	X	X	X	X	4
El Salvador	X	X	X		3
European Community	X	X	X		3
Fiji	X				1
Finland	X	X	X		3
Gabon	X	X			2
Gambia	X	X	X		3
Ghana	X	X			2
Grenada	X				1
Guatemala	X	X	X	X	4
Guinea	X		X		2
Guinea-Bissau	X				1
Guyana	X	X			2
Haiti	X				1
Honduras	X	X	X		3
Hong Kong	X	X			2
Hungary	X	X			2
Iceland	X	X	X		3
India	X	X			2
Indonesia	X	X		X	3
Israel	X	X	X		3
Jamaica	X	X			2
Japan	X	X	X		3
Kenya	X	X	X		3
Korea, Republic of	X	X	X		3
Kuwait	X	X	X		3
Lesotho	X	X	X		3
Liechtenstein	X	X	X		3

COUNTRIES	09.A.	09.B.	09.C.	09.D	TOTAL
Macau	X	X			2
Malawi	X	X	X	X	4
Malaysia	X	X			2
Mali	X				1
Malta	X	X			2
Mauritania	X	X	X		3
Mauritius	X	X	X	X	4
Mexico	X	X	X		3
Mongolia	X	X	X		3
Morocco	X	X	X	X	4
Myanmar	X	X			2
Namibia	X	X			2
New Zealand	X	X	X		3
Nicaragua	X	X	X		3
Niger	X	X	X		3
Nigeria	X	X	X		3
Norway	X	X	X		3
Pakistan	X	X			2
Panama	X	X			2
Papua New Guinea	X				1
Paraguay	X	X	X		3
Peru	X	X			2
Philippines	X	X			2
Poland	X	X			2
Qatar	X				1
Romania	X	X	X		3
Rwanda	X				1
St. Kitts & Nevis	X				1
St. Lucia	X				1
St. Vincent & Grenadines	X				1
Senegal	X	X			2
Sierra Leone	X	X	X	X	4
Slovak Republic	X	X	X		3
Slovenia	X	X			2
Solomon Islands	X				1
South Africa	X	X	X		3
Sri Lanka	X	X			2
Suriname	X	X			2
Swaziland	X				1
Sweden	X	X	X		3
Switzerland	X	X	X		3
Tanzania	X				1
Thailand	X	X		X	3
Togo	X	X	X		3
Trinidad and Tobago	X	X			2
Tunisia	X	X			2
Turkey	X	X			2
Uganda	X	X			2
United Arab Emirates	X		X		2
Uruguay	X	X	X		3
USA	X	X	X	X	4
Venezuela	X	X		X	3
Zambia	X	X	X	X	4
Zimbabwe	X	X	X		3
TOTAL	112	89	54	13	268

Legend:

- 09.A. Hotels and Restaurants
- 09.B. Travel Agencies and Tour Operators Services
- 09.C. Tourist Guides Services

APPENDIX: 4

EGYPT SPECIFIC COMMITMENTS

EGYPT SPECIFIC COMMITMENTS TOURISM AND TRAVEL RELATED SERVICES

GENERAL AGREEMENT ON TRADE IN SERVICES

GATS/SC/30

15 April 1994

EGYPT Schedule of Specific Commitments

EGYPT - SCHEDULE OF SPECIFIC COMMITMENTS

Modes of supply: 1) Cross-border 2) Consumption abroad 3) Commercial presence 4)
Presence of natural persons
Sector or subsector
Limitations on market access
Limitations on national treatment
Additional commitments

I. HORIZONTAL COMMITMENTS

ALL SECTORS INCLUDED IN THIS SCHEDULE

3) None

3) Acquisition of land:

- Authorization is required for the acquisition of land and/or real estate property. Applications in this respect are considered on the basis of the evaluation of the specific projects for which the acquisition is requested and in accordance with the national policy objectives.

- Acquisition of land and/or real estate property in free zone areas is unbound.

4) The entry and temporary stay of natural persons:

According to the labour code (Law No. 137/1981) and its executive regulations, the number of foreign personnel necessary to the supply of services in any entity, regardless of number of its branches, shall not exceed 10 per cent of the total number of personnel employed therein, unless otherwise specified in a sectoral entry of this schedule.

4) None

II. SECTOR-SPECIFIC COMMITMENTS

TOURISM AND TRAVEL RELATED SERVICES

1. Hotels and Restaurants

A. Hotels and other commercial accommodations

a) Hotels and motels

b) Resort hotels and accommodation facilities

c) Casino hotels

B. Restaurants, Bars and Canteens

- a) Full service restaurants
- b) Fast food restaurants and cafeteria
 - 1) Unbound*
 - 2) None
 - 3) A licence will be given according to the requirement of economic needs test (main criteria: market needs and locating different categories of hotels).
 - Casino services can be provided only through 5 stars hotels (gambling allowed only for foreigners)
 - Limitations on the total number of services operations depend on the requirement of economic needs test (geographical location, increase in the number and categories of tourists)
 - Foreign capital equity should not exceed 49 per cent in projects to be established in Sinai.
 - 4) None
- 1) Unbound*
- 2) None
- 3) Training of Egyptian employees should be performed by the foreign natural persons within the terms of the contract
- 4) None

2. Travel Agencies and Tour Operators

- a) Tour operators, packagers and wholesalers
- b) Travel agencies
 - 1) Unbound
 - 2) None
 - 3) Limitations on the total number of services operations depend on the requirement of economic needs test
 - 4) None
- 1) Unbound
- 2) None
- 3) Training of Egyptian employees should be performed by the foreign natural persons within the terms of the contract
- 4) None

3. Other Tourism Services

A. Tourism Management Services

- a) Tourism Property Management
- b) Rental/Lease Tourism Property
 - 1) None
 - 2) None
 - 3) Bound only for representative offices. Limitations on the total number of services operations depend on the requirement of economic needs test.
 - 4) None
- 1) None
- 2) None

- 3) Training of Egyptian employees should be performed by the foreign natural persons within the terms of the contract
- 4) None

B. Tourism Transport Services

a) Land Transport Services

- 1. Long distance tour buses
- 2. Short Distance tour buses

1) Unbound

2) None

3) None

4) Unbound

1) Unbound

2) None

3) None

4) Unbound

b)Inland Water Ways

- 1. Inland Water Passenger transport
- 2. Inland Water local tours
- 3. Cruise ships

1) Unbound

2) None

3) The addition to the inland water passenger and/or local tours is subject to the physical capacity of the Nile river.

4) None

1) Unbound

2) None

3) None

4) None

C. Tourism Training Institutions

1) None

2) None

3) None

4) None

1) None

2) None

3) None

4) None

D. Tourism Related Conventions

1) None

2) None

3) None

4) None

1) None

2) None

3) None

4) None

E. Institutional Food Service Caterers (with the exception of Airport Catering Facilities which are confined only to the national air carriers)

- 1) None
- 2) None
- 3) None
- 4) None
- 1) None
- 2) None
- 3) None
- 4) None

**APPENDIX 5:
MFN EXEMPTION LIST**

MFN EXEMPTION LIST: EGYPT

GENERAL AGREEMENT ON TRADE IN SERVICES
GATS/EL/30 15 April 1994
EGYPT Final List of Article II (MFN) Exemptions

EGYPT - FINAL LIST OF ARTICLE II (MFN) EXEMPTIONS

Sector or subsector
Description of measure indicating its inconsistency with Article II
Countries to which the measure applies
Intended duration
Conditions creating the need for the exemption

ALL SECTORS

Full national treatment is extended to foreign personnel of the countries indicated in column 3

Greece
Iraq
Jordan
Libya
Qatar
Sudan
United Arab Emirates
Yemen and possibly:
Other countries

This measure shall be maintained as long as the agreements referred to in column 2 remain in force or are extended to ensure opening of the markets in the countries referred to in column 3, as the major trading partners do not accord the Egyptian nationals satisfactory opportunities.

ROAD TRANSPORT (PASSENGER AND FREIGHT)

The supply of road transport services by foreign suppliers into and across the territory of Egypt is limited to vehicles registered in the countries indicated in column 3, with which Egypt is a party in bilateral or multilateral agreements

The Arab-League countries, and possibly: other countries

This measure shall be maintained as long as the agreements referred to in column 2 remain in force or are extended to promote intra-Arab trade and facilitate movement of Arab citizens into Egypt as stipulated in the Arab-League Agreement

AUDIOVISUAL SERVICES

(Co-production Agreements)

Full national treatment is extended to audiovisual works (Co-production Agreements) originating only in countries indicated in column 3, with which Egypt is a party to bilateral or multilateral agreements

Algeria

Cyprus

Iraq

Jordan

Kuwait

Lebanon

Libya

Mauritania

Morocco

Oman

Sudan

Syria

Tunisia

United Arab Emirates and possibly:

