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Tourism industry as an engine for export-led growth and social development: Analysing its main characteristics and future prospects for Mediterranean countries

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Forum Euroméditerranéen des Instituts de Sciences Économiques

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RESEARCH PROJECT FEM 35-04

"TOURISM INDUSTRY AS AN ENGINE FOR EXPORT-LED GROWTH AND SOCIAL DEVELOPMENT: ANALYSING ITS MAIN CHARACTERISTICS AND FUTURE PROSPECTS FOR MEDITERRANEAN COUNTRIES"

EXECUTIVE SUMMARY RESEARCH PROJECT FEM 35-04

Along the present "Executive Summary" we synthetize main findings of FEMISE Research Project FEM 35-04, on "*Tourism industry as an engine for export-led growth and social development: Analysing its main characteristics and future prospects for Mediterranean countries*", corresponding to FEMISE RESEARCH PROGRAM 2011-2012. The Mediterranean (MED) region became a hot spot along the year 2011, continuing in 2012. The negative impact of the economic slowdown has been exacerbated by the uprisings in the North of Africa (NA) ("Arab awakening"), and by national debt episodes in Southern EU countries. Main challenges include increasing unemployment, growing levels of poverty, difficulties in the access to international borrowing, as well as the extension of socio-political instability. In this context, it is important to explore the role that competitive industries in the region could play in promoting economic recovery and, in general, settling the basis for social development. In this regard, the present investigation has been dealing with the analysis of the tourism industry in the MED region, and how it can contribute to the objective of regional development. Tourism activities attract new revenues, maintain country openness and cultural richness, reduce poverty by generating employment, and contribute to build infrastructures, reinforcing in this way social cohesion and stability of host countries. Moreover, as UNWTO data shows, in 2011 the MED region was the leading world destination, with 182 millions of tourist arrivals (18% of world share) and receipts of 176 billions of Euros (17%). In order to deal with such an ambitious objective, we have focused in the study of three salient destinations of the MED area: Spain, Turkey and Egypt. All three countries have important shares of the tourism industry in their national economies, and allow us characterizing the situation of the MED region.

The first chapter of the study has been devoted to elaborate an overview of the relevant treats of tourism sector in these three MED economies. In general, we have seen that it contributes a relevant share on country GDPs, around 10-15%, creating significant employment levels (11%). It also promotes job opportunities for sensitive collectives of the society, such as females and young people, all above the mean of the economy. Equally, we have observed the need of improving qualification of the labour force in tourism activities for the region (not that relevant for Egypt). Main efforts should be centred on formative actions defined at official secondary and university levels. Besides, tourism activities show important interconnections with other sectors of the economy. Energy, construction, real estate, food-related products, financial services, and mainly cultural, recreational and sports activities are closely related to the tourism production process. Multiplying effects, direct plus indirect, of tourism demand are important for MED economies, and particularly for these related industries. This is an important result, given that in many of these countries such industries have been suffering the impact of the crisis, and then tourism becomes a strategic activity for improving conditions in construction, finance and cultural sectors.

Growth of tourism has been intense in the near past for the entire region, with rates well above those of the general economy for arrivals and receipts. Despite the slowdown of 2009, recovery has been significant and robust for tourism. The sector has become a pushing force for regional economies, perhaps one of the few activities with significant growth since 2009 shock. Situation is not that good at the North of Africa region, with

all countries suffering the effects of the Arab spring episodes. Despite slight recovery of arrivals in some countries, as i.e. Tunisia, security level is now an issue for tourism industry in the area. Other destinations as Turkey and Spain have on the contrary received all these people redirecting their travels from North African countries, with increases over 10% in number of arrivals in 2011 and 2012. Main destinations of MED countries are in seaside areas, with new products emerging in interesting activities related to tourism industry. Medical and health tourism, cultural tourism in general, urban and city activities, nature-related activities, golf and sports, etc., are all new products showing two-digit rates of growth in recent years. All of them will be reporting increasing receipts to tourism MED destinations in the future, also allowing for a renewal of traditional supplies of sun and sand activities historically present in this region.

In terms of the supply side, tourism activities face a need of increasing the average establishment size, in order to gain scale economies and efficiency. Growth of tourism supply has been important along the past years of economic boom, between the mid 1990s and 2007. As a result, numbers of establishments, level of employment, and total investments have grown intensely. It has allowed creating new employments all along the region, with more than 800,000 in Spain, and around 400,000 in Turkey. When the crisis began, adjustment of the sector has been of less importance for Spain and Turkey, with international demand supporting the activity level. On the contrary for Egypt, national awakening has clearly impacted the tourism industry, with consequences on employment, revenues, and infrastructure plans, and a major impact in the capital city of Cairo. Another treat of the tourism industry is that of important internationalisation level achieved in last decades at the MED region. It has allowed increasing robustness of firms in that industry, with new establishments positioned in growing economies such as Asia and Latin America. All lessons associated to the process of becoming transnational companies have been also of salient relevance for the development of MED economies in the preceding years.

The second chapter of the study has developed a macro approach to the determinants of tourism flows, with special focus on the MED region. By applying a gravity framework, we have seen the role of relevant socio-economic and political factors in pushing inbound and outbound flows of tourists. Main results have primarily shown the role of distance in promoting tourism. Tourist arrivals in MED destinations, and worldwide, use to come from nearby geographical areas. In MED region, the origin of tourists is majorly that of the EU and MENA countries (Gulf countries), and CIS countries as well (Russia mainly). For the rest of the world, tourists also travel along their continent of origin. Such an outcome results in several key policy issues: historical and social linkages between countries are relevant in promoting tourism flows (colonial ties, language, culture, belonging to the same region, etc.); geographical (and cultural) distance is also important in defining the size of bilateral tourism flows arriving to a single country. In the case of MED destinations, promotion campaigns should then be focused on potential clients from nearby destinations (EU, The Gulf, Russia, Eastern Europe), and on those coming from selected new sending countries (India, China, Latin America). Another result of this part of the study shows the relevance of political ties between countries in fostering arrivals of visitors: bilateral agreements, visa restrictions, and diplomatic relations are relevant variables in influencing the volume of tourism flows. The influence of visa restrictions is a novel result provided by the current

research in tourism studies, and we have been able to improve estimation techniques for capturing this effect empirically. Basically, our model copes with (time and country) heterogeneity in estimation, by exploiting panel data methodology, and controls for all other bias potentially arising in a gravity framework, by including dyadic time variant and invariant effects, and multilateral resistance terms. As the literature has shown, it allows us to technically improve the measurement of such an effect in regards to previous studies. Further, the last type of effects captured by our model shows the role of economic ties in promoting arrivals of people. In this respect, bilateral trade and migration flows also increase the volume of tourism arrivals as we have seen.

As a general result, we have shown that the closer the relationship between countries of origin and destination of tourists, the higher the number of bilateral travels, either outbound or inbound flows. In terms of the visa effect, it appears to be restricting the arrival of tourists to developing countries, as well as flows of travellers departing from both high and low-income countries. Particularly, visa restrictions are shown to play a role in reducing inflows to Eastern Europe and Central Asia, Latin America, MENA countries and Sub-Saharan destinations, as well as outflows from citizens of Eastern Europe, Central Asia, Sub-Saharan countries, and Western Europe and North America. This is an important result for MED region, given that visa restriction can reduce the arrivals of tourists coming from Eastern Europe who increasingly travel to this destination. Moreover, inbounds to MENA countries are clearly affected by visa restrictions, reducing in 23% the number of arrivals. Visa requirements also appear to be restricting entrances from Western Europeans and North Americans, both being important visitors of Tunisia, Egypt, Turkey and other countries of MENA. The impact of visa restrictions seems to reduce around 20-30% total arrivals and departures arising in these areas. Such a result presents clear policy implications, given that any improvement in visa facilitation would render a remarkable growth of future arrivals and receipts for MENA countries. As the model shows, once controlled for time invariant country-pair fixed effects (mainly capturing geographical and cultural linkages between origin and destination countries), visa restriction is the major effect in explaining volumes of inbound and outbound travel flows, well above the effect of political and economic bilateral ties.

The last part of the study implements a microeconomic approach for capturing factors explaining the performance of tourism industry in the MED region. It is carried out along two chapters: the third chapter is devoted to estimate main factors driving expenditure of tourists, and the fourth chapter focuses on the analysis of variables influencing satisfaction and loyalty behaviour of tourists. Both issues appear to be relevant in policy terms, providing pivotal information for the future sustainability of the tourism industry. **The third chapter of the study** deals with factors explaining total expenditure of tourists. We have analysed the daily expenditure behaviour of tourists, and its relation with the length of stay of visitors at destinations. In general, main covariates for the expenditure equation include the characteristics of destinations, those of the tourists themselves (individual profiles), and a set of trip characteristics. Explanatory variables include several dummy variables to reflect whether the tourist performed or not different activities during the stay. We also control for socioeconomic tourist characteristics, such as age, education level and income level; and trip characteristics, as type of transportation, type of accommodation, group size, company, main reasons of the trip, previous visits, and trip duration. Finally, we include year

dummies to account for variation in the business cycle, month dummies to account for seasonal effects and destination dummies. In running such an exercise we have built on survey data collected for the countries of the study.

Main results confirm the relevance of all these factors in driving daily expenditure of tourists. Seaside destinations, as those of the MED region, should embark themselves in developing new supply of activities, or tourism products, to complement the traditional offer based on exploitation of natural advantages. Important activities increasing average expenditure of tourists per day are those of playing golf, casinos, sport events, and enjoying gastronomy. All of them are activities with presence in the MED coast. Gastronomy is one of the competitive advantages of the region, and there has been a boost in golf-related products along these destinations. Sport events are increasingly a present tourism supply in different cities of the Mediterranean. Correspondingly, some of these recently emerging supplies are helping to increase daily expenditures of tourists visiting the Mediterranean coast. Other main purpose of the study was analysing trip duration, as it constitutes the other pivotal piece explaining total revenues. We have found that trip duration has a negative relationship with daily expenditures, that is, longer trips are associated with smaller daily expenditures, as one will expect. The most relevant case of study here has been that of tourists coming to hotels versus those using own properties as accommodation. For these two groups, we have seen that stay and daily expenditure behaviour vary considerably. This result remarks the different approach to sun-and-sand vacations developed by these two groups of tourists, that conform more than 80% of total visitors coming to MED destinations. A general outcome here remarks that, when one wants to define a target of total receipts for a particular destination, in terms of a sustainable horizon, it is necessary to find a balance between stay duration and daily spending of tourists.

Additional findings also confirmed that socio-economic and trip characteristics are important factors driving tourist expenditure choices. Socio-economic features of the tourist influence expenditure mainly through the income level. High-income tourists appear to spend 50% more than low-income groups in the case of Spain, and 18% in that of Turkey. The relative level of wealth of the country of origin of tourist (proxied by GDPpc) also seems to affect her spending capacity. Age and level of studies show second order effects, although affecting expenditure levels too.

Trip characteristics however appear as the major drivers of individual daily expenditure of tourists. The most important factor is shown to be the type of accommodation chosen by the tourist. Tourists staying in a second-home spend 79% less each day than those staying in hotels. The result is quite striking since accommodation in a second-home has become the option preferred by an important part of tourists visiting the Spanish MED coast. In the Turkish case, accommodation choice is mainly that of hotels in more than 90% of cases. In average, total expenditure in Spain is shown to be of 748 euros per visit (100.91 per day, times 7.42 days of stay), while in Turkey it is of 720 euros (72 € per day, times 10 nights of average stay). In this sense, both destinations show similar total expenditure levels for the average traveller, although in Turkey stay is slightly longer, and in Spain daily expenditure is a little bit higher. In contrast, tourists employing second-homes in Spain stay for a longer period of more than 15 days, with lower spending per day, although the attachment and loyalty to destination increases, and they became highly repeaters in their annual vacation time, as we will see in chapter 4. In this way, and despite some differences arising between both destinations,

similarities are very present along the MED coast. Other important trip characteristics leading spending are those of the main reason for the trip (+26% in spending if the visitor comes for business purposes), group size (+44% for people coming alone), and travel companion (+ 21% for friends trips). For the case of Turkey, characteristics of the tourist, as education level, age, income level, GDPpc, as well as trip characteristics, as companion, group size, and purpose of the visit, are shown to be the main drivers of the expenditure behaviour of tourists.

For the Egyptian case, we have not been able to access the micro data necessary for running both exercises of chapters 3 and 4, because of confidentiality issues alleged by the institutions compiling the information. In this way, we have been able to achieve a descriptive approach to both issues of expenditure and satisfaction-loyalty (see Chapter 1). In general, we have found that expenditure issues appear to be similar to those of visitors in Spain and Turkey, in terms of spending per day (around 100 US$), stay duration (10-11 days), and pursued activities by tourists. It has been identified that tourists spend on average 31% of their total expenditure within hotels and 69% of their expenditure outside hotels, with major expenditure outlets in entertainment and culture (19%) shopping (18%), and other food and drinks outside hotel (11%). Yet this pattern differs by the origin of tourists, where tourists from Arab countries, namely the Gulf Region (Saudi Arabia, Kuwait, United Arab Emirates, Bahrain, Qatar, and Oman) tend to have a different pattern of expenditure in comparison with tradition Western visitors (mainly from the EU and North America). The reason behind different pattern of expenditure for tourists of Arab origin has to do with their length of stay and the frequency of visits, where Cairo is a popular summer resort for them, and hence they tend to stay for longer times and the frequency of visits is higher.

Chapter 4 is the final part of the study, including the analysis of factors influencing perceived trip satisfaction of tourists, and loyalty to destinations, as key variables ensuring future competitiveness and sustainability of MED tourism industry. Main results of the study show how perceptions of trip satisfaction are closely related to the idiosyncrasy of the destination, and that of the particular profile of tourist. First, it is important to provide the potential visitor with a relevant set of information about the destination previously to the visit: prices, places to go, main locational advantages, lodging and gastronomy supply, activities to develop, how to arrive, etc. All that information will help the tourist to plan the trip in a more accurate way, hence improving the matching between expectations and realisations, what increases trip satisfaction. Second, promotion efforts and management of visitors must be clearly focused onto some important features of the visitor, such as the country of origin, length of stay, level of income, and activities pursued in vacations. We have confirmed again that main advantages of MED destinations, such as gastronomy, cultural supply, historical patrimony, water sports, weather smoothness and warmth of people, are undoubtedly pivotal assets to be maintained, reinforcing the attractiveness of the region for worldwide arrivals. Age of the tourists and type of accommodation supply predominant at destinations would also determine the level of loyalty of visitors. Finally, the image created by a single destination, that builds on own main advantages maintained year by year, is a salient variable influencing both satisfaction and loyalty of tourists. An additional result has proven the close relationship existing between satisfaction and loyalty dimensions of tourists, this being a central finding of this chapter, and important to be accounted for in when defining tourism policy guidelines.

The comparative analysis of tourism demand for Spain and Turkey also highlighted the differences arising between the profiles of tourists visiting these two leading destinations. In this way, it appears to emerge some kind of endogenous relationship between the pattern of specialization of the destination (accommodation, infrastructures, supplies, activities) and the resulting loyalty attitude of visitors. For the case of Spain, tourism demand is more focused on arrival of couples and people coming alone, with medium-high income level, going to their own second-homes, and staying for 10 days at least. This type of tourist presents high levels of satisfaction and marked patterns of loyalty and attachment to the destination. In the Turkish case, family visits are the most representative group of visitors, staying for 2-8 days, mainly going to hotels, and being of a younger age. Correspondingly, this type of tourist is characterised by less loyalty behaviour, although their level of satisfaction is quite similar to the Spanish case, both destinations reaching high levels of declared trip satisfaction by visitors. For Egypt, in general, a number of problems facing the industry were identified. They include level of cleanliness, environmental protection, quality of services of domestic flights and transports, and lack of public supplies (toilets, tourist info points, etc.). Other areas of dissatisfaction of tourists were related to weakness of infrastructure's services levels, unsustainable environmental conditions, safety and security conditions, tourism transport services (airport and bus drivers), and pollution and traffic problems especially in Greater Cairo. These were issues causing relatively high level of dissatisfaction in tourists. The activities that have received relatively high level of satisfaction included quality of accommodation facilities, banks, customs and immigration authorities, beauty of the historical patrimony, cultural richness, usual warmth of people, and great diversity of destinations along the country (Exotism of the Nile Cruise, Cairo city life, Alexandria seaside, and Red Sea and Sinai supplies). Finally, **contributions of all chapters of the project have led to important policy recommendations enriching the debate on EU-MED Tourism industry and development issues, as we show in the following chapters of this Technical Report of FEM 35-04 Research Project.**

RÉSUMÉ EXÉCUTIF RAPPORT DE RECHERCHE FEM 35-04

Dans ce résumé, nous synthétisons les principales conclusions du Projet de Recherche FEMISE FEM 35-04, sur "L'industrie du tourisme comme moteur de la croissance induite par les exportations et le développement social: analyse de ses principales caractéristiques et perspectives d'avenir pour les pays Méditerranéens", correspondant au PROGRAMME DE RECHERCHE FEMISE 2011-2012. La région Méditerranéenne (MED) est devenue une zone réactive tout au long de l'année 2011, et continue en 2012. L'impact négatif du ralentissement économique a été aggravé par les soulèvements en Afrique du Nord (NA) ("réveil arabe"), et par des épisodes de la dette nationale dans les pays du Sud de l'Union Européenne (EU). Les principaux défis sont l'augmentation du chômage, l'aggravation de la pauvreté, les difficultés dans l'accès à l'emprunt international, ainsi que l'extension de l'instabilité sociopolitique. Dans ce contexte, il est important d'étudier dans la région le rôle des industries compétitives, qui pourraient jouer dans la promotion de la reprise économique et, en général, le règlement de la base du développement social. À cet égard, la présente enquête a été consacrée à l'analyse de l'industrie du tourisme dans la région MED, et aux moyens qui ont contribué à l'objectif du développement régional. Les activités touristiques attirent de nouveaux revenus, maintiennent l'ouverture des pays ainsi que sa richesse culturelle, elles permettent également de réduire la pauvreté en créant des emplois et de contribuer à la construction d'infrastructures, renforçant ainsi la cohésion sociale et la stabilité du pays d'accueil. En outre, comme le montre les données de l'OMT, en 2011, la région MED a été la première destination mondiale, avec 182 millions de touristes (18% de part de marché mondiale) et des recettes de l'ordre de 176 milliards d'euros (17%). Afin de faire face à un tel objectif aussi ambitieux, nous nous sommes concentrés sur l'étude de trois principales destinations de la région MED, à savoir : l'Espagne, la Turquie et l'Egypte. Les trois pays possèdent des parts importantes dans l'industrie du tourisme au sein de leur économie nationale, et nous permettent de caractériser la situation de la région MED.

Le premier chapitre de l'étude a été consacré à dresser un aperçu des atouts du secteur du tourisme dans ces trois pays Méditerranéens. En général, nous avons vu que ce secteur représente une part pertinente dans les PIB nationaux, autour de 10-15%, ce qui crée d'importants niveaux d'emploi (11%). Il favorise également les possibilités d'emploi pour les ensembles « sensibles » de la société, comme les femmes et les jeunes, tous au-dessus de la moyenne de l'économie. De même, nous avons constaté la nécessité d'améliorer la qualification de la main-d'œuvre dans les activités touristiques de la région (pas pertinent pour l'Egypte). Les principaux efforts doivent être centrés sur les actions de formation définies dans les niveaux secondaires et universitaires. En outre, les activités touristiques montrent d'importantes interconnections avec d'autres secteurs de l'économie. L'énergie, la construction, l'immobilier, les produits liés à la nourriture, les services financiers, les services culturels et les activités sportives sont étroitement liés au processus de production du tourisme. Ces effets multiplicateurs, qu'ils soient directs et indirectes, de la demande touristique sont importants pour les économies Méditerranéennes, et en particulier pour ces industries connexes. Il s'agit d'un résultat important, étant donné que dans nombre de ces pays ces industries ont souffert de l'impact de la crise. Ainsi le tourisme devient une activité stratégique pour l'amélioration des conditions de construction, des finances et de la culture.