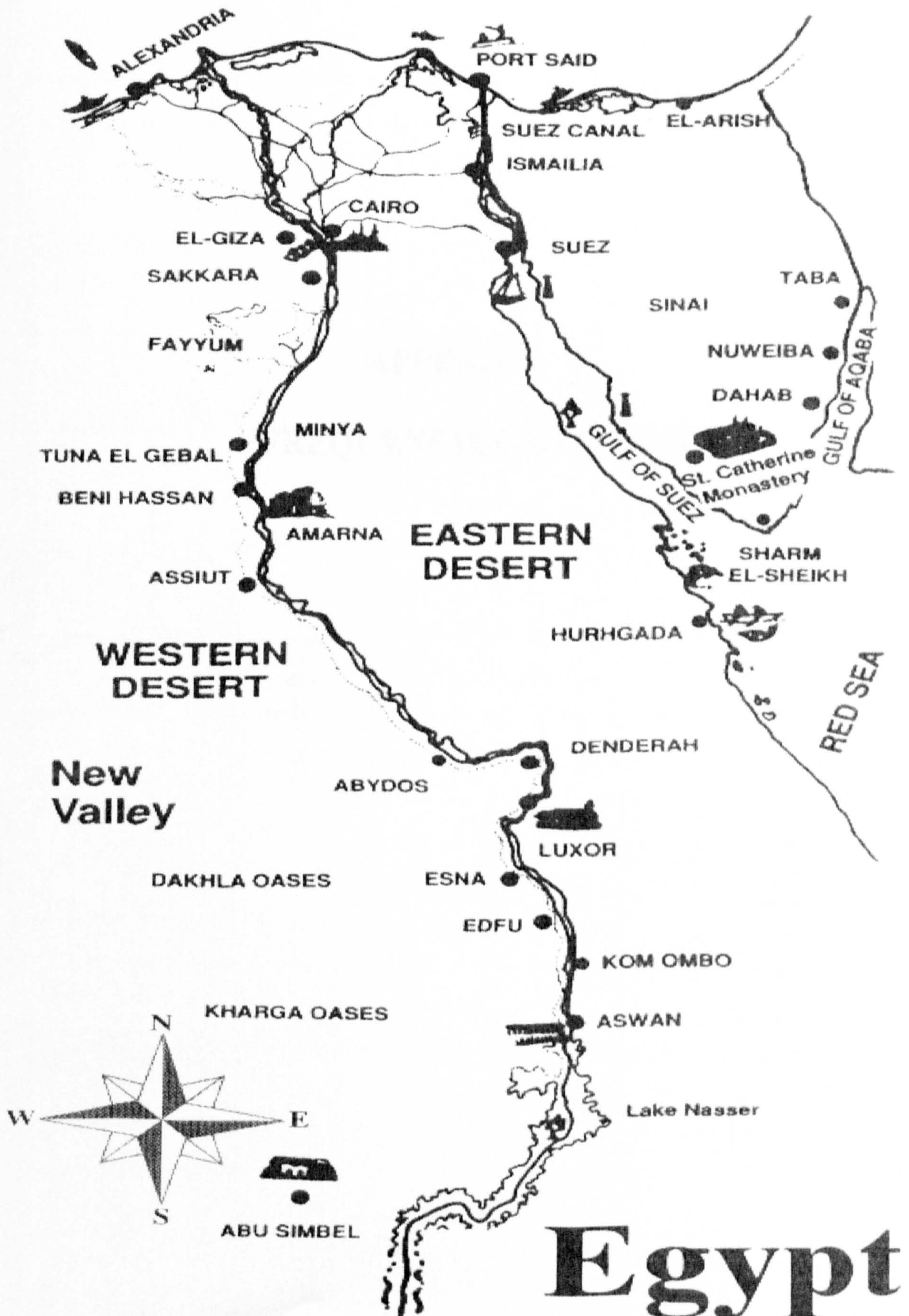
Other countries

This measure shall be maintained as long as the agreements referred to in column 2 remain in force or are extended To maintain the Arab culture and identity

Appendix 6:
EGYPT MAP

EGYPT

Mediterranean Sea



APPENDIX 7
FREQUENCIES ANALYSIS

FREQUENCY TABLES

sectors

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	government	44	22.2	22.2	22.2
	private	140	70.7	70.7	92.9
	academic	14	7.1	7.1	100.0
	Total	198	100.0	100.0	

the international tourism trade to Egypt should be liberalised and all trade barriers should be removed. Do you agree?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	68	34.3	34.3	34.3
	Agree	94	47.5	47.5	81.8
	Average	36	18.2	18.2	100.0
	Total	198	100.0	100.0	

does tourism liberalisation mean foreign investment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	89	44.9	44.9	44.9
	agree	75	37.9	37.9	82.8
	average	23	11.6	11.6	94.4
	disagree	11	5.6	5.6	100.0
	Total	198	100.0	100.0	

does tourism liberalisation mean foreign management

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	104	52.5	52.5	52.5
	agree	60	30.3	30.3	82.8
	average	25	12.6	12.6	95.5
	disagree	9	4.5	4.5	100.0
	Total	198	100.0	100.0	

does tourism liberalisation mean liberalising visa's regulation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	158	79.8	79.8	79.8
	agree	31	15.7	15.7	95.5
	average	9	4.5	4.5	100.0
	Total	198	100.0	100.0	

does tourism liberalisation mean free pricing system

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	110	55.6	55.6	55.6
	agree	51	25.8	25.8	81.3
	averag	27	13.6	13.6	94.9
	disagree	10	5.1	5.1	100.0
	Total	198	100.0	100.0	

does tourism liberalisation mean transparency of information

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	112	56.6	56.6	56.6
	agree	56	28.3	28.3	84.8
	averag	24	12.1	12.1	97.0
	disagree	6	3.0	3.0	100.0
	Total	198	100.0	100.0	

other

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	70	35.4	35.4	35.4
	agree	75	37.9	37.9	73.2
	averag	19	9.6	9.6	82.8
	disagree	34	17.2	17.2	100.0
	Total	198	100.0	100.0	

does liberalisation affect the hotels and restaurants

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	the most effected	15	7.6	7.6	7.6
	fairly effected	58	29.3	29.3	36.9
	effected	64	32.3	32.3	69.2
	Average	45	22.7	22.7	91.9
	ineffected	13	6.6	6.6	98.5
	very ineffected	3	1.5	1.5	100.0
	Total	198	100.0	100.0	

does liberalisation affect the tour operators and travel agencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	the most effected	131	66.2	66.2	66.2
	fairly effected	33	16.7	16.7	82.8
	effected	29	14.6	14.6	97.5
	Average	2	1.0	1.0	98.5
	ineffected	3	1.5	1.5	100.0
	Total	198	100.0	100.0	

does liberalisation affect the guide services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	the most effected	2	1.0	1.0	1.0
	fairly effected	13	6.6	6.6	7.6
	effected	15	7.6	7.6	15.2
	Average	24	12.1	12.1	27.3
	ineffected	110	55.6	55.6	82.8
	very ineffected	34	17.2	17.2	100.0
	Total	198	100.0	100.0	

does liberalisation affect the airlines

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	the most effected	37	18.7	18.7	18.7
	fairly effected	36	18.2	18.2	36.9
	effected	40	20.2	20.2	57.1
	Average	72	36.4	36.4	93.4
	ineffected	12	6.1	6.1	99.5
	very ineffected	1	.5	.5	100.0
	Total	198	100.0	100.0	

does liberalisation affect the CRS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	the most effected	9	4.5	4.5	4.5
	fairly effected	2	1.0	1.0	5.6
	effected	6	3.0	3.0	8.6
	Average	5	2.5	2.5	11.1
	ineffected	34	17.2	17.2	28.3
	very ineffected	142	71.7	71.7	100.0
	Total	198	100.0	100.0	

does liberalisation affect the tourists

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	the most effected	52	26.3	26.3	26.3
	fairly effected	36	18.2	18.2	44.4
	effected	41	20.7	20.7	65.2
	Average	40	20.2	20.2	85.4
	ineffected	22	11.1	11.1	96.5
	very ineffected	7	3.5	3.5	100.0
	Total	198	100.0	100.0	

how effective is the current policy of liberalisation?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	effective	6	3.0	3.0	3.0
	average	138	69.7	69.7	72.7
	ineffective	54	27.3	27.3	100.0
	Total	198	100.0	100.0	

Is the motivation for signing the GATS the for memebrship of world trade organisation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	87	43.9	43.9	43.9
	important	54	27.3	27.3	71.2
	average	3	1.5	1.5	72.7
	less important	21	10.6	10.6	83.3
	not important	33	16.7	16.7	100.0
	Total	198	100.0	100.0	

Is the motivation for signing the GATS because of some partner countries

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	2	1.0	1.0	1.0
	important	21	10.6	10.6	11.6
	average	26	13.1	13.1	24.7
	less important	12	6.1	6.1	30.8
	not important	137	69.2	69.2	100.0
	Total	198	100.0	100.0	

Is the motivation for signing the GATS to encourage the volume of trade

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	100	50.5	50.5	50.5
	important	50	25.3	25.3	75.8
	average	15	7.6	7.6	83.3
	less important	6	3.0	3.0	86.4
	not important	27	13.6	13.6	100.0
	Total	198	100.0	100.0	

Is the motivation for signing the GATS to increase the tourism flow

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	14	7.1	7.1	7.1
	important	23	11.6	11.6	18.7
	average	59	29.8	29.8	48.5
	less important	23	11.6	11.6	60.1
	not important	79	39.9	39.9	100.0
	Total	198	100.0	100.0	

Is the motivation for signing the GATS to increase tourism income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	15	7.6	7.6	7.6
	important	17	8.6	8.6	16.2
	average	24	12.1	12.1	28.3
	less important	46	23.2	23.2	51.5
	not important	96	48.5	48.5	100.0
	Total	198	100.0	100.0	

Have recent changes in the structure of world trade made Egypt change its policies with respect to international trade?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	175	88.4	88.4	88.4
	no	23	11.6	11.6	100.0
	Total	198	100.0	100.0	

If yes, what kind of policy changes?privatisation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	109	55.1	55.1	55.1
	agree	40	20.2	20.2	75.3
	averag	21	10.6	10.6	85.9
	disagree	5	2.5	2.5	88.4
	strongly disagree	23	11.6	11.6	100.0
	Total	198	100.0	100.0	