La croissance du tourisme a été intense dans un passé proche pour toute la région, avec des taux bien supérieurs à ceux de l'économie générale pour les arrivées et les recettes. Malgré le ralentissement au cours de l'année 2009, la reprise a été significative et robuste pour le tourisme. Ce secteur est devenu un levier de croissance pour le développement au sein des économies régionales, peut-être une des rares activités avec une croissance significative depuis le choc de 2009. Concernant la situation au Nord de l'Afrique elle n'est pas positive, en effet les pays subissent les effets des épisodes du printemps arabe. Malgré une légère reprise des arrivées dans certains pays, comme la Tunisie, le niveau de sécurité est maintenant un problème pour l'industrie du tourisme dans la région. Les autres destinations comme la Turquie et l'Espagne ont au contraire, reçu tous ces touristes ayant réorientés leurs voyages en provenance des pays d'Afrique du Nord, avec des hausses de plus de 10% en nombre d'arrivées en 2011 et 2012. Les principales destinations des pays Méditerranéens sont dans les zones balnéaires, avec de nouveaux produits émergents et des activités intéressantes liées à l'industrie du tourisme. Le tourisme médical et de santé, le tourisme culturel en général, les activités urbaines et rurales, les activités liées à la nature, le golf et le sport, etc, sont les tous nouveaux produits présentant des taux de croissance à deux chiffres ces dernières années. Tous les rapports présentés prônent l'augmentation dans l'avenir du tourisme à destination des pays Méditerranéens, tout en réfléchissant sur le renouvellement des activités historiques traditionnelles liées au soleil présent dans cette région.

En termes d'offre, les activités touristiques sont confrontées à un besoin d'augmenter la taille des établissements, dans le but de réaliser des économies d'échelle et d'efficacité. La croissance de l'offre touristique a été importante au cours des années passées lors du boom économique, entre le milieu des années 1990 et 2007. En conséquence, le nombre d'établissements, le niveau de l'emploi et les investissements totaux ont augmenté intensément. Cela a permis la création de nouveaux emplois dans l'ensemble de la région, avec plus de 800.000 emplois en Espagne, et près de 400.000 en Turquie. Quand la crise a commencé, l'ajustement du secteur a été de moindre importance pour l'Espagne et la Turquie, avec une demande internationale qui a soutenu le niveau d'activité. Au contraire de l'Egypte, où le réveil national a clairement un impact sur le secteur du tourisme, avec des conséquences sur l'emploi, sur les revenus et les plans d'infrastructure, ainsi qu'un impact majeur dans la capitale au Caire. Le développement de l'industrie du tourisme à une échelle importante d'internationalisation a été réalisé ces dernières décennies dans la région MED. Cela a permis de développer des entreprises plus solides dans ce secteur, avec de nouveaux partenaires situés dans les économies en pleine croissance telles que l'Asie et l'Amérique latine.

Le deuxième chapitre de l'étude développe une approche macroéconomique sur les déterminants des flux touristiques, avec un accent particulier sur la région MED. En utilisant un modèle de gravité, nous avons vu le rôle des facteurs pertinents socio-économiques et politiques dans la promotion des flux entrants et sortants de touristes. Les principaux résultats ont surtout montré le rôle de la distance dans la promotion du tourisme. Les arrivées de touristes dans les destinations MED et dans le monde entier, proviennent de zones proches. Dans la région MED, l'origine des touristes est majoritairement celle des pays de l'UE, de la région MENA (pays du Golfe), et des pays de la CIS (Russie principalement). Pour le reste du monde, les touristes voyagent aussi le long de leur continent d'origine. Une telle série de résultats soulève plusieurs questions politiques: les liens historiques et sociaux entre les pays doivent être pertinents dans la promotion des flux touristiques (liens coloniaux, la langue, la culture,

appartenance à la même région, etc), la localisation géographique (et culturelle) est également importante afin de définir l'importance du tourisme dans les accords bilatéraux. Dans le cas des destinations Méditerranéennes, des campagnes de promotion doivent alors se concentrer sur les clients potentiels des destinations proches (UE, Golfe, Russie, Europe de l'Est), ainsi que sur ceux provenant de certains nouveaux pays (Inde, Chine, Amérique latine). Un autre résultat de cette partie de l'étude montre l'importance des relations politiques entre les pays dans la promotion des arrivées de visiteurs: les accords bilatéraux, les restrictions de visas et les relations diplomatiques sont des variables pertinentes et ont une influence sur le volume des flux touristiques. L'influence des restrictions sur les visas est un résultat inédit fourni par la recherche actuelle dans les études du tourisme, et nous avons été en mesure d'améliorer les techniques d'estimation pour capturer cet effet au niveau empirique. Le modèle utilisé prend en compte l'hétérogénéité temporelle et par pays à partir de techniques de panel, ainsi que d'autres facteurs liés notamment à la résistance multilatérale. Comme l'a montrée la littérature, le modèle nous permet d'améliorer techniquement la mesure d'un tel effet en ce qui concerne les études précédentes. En outre, le dernier type d'effets capturés par notre modèle montre le rôle des liens économiques dans la promotion des arrivées de touristes. À cet égard, le commerce bilatéral et les flux migratoires augmentent aussi le volume des arrivées de touristes comme nous l'avons vu.

En tant que résultat général, nous avons montré que plus la relation entre le pays d'origine des touristes et le pays de destination est forte, plus le nombre de voyages bilatéraux est élevé, soit de fort flux sortants ou entrants. Pour ce qui est de l'effet de visa, il semble restreindre l'arrivée des touristes en provenance des pays en développement, ainsi que les flux des voyageurs en partance des pays à fort et à faible revenu. En particulier, les restrictions de visas jouent un rôle dans la réduction des entrées en Europe de l'Est, en Asie centrale, en Amérique latine, dans les pays MENA et en Afrique sub-saharienne, ainsi que dans la réduction des sorties en Europe orientale, en Asie centrale, en Afrique sub-saharienne, en Europe occidentale et en Amérique du Nord. Il s'agit d'un résultat important pour la région MED, étant donné que les restrictions sur les visas peuvent réduire les arrivées de touristes en provenance d'Europe orientale qui voyagent de plus en plus vers cette destination. En outre, les pays MENA sont clairement touchés par les restrictions de visas, en réduisant de 23% le nombre d'arrivée. L'obligation de visa semble également limiter les entrées d'Européens de l'Ouest et d'Amérique du Nord, les deux visiteurs étant importants en Tunisie, en Egypte, en Turquie et dans d'autres pays de la région MENA. L'impact des restrictions sur les visas semble réduire le total des arrivées autour de 20-30%. Un tel résultat soulève des implications politiques évidentes, étant donné que toute amélioration favorisant la facilité d'obtenir un visa rendrait une croissance remarquable pour les entrées de touristes, ainsi que des recettes futures pour les pays MENA. Comme le montre le modèle, l'effet negatif lié au visas est supérieur aux effets positifs liens économiques et politiques.

La dernière partie de l'étude met en œuvre une approche microéconomique pour capturer les facteurs explicatifs de la performance de l'industrie touristique dans la région Méditerranéenne. Elle est réalisée au cours de deux chapitres, le troisième chapitre est consacré à estimer les principaux facteurs de dépenses des touristes, et le quatrième chapitre se concentre sur l'analyse des variables qui influent sur la satisfaction et la fidélisation du comportement des touristes. Ces deux points semblent pertinents sur le plan politique, afin de fournir de l'information pour la viabilité future

de l'industrie du tourisme. **Le troisième chapitre de l'étude** traite des facteurs qui expliquent les dépenses totales des touristes. Nous avons analysé le comportement quotidien des dépenses des touristes, et sa relation avec la durée de séjour des visiteurs dans les différentes destinations. Les principales variables retenues couvrent les caractéristiques des destinations, les profils individuels des touristes et certaines caractéristiques liées au voyage en lui-même. Les variables explicatives comprennent plusieurs variables muettes afin de savoir si le touriste profite ou non de différentes activités durant son séjour. Nous avons également en variable de contrôle les caractéristiques socio-économiques touristiques, tels que l'âge, le niveau d'éducation et le niveau de revenu, et les caractéristiques de voyage, comme le type de transport, le type d'hébergement, la taille du groupe, la société, les raisons principales de ce voyage, les visites précédentes, et la durée du voyage. Enfin, nous incluons une variable temporelle pour tenir compte des variations du cycle économique, et la variable mois pour tenir compte des effets saisonniers des destinations. Afin de répondre à cette étude, nous nous sommes appuyés sur des données d'enquête recueillies dans les différents pays.

Les principaux résultats confirment la pertinence de tous ces facteurs dans la conduite quotidienne des dépenses des touristes. Les destinations balnéaires, comme ceux de la région MED, devraient se lancer dans le développement de nouvelles sources d'approvisionnement, des activités ou des produits touristiques, afin de compléter l'offre traditionnelle basée sur l'exploitation des avantages naturels. Les activités importantes qui augmentent les dépenses moyennes des touristes par jour sont le golf, les casinos, les événements sportifs, et la gastronomie. Toutes ces activités sont présentes sur la côte MED. La gastronomie est l'un des avantages concurrentiels de la région, et il y a eu une impulsion de l'activité liée au golf dans ces destinations. Les manifestations sportives sont de plus en plus une offre touristique présente dans différentes villes de la Méditerranée. De ce fait, tout ceci étant émergents contribuent à augmenter les dépenses quotidiennes des touristes qui visitent la côte méditerranéenne. Un autre objectif principal de l'étude était d'analyser la durée du voyage, car il constitue l'autre élément clé expliquant le chiffre d'affaire total. Nous avons constaté que la durée du trajet possède une relation négative avec les dépenses quotidiennes, un long voyage sera associé avec de plus petites dépenses quotidiennes. Le cas le plus intéressant de l'étude ici est d'étudier les touristes qui séjournent dans les hôtels avec ceux utilisant leur propre habitation. Pour ces deux groupes, nous avons vu que le séjour et le comportement des dépenses quotidiennes varient considérablement. Ce résultat fait remarquer la différence d'approche des vacances au soleil démontrée par ces deux groupes de touristes, qui sont conformes à plus de 80% du nombre total de visiteurs à venir vers des destinations MED. Un résultat général ici remarque que, si l'on veut définir un objectif de recettes totales pour une destination particulière, en termes d'horizon durable, il est nécessaire de trouver un équilibre entre la durée de séjour et les dépenses quotidiennes des touristes.

D'autres constatations ont également confirmé que les caractéristiques socio-économiques et le voyage sont des facteurs importants de conduite dans le choix des dépenses touristiques. Les caractéristiques socio-économiques des dépenses touristiques sont principalement influencées par le niveau de revenu. Les touristes à revenu élevé semblent dépenser 50% de plus qu'un groupe de touriste à faible revenu dans le cas de l'Espagne, et 18% dans celui de la Turquie. Le niveau relatif de richesse du pays d'origine des touristes (représentée par GDPpc) semble aussi affecter sa capacité de

dépense. L'âge et le niveau d'étude montrent des effets de second ordre, bien qu'affectant les niveaux de dépenses aussi.

Les caractéristiques des voyages apparaissent comme les principaux facteurs de dépense journalière individuelle des touristes. Le facteur le plus important est démontré par le type d'hébergement choisi par les touristes. Les touristes séjournant dans une maison secondaire dépensent 79% de moins par jour que ceux qui séjournent dans les hôtels. Le résultat est assez étonnant étant donné que l'hébergement en résidence secondaire, est devenu l'option préférée par une partie importante de touristes visitant la côte espagnole Méditerranéenne. Dans le cas turc, le choix d'hébergement est principalement celui des hôtels dans plus de 90% des cas. En moyenne, les dépenses totales en Espagne se révèlent être de 748 euros par visite (100,91 euros par jour, le temps des séjours est de 7,42 jours), tandis qu'en Turquie, il est de 720 euros (72 € par jour avec 10 nuits de séjour en moyenne). En ce sens, les deux destinations montrent des niveaux de dépenses totales similaires pour le voyageur moyen, bien que le séjour en Turquie soit un peu plus long, et la dépense quotidienne en Espagne soit un peu plus élevée. En revanche, les touristes qui séjournent en maison secondaire en Espagne restent une plus longue période (plus de 15 jours), mais avec une baisse des dépenses journalières. L'attachement et la fidélité du touriste permet une augmentation de la destination, et les touristes deviennent des habitués dans leurs vacances annuelles, comme nous le verrons au chapitre 4. De cette façon, et malgré quelques différences temporaires entre les deux destinations, les similitudes sont très présentes le long de la côte MED. Il existe d'autres caractéristiques importantes menant à des dépenses qui sont : la raison principale du voyage (+26% de dépenses si le visiteur vient à des fins commerciales), la taille du groupe (+44% pour les personnes venant seules), les compagnons de voyage (+ 21% pour les déplacements entre amis). Pour le cas de la Turquie, les caractéristiques du tourisme, le niveau d'éducation, le niveau de revenu des personnes âgées, le GDPpc, ainsi que les caractéristiques des voyages, comme la taille du groupe, le but de la visite, se révèlent être les principaux moteurs dans le comportement de dépense des touristes.

Pour le cas de l'Egypte, nous n'avons pas été en mesure d'accéder aux données microéconomiques nécessaires à la suite des deux exercices des chapitres 3 et 4, en raison de problème de confidentialité alléguée par les institutions regroupant les informations. De cette façon, nous avons été en mesure de parvenir à une approche descriptive à la fois pour les questions de dépense et de la satisfaction-fidélité (voir chapitre 1). En général, nous avons constaté que les questions de dépense semblent être similaires à celles des visiteurs d'Espagne et de Turquie, en termes de dépense par jour (environ 100 $ US), de durée de séjour (10-11 jours). Il a été identifié que les touristes dépensent en moyenne 31% de leurs dépenses totales dans les hôtels et 69% de leur dépenses en dehors des hôtels, avec des sorties de dépenses importantes en matière de divertissement et de culture (19%), d'achats (18%), et d'autres aliments et boissons à l'extérieur de l'hôtel (11%). Pourtant, cette tendance est différente selon l'origine des touristes, les touristes en provenance des pays arabes, à savoir la Région du Golfe (Arabie saoudite, Koweït, Emirats Arabes Unis, Bahreïn, Qatar et Oman) ont tendance à avoir un profil différent de dépense par rapport à la tradition des visiteurs occidentaux (principalement de l'UE et de l'Amérique du Nord). La raison de ce motif s'explique par le fait que les touristes d'origine arabe dépensent en fonction de leur durée de séjour et de leur fréquence de visite. En effet le Caire est une station balnéaire populaire pour eux, et par conséquent, ils ont tendance à rester durant de longues périodes en Egypte et la fréquence des visites est plus élevée.

Le chapitre 4 présente l'analyse des facteurs qui influencent la satisfaction perçue lors du voyage des touristes, et la fidélité envers les destinations, comme des variables essentielles qui garantissent la compétitivité et la viabilité de l'industrie du tourisme en Méditerranée. Les principaux résultats de l'étude montrent comment les perceptions de satisfaction du voyage sont étroitement liées à la caractéristique de la destination, et au profil de touristes. Tout d'abord, il est important de fournir au visiteur potentiel un ensemble d'informations pertinentes sur la destination préalablement à la visite: les prix, les endroits à visiter, les principaux avantages de localisation, d'hébergement et d'alimentation gastronomique, les activités à développer, le trajet, etc. Toutes ces informations permettront au touriste de planifier le voyage d'une manière plus précise, d'où l'amélioration de l'adéquation entre les attentes et les réalisations, ce qui augmentent la satisfaction du voyage. Deuxièmement, les efforts de promotion et de gestion des visiteurs doivent être clairement focalisés sur certaines caractéristiques importantes du visiteur, comme le pays d'origine, la durée du séjour, le niveau de revenu, et les activités réalisées en vacances. Nous avons confirmé à nouveau les principaux avantages des pays MED, comme la gastronomie, l'offre culturelle, le patrimoine historique, les sports nautiques, la douceur et la chaleur du climat. Les touristes sont actifs, ce qui renforce l'attractivité de la région pour les arrivées du monde entier. L'âge des touristes et leurs goûts en matière d'alimentation seraient également un déterminant dans le niveau de fidélité de ces visiteurs. Enfin, l'image créée par une seule destination, qui s'appuie sur les propres avantages principaux maintenus d'année en année, est une variable importante influençant à la fois la satisfaction et la fidélité des touristes. Un autre résultat a démontré la relation étroite qui existe entre la satisfaction et la fidélité des touristes, ce qui est important pour être pris en compte dans les orientations politique concernant le tourisme.

L'analyse comparative de la demande touristique pour l'Espagne et la Turquie a également mis en évidence les différences temporaires entre les profils des touristes visitant ces deux principales destinations. De cette façon, il semble se dégager une sorte de relation endogène entre le modèle de spécialisation de la destination (logement, les infrastructures, les fournitures, les activités) et la fidélisation résultant de visiteurs. Dans le cas de l'Espagne, la demande touristique est davantage axée sur l'arrivée des couples et des personnes qui viennent seuls, avec un niveau de revenu moyen-élevé, ayant une maison secondaire et restant au moins 10 jours. Ce type de tourisme présente des niveaux élevés de satisfaction, de fidélisation et d'attachement à la destination. Dans le cas turc, les visites des familles sont le groupe le plus représentatif de touriste, avec une durée de séjour en moyenne comprise entre 2 et 8 jours, principalement logé dans des hôtels et étant d'un plus jeune âge. En conséquence, ce type de tourisme se caractérise par un comportement moins fidèle, bien que leur niveau de satisfaction soit très semblable aux touristes à destination de l'Espagne, les deux destinations ont atteint des niveaux élevés en termes de satisfaction. Pour l'Egypte, en général, un certain nombre de problèmes de l'industrie ont été identifiés. Ils incluent le niveau de propreté, la protection de l'environnement, la qualité des services, les transports, et le manque de services publics (toilettes, points d'infos touristiques, etc.). D'autres domaines d'insatisfaction des touristes étaient liés à la faiblesse des niveaux de services d'infrastructure, des conditions environnementales, des conditions de sécurité, des services de transport dans le pays (aéroport, les chauffeurs d'autobus), de la pollution et des problèmes de circulation en particulier dans le Grand Caire. Ce sont des questions qui causent un niveau relativement élevé d'insatisfaction des touristes. Les activités

ayant reçu un niveau de satisfaction relativement élevé comprennent la qualité des établissements d'hébergement, les banques, la douane, le service d'immigration, la beauté du patrimoine historique, la richesse culturelle, l'accueil des locaux et la grande diversité des activités au sein du pays (Croisière sur le Nil, la vie au Caire, le bord de mer en Alexandrie, la mer Rouge, etc.). Enfin, **les contributions de tous les chapitres de ce projet ont abouti à des recommandations concernant la politique générale afin d'enrichir le débat sur les enjeux de l'industrie et du développement du tourisme en UE-MED, tout ceci se retrouvant dans les chapitres de ce rapport technique du projet de recherche FEM 35-04.**

CHAPTER 1:

AN OVERVIEW OF THE TOURISM SECTOR IN MED COUNTRIES: SPAIN, TURKEY AND EGYPT.

The tourism sector in Spain: recent trends and future prospects

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1. The global market of tourism at the beginning of the 21st century

The tourism sector has been resisting very well the impact of the crisis, suffering a decline in 2009, but promptly recovering from 2010 onwards (table 1). At a global scale, demand for international tourism has grown 4.6% in 2011, with the European region (North and South) being the fastest growing area, both in rates (+6%, tied with Asia and the Pacific), and in absolute terms (+29 million of new tourist arrivals). International receipts, estimated at US$ 1,030 billion in 2011, grew 3.9% that year. UN World Tourism Organization (UNWTO) expects arrivals to reach 1 billion in 2012 (983 million in 2011) and growth of the market to be at 3-4% globally, despite the crisis. Inside this market, the Mediterranean (MED) region holds the leadership at a global scale, with 182 million of arrivals (18.5% of the market), and €127 billion of receipts (17.1%) in 2011. The impact of the Arab Spring in North Africa and Middle East regions is depicted in table 1 as well, showing negative rates of growth for arrivals (-8%, -9%,), and particularly for receipts (-7%, -14%) in 2011 (UNWTO 2012).

Table 2 includes the top world tourism destinations, with leadership of France in terms of arrivals, and the US for receipts. Some European and MED countries enter this ranking for arrivals (Spain, Italy, Turkey, the UK, and Germany), and receipts (Spain, France, Italy, Germany and the UK), what reflects the capacity of attraction of Europe for international tourists. Indeed, Europe is also the main exporter of tourists (516 million of outbound flows in 2011), followed by Asia (215 million) and The Americas (162 million). It is important to note that tourism is a continental and proximity issue, where distance matters, behaving as any other trade exchange. In this way, tourists are travelling inside their continental region of origin in 80% of cases, just pursuing inter-continental flights in the remaining 20% of them (UNWTO, 2012).