If yes, what kind of policy changes?economic removal policy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	66	33.3	33.3	33.3
	agree	109	55.1	55.1	88.4
	strongly disagree	23	11.6	11.6	100.0
	Total	198	100.0	100.0	

If yes, what kind of policy changes?Investment policy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	119	60.1	60.1	60.1
	agree	46	23.2	23.2	83.3
	averag	9	4.5	4.5	87.9
	disagree	1	.5	.5	88.4
	strongly disagree	23	11.6	11.6	100.0
	Total	198	100.0	100.0	

If yes, what kind of policy changes?Integration policy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	90	45.5	45.5	45.5
	agree	66	33.3	33.3	78.8
	averag	5	2.5	2.5	81.3
	disagree	14	7.1	7.1	88.4
	strongly disagree	23	11.6	11.6	100.0
	Total	198	100.0	100.0	

If yes, what kind of policy changes?monetray policy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	74	37.4	37.4	37.4
	agree	75	37.9	37.9	75.3
	averag	17	8.6	8.6	83.8
	disagree	9	4.5	4.5	88.4
	strongly disagree	23	11.6	11.6	100.0
	Total	198	100.0	100.0	

If yes, what kind of policy changes?tariff policy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	43	21.7	21.7	21.7
	agree	97	49.0	49.0	70.7
	averag	29	14.6	14.6	85.4
	disagree	6	3.0	3.0	88.4
	strongly disagree	23	11.6	11.6	100.0
	Total	198	100.0	100.0	

If yes, what kind of policy changes?quality control policy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	55	27.8	27.8	27.8
	agree	79	39.9	39.9	67.7
	averag	16	8.1	8.1	75.8
	disagree	25	12.6	12.6	88.4
	strongly disagree	23	11.6	11.6	100.0
	Total	198	100.0	100.0	

If yes, what kind of policy changes?air transport policy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	39	19.7	19.7	19.7
	agree	78	39.4	39.4	59.1
	averag	23	11.6	11.6	70.7
	disagree	35	17.7	17.7	88.4
	strongly disagree	23	11.6	11.6	100.0
	Total	198	100.0	100.0	

are there any tourism legislation/regulation changes directly attributable to Egypt signing the GATS agreement?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	32	16.2	16.2	16.2
no	166	83.8	83.8	100.0
Total	198	100.0	100.0	

If yes, how does legislation changes affect hotel and resturant including catering

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid most affected	5	2.5	15.6	15.6
affected	4	2.0	12.5	28.1
average	1	.5	3.1	31.3
not affected at all	22	11.1	68.8	100.0
Total	32	16.2	100.0	
Missing -9	166	83.8		
Total	198	100.0		

If yes, how does legislation changes affect tour operators and travel agencies

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid most affected	2	1.0	6.3	6.3
affected	6	3.0	18.8	25.0
average	3	1.5	9.4	34.4
not affected at all	21	10.6	65.6	100.0
Total	32	16.2	100.0	
Missing -9	166	83.8		
Total	198	100.0		

If yes, how does legislation changes affect guides services

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid not affected at all	32	16.2	100.0	100.0
Missing -9	166	83.8		
Total	198	100.0		

If yes, how does legislation changes affect air transport

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid most affected	25	12.6	78.1	78.1
affected	5	2.5	15.6	93.8
average	1	.5	3.1	96.9
not affected at all	1	.5	3.1	100.0
Total	32	16.2	100.0	
Missing -9	166	83.8		
Total	198	100.0		

If yes, how does legislation changes affect CRS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	not affected at all	32	16.2	100.0	100.0
Missing	-9	166	83.8		
Total		198	100.0		

how does the cross border mode of supply affect the liberalisation of tourism industry

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	62	31.3	31.3	31.3
	important	20	10.1	10.1	41.4
	less important	28	14.1	14.1	55.6
	not important at all	88	44.4	44.4	100.0
Total		198	100.0	100.0	

how does the consumption abroad mode of supply affect the liberalisation of tourism industry

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	118	59.6	59.6	59.6
	important	33	16.7	16.7	76.3
	less important	37	18.7	18.7	94.9
	not important at all	10	5.1	5.1	100.0
Total		198	100.0	100.0	

how does the personal mobility mode of supply affect the liberalisation of tourism industry

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	18	9.1	9.1	9.1
	important	78	39.4	39.4	48.5
	less important	56	28.3	28.3	76.8
	not important at all	46	23.2	23.2	100.0
Total		198	100.0	100.0	

how does the commercial presence mode of supply affect the liberalisation of tourism industry

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	103	52.0	52.0	52.0
	important	46	23.2	23.2	75.3
	less important	25	12.6	12.6	87.9
	not important at all	24	12.1	12.1	100.0
Total		198	100.0	100.0	

how does cross border mode of supply important for the hotel and resturant sector

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	4	2.0	2.0	2.0
	important	9	4.5	4.5	6.6
	less important	7	3.5	3.5	10.1
	not important	100	50.5	50.5	60.6
	not important at all	78	39.4	39.4	100.0
	Total	198	100.0	100.0	

how does consumption abroad mode of supply important for the hotel and resturant sector

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	50	25.3	25.3	25.3
	important	15	7.6	7.6	32.8
	less important	44	22.2	22.2	55.1
	not important	10	5.1	5.1	60.1
	not important at all	79	39.9	39.9	100.0
	Total	198	100.0	100.0	

how does personal mobility mode of supply important for the hotel and resturant sector

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	98	49.5	49.5	49.5
	important	75	37.9	37.9	87.4
	less important	22	11.1	11.1	98.5
	not important	2	1.0	1.0	99.5
	not important at all	1	.5	.5	100.0
	Total	198	100.0	100.0	

how does commercial presence mode of supply important for the hotel and resturant sector

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	59	29.8	29.8	29.8
	important	64	32.3	32.3	62.1
	less important	43	21.7	21.7	83.8
	not important	5	2.5	2.5	86.4
	not important at all	27	13.6	13.6	100.0
	Total	198	100.0	100.0	

how does cross border mode of supply important for the tour operator and travel agencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	84	42.4	42.4	42.4
	important	18	9.1	9.1	51.5
	less important	30	15.2	15.2	66.7
	not important	9	4.5	4.5	71.2
	not important at all	57	28.8	28.8	100.0
	Total	198	100.0	100.0	

how does consumption abroad mode of supply important for the tour operator and travel agencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	7	3.5	3.5	3.5
	important	3	1.5	1.5	5.1
	less important	11	5.6	5.6	10.6
	not important	114	57.6	57.6	68.2
	not important at all	63	31.8	31.8	100.0
	Total	198	100.0	100.0	

how does personal mobility mode of supply important for the tour operator and travel agencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	22	11.1	11.1	11.1
	important	94	47.5	47.5	58.6
	less important	52	26.3	26.3	84.8
	not important	3	1.5	1.5	86.4
	not important at all	27	13.6	13.6	100.0
	Total	198	100.0	100.0	

how does commercial presence mode of supply important for the tour operator and travel agencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	106	53.5	53.5	53.5
	important	44	22.2	22.2	75.8
	less important	35	17.7	17.7	93.4
	not important	6	3.0	3.0	96.5
	not important at all	7	3.5	3.5	100.0
	Total	198	100.0	100.0	

how does cross border mode of supply important to the guide services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	21	10.6	10.6	10.6
	important	15	7.6	7.6	18.2
	less important	5	2.5	2.5	20.7
	not important	1	.5	.5	21.2
	not important at all	156	78.8	78.8	100.0
	Total	198	100.0	100.0	

how does consumption abroad mode of supply important to the guide services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	1	.5	.5	.5
	important	7	3.5	3.5	4.0
	not important	2	1.0	1.0	5.1
	not important at all	188	94.9	94.9	100.0
	Total	198	100.0	100.0	

how does personal mobility mode of supply important to the guide services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	21	10.6	10.6	10.6
	important	4	2.0	2.0	12.6
	not important	87	43.9	43.9	56.6
	not important at all	86	43.4	43.4	100.0
	Total	198	100.0	100.0	

how does commercial presence mode of supply important to the guide services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	1	.5	.5	.5
	important	11	5.6	5.6	6.1
	less important	3	1.5	1.5	7.6
	not important	4	2.0	2.0	9.6
	not important at all	179	90.4	90.4	100.0
	Total	198	100.0	100.0	

how does cross border mode of supply important for airlines

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	111	56.1	56.1	56.1
	important	19	9.6	9.6	65.7
	less important	11	5.6	5.6	71.2
	not important	4	2.0	2.0	73.2
	not important at all	53	26.8	26.8	100.0
	Total	198	100.0	100.0	

how does consumption abroad mode of supply Important for airlines

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	10	5.1	5.1	5.1
	important	7	3.5	3.5	8.6
	less important	19	9.6	9.6	18.2
	not important	62	31.3	31.3	49.5
	not important at all	100	50.5	50.5	100.0
	Total	198	100.0	100.0	

how does personal mobility mode of supply Important for airlines

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	23	11.6	11.6	11.6
	important	45	22.7	22.7	34.3
	less important	53	26.8	26.8	61.1
	not important	17	8.6	8.6	69.7
	not important at all	60	30.3	30.3	100.0
	Total	198	100.0	100.0	

how does commercial presence mode of supply Important for airlines

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	75	37.9	37.9	37.9
	important	88	44.4	44.4	82.3
	less important	9	4.5	4.5	86.9
	not important	9	4.5	4.5	91.4
	not important at all	17	8.6	8.6	100.0
	Total	198	100.0	100.0	

how does cross border mode of supply Important for CRS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	122	61.6	61.6	61.6
	important	5	2.5	2.5	64.1
	less important	2	1.0	1.0	65.2
	not important at all	69	34.8	34.8	100.0
	Total	198	100.0	100.0	

how does cosumption abroad mode of supply important for CRS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	7	3.5	3.5	3.5
	important	9	4.5	4.5	8.1
	less important	5	2.5	2.5	10.6
	not important	6	3.0	3.0	13.6
	not important at all	171	86.4	86.4	100.0
	Total	198	100.0	100.0	

how does personal mobility mode of supply important for CRS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	4	2.0	2.0	2.0
	important	6	3.0	3.0	5.1
	less important	6	3.0	3.0	8.1
	not important	14	7.1	7.1	15.2
	not important at all	168	84.8	84.8	100.0
Total		198	100.0	100.0	

how does commercial presence mode of supply important for CRS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	13	6.6	6.6	6.6
	important	17	8.6	8.6	15.2
	less important	4	2.0	2.0	17.2
	not important	48	24.2	24.2	41.4
	not important at all	116	58.6	58.6	100.0
Total		198	100.0	100.0	

have you ever considered using the GATS in support of tourism development?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	5	2.5	2.7	2.7
	no	179	90.4	97.3	100.0
	Total	184	92.9	100.0	
Missing	-7	14	7.1		
Total		198	100.0		