Table 1. International tourism arrivals and receipts by regions

	International Tourist Arrivals (million)							Market share (%)	Change (%)		Average annual growth (%)
	1990	1995	2000	2005	2009	2010	2011*	2011*	10/09	11*/10	'05-'11*
World	**435**	**528**	**674**	**799**	**883**	**940**	**983**	**100**	**6.4**	**4.6**	**3.5**
Advanced economies[1]	**296**	**334**	**417**	**455**	**475**	**499**	**523**	**53.2**	**4.9**	**4.9**	**2.4**
Emerging economies[1]	**139**	**193**	**256**	**344**	**408**	**441**	**460**	**46.8**	**8.2**	**4.3**	**5.0**
By UNWTO regions:											
Europe	**261.5**	**304.0**	**385.0**	**440.7**	**461.7**	**474.8**	**504.0**	**51.3**	**2.8**	**6.2**	**2.3**
Northern Europe	28.6	35.8	43.4	56.1	56.0	56.1	59.3	6.0	0.2	5.6	0.9
Western Europe	108.6	112.2	139.7	141.7	148.5	153.8	159.0	16.2	3.6	3.4	1.9
Central/Eastern Europe	33.9	58.1	69.3	90.4	92.6	95.7	103.5	10.5	3.3	8.1	2.3
Southern/Mediter. Eu.	90.3	98.0	132.6	152.5	164.5	169.1	182.2	18.5	2.8	7.7	3.0
- of which EU-27	230.1	265.9	323.7	352.4	356.8	364.9	385.0	39.2	2.3	5.5	1.5
Asia and the Pacific	**55.8**	**82.0**	**110.1**	**153.6**	**181.1**	**204.4**	**217.0**	**22.1**	**12.9**	**6.1**	**5.9**
North-East Asia	26.4	41.3	58.3	85.9	98.0	111.5	115.8	11.8	13.8	3.8	5.1
South-East Asia	21.2	28.4	36.1	48.5	62.1	69.9	77.2	7.8	12.5	10.4	8.0
Oceania	5.2	8.1	9.6	11.0	10.9	11.6	11.7	1.2	6.1	0.9	1.0
South Asia	3.1	4.2	6.1	8.1	10.1	11.5	12.4	1.3	13.6	8.0	7.2
Americas	**92.8**	**109.0**	**128.2**	**133.3**	**141.7**	**150.7**	**156.6**	**15.9**	**6.4**	**3.9**	**2.7**
North America	71.7	80.7	91.5	89.9	93.0	99.2	101.7	10.3	6.6	2.5	2.1
Caribbean	11.4	14.0	17.1	18.8	19.6	20.0	20.8	2.1	2.2	3.9	1.7
Central America	1.9	2.6	4.3	6.3	7.6	7.9	8.3	0.8	3.9	4.8	4.7
South America	7.7	11.7	15.3	18.3	21.4	23.6	25.8	2.6	10.0	9.4	5.8
Africa	**14.8**	**18.8**	**26.2**	**34.8**	**45.9**	**49.7**	**50.2**	**5.1**	**8.5**	**0.9**	**6.3**
North Africa	8.4	7.3	10.2	13.9	17.6	18.8	17.1	1.7	6.7	-9.1	3.5
Subsaharan Africa	6.4	11.5	16.0	20.9	28.3	31.0	33.1	3.4	9.6	6.9	7.9
Middle East	**9.6**	**13.7**	**24.1**	**36.3**	**52.8**	**60.3**	**55.4**	**5.6**	**14.2**	**-8.0**	**7.3**

	International Tourism Receipts Local currencies. constant prices change (%)				Market share (%)	US$ Receipts (billion)		US$ Receipts per arrival	Euro Receipts (billion)		Euro Receipts per arrival
	08/07	09/08	10/09	11*/10	2011*	2010	2011*	2011*	2010	2011*	2011*
World	**1.6**	**-5.6**	**5.4**	**3.9**	**100**	**927**	**1,030**	**1,050**	**699**	**740**	**750**
Advanced economies[1]	**1.7**	**-6.4**	**5.7**	**4.8**	**64.5**	**589**	**664**	**1,270**	**444**	**477**	**910**
Emerging economies[1]	**1.4**	**-3.9**	**4.9**	**2.2**	**35.5**	**338**	**366**	**800**	**255**	**263**	**570**
By UNWTO regions,											
Europe	**-0.9**	**-6.5**	**0.0**	**5.2**	**45.0**	**409.3**	**463.4**	**920**	**308.8**	**332.9**	**660**
Northern Europe	-2.5	-4.1	2.7	5.0	6.8	61.4	70.3	1,190	46.3	50.5	850
Western Europe	-2.2	-6.6	1.1	3.7	15.6	142.2	160.4	1,010	107.2	115.2	720
Central/Eastern Europe	4.3	-8.0	-2.9	7.9	5.4	48.1	56.1	540	36.3	40.3	390
Southern/Mediter. Eu.	-0.6	-6.9	-1.0	5.7	17.1	157.6	176.7	970	118.9	126.9	700
- of which EU-27	-2.7	-7.0	0.7	4.3	36.6	335.0	377.5	980	252.7	271.2	700
Asia and the Pacific	**4.6**	**-0.6**	**15.5**	**4.4**	**28.1**	**255.3**	**289.4**	**1,330**	**192.5**	**207.9**	**960**
North-East Asia	8.2	1.9	21.4	3.8	13.9	128.6	143.1	1,240	97.0	102.8	890
South-East Asia	-0.8	-7.0	15.1	9.3	7.9	68.6	81.9	1,060	51.7	58.8	760
Oceania	3.0	5.2	-1.9	-7.3	4.0	39.2	41.6	3,560	29.5	29.9	2,560
South Asia	7.7	-4.6	16.5	14.6	2.2	18.9	23.0	1,850	14.3	16.5	1,330
Americas	**4.8**	**-10.0**	**4.2**	**5.7**	**19.3**	**180.7**	**199.1**	**1,270**	**136.3**	**143.0**	**910**
North America	6.9	-12.2	6.0	6.6	14.1	131.2	145.1	1,430	99.0	104.2	1,020
Caribbean	-4.1	-6.4	-0.1	1.3	2.3	22.7	23.9	1,150	17.1	17.2	830
Central America	0.3	-5.4	4.8	0.9	0.7	6.7	7.2	860	5.0	5.2	620
South America	3.1	0.0	-2.1	6.5	2.2	20.1	22.9	890	15.1	16.5	640
Africa	**-2.5**	**-5.8**	**1.7**	**2.2**	**3.2**	**30.4**	**32.6**	**650**	**22.9**	**23.4**	**470**
North Africa	-3.9	-4.7	0.2	-6.7	0.9	9.7	9.5	560	7.3	6.8	400
Subsaharan Africa	-1.7	-6.4	2.6	6.3	2.2	20.7	23.1	700	15.6	16.6	500
Middle East	**5.5**	**1.2**	**17.2**	**-14.4**	**4.5**	**51.7**	**45.9**	**830**	**39.0**	**33.0**	**590**

Source: UNWTO

Table 2 also includes world top spenders in tourism services. Germany and the US lead the ranking, but closely followed by China, who has experienced a remarkable surge of total spending in 2011 compared to previous year (around 40%). This country also occupies salient positions in the ranking of arrivals and receipts, scaling in the last years until the third/fourth position. The dynamism of the Chinese economy is also present in the tourism sector, where the country is becoming a world leader as an exporter and receiver of tourism flows. The UK, France, Russia, and Italy are amongst the top ten countries with higher tourist expenditures around the world. It makes Northern Europe and MED countries the main destination of tourists arriving from five out of ten of the top spending countries in the world.

Table 2. World´s top tourism destinations and top spenders in 2011

International Tourist Arrivals

Rank		Million		Change (%)	
	Series[1]	2010	2011*	10/09	11*/10
1 France	TF	77.1	79.5	0.5	3.0
2 United States	TF	59.8	62.3	8.8	4.2
3 China	TF	55.7	57.6	9.4	3.4
4 Spain	TF	52.7	56.7	1.0	7.6
5 Italy	TF	43.6	46.1	0.9	5.7
6 Turkey	TF	27.0	29.3	5.9	8.7
7 United Kingdom	TF	28.3	29.2	0.4	3.2
8 Germany	TCE	26.9	28.4	10.9	5.5
9 Malaysia	TF	24.6	24.7	3.9	0.6
10 Mexico	TF	23.3	23.4	4.2	0.5

International Tourism Receipts

Rank	US$				Local currencies	
	Billion		Change (%)		Change (%)	
	2010	2011*	10/09	11*/10	10/09	11*/10
1 United States	103.5	116.3	9.9	12.3	9.9	12.3
2 Spain	52.5	59.9	-1.2	14.0	3.9	8.6
3 France	46.6	53.8	-6.0	15.6	-1.1	10.1
4 China	45.8	48.5	15.5	5.8	15.5	5.8 ($)
5 Italy	38.8	43.0	-3.6	10.9	1.4	5.6
6 Germany	34.7	38.8	0.1	12.0	5.3	6.7
7 United Kingdom	32.4	35.9	7.5	10.9	8.4	6.9
8 Australia	29.8	31.4	17.4	5.5	-0.2	-6.2
9 Macao (China)	27.8	..	53.2	..	53.5	..
10 Hong Kong (China)	22.2	27.7	35.3	24.7	35.6	25.0

Rank		International Tourism Expenditure (US$ billion)		Local currencies change (%)		Market share (%)
		2010	2011*	10/09	11*/10	2011*
World		**927**	**1,030**			**100**
1	Germany	78.1	84.3	1.3	2.8	8.2
2	United States	75.5	79.1	1.9	4.8	7.7
3	China	54.9	72.6	25.6	32.2 ($)	7.0
4	United Kingdom	50.0	50.6	0.5	-2.4	4.9
5	France	38.5	41.7	5.7	3.0	4.0
6	Canada	29.6	33.0	10.0	7.2	3.2
7	Russian Federation	26.6	32.5	27.2	22.1 ($)	3.2
8	Italy	27.1	28.7	2.0	0.8	2.8
9	Japan	27.9	27.2	4.0	-11.2	2.6
10	Australia	22.2	26.9	7.3	8.0	2.6

Source: UNWTO

The future prospects for the world tourism market are shown in Table 3. Asia will become a major actor in the market in the following years, although Europe would be still leading it. Absolute numbers reflect the potential of this industry in fostering development of certain regions of the world. North Africa and Middle East are expected to more than double tourism arrivals in the next 20 years, while the MED region is expected to reach 260 million of visitors in 2030, what means an additional 100 million from today´s level. In general, three salient facts are depicted in the table: First, number of world arrivals are expected to double until 1,800 million in 2030; second, emerging economies are getting the lions´ share in this upward trend, receiving nearly 60% of total arrivals in 2030; and third, annual average growth in 2010-2020 is expected to be 3.8% at a world scale, and 2.9% for 2020-2030. All these forecasts draw a positive horizon for the tourism sector in the incoming decades, showing the opportunities open to developing countries in the near future.

Table 3. UNWTO forecasts for the World tourism market 2010-2030

UNWTO Tourism Towards 2030: International tourism by region of destination

	International Tourist Arrivals received (million)					Average annual growth (%)					Share (%)	
	Actual data			Projections		Actual data		Projections				
								2010-'30, of which				
	1980	1995	2010	2020	2030	1980-'95	'95-2010		2010-'20	2020-'30	2010	2030
World	**277**	**528**	**940**	**1,360**	**1,809**	**4.4**	**3.9**	**3.3**	**3.8**	**2.9**	**100**	**100**
to Advanced economies[1]	194	334	498	643	772	3.7	2.7	2.2	2.6	1.8	53	43
to Emerging economies[1]	83	193	442	717	1,037	5.8	5.7	4.4	4.9	3.8	47	57
By UNWTO regions:												
Africa	7.2	18.9	50.3	85	134	6.7	6.7	5.0	5.4	4.6	5.3	7.4
North Africa	4.0	7.3	18.7	31	46	4.1	6.5	4.6	5.2	4.0	2.0	2.5
West and Central Africa	1.0	2.3	6.8	13	22	5.9	7.5	5.9	6.5	5.4	0.7	1.2
East Africa	1.2	5.0	12.1	22	37	10.1	6.1	5.8	6.2	5.4	1.3	2.1
Southern Africa	1.0	4.3	12.6	20	29	10.1	7.4	4.3	4.5	4.1	1.3	1.6
Americas	62.3	109.0	149.7	199	248	3.8	2.1	2.6	2.9	2.2	15.9	13.7
North America	48.3	80.7	98.2	120	138	3.5	1.3	1.7	2.0	1.4	10.4	7.6
Caribbean	6.7	14.0	20.1	25	30	5.0	2.4	2.0	2.4	1.7	2.1	1.7
Central America	1.5	2.6	7.9	14	22	3.8	7.7	5.2	6.0	4.5	0.8	1.2
South America	5.8	11.7	23.6	40	58	4.8	4.8	4.6	5.3	3.9	2.5	3.2
Asia and the Pacific	22.8	82.0	204.0	355	535	8.9	6.3	4.9	5.7	4.2	21.7	29.6
North-East Asia	10.1	41.3	111.5	195	293	9.9	6.8	4.9	5.7	4.2	11.9	16.2
South-East Asia	8.2	28.4	69.9	123	187	8.7	6.2	5.1	5.8	4.3	7.4	10.3
Oceania	2.3	8.1	11.6	15	19	8.7	2.4	2.4	2.9	2.0	1.2	1.0
South Asia	2.2	4.2	11.1	21	36	4.3	6.6	6.0	6.8	5.3	1.2	2.0
Europe	177.3	304.1	475.3	620	744	3.7	3.0	2.3	2.7	1.8	50.6	41.1
Northern Europe	20.4	35.8	57.7	72	82	3.8	3.2	1.8	2.2	1.4	6.1	4.5
Western Europe	68.3	112.2	153.7	192	222	3.4	2.1	1.8	2.3	1.4	16.3	12.3
Central/Eastern Europe	26.6	58.1	95.0	137	176	5.3	3.3	3.1	3.7	2.5	10.1	9.7
Southern/Mediter. Eu.	61.9	98.0	168.9	219	264	3.1	3.7	2.3	2.6	1.9	18.0	14.6
Middle East	7.1	13.7	60.9	101	149	4.5	10.5	4.6	5.2	4.0	6.5	8.2

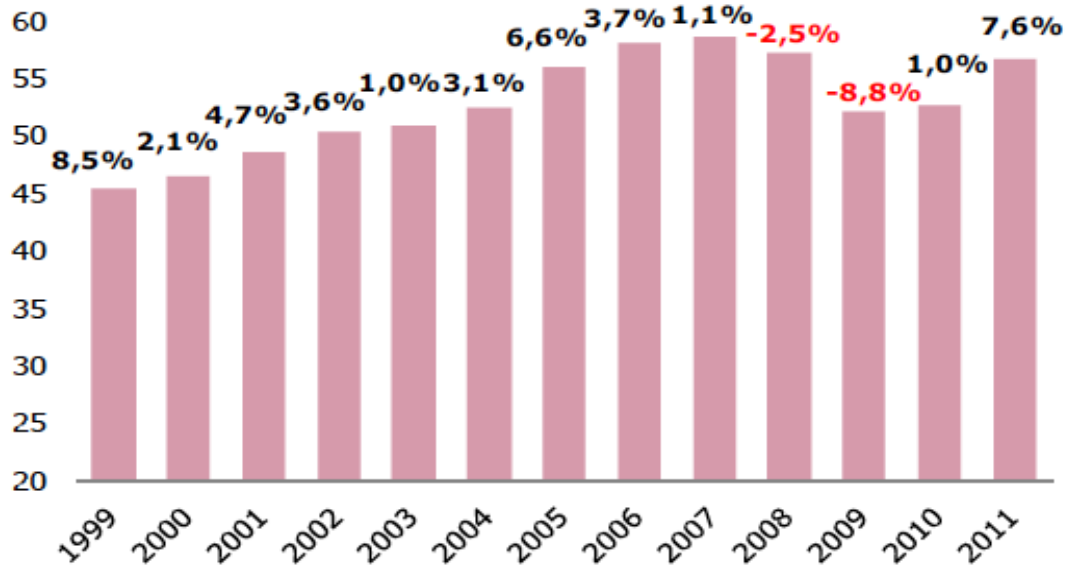
Source: UNWTO

2. General trends of the tourism sector in Spain

The demand side

Spain is a leading country in the world tourism market, placed fourth in 2011 in the ranking of inbound tourist arrivals, with 56 million, and second in tourism receipts with €52,000 million (UNWTO, 2012). According to the Spanish Institute of Statistics (INE), tourism activities account for 12% of total employment, and contribute 11% to the Spanish GDP in direct plus indirect form. Travel and tourism of nationals add 26 million of visits in 2011, and €21,000 million in revenues (FAMILITUR 2011, IET). Evolution of arrivals in recent years is shown in figure 1. As we can see growth rates in the last decade have been significant for inbound tourists, despite the higher amount of arrivals yet existing in the country. It gives an idea of the dynamism of the tourism sector in Spain. The breakdown of this tendency in 2008 and especially in 2009 reflects the impact of the global financial crisis, with a recovery of the market during 2010 and particularly in 2011. The impressive rebound of the arrivals in 2011 is also due to the Arab Spring episodes in other competing MED destinations, as Egypt, or Tunisia for example.

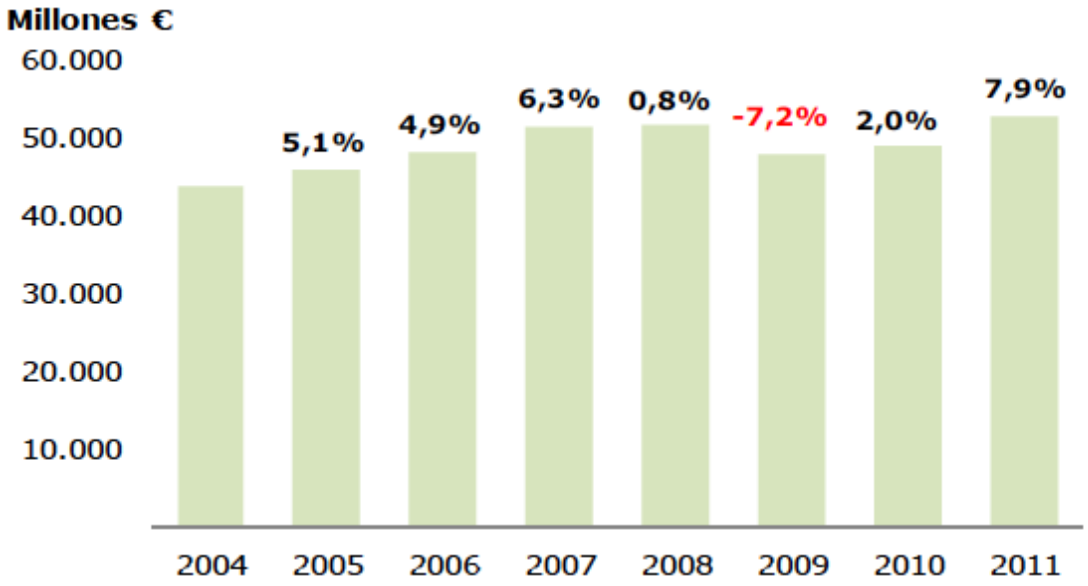
Figure 1. International tourist arrivals in Spain 1999-2011
(in millions of people and growth rates)



Source: Institute of Tourism Studies (IET), Ministry of Tourism, Spain.

Regarding total expenditure of international tourists, growth rates have been always relevant along the last decade, despite the decline of 2009, as shown in figure 2. In 2011, expenditure has grown by near 8%, an impressive rate reflecting the Arab Spring consequences. Total expenditure of international visitors is distributed for the accommodation industry (19%), transportation services (24%), travel agencies and packages (24%), food and beverage, and remaining 20% for daily trips and others (EGATUR 2011, IET).

Figure 2. Total expenditure of international tourists in Spain 2004-2011
(in € million and growth rates)

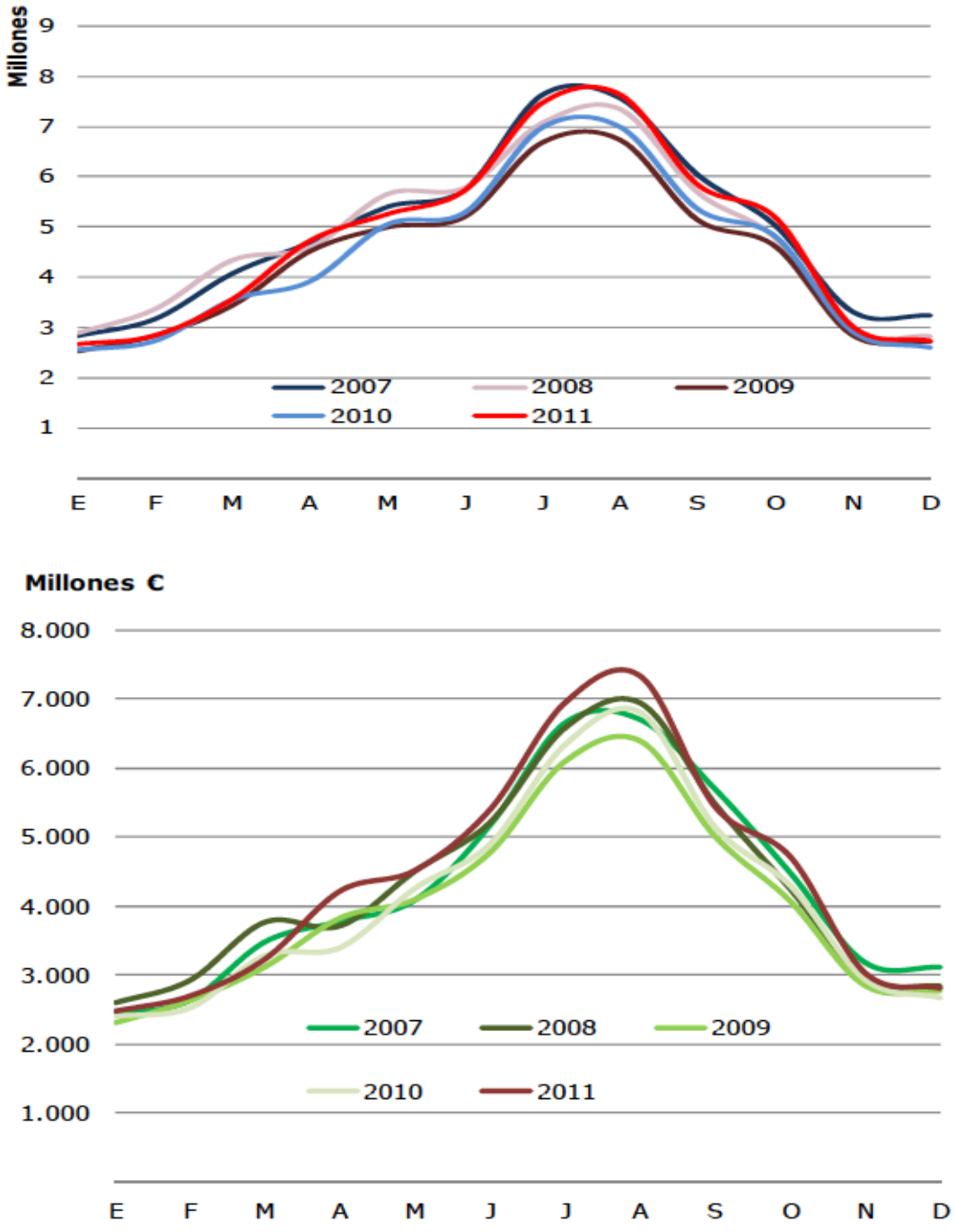


Source: Institute of Tourism Studies (IET), Ministry of Tourism, Spain.

The distribution of international arrivals and expenditure of tourists in Spain presents marked seasonal pattern, as shown in figure 3. Main flows enter the country in central months of the year, from May to September, with expenditure pattern showing an even more skewed profile than in the case of arrivals. Average expenditure of tourist is of €934 per visit, €102 per day of stay, with an average stay of 9.3 days. Tourists come mainly from the UK (20%), Germany (16%), and France (10%), followed by Scandinavia (8%), Italy (5.6%), The Netherlands (5%), the US (4%) and South America (6%). Tourism expenditure in Spain has grown in 2011 for all

tourists coming from these countries: France (10%), Netherlands (17%), Switzerland (20%), the US (11%), rest of EU (20%), and rest of America (20%), reflecting the impact of Arab Spring.

Figure 3. Distribution of arrivals and expenditure of inbound tourists in Spain



Source: Institute of Tourism Studies (IET), Ministry of Tourism, Spain.

Most visited destinations are those in the Mediterranean coast of the country, with near 60% of total arrivals, making around 35 million of people in 2011. These five regions (Catalonia, Valencia, Murcia, Andalusia, and Balearic Islands) receive around 65% of total expenditure of tourists arriving to the country. Together with Canary Islands (19%) and Madrid (10%) accumulate almost all inbound flows of international tourists. As table 4 shows, growth of total expenditure by destination was the highest in Canary Islands, with an increase in 2011 of 13%, that benefited from relocation of EU tourists affected by the Arab Spring. In terms of total expenditure by tourist along vacations, some regions experienced an increase, and some of them a slight decrease. For example, Canary Islands have shown a decrease of 4.4% in expenditure by visitor, although the higher number of visitors compensates this decline. Moreover, daily spending by tourist increased in 2011 for almost all regions of Spain. Daily expenditure in Spain was €102 in 2011, with some regions accumulating higher levels of expenditure, as Balearic Islands, Catalonia, and Madrid, and other staying below the country average, as Andalusia, Canary Islands, and particularly Valencia. We can also see the reduction occurred in 2011 in average stay of tourists visiting Catalonia, and the increase in Canary and Balearic Islands, given the adjustment in prices and new offers.

Table 4. Tourism expenditure by regions of visit in 2011
(in € million and annual growth rates)

	total expenditure	(%)	total exp. by tourist	daily exp. by tourist
SPAIN	**52796**		**934**	**102**
(annual growth)	**7,9%**		**0,2%**	**4,6%**
Andalusia	8069	15%	1025	90
	3,1%		-2,6%	1,0%
Balearic Islands	9464	18%	937	108
	7,9%		-1,7%	-1,4%
Canary Islands	10119	19%	993	100
	13,1%		-4,4%	1,0%
Catalonia	11273	21%	823	112
	7,4%		2,3%	14,3%
Valencia	4565	9%	850	71
	8,6%		1,4%	6,4%
Madrid	5378	10%	1177	158
	6,3%		6,7%	5,4%
Res of Spain	3928	7%	826	96
	8,6%		5,0%	7,0%

Source: Institute of Tourism Studies (IET), Ministry of Tourism, Spain.

Other relevant information from the demand side of the tourism sector includes the prevalence of leisure and vacational travels (82% of total) versus business ones (8%), the relevance of hotels as type of accommodation chosen (63%) versus rent apartments (11%) or second-home residences (20%); the great extension of the leading sun and sand product, reflected in the number of visits arriving to the MED coast or Canary Islands, and the surge of new complementary products such as urban tourism (Madrid, Barcelona), health tourism, or golf vacations, that provide higher expenditure per tourists and per day in comparison with those characterising traditional seaside holidays. Other descriptives point that 42% of tourists range between 25-44 years old, 62% of them have post-secondary studies, and 61% employs internet for preparing the trip.

The supply side

The share of the tourism sector to Spanish GDP has been of 11% in 2011, with an annual growth of 4%, despite the general crisis affecting the economy. Since the beginning of the recession, tourism activities have maintained momentum, mainly due to robustness of international demand. Domestic demand by the contrary has suffered an important decline. According to National Accounts from INE, total final demand for tourism was €114,000 million last year, growing 5.2% in current prices, and 2.2% in constant terms, with the whole economy just recording a modest 1.4%. It points to a remarkable recovery of tourism after the fall of 2009 (-8.3%). In terms of the Balance of Payments, tourism receipts in net were of €32,000 million in 2011, representing 3% of GDP, 23% of exports of goods, 47% of that of services, and around 15% of goods and services altogether. These revenues help to balance the negative position characterising net good exchanges in Spain, of around -40,000 € million in 2011 (see Bank of Spain website, www.bde.es).

The tourism industry contributed around 12% to total employment in Spain in 2011, with 2.3 million of workers, and annual growth of 4%. By industry, 23% of all that employment belongs to real estate and accommodation activities, 49% to food and beverage industries, 14% to transportation services, and the remaining 14% to other activities, i.e. travel agencies, culture, recreational activities, and sports. As shown, food services employ the biggest share of people in the tourism industry, followed by accommodation services. All activities created significant

employment along the years 1999-2007, during the Spanish economic boom period. However, since 2007-2008 they have been noting the impact of the economic contraction in the country, with the activity of transport services for passengers showing the harder adjustment process. Creation of employment was of around 800,000 new jobs in the economic boom period, and the reduction has been of 350,000 since 2008.

Table 5. Employment figures for tourism industries 1999-2010
(in thousands of people)

	1999	2004	2005	2006	2007	2008	2009	2010
Total	1773	2237	2346	2498	2576	2194	2143	2120
♦ Accommodation services for visitors (hotels and similar establishments)	196	267	283	285	307	286	283	291
♦ Other accommodation services	23	30	31	27	30	43	39	31
♦ Food and beverage serving activities	704	903	977	1090	1114	1124	1099	1048
♦ Passenger transportation	558	643	631	661	673	270	274	276
♦ Travel agencies and other reservation services activities	35	47	61	61	72	63	55	55
♦ Other tourism industries	257	346	363	373	381	409	393	419
Number of jobs by status in employment								
Total	1987	2476	2512	2685	2770	2438	2495	2488
♦ Employees	1404	1901	1925	2088	2156	1952	2024	2010
♦ Self employed	583	575	587	597	615	486	471	478
Number of full-time equivalent jobs								
Total	1582	1993	1968	2105	2181	1819	1749	1706
♦ Employees	1056	1465	1458	1582	1642	1394	1341	1290
* male	720	921	900	959	982	748	743	724
* female	337	544	558	623	660	646	598	566
♦ Self employed	525	528	510	523	539	425	408	415
* male	399	386	379	384	392	278	261	270
* female	126	141	131	139	147	147	147	145

Source: UNWTO from LFS-EPA (INE)

In general, employ destruction has been lower in the tourism-related activities in comparison with that of the whole Spanish economy since the beginning of the crisis. Even in 2009 and 2010, given the robustness of external demand for the tourism sector, we can see some employment creation in terms of employees, despite slight reduction in self-employed people. Another interesting feature of the labour market for tourism activities is the better performance characterising employment of females, either in the years of economic boom, and along the times of adjustment. We observe that during the upward slope of the cycle there was higher employ creation for females (males), with 95% (36%) of new jobs between 1999-2007 for employees, and 16% (around 0%) for self-employed. The impact of the crisis, through the years 2008-2010

has been also of lesser extent for females (males), with rates of destruction of -14% (-26%) for employees, and around 0% (-31%) for self-employed. We can also observe the important rate of part-time employments in tourism, with ratio of full-equivalent jobs being around 70% of total employment records.

Regarding education level, people working on tourism activities followed secondary studies in 61% per cent of cases, and upper than secondary in 24% of them. The numbers are 50% and 37% respectively for the whole economy, so this sector employs more intensely workers with secondary studies than the average one (*Labour Force Survey*, INE). According to literature, main shortcomings of workers in the industry come from the necessity of improving knowledge of languages, technical and organizational capabilities, proactivity, leadership, and artistical and creative abilities. In general, as other service activities, all tourism industry face the need of improving the quality of the services offered, technical qualification of workers, capacity of working in internationalised environments, and focus on the client (García-Gomez, 2007). The quality of the managerial activities reached by companies varies according to the size of the company. As generally occurs in the rest of the economy, SMEs usually have the need of improving qualification of workers, what mainly depends on their capacity to invest in human capital and human resources. Big companies use to invest important resources in the management of its labour force, what improves the quality and productivity of workers. However, the bigger the company, the more complex becomes to lead the management of labour force.

At a national scale, secondary and postsecondary schools for tourism studies have to continue improving their formative supply and activities offered. Given the relevance of this sector for the Spanish economy, this must be a pivotal objective of the Ministry of Education. Technical and university education must gain a clearer focus in tourism activities in the future, i.e. just recently postgraduate and doctoral studies have been designed for attending the demands of the sector in terms of formation and qualification. Notwithstanding, it seems that this question is more profoundly addressed now in the framework of the European Space for Higher Education (Pérez and Serrano (dirs.), 2012; Ceballos et al., 2010; García-Gomez, 2007).

In what refers to the number of establishments in the tourism industry, food and beverages appears to be the major branch, with more than 260,000 units (table 6). Many of these companies

are of the SME type, with around 1-5 employees on average, this also being the case for passenger transport and travel agency branches. Hotel establishments are a little bit higher in size, with an average of 1-20 employees. Employment in accommodation and hotel firms show a remarkable growth along years 2001-2007, although the number of establishments grew at a slower path. It results in an increase of employees by establishment, with new establishments growing in average size and quality. According to the evolution of employment shown in table 5, investments also appeared to be growing in the years of economic boom. The impact of the crisis does not seem to be important in the hotel industry up to 2010, given robustness of external demand for the sector. Travel agencies also benefited from an important boost of the activity from 2001 to 2007, more than doubling the output. In the accommodation activities capital formation was important along the boom, with those of travel agencies considerably growing by a factor of 2.4.

Table 6. Establishments and firms by tourism industries 1999-2010

		2001	2002	2005	2006	2007	2008	2009	2010
Number of establishments									
Total	Units	..	..	..	..	..	445.522	448.874	443.268
♦ Accommodation for visitors	Units	..	..	..	..	..	22.603	23.079	22.924
* of which, "hotels and similar establishments"	Units	16.369	16.739	17.607	17.723	17.827	17.988	18.330	18.598
♦ Food and beverage serving activities	Units	..	..	..	..	..	266.615	267.597	266.690
♦ Passenger transportation	Units	..	..	..	..	..	86.231	85.731	81.618
♦ Travel agencies and other reservation services activities	Units	..	..	..	..	..	10.970	11.028	10.895
♦ Other tourism industries	Units	..	..	..	..	..	59.103	61.439	61.141
Accommodation for visitors in hotels and similar establishments									
♦ Gross fixed capital formation	US$ Mn	1.915,0	2.189,7	3.206,9	3.302,6	4.021,0	..	..	..
♦ Number of establishments	Units	16.369	16.739	17.607	17.723	17.827	17.988	18.330	18.598
♦ Number of rooms	Units	685.668	713.481	797.354	810.591	821.143	838.522	863.056	883.225
♦ Number of bed-places	Units	1.333.441	1.395.383	1.578.629	1.615.284	1.642.417	1.682.559	1.733.383	1.781.935
Travel agencies and other reservation service activities									
♦ Gross fixed capital formation	US$ Mn	252,6	284,4	454,9	471,9	617,3	..	..	..

Source: UNWTO from Survey on Industrial Establishments (INE).

We have seen that the own characteristics of the tourism industry, that is less dependent on domestic demand conditions, makes it more feasible for facing depressing economic conjunctures. This is important for Spain in present times of economic decline. As shown in table 5, the reduction of employment has been less intensive in tourism activities, as well as for

the female collective, in comparison with other sectors of the economy. This is an interesting lesson for the future, highlighting the relevance acquired by tourism sector in the promotion of inclusive growth in MED countries.

At the beginning of the 21st century, internationalisation of the Spanish hotel industry has reached a relevant level too, as table 7 shows. Four hotel groups occupy relevant positions in the world ranking among 20 first positions in 2009. Group Sol Meliá, NH Hotels, Barceló Hotels, and RIU Hotels & Resorts. Their position is however far below the first groups in the ranking, like Intercontinental hotels, Wyndham Hotels, Marriot, and Hilton groups, with around 600,000 rooms worldwide and between 3,500 and 7,100 establishments. These big hotel chains, belonging to British or US capital, operate all around the globe and constitute transnational corporations in the accommodation industry.

Table 7. Ranking of world hotel groups 2009

	nº of rooms	nº of hotels
1. InterContinental Hotels Group, Reino Unido	646.679	4.438
2. Wyndham Hotel Group, EEUU	597.674	7.114
3. Marriott International, EEUU	595.461	3.420
4. Hilton Worldwide, EEUU	585.060	3.530
5. Accor Hospitality, Francia	499.456	4.120
6. Choice Hotels International, EEUU	487.410	6.021
7. Best Western International, EEUU	308.477	4.048
8. Starwood Hotels & Resorts, EEUU	298.522	992
9. Carlson Hotels Worldwide, EEUU	159.756	1.058
10. Hyatt Hotels Corp., EEUU	122.317	424
17. **Sol Meliá**, España	76.887	305
21. **NH Hoteles**, España	61.317	401
24. **Barceló Hotels & Resorts**, España	45.939	181
27. **Riu Hotels & Resorts**, España	39.208	104

Source: HOTELS Review

Table 8 includes the ranking of domestic hotel groups in 2011, showing some slight adjustment during the crisis in terms of number of rooms and establishments in comparison with previous data of 2009 in table 7. The distance between the first four or five hotel groups in the list and the rest of them is important as we can see. Moreover, we present data on establishments (and rooms) located at the domestic or worldwide placements. Those numbers are showing the important level of internationalisation and geographical expansion characterising some groups in comparison with others. Smaller hotels, with lower number of rooms and establishments, develop main activities in the domestic market, while bigger national groups have most of the business located overseas. The presence of foreign capital in the Spanish hotel industry is also patent, with some alliances emerging during the crisis, i.e. the case of AC Hotels jointly operated with the American Group Marriott.

Table 8. Ranking of first 15 hotel groups in Spain 2011

	Name of Hotel Group	Establishments			Rooms		
		Worlwide	Spain	%	Worlwide	Spain	%
1	MELIÁ	309	158	51%	77.821	35.502	46%
2	NH HOTELS	400	163	41%	59.109	18.164	31%
3	BARCELÓ	163	49	30%	42.934	13.518	31%
4	RIU	109	42	39%	42.822	12.507	29%
5	IBEROSTAR	92	32	35%	36.000	9.119	25%
6	FIESTA	48	31	65%	13.912	7.457	54%
7	HUSA	122	107	88%	11.514	9.814	85%
8	H10	42	34	81%	11.024	8.853	80%
9	PIÑERO	21	-		10.522	-	
10	HOTUSA	105	61	58%	10.518	6.317	60%
11	CATALONIA	60	51	85%	9.450	6.495	69%
12	AC HOTELS BY MARRIOTT	89	77	87%	9.220	7.861	85%
13	BE LIVE	28	12	43%	8.742	2.431	28%
14	PRINCESS	19	13	68%	8.472	5.237	62%
15	BEST HOTELS	29	28	97%	8.175	8.003	98%

Source: HOSTELTUR Review

Moving to another issue, table 9 shows the intermediate consumptions of the tourism sector by type of activity. Accommodation and Real State activities rely majorly in construction, finance, energy, and professional activities; food and beverages sector employs energy and agricultural inputs, as well as other services; transport activities use energy, transport inputs, and professional services, while culture, sports and recreation employ energy, professional inputs, and artistic

ones. In general, tourism activities generate 10% of national intermediate demand, with a relevant usage of financial, real estate, and artistical and leisure related services as shown in the table.

Table 10 reports deeper insights on the interrelationships of the tourism sector with the rest of the economy in Spain. The table includes Leontief's inverse matrix and corresponding multipliers, showing total output effects (direct plus indirect) for every subsector in the tourism industry, as well as those effects linked to intermediate consumptions for the rest of the economy. As shown the greatest effect on total output is for auxiliary transport sector (1.325), followed by market recreational activities (1.156), and travel agencies (1.121). Hotels, restaurants, non-market recreational activities, and air transport have nearly null forward linkages. However, backward linkages appear to be of relevance for all subsectors in the industry, and for different activities. For example, Hotels have some impact in certain providing sector such as electricity industry, food products, construction, finance, and real estate activities. Other inter-linkages appear to be of relevance for the remaining industries in the tourism related activities, mainly showing with higher detail those of table 9. Energy, construction, real estate, finance, food provisions, and cultural, recreational and sports activities are the most related activities to this industry.