If yes, how beneficial has it been?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very beneficial	4	2.0	80.0	80.0
	beneficial	1	.5	20.0	100.0
	Total	5	2.5	100.0	
Missing	-9	179	90.4		
	-7	14	7.1		
	Total	193	97.5		
Total		198	100.0		

If no, why?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	you did not know about it	52	26.3	29.1	29.1
	it is difficult to understand	70	35.4	39.1	68.2
	you find it complicated to use	44	22.2	24.6	92.7
	it does not help you in your business	13	6.6	7.3	100.0
	Total	179	90.4	100.0	
Missing	-9	5	2.5		
	-7	14	7.1		
	Total	19	9.6		
Total		198	100.0		

you did know about It

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	23	11.6	12.5	12.5
	important	56	28.3	30.4	42.9
	less important	39	19.7	21.2	64.1
	not important	48	24.2	26.1	90.2
	not important at all	18	9.1	9.8	100.0
	Total	184	92.9	100.0	
Missing	-7	14	7.1		
Total		198	100.0		

It is difficult to understand

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	61	30.8	33.2	33.2
	important	67	33.8	36.4	69.6
	less important	29	14.6	15.8	85.3
	not important	27	13.6	14.7	100.0
	Total	184	92.9	100.0	
Missing	-7	14	7.1		
Total		198	100.0		

you find it complicated to use

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	58	29.3	31.5	31.5
	important	55	27.8	29.9	61.4
	less important	40	20.2	21.7	83.2
	not important	22	11.1	12.0	95.1
	not important at all	9	4.5	4.9	100.0
	Total	184	92.9	100.0	
Missing	-7	14	7.1		
Total		198	100.0		

It does not help you in your business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	27	13.6	14.7	14.7
	important	70	35.4	38.0	52.7
	less important	40	20.2	21.7	74.5
	not important	39	19.7	21.2	95.7
	not important at all	8	4.0	4.3	100.0
	Total	184	92.9	100.0	
Missing	-7	14	7.1		
Total		198	100.0		

do you understand what the most-favoured nation principle in GATS means?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very important	127	64.1	64.1	64.1
	important	3	1.5	1.5	65.7
	average	11	5.6	5.6	71.2
	not important	23	11.6	11.6	82.8
	not important at all	34	17.2	17.2	100.0
	Total	198	100.0	100.0	

is the most-favoured nation principle helpful with respect to the tourism industry?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very important	88	44.4	44.4	44.4
	important	7	3.5	3.5	48.0
	average	16	8.1	8.1	56.1
	not important	45	22.7	22.7	78.8
	not important at all	42	21.2	21.2	100.0
	Total	198	100.0	100.0	

(Europe) form where would you have the highest commercial expectations for new market opportunities should the current trade barriers be eliminated? If possible please rank in order of highest expectation. 1 being the highest

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	140	70.7	76.1	76.1
	fairly important	8	4.0	4.3	80.4
	important	34	17.2	18.5	98.9
	average	1	.5	.5	99.5
	less important	1	.5	.5	100.0
	Total	184	92.9	100.0	
Missing	-7	14	7.1		
Total		198	100.0		

(North America) form where would you have the highest commercial expectations for new market opportunities should the current trade barriers be eliminated? If possible please rank in order of highest expectation. 1 being the highest

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	1	.5	.5	.5
	fairly imprtant	21	10.6	11.4	12.0
	important	19	9.6	10.3	22.3
	average	118	59.6	64.1	86.4
	less important	24	12.1	13.0	99.5
	very less important	1	.5	.5	100.0
	Total	184	92.9	100.0	
Missing	-7	14	7.1		
Total		198	100.0		

(Middle East) form where would you have the highest commercial expectations for new market opportunities should the current trade barriers be eliminated? If possible please rank in order of highest expectation. 1 being the highest

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	57	28.8	31.0	31.0
	fairly imprtant	79	39.9	42.9	73.9
	important	35	17.7	19.0	92.9
	average	9	4.5	4.9	97.8
	less important	4	2.0	2.2	100.0
	Total	184	92.9	100.0	
Missing	-7	14	7.1		
Total		198	100.0		

(Asla) form where would you have the highest commercial expectations for new market opportunities should the current trade barriers be eliminated? If possible please rank in order of highest expectation. 1 being the highest

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	2	1.0	1.1	1.1
	fairly imprtant	6	3.0	3.3	4.3
	important	3	1.5	1.6	6.0
	average	7	3.5	3.8	9.8
	less important	166	83.8	90.2	100.0
	Total	184	92.9	100.0	
Missing	-7	14	7.1		
Total		198	100.0		

(Japan) form where would you have the highest commercial expectations for new market opportunities should the current trade barriers be eliminated? If possible please rank in order of highest expectation. 1 being the highest

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	2	1.0	1.1	1.1
	fairely imprtant	2	1.0	1.1	2.2
	important	3	1.5	1.6	3.8
	average	26	13.1	14.1	17.9
	less important	151	76.3	82.1	100.0
	Total	184	92.9	100.0	
Missing	-7	14	7.1		
Total		198	100.0		

(Arab Countries) form where would you have the highest commercial expectations for new market opportunities should the current trade barriers be eliminated? If possible please rank in order of highest expectation. 1 being the highest

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	40	20.2	21.7	21.7
	fairely imprtant	55	27.8	29.9	51.6
	important	54	27.3	29.3	81.0
	average	27	13.6	14.7	95.7
	less important	8	4.0	4.3	100.0
	Total	184	92.9	100.0	
Missing	-7	14	7.1		
Total		198	100.0		

(first Important) trade partners of GATS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Germany	90	45.5	48.9	48.9
	Italy	64	32.3	34.8	83.7
	france	4	2.0	2.2	85.9
	Isreal	26	13.1	14.1	100.0
	Total	184	92.9	100.0	
Missing	-7	14	7.1		
Total		198	100.0		

(second important) trade partner of GATS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Germany	51	25.8	27.7	27.7
	Italy	75	37.9	40.8	68.5
	france	31	15.7	16.8	85.3
	UK	3	1.5	1.6	87.0
	Isreal	24	12.1	13.0	100.0
	Total	184	92.9	100.0	
Missing	-7	14	7.1		
Total		198	100.0		

third important

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Germany	35	17.7	19.0	19.0
	Italy	19	9.6	10.3	29.3
	france	78	39.4	42.4	71.7
	UK	16	8.1	8.7	80.4
	Isreal	36	18.2	19.6	100.0
	Total	184	92.9	100.0	
Missing	-7	14	7.1		
Total		198	100.0		

forth important

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Germany	5	2.5	2.7	2.7
	Italy	11	5.6	6.0	8.7
	france	35	17.7	19.0	27.7
	UK	53	26.8	28.8	56.5
	Isreal	80	40.4	43.5	100.0
	Total	184	92.9	100.0	
Missing	-7	14	7.1		
Total		198	100.0		

fifth important

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Italy	1	.5	.5	.5
	france	11	5.6	6.0	6.5
	UK	44	22.2	23.9	30.4
	Isreal	127	64.1	69.0	99.5
	other	1	.5	.5	100.0
	Total	184	92.9	100.0	
Missing	-7	14	7.1		
Total		198	100.0		

do you understand how you could use GATS to Achelve your business goals?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	37	18.7	20.1	20.1
	no	6	3.0	3.3	23.4
	3	8	4.0	4.3	27.7
	4	41	20.7	22.3	50.0
	5	92	46.5	50.0	100.0
	Total	184	92.9	100.0	
Missing	-7	14	7.1		
Total		198	100.0		

would you be willing to use the GATS priciple (market access and national treatment) for the tourism Industry

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	108	54.5	58.7	58.7
	fairely imprtant	4	2.0	2.2	60.9
	important	6	3.0	3.3	64.1
	average	30	15.2	16.3	80.4
	less important	36	18.2	19.6	100.0
	Total	184	92.9	100.0	
Missing	-7	14	7.1		
Total		198	100.0		