Table 9. Main providers of tourism industries in Spain 2008 (detail)

(in Millions of euros)

	Accommodation and Real State	Food and beverages	Transports	Travel Agencies	Culture, sports and recreation	Tourism / Whole Economy ratio
Agriculture	1%	4%	0%	0%	1%	6%
Energy	16%	76%	44%	30%	27%	8%
Construction	32%	1%	3%	1%	2%	10%
Transports	2%	1%	29%	8%	5%	8%
ITC services	3%	4%	4%	4%	5%	8%
Finaces and insurance	28%	4%	3%	8%	3%	22%
Real Estate	2%	5%	2%	4%	5%	16%
Professional services	14%	3%	15%	44%	17%	9%
Government Administration	1%	1%	0%	0%	1%	9%
Artistic and leisure services	1%	1%	0%	1%	35%	51%
Intermediate consumptions	100%	100%	100%	100%	100%	10%

Source: Tourism Satellite Accounts (TSA, INE).

Table 10. Leontief´s inverse matrix for Spain 2005

(Tourism sectors: detail of selected direct and indirect effects)

Sectors	IOT-Spain sector nº	Hotels	Restaurants	Air transport	Support and auxilliary transport activities	Travel agencies activities	Market recreational, cultural and sporting activities	Non-market recreational, cultural and sporting activities
		44	45	49	50	51	65	72
Agriculture, livestock and hunting	1	0,035	0,064				0,023	
Extraction of crude petroleum and natural gas	5			0,197	0,049	0,050		0,022
Manufacture of coke, refined petroleum products and nuclear fuel	8			0,302	0,067	0,073		0,025
Production and distribution of electricity	9	0,023	0,023	0,033	0,037	0,023		0,036
Manufacture of gas; and hot water supply	10			0,025				
Manufacture of meat products	12	0,019						
Manufacture of other food products	14	0,044	0,091					
Manufacture of beverages	15	0,036	0,122					
Manufacture of pulp, paper and paper products	21							0,020
Publishing and printing	22							0,046
Manufacture of chemicals and chemical products	23		0,043	0,027	0,037	0,039	0,033	0,027
Manufacture of rubber and plastic products	24				0,036			
Manufacture of basics metals	29			0,039	0,029			0,020
Manufacture of fabricated metal products	30			0,048	0,032		0,021	0,021
Manufacture of machinery and equipment n.e.c.	31			0,035	0,028			
Manufacture of motor vehicles, trailers and semi-trailers	36				0,029			
Manufacture of furniture; manufacturing n.e.c.	38					0,025		
Construction	40	0,082		0,039	0,096	0,056		
Sale and retail of motor vehicles	41			0,026				
Wholesale trade and commission trade	42	0,023	0,065	0,029	0,032			0,040
Hotels	44	1,003						
Restaurants	45		1,001					
Other land transport; transport via pipelines	47		0,033		0,221			0,028
Air transport	49			1,079		0,134		
Support and auxilliary transport activities	50		0,021	0,167	1,325			
Travel agencies activities	51					1,121		
Post and telecommunications	52	0,038	0,029				0,020	0,076
Financial intermediation	53	0,023	0,027					
Real estate activities	56	0,078	0,055				0,047	0,030
Renting of machinery, personal and household goods	57			0,194				
Other business activities	60	0,090	0,075	0,112		0,104	0,083	0,134
Market recreational, cultural and sporting activities	65						1,156	0,171
Non-market recreational, cultural and sporting activities	72							1,000

Source: Own elaboration from IOT symmetric table for the Spanish economy (INE).

Table 11 reports interesting information on the supply side of the tourism industry, too. In terms of the total economy, restaurants activities, market recreation and culture, and auxiliary sports activities show the highest intermediate consumptions. Wages, social contributions, surplus of companies, gross value added, output and supply vary around 10%-14% for tourism activities, showing an important contribution to the Spanish economy. Again we see the leading role of food industry and restaurants in creating employment, and the part-time character of tourism activities, mainly reflected in recreation-culture-sports activities, travel agencies, and restaurants.

Table 11. Supply side of the IOT table for tourism industry in Spain 2005

(in million euros and percentages over total economy)

Sectors	Hotels	%	Restaurants	%	Air transport	%	Support and auxiliary transport activities	%	Travel agencies activities	%	Market recreational, cultural and sporting activities	%	Non-market recreational, cultural and sporting activities	%	Tourism industry	%	Total Economy
	44		45		49		50		51		65		72				
Intermediate consumption at purchaser's prices	5.923	0,6%	36.151	3,8%	5.124	0,5%	17.613	1,8%	6.458	0,7%	11.990	1,3%	4.668	0,5%	87.926	9,2%	**955.261**
Compensation of employees	4.658	1,1%	20.716	4,8%	1.767	0,4%	5.634	1,3%	1.221	0,3%	7.677	1,8%	3.062	0,7%	44.734	10,4%	**430.832**
Wages and salaries	3.592	1,1%	16.245	4,9%	1.361	0,4%	4.376	1,3%	944	0,3%	6.113	1,8%	2.401	0,7%	35.033	10,5%	**334.418**
Social contributions	1.066	1,1%	4.471	4,6%	406	0,4%	1.258	1,3%	277	0,3%	1.564	1,6%	661	0,7%	9.702	10,1%	**96.414**
Other net taxes on production	137	3,5%	-156	-3,9%	-7	-0,2%	-96	-2,4%	-5	-0,1%	69	1,7%	15	0,4%	-43	-1,1%	**3.961**
Operating surplus/mixed income, gross	5.410	1,4%	28.584	7,5%	917	0,2%	5.360	1,4%	1.501	0,4%	9.699	2,6%	798	0,2%	52.269	13,8%	**378.983**
Gross value added at basic prices	10.204	1,3%	49.144	6,0%	2.677	0,3%	10.898	1,3%	2.716	0,3%	17.445	2,1%	3.876	0,5%	96.960	11,9%	**813.776**
Output at basic prices	16.127	0,9%	85.295	4,8%	7.801	0,4%	28.511	1,6%	9.174	0,5%	29.435	1,7%	8.543	0,5%	184.886	10,5%	**1.769.037**
Imports (cif)	984	0,4%	54	0,0%	3.240	1,2%	2.581	0,9%	495	0,2%	2.604	0,9%	0		9.958	3,6%	**274.404**
Imports intra EU	508	0,3%	33	0,0%	2.446	1,4%	1.814	1,1%	328	0,2%	1.685	1,0%	0		6.814	4,0%	**172.347**
Imports extra EU	476	0,5%	21	0,0%	794	0,8%	767	0,8%	167	0,2%	919	0,9%	0		3.144	3,1%	**102.057**
Total supply at basic prices	17.111	0,8%	85.349	4,2%	11.040	0,5%	31.092	1,5%	9.669	0,5%	32.039	1,6%	8.543	0,4%	194.844	9,5%	**2.043.441**
Jobs (in 1000)															0		
Total	265	1,3%	1.054	5,2%	35	0,2%	193	1,0%	62	0,3%	373	1,9%	114	0,6%	2.094	10,4%	**20.115,0**
Employees	251	1,5%	757	4,4%	35	0,2%	181	1,1%	57	0,3%	310	1,8%	114	0,7%	1.705	9,9%	**17.188,2**
Full-time equivalents (in 1000)															0		
Total	245	1,4%	962	5,4%	34	0,2%	181	1,0%	57	0,3%	324	1,8%	107	0,6%	1.910	10,6%	**17.970,1**
Employees	233	1,5%	692	4,5%	34	0,2%	172	1,1%	53	0,3%	273	1,8%	107	0,7%	1.565	10,1%	**15.443,3**

Source: Own elaboration from INE

3. Summarising and concluding

Descriptive analysis of the tourism industry in Spain has been carried out along this introductory part of the study. In general, we have seen the relevant role that the country occupies in the world tourism market. Europe, and particularly the Mediterranean region, is the leading destination in terms of tourist arrivals and associated receipts, with Spain playing a salient role inside this geographical area. Tourism activities have been resisting quite well the crisis despite the slowdown of 2009, with rapid recovery of the activity in 2010, 2011, and 2012, where 1,000 million of tourists moved around the globe. Moreover, prospects for the future are equally bright, with the MED region maintaining momentum in the following two decades, according to UNWTO forecasts. In this context, Southern Mediterranean countries should continue relying on tourism sector for creating conditions of economic recovery, and fostering economic growth.

From the demand side, Spain, as well as the rest of the MED region, should focus on increasing the capacity of obtaining receipts, and balancing number of arrivals with total expenditure per tourist, in search of higher revenues per visit, as other countries do. Culture, gastronomy, new vacational activities, and business visits are important fields in this respect for future development. New strategies must be also pursued for reducing the marked seasonality of visits, mainly by promoting new arrivals in autumn and cultural visits to cities in wintertime.

From the supply side, we must continue with qualification efforts in the sector, increasing human capital and the quality of services in all tourism activities. All those activities have a clear component of service, and the future must build on improving its quality. The need of gaining in size dimension and qualification is also a must for the supply side of the market. Internationalisation could be the best way to acquire these new competitive advantages pursued. In terms of the labour market, this sector presents interesting opportunities related to part-time and more flexible contractual ways, continuing with the need of increasing female employability and employment. Youth unemployment is another problem of present times in Spain that tourism sector could help to reduce. Gastronomy related industry has been facing a successful process of innovation and development in Spain in the near past, and will continue to show world leadership in the future. Food and beverages industry creates the bulk of employment in the sector, as we have seen, showing around 4%-6% of total employment. So it appears as a good market niche for continue spending in education and qualification activities. It would require unequivocally promoting secondary and university education with a tourism focus, in order to achieve a sustainable future of the industry.

Finally, we have seen the relevant economic interrelationships of tourism activities with transports sector, culture and recreation, as well as with restaurants. Tourism demand has a clear foreign component, with revenues arriving from the rest of the world, what is important when domestic demand is depressed as now it is. In this context, interconnections of the tourism activities with the rest of the economy are now more vital than ever, in order to create some multiplier effects supporting the activity of surviving firms. Interconnections of tourism activities with finance, real estate, construction, and transport sectors are now strategic for reconstruction of this beaten sector. Moreover, the linkages shown with sectors of culture, sports, and recreation are also of vital relevance, given that these are also activities hardly affected by the crisis. As a

result the good performance of the tourism industry is nowadays more relevant than ever for the recovery of the national economy.

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Characterizing tourism industry in Turkey and its increasing importance in the overall economy

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This report aims at revealing the economic importance of tourism industry in Turkey. The report consists of three sections. In the first section, a macro overview of the industry is presented which is followed by the descriptive section on sector's significance in overall macroeconomic aggregates in the second section. In the last section, tourism industry in Turkey is presented with a more micro perspective.

1. A Macro Overview of Tourism Industry in Turkey

In Turkey, promotions/subsidies provided to increase investment in tourism industry are seen essential in improving the capacity and sustainability of income flows, at least for three decades. The Tourism Encouragement Law which was enacted in 1982 has promoted the investment in this industry particularly after 1985. As observed in Table 1, the number of incentive certificates given by the government and investment value of those projects has been increasing especially after 2001, reaching its maximum level in 2005 with respect to investment value. Per certificate investment value reaches its maximum in 2009 with 13.703.374 million TL.

Table 1. Incentives/Promotions Provided Regarding Tourism Industry

Years	Number of Incentive Certificates	Investment Value of Promoted Projects (Million TL)
2009	179	2.452.903.949
2008	164	1.840.851.148
2007	124	1.267.739.064
2006	146	1.787.221.444
2005	228	2.956.181.000
2004	179	1.703.283.000
2003	257	2.710.887.000
2002	173	1.456.421.000
2001	116	323.382.000

Source: Turkish Hoteliers Federation, Tourism Report, 1, 2010, www.turofed.org.tr.

Mostly based on the incentives/promotions, the corresponding development of room and bed capacity in the last decade is presented in Table 2. The first three columns in Table 2 reprsent the new established businesses in tourism industry, whereas the last three columns represent the ones which applied for capacity enhancement. While there has been a fall in certified capacity enhancement investment, the number of certified new businesses has been increasing since the beginning of the decade. Hence, both room and bed capacity of the industry has been increasing creating about %32, %69 and %72 change in certified institutions, rooms and beds respectively since 2001.

Table 2. Changing Capacity of the Tourism Industry in Turkey

Year	Institutions Certified by Tourism Business			Institutions Certified by Tourism Investment		
	Institution	**Room**	**Bed**	**Institution**	**Room**	**Bed**
2010	2647	299621	629465	877	114771	252984
2009	2625	289383	608765	754	103119	231456
2008	2566	268633	567470	772	113487	258287
2007	2514	251987	532262	776	112541	254191
2006	2475	241702	508632	869	123326	274687
2005	2412	231123	483330	1039	128005	278255
2004	2357	217664	454290	1151	118883	259424
2003	2240	202339	420697	1130	111894	242603
2002	2124	190327	396148	1138	102972	222876
2001	1998	177371	368819	1237	107262	230248

Source: Association of Turkish Travel Agencies, www.tursab.org.tr.

Number of visitors is another indicator to follow the developments in the tourism industry. Table 3 shows number of visitors and changes in the last decade. There has been an increase both in number of foreigners and citizens residing abroad since the beginning of the last decade. While the increase is in larger amounts in the first half more moderate increasing rates are observed in the second half which might be due to effects of global financial crises and social unrest in some parts of Turkey. Looking at their country of origin in Table 4, the majority of foreigners come from OECD countries and it is followed by European people. However, since the beginning of the decade both groups' share has been declining. In spite of this deterioration, number of visitors from Asia has been increasing and no significant change was observed for African visitors. An interesting development is observed for the share of Eastern European visitors which has increased up to %29 percent in 2007 but then fell down to %21 which was the rate in the

beginning of the decade. We should keep in mind the debt crisis of the whole Europe in recent years while interpreting the developments regarding this continent.

Table 3. Total Number of Inbound Visitors and Changing Rates

Years	Foreigners	Changes	Citizens*	Changes
2011	31456076	0,10	11592653	0,06
2010	28632204	0,05	10921427	0,07
2009	27077114	0,03	10242183	0,06
2008	26336677	0,11	9690814	0,09
2007	23340911	0,15	8854788	0,08
2006	19819833	-0,06	8167369	0,02
2005	21124886	0,17	8045085	0,13
2004	17516908	0,19	7097473	0,22
2003	14029558	0,05	5817368	0,15
2002	13256028	0,12	5059422	0,03
2001	11618959		4892641	

*: Citizens residing abroad.
Source: Tourism Statistics, TurkStat, www.tuik.gov.tr.

Table 4. Share of Inbound Tourists by Country Groups (%)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
OECD EUROPE	49,59	49,79	51,50	50,68		53,99	56,75	59,24	58,78	62,47	61,42
EU					51,09	52,76	52,90	55,68	55,67	58,85	57,43
OECD	54,36	54,34	56,07	55,56	57,47	59,24	60,92	62,54	62,13	66,33	67,49
EAST EUROPE	21,29	25,06	25,13	26,63	29,41	28,58	28,17	27,59	27,43	23,20	21,65
AFRICA	1,42	1,25	1,51	1,10	1,07	1,17	1,14	1,18	1,31	1,38	1,54
ASIA	14,03	14,25	12,05	11,18	10,75	9,92	9,36	8,40	8,84	8,82	8,84
AMERICA	0,58	0,47	0,57	0,52	0,37	0,37	0,29	0,18	0,20	0,20	0,38

Source: Ministry of Culture and Tourism, www.kultur.gov.tr.

Transportation capacities of Turkey had consistently been improved so long as the number of visitors had risen since 2001 (Table 5). Share of land border gates in total transportation remarkably increased in the last ten years on the ground that the removal of visas eased to the border crossing with neighboring countries, especially Iran and Syria (Turofed, 2010,4: 15). Furthermore, airway transportation in Turkey boomed in domestic and international markets in

the last ten years with the reducing special consumption tax, investments of new airports, renewing investments for existing ones, increases of number aircrafts being over 300 in 2010 from 100 in 2001 and number of passenger seats reached over 50.000 in 2010 from 20.000 in 2001 (Turofed, 2010,4: 29).

Table 5. Shares of Inbound Tourists by Type of Transportation (%)

Foreigners	**Air**	**Land**	**Train**	**Sea**
2011	0,69	0,22	0,002	0,08
2010	0,68	0,24	0,002	0,07
2009	0,70	0,22	0,002	0,07
2008	0,71	0,20	0,002	0,07
2007	0,72	0,20	0,002	0,07
2006	0,71	0,21	0,003	0,07
2005	0,70	0,22	0,003	0,06
2004	0,71	0,21	0,004	0,06
2003	0,71	0,20	0,004	0,07
2002	0,75	0,18	0,004	0,05
2001	0,72	0,16	0,004	0,09
Citizens*				
2011	0,58	0,38	0,000	0,09
2010	0,54	0,41	0,000	0,03
2009	0,62	0,33	0,000	0,03
2008	0,67	0,28	0,001	0,03
2007	0,69	0,26	0,001	0,04
2006	0,68	0,26	0,002	0,04
2005	0,58	0,35	0,002	0,05
2004	0,53	0,39	0,002	0,05
2003	0,57	0,35	0,004	0,06
2002	0,60	0,31	0,005	0,06
2001	0,60	0,31	0,006	0,07

*: Citizens residing abroad and in Turkey.
Source: Authors' calculation from Tourism Statistics Data, TurkStat.

In Table 5 it is presented that transportation preferences of inbound foreigners had changed to motorway and airway from railway and seaway since 2001. These preferences for inbound citizens had been in favor of airway and motorway even though the share of motorway transportation had decreased in period of 2006-2008 and the share of airway had reduced in the period of 2010-2011. In 2011, the share of seaway transportation amazingly reached to %9 which is the largest share in the last ten years.

The last two indicators in this section are income gained in tourism industry and tourists' average length of stay. The average length of stay (Table 7) of both foreigners and domestic visitors has insignificantly increased during the decade. While the change is %0.16 for foreigners it is %0.07 for domestic visitors. In the same Table occupancy rates are also provided. Occupancy rate is a key indicator for the hotel establishment that represents significant portion of their revenue, therefore it measures success of hotel services. The occupancy is also the most important key to fulfill by the hotel management and to plan for required workers (Cuhadar and Kayacan: 2005: 2). This rate has reached to %37.23 in 2010 from %32.82 in 2001. In contrast, the change in occupancy rates for domestic visitors is irregular and it decreased to %11.91 in 2010 from %12.80 in 2001. It is well known that occupancy rate depends on the political, economic and social factors.

The majority of tourism income is earned from foreign visitors, approximately %75 in last ten years, and the rest comes from citizens residing abroad, Table 6. While the proportions of tourism income were constant over the period, per capita income from foreigners has fallen to 592 $ in 2011 from 655 $ in 2001 and it increased to 1.389 $ from 1.233 $ for citizens residing abroad in the same period. The fall in per capita income from foreigners might be due to the "all-inclusive" type of tourism which has been widely used in the last decade. This does not apply for citizens residing abroad as majority of them travels to visit their friends and relatives.

Table 6. Share of Inbound Income from Foreigners and Citizens in Total Tourism Incomes (%) and Per Capita Income ($) by Years

	Foreigners		Citizens*	
Years	**Share**	**Per Capita**	**Share**	**Per Capita**
2011	73,2	592	26,8	1389
2010	74,9	546	25,1	1158
2009	74,6	580	25,4	1158
2008	76,5	636	23,5	1132
2007	75,7	608	24,3	1071
2006	74,5	651	25,5	1109
2005	76,7	609	23,3	1173
2004	76,3	705	23,7	1230
2003	73,3	706	26,7	1356
2002	75,7	697	24,3	1261
2001	73,4	655	26,6	1233

*: Citizens residing abroad. Source: Tourism Statistics, TurkStat, www.tuik.gov.tr.

Table 7. Average Occupancy and Length of Stay for Visitors

Year	Occupancy Rates (%)			Average Length of Stay (Days)		
	Foreigner	Domestic	Total	Foreigner	Domestic	Total
2010	37,23	11,91	49,17	4,30	1,90	3,30
2009	35,28	13,52	48,90	4,17	1,89	3,13
2008	37,71	13,80	51,51	4,17	1,85	3,12
2007	36,68	14,43	51,12	3,82	1,85	2,94
2006	32,35	14,91	47,26	3,92	1,86	2,90
2005	39,22	13,16	52,38	4,33	1,80	3,20
2004	36,57	13,50	50,07	4,53	1,89	3,29
2003	33,56	13,33	46,90	4,54	1,93	3,28
2002	36,04	12,65	48,68	4,39	1,92	3,29
2001	32,82	12,80	45,62	4,14	1,83	3,06

Source: Association of Turkish Travel Agencies, www.tursab.org.tr.

2. Significance of Tourism Industry from Macroeconomic Perspective

The Turkish economy was influenced by the global financial crisis in 2008 and particularly in 2009. Before the crisis, the economy has continuously reached high growth rates for six years. Nevertheless, the period of high growth rates has been distorted by the crisis effects and declines in growth rates were experienced during 2008 and 2009 respectively, %1 and - %4.8. Table 8 shows impact of crisis on selected various sectors by focusing on their share in GDP during the crisis. It is observed that during the crisis the only sector that has continued to experience significant growth is hotels and restaurants, basically a portion of tourism industry. Manufacturing, construction, wholesale-retailed trade and transportation faced a recession in the first three quarters of 2008 and although a recovery has been seen, in the average these sectors experienced negative growth in 2009. The recession actually has started in the last quarter of 2008 but that was not felt in hotels-restaurants sector which must be mostly due to inbound and domestic tourism expenditures that were stable even during crisis. The Turkish economy has overcome the negative effects of the crisis with unexpectedly high growth rates in 2010 and 2011, respectively %8.9 and %10.2.

Table 8. Share in GDP-Selected Sectors (2008-2010)

Years	Manufacturing	Construction	Wholesale and Retail Trade	Hotels and Restaurants	Transport, Storage and Communication
1. Quarter	11,5	12,9	16,7	11,1	15,3
2. Quarter	14,6	21,6	22,9	13,3	19,8
3. Quarter	9,4	2,3	14,7	5,6	17,0
4. Quarter	-1,9	-0,2	-2,3	16,0	7,9
2008	**8,4**	**8,9**	**12,8**	**10,3**	**14,8**
1. Quarter	-15,6	-13,8	-20,5	15,7	-6,5
2. Quarter	-13,4	-24,1	-20,5	11,5	-11,3
3. Quarter	-5,8	-23,0	-10,6	12,8	-8,5
4. Quarter	14,0	-9,9	9,6	11,4	3,4
2009	**-5,7**	**-18,1**	**-11,0**	**12,7**	**-5,7**
1. Quarter	25,6	8,4	22,1	6,4	12,5
2. Quarter	20,9	27,9	19,1	11,7	16,3
3. Quarter	13,2	32,1	11,4	7,3	10,1
4. Quarter	16,4	31,4	16,1	7,1	14,9
2010	**18,7**	**24,9**	**16,8**	**7,9**	**13,5**
1. Quarter	24,2	29,0	32,4	13,2	21,3
2. Quarter	21,1	28,2	28,5	14,9	17,5
3. Quarter	26,9	30,3	27,5	17,1	23,1
4. Quarter	20,2	20,0	17,0	17,1	16,4
2011	**23,0**	**26,7**	**25,9**	**16,0**	**19,4**

Source: TurkStat, www.tuik.gov.tr.

Two interesting findings were observed in Tables 9 and 10. In the last decade share of tourism income in GDP and of inbound tourism income in total exports have been declining. However, during the crises these shares are increasing. The reason is actually simple. Turkey has been following the export-oriented growth strategy since the last three decades. Therefore it is expected to have strong growth rates in total exports and export led overall growth, relative to growth rate of sole tourism income. During the time of crisis though, tourism sector is not that much vulnerable, in fact it becomes a life saver. In addition, share of inbound tourism income in services exports has been increasing since the beginning of the decade. When, share of outbound tourism expenditures are examined not much change was observed in its share in total imports and in services imports during the decade.

Table 9. Share of Tourism Income in GDP, Its Relation to Trade (%)

Years	Tourism Income/GDP	Inbound Tourism Income In Export	Inbound Tourism Income In Export of Services	Outbound Tourism Expenditures in Import	Outbound Tourism Expenditures in Import of Services
2011	2,9	17,1		2,1	
2010	2,6	18,3	72,1	2,6	27,7
2009	3,4	20,8	73,1	2,9	27,4
2008	3,0	16,6	71,0	1,7	23,3
2007	2,8	17,3	71,4	2,0	24,6
2006	5,2	19,7	72,4	2,0	27,2
2005	5,0	24,7	73,7	2,5	28,5
2004	5,3	25,2	69,2	2,6	24,8
2003	5,5	28,2	73,3	3,1	28,2
2002	6,6	33,9	60,4	3,7	30,5
2001	6,9	32,1	53,1	4,1	28,5

Source: Association of Turkish Travel Agencies, www.tursab.org.tr and UNWTO, www.unwto.org.

In Table 10, the share of inbound and outbound expenditures in GDP and resulting balance are presented. Only slight changes are observed but tourism expenditures result in a surplus during the decade. Tourism openness, defined as the sum of first two columns, show a slight fall during the decade.

Table 10. Share of Tourism expenditure in GDP, Balance, and Openness (%)

Years	Inbound Tourism Expenditure/GDP (I)	Outbound Tourism Expenditure/GDP (II)	Tourism Balance (I-II)	Tourism Openness (I+II)
2010	3,4	0,7	2,6	4,1
2009	4,0	0,8	3,3	4,8
2008	3,4	0,6	2,9	4,0
2007	3,2	0,6	2,6	3,8
2006	3,5	0,6	2,9	4,1

2005	4,1	0,7	3,4	4,8
2004	4,1	0,6	3,4	4,7
2003	4,4	0,7	3,7	5,1
2002	3,6	0,8	2,8	4,5
2001	4,1	0,9	3,2	5,0

Source: UNWTO, www.unwto.org.

Although tourism income in the last decade more than doubled, foreign trade deficit of Turkey has increased almost about ten times. Therefore, foreign exchange earnings from the tourism industry lost its significance in closing the trade deficit (Table 11). However, this outcome should be approached from another angle. As a country which follows export oriented growth strategy, Turkey's exportables are highly dependent on importable intermediate goods. Hence, increasing trade deficit is an expected outcome of increasing exports in Turkey's case. From tourism industry's point of view the important point is that this industry's foreign exchange earnings are not dependent on imported goods, so these earnings can be considered as net revenues and directly helps to close trade deficit.

Table 11. Share of Tourism Income in Foreign Trade Deficit

Years	Foreign Trade Deficit, Million $	Tourism Income, Million $	Share of Tourism Income in Closing Foreign Trade Deficit (%)
2011	105.879	23.021	22
2010	71.563	20.807	29
2009	38.785	21.249	54
2008	69.936	21.951	31
2007	62.791	18.487	29
2006	54.041	16.851	31
2005	43.298	18.154	42
2004	34.373	15.888	46
2003	22.087	13.243	60
2002	15.495	11.901	76
2001	10.065	10.067	100

Source: Authors' calculation from TurkStat data.

In addition to the monetary effects in the economy tourism industry has remarkable role in the real side as well. Due to labor-intensive production services it demands the industry creates

significant direct and indirect employment opportunities especially for all types of labor force in both genders. Sometimes these opportunities are full-time while some are part-time and seasonal. The indirect employment opportunities are created in input industries the sector demands. Tourism industry directly affects accommodation, transportation, entertainment, travel agency, management, finance and health sectors and also indirectly affects other sectors such as agriculture, manufacturing and particularly construction. Therefore, whereas it is difficult to figure out the net effects on total employment, the coefficient between the rates of indirect and direct employment effects is calculated to be 1.5 and this is widely accepted assumption in studies (Yıldız, 2011: 59-61).

As seen in Table 12, number of total employees in tourism has continuously gone up to 1.777 thousand in 2010 from 796 thousand persons in 2001, in other words when the share of direct employment in tourism industry was about % 2.24 percent in 2001 this share was %5.33 in 2010. Additionally, the share of indirect employment also rose to %7.8 in 2010 from %5.6 in 2001. Another important fact is that during the last decade rate of foreign employees in total has substantially increased, more than doubled the share in 2001.

Table 12. Employment in Tourism Sector

Years	Total Employee (Thousand Persons)	Foreign Employee Rate (%)	Direct* Employment Rates of Tourism in Total Employment	Indirect ** Employment Rates in Total Employment
2010	1,177	5,33	5,21	7,8
2009	1,131	4,83	5,32	8,0
2008	1,058	4,49	4,99	7,5
2007	1,067	3,87	5,15	7,7
2006	1,001	3,59	4,90	7,4
2005	949	3,29	4,73	7,1
2004	872	3,11	4,44	6,7
2003	847	2,79	4,02	6,0
2002	826	2,48	3,87	5,8
2001	796	2,24	3,70	5,6

*Includes: employees in accommodations, eating and drinking services and travel agencies.
** Calculated: direct employment multiplied by 1.5.
Source: Turkish Hoteliers Federation, Tourism Report, 4, 2010, www.turofed.org.tr.

This rise in employment continued during the global financial crisis as well. Compared to developed countries Turkish economy has experienced a relatively better performance creating about 3 million new employment positions during the crisis, from 2007 to 2010. In 2010, the distribution of employment among main sectors was %25.2 in agriculture, %19.9 in manufacturing industry, %6.3 in construction and %48.6 in service sectors in which the share of the direct employment in tourism was about %16. The service sector and in particular tourism has the biggest share in total employment in Turkish economy even for the period of crisis. As seen Table 13, even though the number of employees in the biggest 500 of industrial companies reduced in 2008 and 2009 the number of employees in accommodation, hotels and restaurants has not declined for the same period.

Table 13. Change in Employment

Year	The First 500 Industrial Companies		Accommodation*, Hotels and Restaurants	
	Number of Employees (Thousand Persons)	Change (%)	Number of Employees (Thousand Persons)	Change (%)
2009	516305	-5,1	1473,4	5,3
2008	543857	-1,6	1399,5	0,27
2007	552758	3,6	1395,7	5,8
2006	533395	3,6	1319,4	4,9
2005	514642	-3	1258,2	7,6
2004	530770	2,4	1169,6	3,8
2003	518532	2,7	1127,1	4,2
2002	504796	-4,1	1081,6	4,1
2001	526314	-5,7	1039,5	

* Institutions certified by Culture and Tourism Ministry and Municipalities.

Source: Turkish Hoteliers Federation, Tourism Report, 2: 2010, www.turofed.org.tr.

Services industry creates job opportunities for both qualified and low qualified labor, less costly than other industries. Put in another way, the amount of investment required to open new job positions for labor force is less compared to other industries. Therefore, labor-intensive services sector significantly determines the future of the unemployment problem in Turkey. For this reason, tourism industry could be the target industry in coping with unemployment problem especially during crisis periods (Karagöl and Akgeyik, 2010:24). In the post-crises period, tourism and other labor-intensive industries in Turkey played quite a significant role in

decreasing the unemployment rate down to level of pre-crisis. Table 14 provides the information regarding cost of creating a new job opportunity in various sectors. Education, construction, leather, metal products and tourism industries which are all labor-intensive, were found to create a new job opportunity with lower cost compared to others between 2007 and 2010.

Table 14. Cost of Creating a New Job Opportunity in Selected Sectors

Sectors	2007-2010	
	The cost of a new job per person (Thousand TL)	**Index Value (Tourism = 100 TL)**
Education	89,4	60,2
Leather	112,0	75,4
Construction	133,4	89,8
Metal Products	145,4	97,9
Tourism	148,6	100
Food and Drink	161,0	108,4
Plant Production	174,6	117,5
Machinery Manufacturing	179,8	121
Textile	221,5	149,1
Trade	306,2	206
Motor Vehicles	339,4	228,4
Transportation	2,454	1650,9
Energy	2,951	1985,9

Source: Turkish Hoteliers Federation, Tourism Report, 2: 2010, www.turofed.org.tr.

Table 15 provides intersectoral relationships of tourism industry. In the first column tourism industry is represented by code 19 and definition of other sectoral codes are given in the Appendix. In the second column of the table it is observed that **tourism industry** has the **highest backward linkage** coefficient in the economy showing that for 1 unit of production tourism industry uses 0,79 unit inputs from other industries. Therefore, its intermediate demand is quite high. The forward linkage coefficient given in the third column is less than sectoral average meaning tourism industry's possibilty to be an intermediate sector itself is quite low. The calculated **output multipliers**, both from household open (column 4) and household close (column 5) systems are **quite high** for **tourism industry**. Therefore, the sector's industry-wise relations with other industries is quite strong. The last two columns present the income multipliers in Type I and Type II forms. While type I includes direct and indirect income effects,

type II provides information on induced effects in addition to direct and indirect effects. For both effects, **income creation impact of tourism industry is maximum.**

Table 15. Intersectoral Relations of Tourism Industry

Codes	Matrix Multipliers	Backward Linkages	Forward Linkages	Total Output Multipliers	Truncated Total Output Multipliers	Type I Income Multipliers	Type II Income Multipliers
1	1,58	0,33	0,57	2,14	1,94	2,02	2,48
2	1,23	0,13	0,88	1,64	1,50	1,57	1,93
3	2,15	0,64	0,27	3,02	2,71	2,42	2,98
4	2,54	0,70	0,44	3,46	3,14	3,20	3,93
5	2,19	0,62	0,57	2,94	2,68	2,84	3,49
6	1,87	0,51	0,78	2,45	2,24	2,65	3,25
7	1,81	0,45	0,52	2,36	2,17	2,47	3,04
8	2,21	0,64	0,80	2,90	2,66	2,88	3,54
9	2,10	0,60	0,09	3,01	2,69	2,15	2,64
10	1,81	0,45	0,58	2,58	2,31	2,19	2,69
11	1,60	0,33	0,37	2,26	2,03	1,90	2,33
12	1,98	0,52	0,14	2,76	2,49	2,45	3,00
13	1,80	0,43	0,47	2,43	2,21	2,42	2,98
14	1,99	0,52	0,79	2,78	2,51	2,43	2,98
15	1,80	0,45	0,45	2,78	2,44	2,05	2,52
16	1,63	0,34	0,39	2,67	2,30	1,67	2,05
17	1,38	0,20	0,17	1,59	1,51	3,60	4,43
18	1,74	0,41	0,49	3,05	2,59	1,78	2,19
19	2,45	0,79	0,36	3,18	2,93	5,31	6,53

Source: Author's calculations (see Appendix for sectoral classification codes).

3. A Micro Overview of Tourism Industry in Turkey

According to UNWTO, while number of tourists in the world has increased %34.6 between 2002 and 2010, in Turkey number of inbound tourists has been three times more in the last ten years reaching 28.6 million visitors. To promote the touristic values by advertising facilities, carrying out public relation activities, participating in international tourism fairs and preparing promotional publications Turkey has more than tripled her international promotion budget from 43 million TL in 2000 to 153 million TL in 2010. Coastal tourism has been the most popular preference in Turkey for recent years and this is expected to grow further in future periods.

Besides the coastal tourism facilities, alternative tourism opportunities such as health care, thermal-spa, winter sports, mountain climbing, convention, exhibition activities, yachting and golf have high development potential. Germany, Britain and The Russian Federation are the leading countries sending visitors to Turkey and the shares of inbound tourists from Israel, Georgia and Italy rose in the last three years (Deloitte, 2010: 8).

Table 16. Most Popular Destinations for Foreign Visitors in Turkey (Million Persons)

Years	Antalya	Istanbul	Mugla	Izmir	Aydın	Other	Total
2010	9,27	6,96	3,01	1,16	0,69	7,56	28,63
2009	8,26	7,51	2,81	1,06	0,62	6,82	27,08
2008	8,56	7,05	2,97	1,07	0,55	6,18	26,38
2007	7,29	6,45	2,66	1,36	0,51	5,07	23,34
2006	6,01	5,35	2,35	0,78	0,40	4,94	19,82
2005	6,88	4,85	2,84	0,79	0,34	5,43	21,12
2004	6,05	3,47	2,53	0,76	0,26	4,45	17,52
2003	4,68	3,15	2,00	0,53	0,28	3,39	14,03
2002	4,75	2,71	1,94	0,65	0,20	3,01	13,26
2001	4,21	2,52	1,33	0,62	0,45	1,36	11,62

Source: Ministry of Culture and Tourism, www.kultur.gov.tr.

The most popular destinations of visitors are respectively Antalya, Istanbul, Mugla, Izmir and Aydın in Turkey. These cities have approximately hosted the %75.6 of the total inbound visitors for between 2010 and 2001.

Table 17. Foreign Visitors' Visiting Purpose-Share

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Travel, entertainment, sports or cultural activities	0,59	0,57	0,55	0,54	0,50	0,56	0,55	0,58	0,58	0,56
Visiting relatives or friends	0,10	0,10	0,09	0,09	0,10	0,07	0,06	0,06	0,08	0,07
Education training (less than a year)	0,01	0,01	0,01	0,01	0,00	0,00	0,01	0,01	0,02	0,00
Health or medical reasons (less than a year)	0,00	0,00	0,01	0,01	0,01	0,01	0,01	0,01	0,01	0,01
Religion	0,00	0,00	0,00	0,01	0,01	0,01	0,00	0,00	0,00	0,00

/Pilgrimage										
Shopping	0,04	0,04	0,04	0,05	0,06	0,05	0,06	0,07	0,06	0,07
Transit	0,03	0,02	0,01	0,00	0,02	0,02	0,01	0,02	0,02	0,03
Business (conferences, meetings, assignments etc.)	0,05	0,05	0,08	0,09	0,12	0,09	0,10	0,11	0,09	0,11
Other	0,03	0,03	0,04	0,05	0,04	0,03	0,03	0,03	0,01	0,04
Accompanying persons	0,15	0,15	0,18	0,16	0,15	0,16	0,16	0,11	0,13	0,11

Source: Tourism Statistics, TurkStat, www.tuik.gov.tr.

Table 17 presents the purpose of the visit. During the last decade the main purpose of visit is observed to be entertainment, sports and cultural activities with a rate reaching more than half of inbound visitors. This is followed by visiting relatives or friends and business trips. Visiting purposes of citizens residing abroad are given in Table 18. Their main purpose seems to be visiting relatives or friends with a rate reaching almost half of total visitors. This is followed by entertainment, sports or cultural activities and than business trips.

Table 18. Citizen Visitors' Visiting Purpose-Share

	2010	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**
Travel, entertainment, sports or cultural activities	0,16	0,16	0,13	0,16	0,16	0,16	0,17	0,18	0,19	0,21
Visiting relatives or friends	0,54	0,55	0,54	0,54	0,49	0,50	0,47	0,49	0,48	0,51
Education training (less than a year)	0,00	0,00	0,00	0,00	0,00	0,00	0,01	0,00	0,02	0,00
Health or medical reasons (less than a year)	0,01	0,01	0,01	0,01	0,01	0,02	0,01	0,01	0,01	0,02
Religion /Pilgrimage	0,01	0,01	0,01	0,01	0,01	0,02	0,01	0,01	0,01	0,02
Shopping	0,01	0,01	0,01	0,01	0,01	0,01	0,01	0,01	0,01	0,01
Transit	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Business (conferences, meetings, assignments etc.)	0,04	0,04	0,05	0,06	0,06	0,05	0,05	0,05	0,05	0,06
Other	0,03	0,03	0,03	0,03	0,05	0,04	0,03	0,04	0,02	0,07
Accompanying persons	0,21	0,20	0,23	0,19	0,21	0,23	0,25	0,21	0,20	0,13

Source: Tourism Statistics, TurkStat, www.tuik.gov.tr.

These findings are important in determining the type of demand that foreign and citizen visitors have. The other indicator to determine the type of demand is the accommodation type that visitors prefer, Table 19. Hotels have been the most popular preference for foreign visitors. This is followed by houses of friends and relatives and own houses. For citizen visitors own houses are in the first order which is followed by houses of relatives and friends and then hotels are in the third place.