In your opinion, will GATS affect tourism development In Egypt?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	196	99.0	99.0	99.0
	no	2	1.0	1.0	100.0
	Total	198	100.0	100.0	

how will GATS affect tourism development in terms of its impacts on the Egyptian economy in the short term?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.1	9	4.5	4.5	4.5
	2.1	4	2.0	2.0	6.6
	3.1	12	6.1	6.1	12.6
	3.3	16	8.1	8.1	20.7
	4.1	77	38.9	38.9	59.6
	4.2	9	4.5	4.5	64.1
	4.3	3	1.5	1.5	65.7
	5.1	61	30.8	30.8	96.5
	5.2	7	3.5	3.5	100.0
	Total	198	100.0	100.0	

how will GATS affect tourism development in terms of its impacts on the Egyptian economy in the long term?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.3	6	3.0	3.0	3.0
	1.4	9	4.5	4.5	7.6
	1.5	47	23.7	23.7	31.3
	2.4	19	9.6	9.6	40.9
	2.5	48	24.2	24.2	65.2
	3.3	16	8.1	8.1	73.2
	3.4	4	2.0	2.0	75.3
	3.5	19	9.6	9.6	84.8
	4.3	1	.5	.5	85.4
	4.4	8	4.0	4.0	89.4
	4.5	12	6.1	6.1	95.5
	5.3	1	.5	.5	96.0
	5.5	8	4.0	4.0	100.0
	Total	198	100.0	100.0	

how will GATS affect the tourism flow to Egypt in terms of tourist numbers in the short term?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.1	56	28.3	28.3	28.3
	1.2	1	.5	.5	28.8
	2.1	66	33.3	33.3	62.1
	2.2	5	2.5	2.5	64.6
	2.3	1	.5	.5	65.2
	3.1	40	20.2	20.2	85.4
	3.3	26	13.1	13.1	98.5
	4.1	3	1.5	1.5	100.0
	Total	198	100.0	100.0	

how will GATS affect the tourism flow to Egypt in terms of tourist numbers in the long term?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.4	20	10.1	10.1	10.1
	1.5	105	53.0	53.0	63.1
	2.4	7	3.5	3.5	66.7
	2.5	46	23.2	23.2	89.9
	3.3	20	10.1	10.1	100.0
	Total	198	100.0	100.0	

how will GATS affect the business of the hotel and resturant sector in the short term?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.1	55	27.8	27.8	27.8
	1.2	3	1.5	1.5	29.3
	1.3	2	1.0	1.0	30.3
	2.1	51	25.8	25.8	56.1
	2.2	2	1.0	1.0	57.1
	3.1	26	13.1	13.1	70.2
	3.3	24	12.1	12.1	82.3
	4.1	27	13.6	13.6	96.0
	4.2	3	1.5	1.5	97.5
	5.1	5	2.5	2.5	100.0
	Total	198	100.0	100.0	

how will GATS affect the business of the hotel and resturant sector in the long term?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.4	12	6.1	6.1	6.1
	1.5	102	51.5	51.5	57.6
	2.4	6	3.0	3.0	60.6
	2.5	36	18.2	18.2	78.8
	3.3	21	10.6	10.6	89.4
	3.5	10	5.1	5.1	94.4
	4.4	1	.5	.5	94.9
	4.5	7	3.5	3.5	98.5
	5.5	3	1.5	1.5	100.0
	Total	198	100.0	100.0	

how will GATS affect the business of the tour operators and travel agencies in the short term

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.1	3	1.5	1.5	1.5
	2.3	1	.5	.5	2.0
	3.1	33	16.7	16.7	18.7
	3.2	1	.5	.5	19.2
	3.3	1	.5	.5	19.7
	4.1	42	21.2	21.2	40.9
	4.2	2	1.0	1.0	41.9
	5.1	112	56.6	56.6	98.5
	5.2	3	1.5	1.5	100.0
	Total	198	100.0	100.0	

how will GATS affect the business of the tour operators and travel agencies in the long term

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.3	2	1.0	1.0	1.0
	1.4	7	3.5	3.5	4.5
	1.5	9	4.5	4.5	9.1
	2.4	6	3.0	3.0	12.1
	2.5	6	3.0	3.0	15.2
	3.3	1	.5	.5	15.7
	3.4	3	1.5	1.5	17.2
	3.5	11	5.6	5.6	22.7
	4.3	1	.5	.5	23.2
	4.4	6	3.0	3.0	26.3
	4.5	27	13.6	13.6	39.9
	5.4	2	1.0	1.0	40.9
	5.5	117	59.1	59.1	100.0
	Total	198	100.0	100.0	

how will GATS affect the Guide services in the short term?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.1	23	11.6	11.6	11.6
	2.1	8	4.0	4.0	15.7
	2.2	1	.5	.5	16.2
	2.3	1	.5	.5	16.7
	3.1	23	11.6	11.6	28.3
	3.3	73	36.9	36.9	65.2
	4.1	45	22.7	22.7	87.9
	5.1	23	11.6	11.6	99.5
	5.3	1	.5	.5	100.0
	Total	198	100.0	100.0	

how will GATS affect the Gulde services in the long term?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.4	4	2.0	2.0	2.0
	1.5	51	25.8	25.8	27.8
	2.4	7	3.5	3.5	31.3
	2.5	18	9.1	9.1	40.4
	3.3	78	39.4	39.4	79.8
	3.4	5	2.5	2.5	82.3
	3.5	10	5.1	5.1	87.4
	4.4	9	4.5	4.5	91.9
	4.5	1	.5	.5	92.4
	5.4	4	2.0	2.0	94.4
	5.5	11	5.6	5.6	100.0
	Total	198	100.0	100.0	

how will GATS affect the business of the air transport in the short term?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.1	19	9.6	9.6	9.6
	2.1	2	1.0	1.0	10.6
	2.2	4	2.0	2.0	12.6
	3.1	10	5.1	5.1	17.7
	3.3	3	1.5	1.5	19.2
	4.1	63	31.8	31.8	51.0
	4.2	3	1.5	1.5	52.5
	5.1	94	47.5	47.5	100.0
	Total	198	100.0	100.0	

how will GATS affect the business of the air transport in the long term?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.4	4	2.0	2.0	2.0
	1.5	63	31.8	31.8	33.8
	2.3	1	.5	.5	34.3
	2.4	12	6.1	6.1	40.4
	2.5	36	18.2	18.2	58.6
	3.3	7	3.5	3.5	62.1
	3.4	1	.5	.5	62.6
	3.5	11	5.6	5.6	68.2
	4.3	1	.5	.5	68.7
	4.4	6	3.0	3.0	71.7
	4.5	14	7.1	7.1	78.8
	5.4	4	2.0	2.0	80.8
	5.5	38	19.2	19.2	100.0
	Total	198	100.0	100.0	

how will GATS affect the business of the CRS in the short term?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.1	61	30.8	30.8	30.8
	1.2	1	.5	.5	31.3
	2.1	2	1.0	1.0	32.3
	2.3	1	.5	.5	32.8
	3.1	5	2.5	2.5	35.4
	3.3	44	22.2	22.2	57.6
	4.1	37	18.7	18.7	76.3
	4.2	2	1.0	1.0	77.3
	5.1	45	22.7	22.7	100.0
	Total	198	100.0	100.0	

how will GATS affect the business of the CRS In the long term?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.5	75	37.9	37.9	37.9
	2.4	2	1.0	1.0	38.9
	2.5	14	7.1	7.1	46.0
	3.3	52	26.3	26.3	72.2
	3.4	1	.5	.5	72.7
	3.5	3	1.5	1.5	74.2
	4.4	8	4.0	4.0	78.3
	4.5	12	6.1	6.1	84.3
	5.3	1	.5	.5	84.8
	5.4	2	1.0	1.0	85.9
	5.5	28	14.1	14.1	100.0
	Total	198	100.0	100.0	

how important is the discrimination in licensing and qualification requirements

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	25	12.6	16.2	16.2
	important	55	27.8	35.7	51.9
	average	49	24.7	31.8	83.8
	less important	10	5.1	6.5	90.3
	not important at all	15	7.6	9.7	100.0
	Total	154	77.8	100.0	
Missing	-8	44	22.2		
Total		198	100.0		

dominance of local monopoly

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	115	58.1	74.7	74.7
	important	17	8.6	11.0	85.7
	average	6	3.0	3.9	89.6
	less important	1	.5	.6	90.3
	not important at all	15	7.6	9.7	100.0
	Total	154	77.8	100.0	
Missing	-8	44	22.2		
Total		198	100.0		

restriction on movement of personal mobility

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	53	26.8	34.4	34.4
	important	57	28.8	37.0	71.4
	average	22	11.1	14.3	85.7
	less important	7	3.5	4.5	90.3
	not important at all	15	7.6	9.7	100.0
	Total	154	77.8	100.0	
Missing	-8	44	22.2		
Total		198	100.0		

restrection on ownership

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	28	14.1	18.2	18.2
	important	77	38.9	50.0	68.2
	average	30	15.2	19.5	87.7
	less important	4	2.0	2.6	90.3
	not important at all	15	7.6	9.7	100.0
	Total	154	77.8	100.0	
Missing	-8	44	22.2		
Total		198	100.0		

nationality and residency requirements

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	16	8.1	10.4	10.4
	important	80	40.4	51.9	62.3
	average	36	18.2	23.4	85.7
	less important	6	3.0	3.9	89.6
	not important at all	16	8.1	10.4	100.0
	Total	154	77.8	100.0	
Missing	-8	44	22.2		
Total		198	100.0		

limitation on the number of services suppliers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	95	48.0	61.7	61.7
	important	29	14.6	18.8	80.5
	average	11	5.6	7.1	87.7
	less important	4	2.0	2.6	90.3
	not important at all	15	7.6	9.7	100.0
	Total	154	77.8	100.0	
Missing	-8	44	22.2		
Total		198	100.0		

limitation on the type of the legal form requested to operate

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	43	21.7	27.9	27.9
	important	58	29.3	37.7	65.6
	average	28	14.1	18.2	83.8
	less important	9	4.5	5.8	89.6
	not important at all	16	8.1	10.4	100.0
	Total	154	77.8	100.0	
Missing	-8	44	22.2		
Total		198	100.0		

taxation rules

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	132	66.7	85.7	85.7
	important	8	4.0	5.2	90.9
	average	1	.5	.6	91.6
	not important at all	13	6.6	8.4	100.0
	Total	154	77.8	100.0	
Missing	-8	44	22.2		
Total		198	100.0		

unfair competition

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	106	53.5	68.8	68.8
	important	31	15.7	20.1	89.0
	average	4	2.0	2.6	91.6
	not important at all	13	6.6	8.4	100.0
	Total	154	77.8	100.0	
Missing	-8	44	22.2		
Total		198	100.0		

(which type of obstacles do you face) legal measures

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	important	20	10.1	14.3	14.3
	average	113	57.1	80.7	95.0
	less important	7	3.5	5.0	100.0
	Total	140	70.7	100.0	
Missing	-8	44	22.2		
	-7	14	7.1		
	Total	58	29.3		
Total		198	100.0		

administrative burdens

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	important	122	61.6	87.1	87.1
	average	18	9.1	12.9	100.0
	Total	140	70.7	100.0	
Missing	-8	44	22.2		
	-7	14	7.1		
	Total	58	29.3		
Total		198	100.0		

unsafe environment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	important	3	1.5	2.1	2.1
	average	7	3.5	5.0	7.1
	less important	130	65.7	92.9	100.0
	Total	140	70.7	100.0	
Missing	-8	44	22.2		
	-7	14	7.1		
	Total	58	29.3		
Total		198	100.0		

**do you consider the business services, including legal, accounting services
Important to your business**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	94	47.5	47.5	47.5
	important	32	16.2	16.2	63.6
	average	42	21.2	21.2	84.8
	less important	23	11.6	11.6	96.5
	not important at all	7	3.5	3.5	100.0
	Total	198	100.0	100.0	

communication services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	184	92.9	92.9	92.9
	important	7	3.5	3.5	96.5
	average	5	2.5	2.5	99.0
	less important	2	1.0	1.0	100.0
	Total	198	100.0	100.0	

construction and related engineering services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	19	9.6	9.6	9.6
	important	38	19.2	19.2	28.8
	average	50	25.3	25.3	54.0
	less important	79	39.9	39.9	93.9
	not important at all	12	6.1	6.1	100.0
	Total	198	100.0	100.0	

distribution services, including retail, wholesale and franchising

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	96	48.5	48.5	48.5
	important	58	29.3	29.3	77.8
	average	27	13.6	13.6	91.4
	less important	11	5.6	5.6	97.0
	not important at all	6	3.0	3.0	100.0
	Total	198	100.0	100.0	

educational services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	51	25.8	25.8	25.8
	important	111	56.1	56.1	81.8
	average	26	13.1	13.1	94.9
	less important	5	2.5	2.5	97.5
	not important at all	5	2.5	2.5	100.0
	Total	198	100.0	100.0	

environmental services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	48	24.2	24.2	24.2
	important	113	57.1	57.1	81.3
	average	21	10.6	10.6	91.9
	less important	9	4.5	4.5	96.5
	not important at all	7	3.5	3.5	100.0
	Total	198	100.0	100.0	

financial services, including banking, insurance services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	96	48.5	48.5	48.5
	important	83	41.9	41.9	90.4
	average	9	4.5	4.5	94.9
	less important	3	1.5	1.5	96.5
	not important at all	7	3.5	3.5	100.0
	Total	198	100.0	100.0	

health realted and social services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	58	29.3	29.3	29.3
	important	102	51.5	51.5	80.8
	average	26	13.1	13.1	93.9
	less important	4	2.0	2.0	96.0
	not important at all	8	4.0	4.0	100.0
	Total	198	100.0	100.0	

recreational cultural and sporting services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	100	50.5	50.5	50.5
	important	77	38.9	38.9	89.4
	average	13	6.6	6.6	96.0
	less important	1	.5	.5	96.5
	not important at all	7	3.5	3.5	100.0
	Total	198	100.0	100.0	

transport services, including maritime, air, aland and space services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	185	93.4	93.4	93.4
	important	11	5.6	5.6	99.0
	average	1	.5	.5	99.5
	not important at all	1	.5	.5	100.0
	Total	198	100.0	100.0	

Is investment abroad a priority for your business?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	most important	46	23.2	25.0	25.0
	fairely imprtant	11	5.6	6.0	31.0
	important	6	3.0	3.3	34.2
	average	62	31.3	33.7	67.9
	less important	59	29.8	32.1	100.0
	Total	184	92.9	100.0	
Missing	-7	14	7.1		
Total		198	100.0		

type of the business the company operate

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	hotel	48	24.2	24.2	24.2
	travel agency	76	38.4	38.4	62.6
	air line	8	4.0	4.0	66.7
	guide	8	4.0	4.0	70.7
	government	44	22.2	22.2	92.9
	acadamic	14	7.1	7.1	100.0
	Total	198	100.0	100.0	

hotel

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	five stars hotel	20	10.1	41.7	41.7
	four stars hotel	11	5.6	22.9	64.6
	three stars hotel	17	8.6	35.4	100.0
	Total	48	24.2	100.0	
Missing	-9	92	46.5		
	-8	44	22.2		
	-7	14	7.1		
	Total	150	75.8		
Total		198	100.0		

travel agency

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	59	29.8	77.6	77.6
	B	7	3.5	9.2	86.8
	C	10	5.1	13.2	100.0
	Total	76	38.4	100.0	
Missing	-9	64	32.3		
	-8	44	22.2		
	-7	14	7.1		
	Total	122	61.6		
Total		198	100.0		

government

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	governmental organisation	23	11.6	52.3	52.3
	non-governmental	13	6.6	29.5	81.8
	public sector	8	4.0	18.2	100.0
	Total	44	22.2	100.0	
Missing	-9	140	70.7		
	-7	14	7.1		
	Total	154	77.8		
Total		198	100.0		

Age of the company

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	5-10	27	13.6	13.6	13.6
	11-20	68	34.3	34.3	48.0
	21-30	49	24.7	24.7	72.7
	31-40	9	4.5	4.5	77.3
	40-Over	45	22.7	22.7	100.0
	Total	198	100.0	100.0	

number of years with the company

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-2	5	2.5	2.5	2.5
	3-10	87	43.9	43.9	46.5
	11-20	81	40.9	40.9	87.4
	21-30	22	11.1	11.1	98.5
	31-over	3	1.5	1.5	100.0
	Total	198	100.0	100.0	

If less than three years, please Indicate the prvious Job:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	hotel	1	.5	20.0	20.0
	travel agency	1	.5	20.0	40.0
	economist	1	.5	20.0	60.0
	government	2	1.0	40.0	100.0
	Total	5	2.5	100.0	
Missing	-9	193	97.5		
Total		198	100.0		

position In the company

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	general manager	95	48.0	48.0	48.0
	sales manager	20	10.1	10.1	58.1
	acadamic staff	14	7.1	7.1	65.2
	consultance	16	8.1	8.1	73.2
	other	8	4.0	4.0	77.3
	owner	45	22.7	22.7	100.0
	Total	198	100.0	100.0	

responsabilities within the company

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	marketing	31	15.7	15.7	15.7
	decision maker	29	14.6	14.6	30.3
	teatching	14	7.1	7.1	37.4
	advisor	15	7.6	7.6	44.9
	other	2	1.0	1.0	46.0
	every thing	107	54.0	54.0	100.0
Total		198	100.0	100.0	

number of years in the position

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-2	6	3.0	3.0	3.0
	3-10	124	62.6	62.6	65.7
	11-20	51	25.8	25.8	91.4
	21-30	15	7.6	7.6	99.0
	31-over	2	1.0	1.0	100.0
	Total	198	100.0	100.0	

education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	school	2	1.0	1.0	1.0
	graduate	124	62.6	62.6	63.6
	post graduate	70	35.4	35.4	99.0
	business qualification	2	1.0	1.0	100.0
	Total	198	100.0	100.0	

if graduate or post graduate, please specify the subject area.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	tourism studies	37	18.7	18.7	18.7
	economics	34	17.2	17.2	35.9
	business adminstration	66	33.3	33.3	69.2
	law	9	4.5	4.5	73.7
	other	52	26.3	26.3	100.0
	Total	198	100.0	100.0	

age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	25-34	9	4.5	4.5	4.5
	35-44	70	35.4	35.4	39.9
	45-54	74	37.4	37.4	77.3
	55-over	45	22.7	22.7	100.0
	Total	198	100.0	100.0	

gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	179	90.4	90.4	90.4
	femal	19	9.6	9.6	100.0
	Total	198	100.0	100.0	

APPENDIX 8

FACTOR ANALYSIS

FACTOR ANALYSIS: SECTION 1

Communalities

	Initial	Extraction
	.424	.426
does tourism liberalisation mean foreign investment	.323	.280
does tourism liberalisation mean foreign management	.268	.107
does tourism liberalisation mean liberalising visa's regulation	.259	4.755E-02
does tourism liberalisation mean free pricing system	.405	.583
does tourism liberalisation mean transparency of information	.338	.303
how effective is the current policy of liberalisation?	.301	.283
if yes, what kind of policy changes? privatisation	.774	.722
if yes, what kind of policy changes? economic removal policy	.846	.837
if yes, what kind of policy changes? investment policy	.834	.804
if yes, what kind of policy changes? integration policy	.720	.694
if yes, what kind of policy changes? monetary policy	.711	.705
if yes, what kind of policy changes? tariff policy	.758	.764
if yes, what kind of policy changes? quality control policy	.603	.535
if yes, what kind of policy changes? air transport policy	.533	.459
how important is the discrimination in licensing and qualification requirements	.699	.627
dominance of local monopoly	.846	.816
restriction on movement of personal mobility	.803	.862
restriction on ownership	.863	.839
nationality and residency requirements	.836	.831
limitation on the number of services suppliers	.836	.747
limitation on the type of the legal form requested to operate	.770	.704
taxation rules	.923	.875
unfair competition	.878	.863
(which type of obstacles do you face) legal measures	.791	.801
administrative burdens	.812	.993
unsafe environment	.599	.473

Extraction Method: Principal Axis Factoring.