Table 19. Accommodation Types for Visitors-Share

Foreigners	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**
Hotel	0,50	0,49	0,47	0,50	0,51	0,64	0,64	0,66	0,62	0,59
Motel	0,01	0,01	0,01	0,01	0,00	0,01	0,01	0,01	0,01	0,01
Resort	0,01	0,02	0,01	0,01	0,02	0,02	0,02	0,02	0,03	0,02
Boarding House	0,01	0,02	0,01	0,01	0,02	0,02	0,02	0,02	0,03	0,02
Camping/Caravan	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Hostel, youth and summer camps	0,00	0,00	0,00	0,00	0,00	0,00	0,01	0,01	0,00	0,01
Own house	0,11	0,12	0,14	0,15	0,15	0,08	0,05	0,05	0,08	0,09
Rented house	0,05	0,05	0,05	0,05	0,06	0,04	0,05	0,06	0,05	0,06
House of a friend or relative	0,20	0,22	0,25	0,22	0,21	0,17	0,16	0,15	0,16	0,17
In transport vehicle	0,02	0,02	0,02	0,01	0,02	0,01	0,01	0,01	0,01	0,01
Other	0,09	0,06	0,03	0,02	0,02	0,02	0,03	0,02	0,01	0,04
Citizens*										
Hotel	0,05	0,36	0,04	0,05	0,05	0,05	0,05	0,06	0,07	0,05
Motel	0,00	0,01	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Resort	0,00	0,01	0,00	0,00	0,00	0,00	0,00	0,00	0,01	0,00
Boarding House	0,00	0,02	0,00	0,00	0,00	0,00	0,00	0,00	0,01	0,01
Camping/Caravan	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Hostel, youth and summer camps	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Own house	0,62	6,48	0,65	0,68	0,67	0,68	0,65	0,65	0,64	0,70
Rented house	0,02	0,11	0,01	0,03	0,01	0,01	0,01	0,02	0,02	0,02
House of a friend or relative	0,30	2,92	0,28	0,24	0,25	0,24	0,27	0,26	0,25	0,22
In transport vehicle	0,00	0,01	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Other	0,00	0,03	0,00	0,00	0,00	0,01	0,01	0,01	0,00	0,00

*: Citizens residing abroad.

Source: Tourism Statistics, TurkStat, www.tuik.gov.tr.

Education status and gender of both foreign and citizen visitors are presented in Tables 20 and 21 respectively. The majority of foreign visitors are of high school or equivalent graduates and/or have higher degrees whereas majority of the citizen visitors are primary school graduates and this is followed by high school and equivalent degree. Obviously education profile is a significant factor that affects purpose of visit. An interesting finding regarding the gender of visitors is that during the decade the share of both foreigner and citizen male visitors have been declining. In addition, share of male citizen visitors almost doubles the female citizens. The findings regarding citizens in Tables 20 and 21 are expected as those people is mostly labor force residing abroad.

Table 20. Education Status of Visitors-Share

Foreigners	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**
Non literate or not finished school	0,02	0,02	0,02	0,02	0,02	0,01	0,01	0,02	0,02	0,02
Primary school (5 years)	0,04	0,04	0,03	0,03	0,05	0,04	0,04	0,06	0,06	0,05
Primary or secondary school (8 years)	0,11	0,12	0,10	0,11	0,10	0,11	0,10	0,16	0,15	0,12
High school or an equivalent	0,28	0,30	0,25	0,26	0,27	0,27	0,27	0,45	0,44	0,29
Faculty or higher education	0,29	0,27	0,31	0,31	0,33	0,33	0,33	0,12	0,12	0,33
Masters or doctorate	0,10	0,09	0,10	0,10	0,08	0,08	0,08	0,01	0,01	0,08
Accompanying persons	0,15	0,15	0,18	0,16	0,15	0,16	0,16	0,18	0,20	0,11
Citizens*										
Non literate or not finished school	0,03	0,04	0,02	0,02	0,02	0,02	0,02	0,03	0,03	0,05
Primary school (5 years)	0,20	0,22	0,22	0,22	0,20	0,19	0,19	0,20	0,19	0,29
Primary or secondary school (8 years)	0,12	0,12	0,12	0,12	0,13	0,12	0,12	0,12	0,12	0,14
High school or an equivalent	0,26	0,25	0,24	0,26	0,25	0,27	0,26	0,27	0,27	0,23
Faculty or higher education	0,15	0,14	0,14	0,15	0,15	0,14	0,13	0,14	0,14	0,12
Masters or doctorate	0,04	0,04	0,03	0,04	0,04	0,03	0,04	0,03	0,03	0,03
Accompanying persons	0,21	0,20	0,23	0,19	0,21	0,23	0,25	0,21	0,20	0,13

*: Citizens residing abroad.

Source: Tourism Statistics, TurkStat, www.tuik.gov.tr.

Table 21. Gender of Visitors-Share

Foreigners	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Male	0,43	0,43	0,44	0,45	0,47	0,48	0,47	0,52	0,50	0,52
Female	0,42	0,42	0,38	0,39	0,38	0,36	0,37	0,36	0,37	0,36
Accompanying Persons	0,15	0,15	0,18	0,16	0,15	0,15	0,16	0,11	0,13	0,11
Citizens*										
Male	0,53	0,52	0,55	0,60	0,58	0,57	0,55	0,58	0,58	0,62
Female	0,26	0,28	0,23	0,20	0,21	0,20	0,21	0,21	0,22	0,25
Accompanying Persons	0,21	0,20	0,23	0,19	0,21	0,23	0,25	0,21	0,20	0,13

*: Citizens residing abroad.

Source: Tourism Statistics, TurkStat, www.tuik.gov.tr.

The majority of foreign and citizen visitors are in the range of 25-44 and this is followed by 45-64 year group.

Table 22. Age Groups of Visitors-Share

Foreigners	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
15-24	0,12	0,11	0,11	0,12	0,12	0,12	0,13	0,13	0,12	0,09
25-44	0,40	0,40	0,41	0,42	0,44	0,44	0,43	0,45	0,45	0,42
45-64	0,27	0,27	0,25	0,25	0,25	0,24	0,24	0,26	0,25	0,31
65+	0,06	0,06	0,05	0,05	0,04	0,04	0,04	0,04	0,04	0,07
Accompanying Persons	0,15	0,15	0,18	0,16	0,15	0,16	0,16	0,11	0,13	0,11
Citizens*										
15-24	0,03	0,09	0,08	0,08	0,09	0,09	0,10	0,11	0,11	0,08
25-44	0,45	0,40	0,40	0,44	0,44	0,45	0,42	0,45	0,46	0,43
45-64	0,29	0,24	0,23	0,22	0,22	0,19	0,20	0,20	0,20	0,31
65+	0,05	0,07	0,06	0,05	0,04	0,03	0,03	0,03	0,03	0,04
Accompanying Persons	0,18	0,20	0,23	0,19	0,21	0,23	0,25	0,21	0,20	0,13

*: Citizens residing abroad.

Source: Tourism Statistics, TurkStat, www.tuik.gov.tr.

In Table 23 income group of foreign and citizen visitors are presented. In addition visitors' organization type of visit, either as a package tour or personal, is given. The majority of forign visitors are of middle income group. During the decade, the share of personal middle income

visitors change between %28-34 and in 2010 it is about %30. For the middle income visitors who prefer to come with a package tour, their share change between %32-46 and in 2010 it is about %39. Share of high income group who prefer to come personally and package tour is only about %9 each. There has been an increase in share of personal high income group from %6 to %9 during the decade. Not much change was observed in shares of personal and package tour low income group. In 2010 their share reach to %7 each. For citizen visitors about %70 are in the personal, middle income group which is expected as most of them visit Turkey to see their relatives and friends. In general, a preference is observed towards personal visits rather than package tours.

Table 23. Income Classes and Travel Organization Types

Foreigners		**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**
Low	Personally	0,07	0,06	0,07	0,09	0,08	0,07	0,07	0,06	0,06	0,07
	Package Tour	0,07	0,07	0,06	0,06	0,06	0,06	0,06	0,07	0,06	0,05
Middle	Personally	0,30	0,31	0,34	0,34	0,33	0,29	0,29	0,28	0,29	0,28
	Package Tour	0,39	0,38	0,34	0,32	0,40	0,44	0,44	0,45	0,46	0,44
High	Personally	0,09	0,09	0,11	0,11	0,06	0,05	0,06	0,06	0,06	0,06
	Package Tour	0,09	0,10	0,09	0,09	0,07	0,09	0,08	0,08	0,08	0,10
Citizens*											
Low	Personally	0,10	0,11	0,13	0,13	0,15	0,13	0,12	0,12	0,12	0,17
	Package Tour	0,00	0,00	0,00	0,00	0,01	0,01	0,01	0,01	0,01	0,00
Middle	Personally	0,69	0,73	0,70	0,70	0,67	0,69	0,70	0,69	0,69	0,64
	Package Tour	0,05	0,02	0,02	0,02	0,05	0,05	0,05	0,06	0,06	0,04
High	Personally	0,14	0,12	0,14	0,16	0,12	0,12	0,11	0,12	0,11	0,12
	Package Tour	0,01	0,01	0,01	0,00	0,01	0,01	0,01	0,01	0,02	0,02

*: Citizens residing abroad.

Source: Tourism Statistics, TurkStat, www.tuik.gov.tr.

In Table 24, type of expenditures realized by foreign and citizen visitors are presented. In 2010, individual expenditures of foreign visitors were mostly used for food and beverages (%30) and this was followed by accomodation (%20), clothing (%14), transportation (%11) and souvenirs (%10) expenditures. During the decade while a decrease in share of accomodation expenses is observed, an opposite trend was observed in other expenditure items. For citizen visitors the

majority of the expenditures are for food and beverages (%44 in 2010), and this is followed by clothing (%13) and transportation (%12). The increasing rate in food and beverage expenditures for both visitor groups is high compared to expenditure rise in other groups.

Table 24. Expenditure Shares by Type

Foreigners	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**
Food beverage	0,30	0,30	0,29	0,30	0,26	0,23	0,22	0,21	0,23	0,21
Accommodation	0,20	0,19	0,20	0,21	0,21	0,25	0,27	0,27	0,26	0,27
Health	0,02	0,02	0,02	0,02	0,02	0,01	0,01	0,01	0,01	0,01
Transportation	0,11	0,11	0,10	0,09	0,09	0,08	0,07	0,06	0,06	0,06
Sports, Education, Culture	0,01	0,01	0,01	0,01	0,02	0,02	0,02	0,03	0,03	0,03
Tour services	0,02	0,02	0,02	0,02	0,02	0,03	0,03	0,02	0,02	0,02
Clothes and shoes	0,14	0,15	0,15	0,15	0,15	0,15	0,14	0,13	0,12	0,10
Souvenirs	0,10	0,10	0,10	0,09	0,10	0,10	0,09	0,09	0,07	0,08
Carpet, rug, etc	0,03	0,03	0,03	0,03	0,03	0,04	0,04	0,04	0,04	0,05
Other expenses	0,07	0,07	0,07	0,07	0,09	0,10	0,10	0,16	0,16	0,18
Citizens*										
Food beverage	0,44	0,44	0,40	0,19	0,29	0,34	0,35	0,32	0,29	0,30
Accommodation	0,04	0,04	0,05	0,03	0,07	0,07	0,07	0,07	0,09	0,05
Health	0,04	0,04	0,00	0,02	0,05	0,04	0,04	0,03	0,03	0,03
Transportation	0,12	0,12	0,11	0,05	0,10	0,08	0,07	0,05	0,06	0,06
Sports, Education, Culture	0,01	0,00	0,01	0,00	0,01	0,01	0,01	0,02	0,02	0,02
Tour services	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Clothes and shoes	0,13	0,14	0,16	0,08	0,18	0,17	0,16	0,13	0,12	0,09
Souvenirs	0,07	0,07	0,10	0,05	0,11	0,10	0,09	0,08	0,07	0,06
Carpet, rug, etc	0,01	0,01	0,01	0,00	0,01	0,01	0,01	0,01	0,01	0,01
Other expenses	0,13	0,13	0,15	0,08	0,18	0,17	0,19	0,29	0,31	0,37

*: Citizens residing abroad.

Source: Tourism Statistics, TurkStat, www.tuik.gov.tr.

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TurkStat, www.tuik.gov.tr

UNWTO, www.unwto.org

Appendix

Table A1: Sectoral Definition

Codes	Sectors
1	Agriculture, hunting and related service activities; Forestry, logging and related service activities; Fishing, operating of fish hatcheries and fish farms; service activities incidental to fishing
2	Mining of coal and lignite; extraction of peat; Extraction of crude petroleum and natural gas; service activities incidental to oil and gas extraction excluding surveying; Mining of uranium and thorium ores; Mining of metal ores; Other mining and quarry in
3	Manufacture of food products and beverages; Manufacture of tobacco products
4	Manufacture of textiles
5	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials; Manufacture of pulp, paper and paper products; Publishing, printing and reproduction of recorded media; Manufacture of furniture
6	Manufacture of coke, refined petroleum products and nuclear fuels; Manufacture of chemicals and chemical products; Manufacture of rubber and plastic products; Manufacture of other non-metallic mineral products
7	Manufacture of basic metals; Manufacture of fabricated metal products, except machinery and equipment; Manufacture of machinery and equipment n.e.c.; Manufacture of office machinery and computers; Manufacture of electrical machinery and apparatus n.e.c.;
8	Electricity, gas, steam and hot water supply; Collection, purification and distribution of water
9	Construction
10	Sale, maintenance and repair of motor vehicles and motorcycles; retail sale services of automotive fuel; Wholesale trade and commission trade, except of motor vehicles and motorcycles
11	Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods
12	Hotels and restaurants
13	Land transport; transport via pipelines; Water transport; Air transport
14	Supporting and auxiliary transport activities; activities of travel agencies
15	Post and telecommunications
16	Financial intermediation, except insurance and pension funding; Insurance and pension funding, except compulsory social security; Activities auxiliary to financial intermediation; Renting of machinery and equipment without operator and of personal and housing
17	Real estate activities
18	Recreational, cultural and sporting activities
19	Tourism

Tourism in Egypt: An Overview of its Contribution to the Economy, Expenditure Patterns, Satisfaction, and Impact of the 25th of January Revolution

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1. Contribution of Tourism to the Egyptian Economy

Tourism represents an important contributor to the Egyptian economy in many respects. It is among the most important sectors in terms of contributing to GDP in direct, indirect, and induced ways. Estimates of its contribution to GDP including direct and indirect effects range between 11% to 16.5% (Tohamy and Swinscoe, 2000; UNEP and UNWTO, 2005; Ragab, 2007; World and Travel Tourism Council, 2011; Makary and Ragab, 2009). In 2011, the World Travel and Tourism Council (2012) estimates that direct contribution of the tourism sector to GDP was 6.7%, and 14.8% if total contribution (direct and indirect) is taken into account. This is in line with the estimates calculated by the Ministry of Tourism based on Tourism Satellite Account (TAS) which put the direct tourism revenues' contribution to GDP in the range of 4% to 7% (Ministry of Tourism, 2011a). It is believed that the contribution of the sector to GDP is underestimated due to the method used in the measurement, which is based on adding hotels and restaurants' share in GDP and the tourism receipts, but does not take into consideration impact of tourism related activities[2]. The contribution to the economy in general remains underestimated and its potential is still not fully realized (Sakr et. al, 2009).

[1] The author would like to thank Dr. Adla Ragab, Professor of Economics and Advisor to Minister of Tourism for providing several sources of information and for her insights on different issues.

[2] The direct impact of tourism contribution in GDP has been criticized to be underestimated for the following reasons: First, the methods used exclude the impact of tourists' expenditures on food and beverages outside hotels and restaurants, real estate services and retail goods. Such excluded expenditures ignore the indirect impact of tourism on other important sectors as food production, retail and housing (Tohamy and Swinscoe 2000). Second, tourist-related services that are core components in tourism packages (including travel agencies, bazaars, sport and recreation services) are lumped to other sectors and activities as transport, trade, sport and culture. Furthermore, they are added to aggregates without identification of tourism component. Third, the procedure adopted in deriving restaurants and hotels' value added remains inaccurate. Inbound tourism expenditures expressed in local currency are multiplied first by a subjective fixed ratio (62%) to count for spending on lodging, food and beverages in hotels. The outcome figure is then multiplied by another constant ratio of 55% to subtract intermediate inputs. To account for domestic tourism expenditure, only a modest sum is added to count for the value added of domestic tourists. The

Tourism has been the fastest growing sector in the Egyptian economy in the first half of 2000s. Its growth rate has been fourfold the average growth rate of the economy over the period 2002-2010 (Ministry of Tourism, 2011a). Yet it remains highly vulnerable to economic and political circumstances on domestic, regional, and international levels (Ragab, 2007). For example, it was one of the sectors most negatively affected during the financial and economic crisis of 2008/2009 (Zaytoun, 2010) and in the aftermath of the 25th of January revolution. The fact that tourism sector is composed by diverse and heterogeneous activities, makes it difficult to estimate its true representation in the economy. Tourism is a sector with large number of forward and backward linkages, being highly connected with 70 different industries (AlexBank, 2010). The Input Output (IO) table reveals how the tourism sector is highly integrated in the economy. Few studies have tried to estimate the contribution of tourism to the Egyptian economy. Among the pioneering studies in this area, El-Tohamy and Swinscoe (2000) applied their analysis based on 38-sector IO table calculated for 1991-92. They used the IO framework to estimate output, employment, and wage multipliers for an increase in inbound tourism, taking into account direct, indirect, and induced effects. Below we show the contribution of tourism to the economy using tables similar to IO table but from the Tourism Satellite Account (TSA). As shown from table 1, tourism highly contributes to a number of sectors in the economy. It is responsible of the creation and use of resources in relevant industries, as those of accommodation (2/3 of the industry), food and beverages (1/3), transportation (1/4), and culture, sport and entertainment (1/2). Creates an important intermediate demand in all subsectors reflected in table 1, accounting for one third of total compensation of employees and tax revenues in important related industries as we can see.

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latter is computed based on estimates of (i) number of restaurants; (ii) average annual revenues per unit; and (iii) a ratio of 45%-50% for intermediate inputs. The inaccuracy of this approach increased the level of uncertainty regarding tourism value added (i.e., restaurants and hotels). See Sakr, et al (2010).

Table 1: IO Table based on TSA (million Egyptian Pounds)

Items	Accommodation		Food and Beverages		Transportation		Tourism Companies and Guides Services		Culture, Sports and Entertainment		Tourism Characteristics Products &Services		Total	
	Total	Tourism	Total	Tourism	Total	Tourism	Total	Tourism	Total	Tourism	Total	Tourism	Total	Tourism
Consumable Goods	45,757	30,804	25,564	8,592	67,579	18,294	6,084	5,440	21,114	11,047	11,518	11,192	201,565	86,315
Accommodation	32,910	24,267	0	0	133	55	0	0	138	0	1,932	1,803	35,112	26,125
Food and Beverages	10,330	5,291	25,561	8,592	100	14	0	0	413	0	2,424	2,344	38,828	16,241
Transportation	1,169	858	0	0	58,494	18,225	0	0	550	0	206	187	61,616	20,216
Tourism Companies and Guides Services	0	0	0	0	0	0	5,953	5,440	0	0	0	0	5,953	5,440
Culture, Sports and Entertainment	413	389	0	0	0	0	0	0	20,009	11,047	0	0	20,423	11,436
Tourism Characteristics Products &Services	0	0	0	0	0	0	0	0	0	0	5,310	5,212	5,310	5,212
Other consumable Goods	934	0	2	0	8,853	0	131	0	4	0	1,647	1,647	34,323	1,647
Non-consumable goods	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Output at Factor Prices	45,757	30,804	25,564	8,592	67,579	18,294	6,084	5,440	21,114	11,047	11,518	11,192	201,565	86,315
Intermediate goods	20,875	14,042	13,801	4,639	24,836	8,109	1,751	1,565	9,363	4,965	1,830	1,810	73,150	35,156
Value Added at Factor Cost	24,882	16,763	11,763	3,954	42,743	10,185	4,334	3,874	11,751	6,082	9,688	9,383	128,415	51,159
Employees' Compensations	3,983	2,626	3,722	1,251	14,703	3,236	2,623	2,345	6,097	3,433	573	564	32,940	13,504
Net Indirect Taxes	2,365	1,555	241	81	3,043	839	88	78	632	303	341	338	8,064	3,248

Source: Ministry of Tourism (2010) "Results of Sub Sector Tourism Accounts in Egypt", Executive Summary. Cairo: Ministry of Tourism.

The value added according to the different contributions of tourism related industries was as shown in table 2. Transportation is the most relevant activity, followed by accommodation, food and beverages, and recreational industries.