Total Variance Explained

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation
	Total % of Variance		Cumulative %	Total	% of Variance	Cumulative %	Total
1	7.682	28.450	28.450	7.453	27.603	27.603	7.025
2	5.429	20.108	48.558	5.151	19.078	46.682	5.719
3	2.015	7.462	56.020	1.679	6.220	52.901	2.063
4	1.693	6.270	62.290	1.310	4.852	57.753	1.499
5	1.502	5.564	67.854	.984	3.644	61.397	1.492
6	1.045	3.870	71.723	.405	1.502	62.899	.635
7	.969	3.588	75.312				
8	.816	3.021	78.333				
9	.794	2.940	81.273				
10	.699	2.588	83.861				
11	.580	2.148	86.008				
12	.534	1.979	87.987				
13	.475	1.759	89.746				
14	.398	1.474	91.219				
15	.345	1.277	92.497				
16	.338	1.253	93.749				
17	.289	1.070	94.819				
18	.251	.929	95.747				
19	.203	.753	96.500				
20	.193	.714	97.214				
21	.177	.654	97.869				
22	.139	.514	98.383				
23	.120	.443	98.826				
24	.108	.400	99.226				
25	8.715E-02	.323	99.549				
26	7.378E-02	.273	99.822				
27	4.797E-02	.178	100.000				

Extraction Method: Principal Axis Factoring.
a. When factors are correlated, sums of squared loadings cannot be added to obtain a total variance.

Structure Matrix

	Factor					
	1	2	3	4	5	6
the international tourism trade to Egypt should be liberalised and all trade barriers should be removed. Do you agree?	-7.971E-02	.353	7.025E-02	.572	-3.139E-03	.116
does tourism liberalisation mean foreign investment	9.521E-02	9.693E-02	-.188	.462	7.051E-02	.207
does tourism liberalisation mean foreign management	.103	.147	2.947E-02	.276	5.773E-02	-7.484E-02
does tourism liberalisation mean liberalising visa's regulation	3.685E-02	.184	4.651E-02	-1.502E-02	-8.707E-02	1.137E-02
does tourism liberalisation mean free pricing system	9.101E-02	5.252E-02	-7.809E-02	7.482E-02	.755	-.136
does tourism liberalisation mean transparency of information	8.790E-02	9.217E-02	7.349E-04	-2.960E-02	.542	1.188E-02
how effective is the current policy of liberalisation?	2.646E-02	3.881E-02	8.341E-02	-.513	-1.025E-02	3.452E-02
if yes, what kind of policy changes? privatisation	8.425E-02	.845	4.114E-02	.146	4.536E-02	-2.956E-02
if yes, what kind of policy changes? economic removal policy	.138	.899	9.287E-02	.190	.232	-1.161E-02
if yes, what kind of policy changes? investment policy	.154	.883	3.397E-02	.274	9.249E-02	6.959E-03
if yes, what kind of policy changes? integration policy	6.925E-02	.817	.214	.103	.116	6.740E-03
if yes, what kind of policy changes? monetary policy	.187	.825	-1.538E-02	.119	.148	.120
if yes, what kind of policy changes? tariff policy	.135	.848	4.477E-03	6.731E-02	.197	-.138
if yes, what kind of policy changes? quality control policy	.208	.717	5.228E-02	5.677E-02	.177	-3.518E-02
if yes, what kind of policy changes? air transport policy	5.746E-02	.649	-8.825E-03	.135	-7.258E-02	.144
how important is the discrimination in licensing and qualification requirements	.730	.206	-.241	.116	.295	9.338E-02
how important is the discrimination in licensing and qualification requirements	.730	.206	-.241	.116	.295	9.338E-02
dominance of local monopoly	.880	6.977E-02	-.220	-.200	.101	-.117
dominance of local monopoly	.880	6.977E-02	-.220	-.200	.101	-.117
restriction on movement of personal mobility	.841	7.537E-02	-.200	-4.163E-02	.171	-.479
restriction on movement of personal mobility	.841	7.537E-02	-.200	-4.163E-02	.171	-.479
restriction on ownership	.891	.142	-.166	.131	.201	-.240
restriction on ownership	.891	.142	-.166	.131	.201	-.240
nationality and residency requirements	.873	.231	-9.950E-02	.113	.179	-.302
nationality and residency requirements	.873	.231	-9.950E-02	.113	.179	-.302
limitation on the number of services suppliers	.851	.153	-.152	-5.123E-02	4.255E-02	-.196
limitation on the number of services suppliers	.851	.153	-.152	-5.123E-02	4.255E-02	-.196
limitation on the type of the legal form requested to operate	.827	.192	-.153	-6.168E-04	.140	3.194E-02
limitation on the type of the legal form requested to operate	.827	.192	-.153	-6.168E-04	.140	3.194E-02
taxation rules	.928	9.640E-02	-.169	-5.947E-02	.102	-2.857E-02
taxation rules	.928	9.640E-02	-.169	-5.947E-02	.102	-2.857E-02
unfair competition	.902	5.277E-02	-.160	-4.752E-02	9.338E-02	8.442E-02
unfair competition	.902	5.277E-02	-.160	-4.752E-02	9.338E-02	8.442E-02

(which type of obstacles do you face)	-.111	7.113E-02	.859	-.282	4.434E-02	-.105
legal measures						
administrative burdens	.277	3.358E-03	-.960	-.150	.154	8.159E-03
unsafe environment	-.287	-9.110E-02	3.496E-02	.483	-.414	.194

Extraction Method: Principal Axis Factoring. Rotation Method: Oblimin with Kaiser Normalization

FACTOR ANALYSIS: SECTION 2

Communalities

	Initial	Extraction
is the motivation for signing the GATS the for membership of world trade organisation	.332	.381
is the motivation for signing the GATS because of some partner countries	.405	.385
is the motivation for signing the GATS to encourage the volume of trade	.355	.368
is the motivation for signing the GATS to increase the tourism flow	.534	.629
is the motivation for signing the GATS to increase tourism income	.524	.614
how does the cross border mode of supply affect the liberalisation of tourism industry	.707	.957
how does the consumption abroad mode of supply affect the liberalisation of tourism industry	.213	.118
how does the personal mobility mode of supply affect the liberalisation of tourism industry	.472	.398
how does the commercial presence mode of supply affect the liberalisation of tourism industry	.560	.548
you did know about it	.233	.302
it is difficult to understand	.227	.413
you find it complicated to use	.164	.183
do you understand what the most-favoured nation principle in GATS means?	.468	.821
is the most-favoured nation principal helpful with respect to the tourism industry?	.392	.407
would you be willing to use the GATS principle (market access and national treatment) for the tourism industry	.311	.357
do you consider the business services, including legal, accounting services important to your business	.520	.593
communication services	.259	.250
construction and related engineering services	.447	.465
distribution services, including retail, wholesale and franchising	.637	.745
educational services	.520	.600
environmental services	.727	.786
financial services, including banking, insurance services	.657	.687
financial services, including banking, insurance services	.657	.687
health related and social services	.837	.915
health related and social services	.837	.915
recreational cultural and sporting services	.583	.655
recreational cultural and sporting services	.583	.655
transport services, including maritime, air, land and space services	.151	.153
transport services, including maritime, air, land and space services	.151	.153
is investment abroad a priority for your business?	.322	.382
is investment abroad a priority for your business?	.322	.382

Extraction Method: Principal Axis Factoring.

Total Variance Explained

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	4.441	17.081	17.081	4.129	15.879	15.879	3.675
2	2.598	9.994	27.075	2.233	8.590	24.469	2.081
3	2.393	9.204	36.279	1.900	7.307	31.776	1.864
4	1.827	7.026	43.305	1.386	5.332	37.108	2.134
5	1.524	5.863	49.168	1.079	4.150	41.257	1.711
6	1.375	5.290	54.458	.787	3.025	44.282	1.121
7	1.219	4.688	59.146	.621	2.389	46.671	.843
8	1.099	4.225	63.372	.508	1.956	48.627	.704
9	1.026	3.948	67.320	.468	1.799	50.426	.831
10	.913	3.513	70.833				
11	.899	3.456	74.289				
12	.804	3.092	77.381				
13	.759	2.920	80.301				
14	.685	2.636	82.937				
15	.633	2.433	85.371				
16	.621	2.389	87.760				
17	.537	2.067	89.827				
18	.492	1.892	91.719				
19	.413	1.587	93.306				
20	.367	1.410	94.716				
21	.321	1.236	95.952				
22	.279	1.071	97.024				
23	.258	.991	98.015				
24	.238	.916	98.931				
24	.238	.916	98.931				
25	.177	.679	99.610				
25	.177	.679	99.610				
26	.101	.390	100.000				
26	.101	.390	100.000				

Extraction Method: Principal Axis Factoring.
a. When factors are correlated, sums of squared loadings cannot be added to obtain a total variance.

Structure Matrix

	Factor								
	1	2	3	4	5	6	7	8	9
is the motivation for signing the GATS the for membership of world trade organisation	-2.659E-02	-8.507E-02	-.585	.136	5.943E-02	-9.577E-02	5.363E-02	-4.954E-02	-5.273E-02
is the motivation for signing the GATS because of some partner countries	.260	.169	-.302	.294	8.945E-02	-.188	.258	.143	-.258
is the motivation for signing the GATS to encourage the volume of trade	6.285E-02	7.801E-02	.499	-.319	6.830E-02	8.483E-02	5.209E-02	-3.773E-02	-.127
is the motivation for signing the GATS to increase the tourism flow	-7.669E-02	.168	.692	1.588E-02	4.757E-02	-.211	8.232E-03	-.344	.137
is the motivation for signing the GATS to increase tourism income	5.664E-03	7.377E-02	.716	.103	.134	-.100	-.144	-.211	.182
how does the cross border mode of supply affect the liberalisation of tourism industry	.114	.965	.182	.123	.154	-9.135E-02	.213	-8.409E-02	-8.483E-02
how does the consumption abroad mode of supply affect the liberalisation of tourism industry	6.506E-02	2.065E-02	9.331E-02	2.839E-02	7.668E-02	-7.379E-02	-.296	3.274E-03	1.749E-02
how does the personal mobility mode of supply affect the liberalisation of tourism industry	-4.633E-03	-.569	-7.146E-02	-.142	7.259E-02	8.091E-02	-.277	-9.155E-02	-8.363E-02
how does the commercial presence mode of supply affect the liberalisation of tourism industry	-.126	-.665	-6.390E-02	.150	-2.993E-02	-.141	.115	-1.349E-02	-3.418E-03
you did know about it	6.249E-03	7.303E-03	1.976E-03	-.178	-1.803E-02	.492	-.157	-.138	.155
you did know about it	6.249E-03	7.303E-03	1.976E-03	-.178	-1.803E-02	.492	-.157	-.138	.155
it is difficult to understand	7.429E-03	7.166E-02	2.286E-03	-1.903E-02	-4.252E-04	.592	.155	8.542E-02	-2.430E-02
it is difficult to understand	7.429E-03	7.166E-02	2.286E-03	-1.903E-02	-4.252E-04	.592	.155	8.542E-02	-2.430E-02
you find it complicated to use	-.110	-8.942E-02	-9.878E-03	-9.224E-02	-8.837E-02	.387	-4.580E-02	-.143	-2.684E-02
you find it complicated to use	-.110	-8.942E-02	-9.878E-03	-9.224E-02	-8.837E-02	.387	-4.580E-02	-.143	-2.684E-02
do you understand what the most-favoured nation principle in GATS means?	.222	.102	3.557E-02	-.106	.861	-.110	5.694E-02	-.128	-.203
do you understand what the most-favoured nation principle in GATS means?	.222	.102	3.557E-02	-.106	.861	-.110	5.694E-02	-.128	-.203
is the most-favoured nation principal helpful with respect to the tourism industry?	.115	-4.791E-02	-6.675E-03	3.180E-02	.613	3.009E-02	-3.197E-02	-2.295E-02	-9.767E-02
is the most-favoured nation principal helpful with respect to the tourism industry?	.115	-4.791E-02	-6.675E-03	3.180E-02	.613	3.009E-02	-3.197E-02	-2.295E-02	-9.767E-02
would you be willing to use the GATS principle (market access and national treatment) for the tourism industry	.222	.247	7.998E-02	-.103	.367	-.179	.393	.121	6.811E-02

do you consider the business services, including legal, accounting services important to your business	.312	4.333E-02	9.118E-02	-.746	.106	.113	5.597E-02	8.515E-02	.173
communication services	-5.328E-02	-3.976E-02	-.109	-8.669E-02	-.107	-.112	-5.563E-02	.450	.132
construction and related engineering services	.404	.190	.204	-.487	.152	.281	.165	.122	.105
distribution services, including retail, wholesale and franchising	.366	-7.610E-02	.120	-.745	7.322E-02	.184	-9.890E-02	.229	.428
educational services	.686	.125	8.257E-02	-.246	.134	-.103	.173	-.217	-.175
environmental services	.818	9.944E-02	.107	-.176	.301	6.621E-02	-.160	.178	-3.971E-03
financial services, including banking, insurance services	.712	1.513E-02	-9.557E-02	-.451	7.721E-02	-6.105E-02	7.447E-02	-.176	7.816E-02
health related and social services	.944	.191	8.494E-04	-.134	.332	-.122	6.713E-02	6.803E-02	-1.238E-02
recreational cultural and sporting services	.686	.104	3.354E-03	-.312	.191	6.067E-02	-3.681E-02	1.189E-02	.419
transport services, including maritime, air, land and space services	-1.518E-02	-4.324E-02	5.023E-02	-.101	-2.339E-02	2.696E-02	1.380E-02	7.171E-02	.379
is investment abroad a priority for your business?	.181	.319	.156	.131	.258	-.101	.455	-.163	2.728E-02

Extraction Method: Principal Axis Factoring. Rotation Method: Oblimin with Kaiser Normalization.

FACTOR ANALYSIS: SECTION 3

Communalities

	Initial	Extraction
how will GATS affect tourism development in terms of its impacts on the Egyptian economy in the short term?	.226	.611
how will GATS affect tourism development in terms of its impacts on the Egyptian economy in the long term?	.290	.315
how will GATS affect the tourism flow to Egypt in terms of tourist numbers in the short term?	.525	.600
how will GATS affect the tourism flow to Egypt in terms of tourist numbers in the long term?	.415	.454
how will GATS affect the business of the hotel and restaurant sector in the short term?	.512	.624
how will GATS affect the business of the hotel and restaurant sector in the long term?	.381	.475
how will GATS affect the business of the tour operators and travel agencies in the short term	.172	.221
how will GATS affect the business of the tour operators and travel agencies in the long term	.190	.214
how will GATS affect the Guide services in the short term?	.409	.452
how will GATS affect the Guide services in the long term?	.469	.749
how will GATS affect the business of the air transport in the short term?	.289	.332
how will GATS affect the business of the air transport in the long term?	.568	.748
how will GATS affect the business of the CRS in the short term?	.549	.677
how will GATS affect the business of the CRS in the long term?	.636	.741

Extraction Method: Principal Axis Factoring.

Total Variance Explained

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation
	Total % of Variance		Cumulative %	Total	% of Variance	Cumulative %	Total
1	3.056	21.831	21.831	2.672	19.085	19.085	2.079
2	2.492	17.800	39.631	2.050	14.646	33.731	2.085
3	1.548	11.058	50.689	1.085	7.753	41.484	.893
4	1.334	9.525	60.215	.813	5.808	47.291	1.880
5	1.116	7.975	68.189	.591	4.224	51.515	.942
6	.750	5.355	73.544				
7	.739	5.276	78.820				
8	.678	4.843	83.663				
9	.527	3.762	87.425				
10	.514	3.670	91.095				
11	.402	2.874	93.969				
12	.343	2.448	96.417				
13	.310	2.216	98.634				
14	.191	1.366	100.000				

Extraction Method: Principal Axis Factoring.
a. When factors are correlated, sums of squared loadings cannot be added to obtain a total variance.

Structure Matrix

	Factor				
	1	2	3	4	5
how will GATS affect tourism development in terms of its impacts on the Egyptian economy in the short term?	-1.113E-02	.133	.744	-9.330E-02	-.218
how will GATS affect tourism development in terms of its impacts on the Egyptian economy in the long term?	.138	5.442E-02	-3.968E-02	.537	-.248
how will GATS affect the tourism flow to Egypt in terms of tourist numbers in the short term?	.130	.726	-6.748E-02	.114	.167
how will GATS affect the tourism flow to Egypt in terms of tourist numbers in the long term?	-3.546E-02	.661	-6.563E-04	.131	-.164
how will GATS affect the business of the hotel and restaurant sector in the short term?	1.130E-02	.768	4.224E-02	8.486E-02	.123
how will GATS affect the business of the hotel and restaurant sector in the long term?	-.136	.625	-.104	.141	-.271
how will GATS affect the business of the tour operators and travel agencies in the short term	7.777E-02	-.158	.434	7.910E-03	4.056E-02
how will GATS affect the business of the tour operators and travel agencies in the long term	-7.105E-02	.217	8.324E-02	.370	-.187
how will GATS affect the Guide services in the short term?	.418	.165	-7.824E-03	.537	.173
how will GATS affect the Guide services in the long term?	.343	-5.775E-03	-.107	.830	1.115E-02
how will GATS affect the business of the air transport in the short term?	.260	5.216E-02	.278	.205	-.465
how will GATS affect the business of the air transport in the long term?	.557	-.107	-1.181E-02	.488	-.599
how will GATS affect the business of the CRS in the short term?	.804	7.028E-02	.190	.228	9.475E-03
how will GATS affect the business of the CRS in the short term?	.804	7.028E-02	.190	.228	9.475E-03
how will GATS affect the business of the CRS in the long term?	.834	-1.971E-02	3.345E-03	.282	-.219
how will GATS affect the business of the CRS in the long term?	.834	-1.971E-02	3.345E-03	.282	-.219

Extraction Method: Principal Axis Factoring. Rotation Method: Oblimin with Kaiser Normalization.

APPENDIX 9

AUTHOR PUBLICATION

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