Table 2: Value Added of Tourism related Industries (2010) with Real Prices
(Billion Egyptian Pounds)

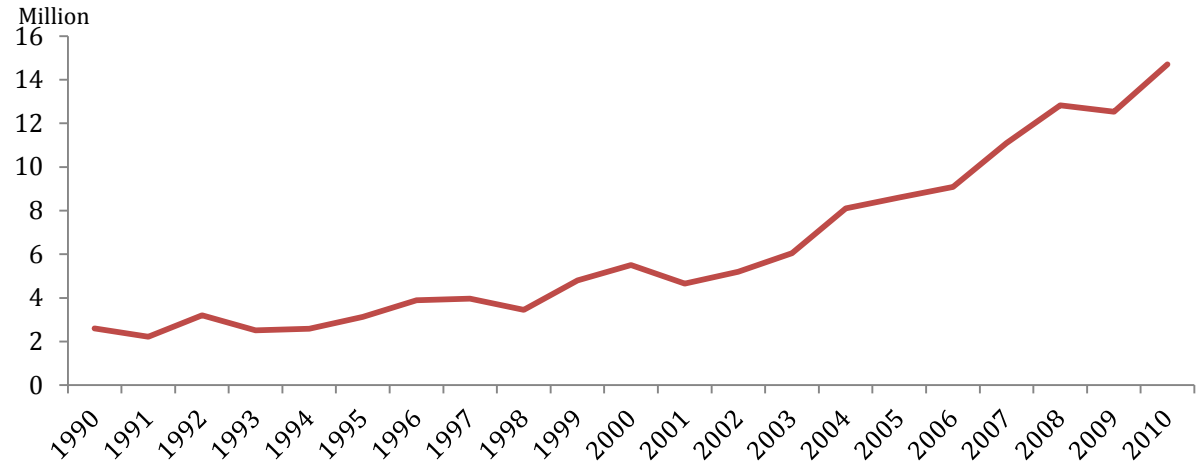
Industry	Value added	Relative importance (%)
Accommodation services	29.3	19.2
Food and beverages	15.1	9.9
Transportation	81.2	52.1
Travel agencies	4.9	3.2
Recreational and sports	13.3	8.7
Specific tourism products	9.2	6
Total	153	100

Source: Ministry of Tourism (2010) "Results of Sub Sector Tourism Accounts in Egypt", Executive Summary. Cairo: Ministry of Tourism.

Increasing arrival of tourists is also a relevant trend in the country. According to the TSA, the number of inbound tourists increased from 5.5 million in 2000 to 12.5 million in 2009, and the number of tourist nights rose from 32.8 million to 126.5 million over the same period (Ministry of Tourism, 2011a). The number of inbound tourists increased further to 14.7 million in 2010 (Ministry of Tourism, 2010).

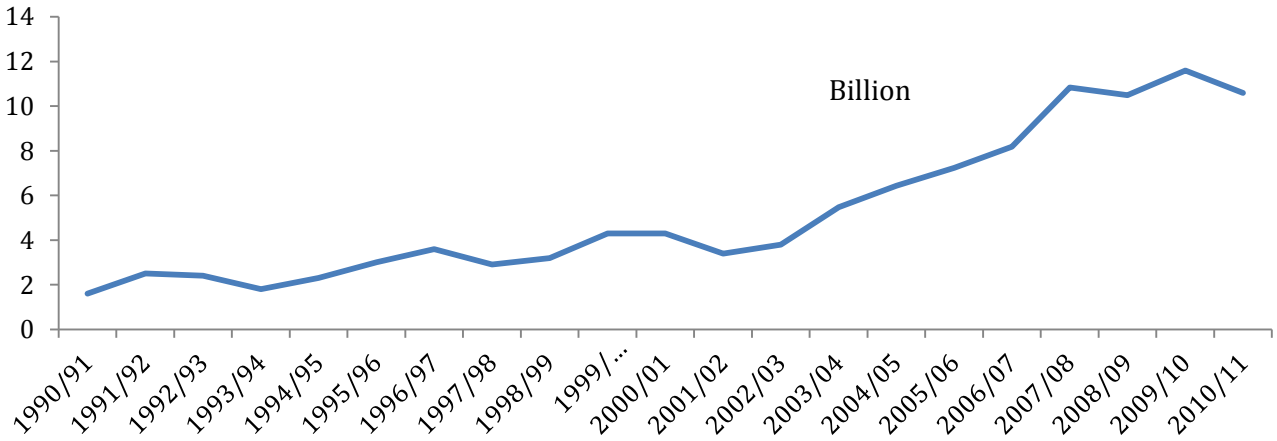
The tourism sector has been growing with high rates over the last two decades, averaging 9.4% in the period 1990-2000 in terms of arrivals and 14.5% in terms of receipts, and 11.1% in the period 2001-2010 in terms of arrivals and 9.9% in terms of receipts. Figures 1 and 2 show that number of tourists as well as receipts have increased over the period 1990-2010.

Figure 1: Number of Tourist Arrivals to Egypt over the period 1990-2010



Source: Information and Decision Support Center, Statistics and databases, available at: http://www.eip.gov.eg/nds/nds.aspx

Figure 2: Tourism Receipts over the Period 1990-2011



Source: Information and Decision Support Center, Statistics and databases, available at: http://www.eip.gov.eg/nds/nds.aspx

The sector is a major source of contribution to foreign exchange reaching from 19.5% to 28% of total foreign exchange earnings in Egypt. Its contribution to foreign exchange increased from $ 4.3 billion in 2000 to $ 10.5 billion in 2009 (Ministry of Tourism, 2011a). According to TSA, tourism contributed to an average of 22% of total foreign currency receipts over the period 2002/2003-2009/2010 (Ministry of Tourism, 2011a). The contribution of the tourism sector to foreign exchange outpaced non oil exports and has almost reached the same level of remittances (table 3). Hence, tourism is considered the most important source of foreign exchange in Egypt, where each Egyptian pound

invested in tourism generates four Egyptian pounds in foreign currency ($ 0.75) (Makary and Ragab, 2009).

Table 3: Main Sources of Foreign Currency over the Period 2001/02-2009/10

Year	Tourism	Non Oil Exports		Suez Canal		Workers' Remittances	
	Value	Value	% of Tourism	Value	% of Tourism	Value	% of Tourism
2001/2002	3,422.8	4,739.8	138.5	1,819.8	53.2	3,029.5	88.5
2002/2003	3,796.4	5,044.6	132.9	2,236.2	58.9	2,962.6	78.0
2003/2004	5,475.1	6,542.2	119.5	2,848.4	52.0	2,999.6	54.8
2004/2005	6,429.8	8,534.4	132.7	3,306.8	51.4	4,329.5	67.3
2005/2006	7,234.6	8,232.7	113.8	3,558.8	49.2	5,034.2	69.6
2006/2007	8,183.0	11,909.6	145.5	4,169.6	51.0	6,321.0	77.2
2007/2008	10,826.5	14,883.2	137.5	5,155.2	47.6	8,559.2	79.1
2008/2009	10,487.6	14,164.4	135.1	4,720.6	45.0	7,805.7	74.4
2009/2010	11,591.3	13,614.5	117.5	4,516.8	39.0	9,753.4	84.1

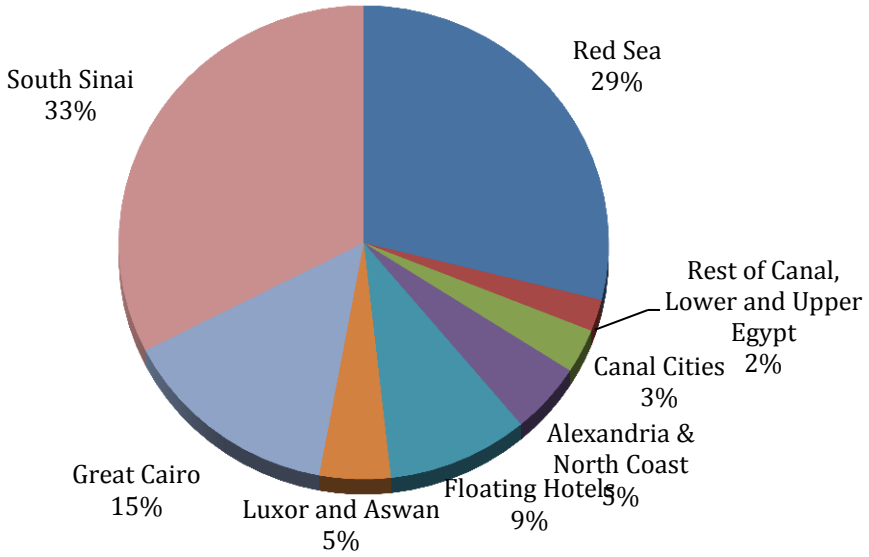
Source: Central Bank of Egypt, Annual Report, different issues.

The sector also contributes significantly to tax revenues accounting for 3.5-5% of total direct tax receipts and 13.5% of indirect ones based on the assumption of the imposition of 10% sales tax on all output and 20% average income tax counted (Ragab, 2007). Other estimates have put it at lower figures where its contribution was estimated to be 5.1% of total direct and indirect tax receipts (Tohamy and Swinscoe, 2000).

The government, as part of its tourism expansionary plans has adopted a specific system where the Tourism Development Policy (TDA) used to allocate large portions of land to private sector investors through TDA policy of supplying land at a nominal price ranging from US $ 1 -10 per square meter, depending on infrastructure facilities provided by the government in the areas. The private investors operate under contract with the TDA. The private investors are responsible for the establishment of infrastructure, construction and operation of hotels, and the provision of community utilities for staff. The projects have to be screened and approved by TDA and the Egyptian Environmental Affairs Agency (EEAA) for being implemented (UNEP and WTO, 2005). Such system stopped in the aftermath of the 25th of January revolution fearing that there are corruption incidents behind the process. In addition, the government itself has been allocating a fixed proportion of public investments as part of

its consecutive five year national plan for investing in tourism-related infrastructure (AlexBank, 2010). Investments in tourism sector have accounted for 4 % of total investments and 13 % of the total investments of production services, where the private sector's share has reached 73% of such investments (Ragab, 2007). There is a high concentration of investments in South Sinai and Red Sea, which is reflected in the breakdown of existing room capacity as depicted in the figure 3 below. There is also high concentration of hotel investments in 5-star hotels (counting for 24% of hotels), followed by 3-star hotels (18%), 4-star hotels (17%), 2-star hotel (14%), 1-star hotels (9%), and unclassified (18%) (AmCham, 2008).

Figure 3: Distribution of Hotel Capacity in Egypt in 2006

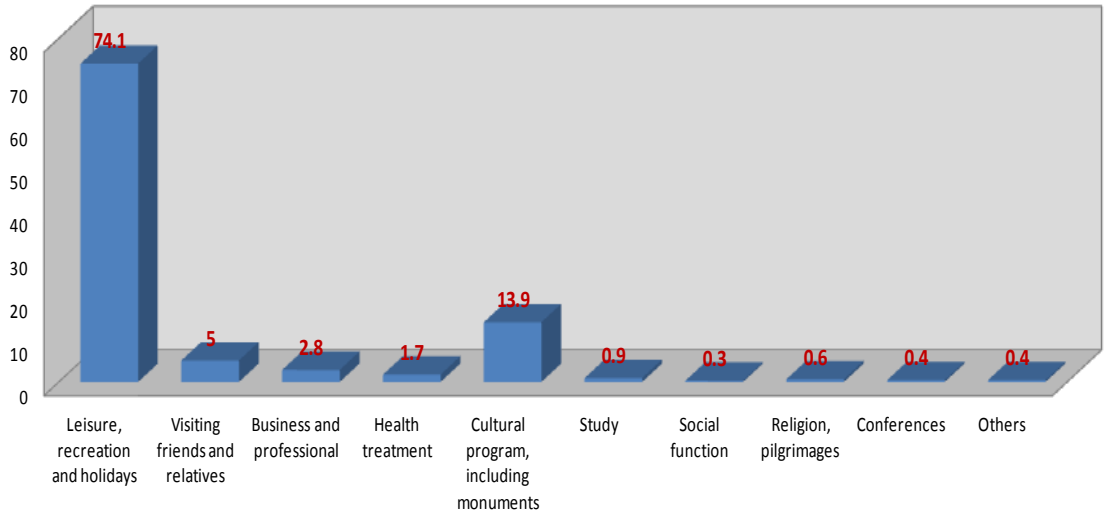


Source: Ragab, Adla (2007), "Assessment of Trade in Tourism and Travel Related Services in Egypt in Relation to the GATS", paper submitted to Ministry of Trade and Industry.

Antiquities from different historical episodes provided the primary source of tourist attraction to Egypt till the early 1980s. Since then, there has been remarkable growth in tourism on the Red Sea coast, associated mainly with the appeal of the abundant marine life in the coral reef systems, where Egypt has 1280 kilometers of coral reefs (UNEP and WTO, 2005). Figure 4 shows the main aim of tourism as identified in the sample survey undertaken by the Ministry of Tourism and CAPMAS in 2011. As clear from the figure, coastal tourism outpaces all other types of tourism in Egypt. Moreover, Egypt has 9% of its total area as natural reservations including 27 protected areas (expected to increase by additional 13 areas in 2017) (AmCham, 2012; Eraqui, 2007a). Other types

of tourism have started to flourish in the last ten years including golf, adventure (mainly safari), yachting, shopping, health, residential, wellness and therapeutic tourism (AmCham, 2008; AmCham, 2012). The diversification of tourism activities and the untapped potential that can be realized resulted in ambitious plans for increasing the number of tourists. For example, the number of hotel rooms has grown from a few hundred in 1980 to almost 45 000 in 2005 and 214 000 in 2009 and further to 225 000 in 2011with 2009 000 rooms under construction (with plans to increase it to 350 000 by 2017) (UNEP and WTO, 2005; AlexBank, 2010; World Travel and Tourism Council, 2011). This in part reflects the growth in the industry where the hotel accommodation capacity increased from 114 thousand rooms to 214.5 thousand rooms during the period 2000-2009 (Ministry of Tourism, 2011) and further to 226 thousand rooms in 2010 (in a total of 1473 hotels) with an occupancy rate of 76% (Ministry of Tourism, 2010). Moreover, the number of tourist companies increased from 990 companies in 2000 to 1561 companies in 2009 (Ministry of Tourism, 2011).

Figure 4: Structure of Tourists by the Purpose of Visits (%)

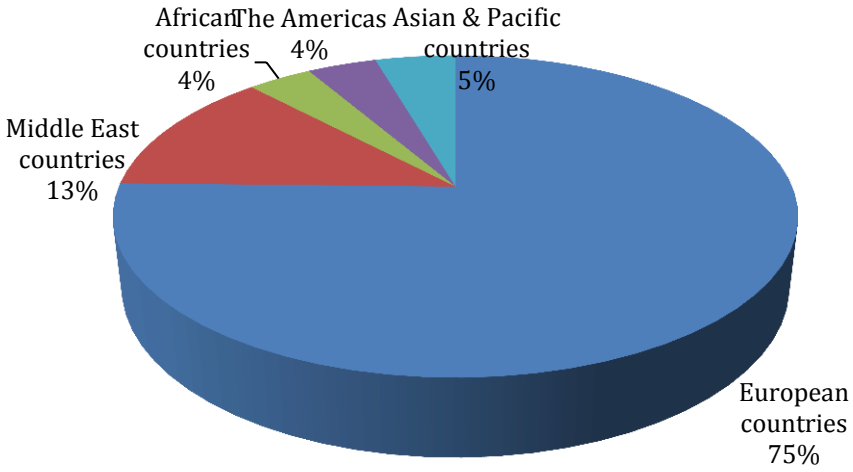


Source: Ministry of Tourism (2011b), "Main Characteristics of Inbound Tourists: Sample Survey of 2011", Ministry of Tourism, mimeo.

The comparative advantage that Egypt enjoys is for several reasons including Egypt's good weather all over the year, diversification of tourism products (cultural, religious, recreation, diving, therapeutic, shopping, and residential and eco-tourism), richness in monuments (accounting for 30% of world's monuments & antiquities), geographical proximity to Europe and Arab countries, and low prices. The majority of tourists come

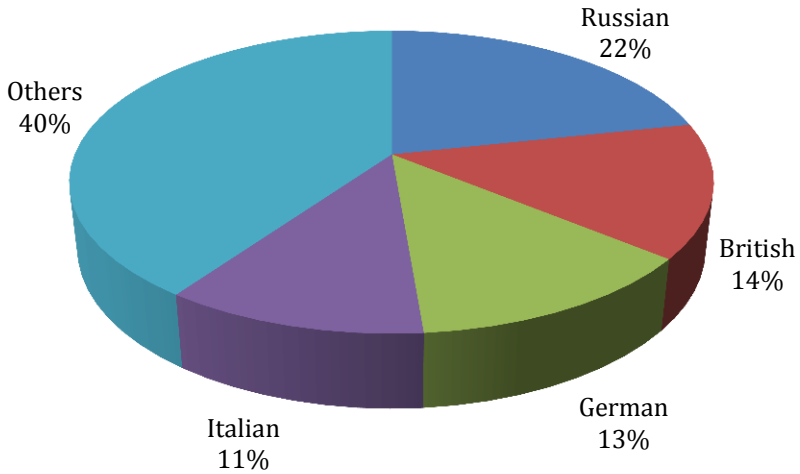
from Europe where they constitute around 73% of inbound tourism, followed by Arabs who represent 18.3% of inbound tourism (figures 5 and 6). Despite the huge potential that Egypt acquires in the field of tourism and the impressive growth rates and large contribution to the economy, the ranking of Egypt worldwide in terms of tourism has remained relatively modest. It ranked in the 75th position in the Travel & Tourism Competitiveness Index (TTCI) among 139 countries (World Economic Forum, 2011). The TTCI index developed by the World Economic Forum identifies a number of weakness associated mainly with infrastructure, environment protection, and transport facilities.

Figure 5: Breakdown of Tourist Groups to Egypt in 2009



Source: Egyptian Tourism Federation.

Figure 6: Breakdown of European Tourists to Egypt in 2009



Source: Egyptian Tourism Federation.

2. Employment

The role of the sector in generating jobs has always been significant, given that it is a labor intensive sector. In the case of Egypt, tourism creates direct and indirect, formal and informal, permanent, part time and seasonal employments. Confined only to its direct effect, the sector generates several job opportunities in hotels, restaurants, air travel, recreation, transportation, travel agencies and shops. Such job opportunities are merely created via international and domestic tourism, as well as ordinary Egyptian citizens or foreigners (Zaytoun, 2010). The huge potential that Egypt acquires in tourism has resulted in it being among the largest contributors to jobs with an estimated ability of creating jobs one and half times that of any industrial sector (Tohamy and Swinseco, 2000).

The estimates of the jobs created by tourism sector are not precise, not only because of the direct and indirect effects aspect but also due to the large number of jobs created in the informal sector associated with tourism. As argued by Sakr et. al (2009) the contribution of the sector to job creation is underestimated because of ill reporting as well as the inability to capture the different effects of tourism in terms of its ability of creating jobs in different related sectors. Some estimates have put the figure of jobs created by the tourism sector in the range of 8% of total employment (UNEP and UNWTO, 2005) whereas others have put it at 12.6% (AmCham, 2008; AlexBank, 2010; Ragab, 2007). The latest estimates of the sector's direct contribution to employment were 1.35 million jobs (5.8% of total employment (World Travel and Tourism Council, 2012) and 1.5 million jobs according to World Travel and Tourism Council (2011) representing around 6.3% of total employment. As revealed by the TSA the number of employees in the sector reached 1.36 million in 2009 and 1.64 million in 2010, with an equivalent of 1.5 million full-time job employees in 2009 and 1.8 million in 2010 (implying that employees in tourism industries work longer hours) (Ministry of Tourism, 2011; Ministry of Tourism, 2010). The number of wage earners reached 950 thousands (70% of the total) while self employed reached 400 thousands (30%). Moreover, 56-60% of employees in the tourism industry work in transportation services whereas 30-34% in food and beverages services, while the rest 10% in different related sub sectors (Ministry of Tourism, 2011a; Ministry of Tourism, 2010). When counting the total number of jobs created by tourism (direct and indirect) some estimates have put it to be exceeding 2.7 million in different tourism and tourism related services

(Ragab, 2007). According to Makary and Ragab (2009), a one million dollar investment in tourism will create 30 direct and indirect jobs, whereas the cost of creating a job in tourism amounts to $ 55 thousand. Table 4 shows the number of employees in the tourism sector.

Table 4: Number of Employees in Tourism Sector in 2009
(00' Employees)

Items	Employees	Self-Employed Workers	Total
Accommodation Services	1396	40	1436
Food and Beverage Services	1805	853	2658
Transportation Services	5212	2976	8188
Tourism, Travel and other Booking Companies' Services	664	61	725
Cultural Services	92	21	113
Sports and Entertainment Services	88	92	180
Retail Tourism Characteristic Products Services	50	30	80
Tourism Characteristic Products Industry	173	12	185
Total	**9480**	**4085**	**13565**

Ministry of Tourism (2011a), *Egypt's Tourism Satellite Account Report*, Cairo: Ministry of Tourism.

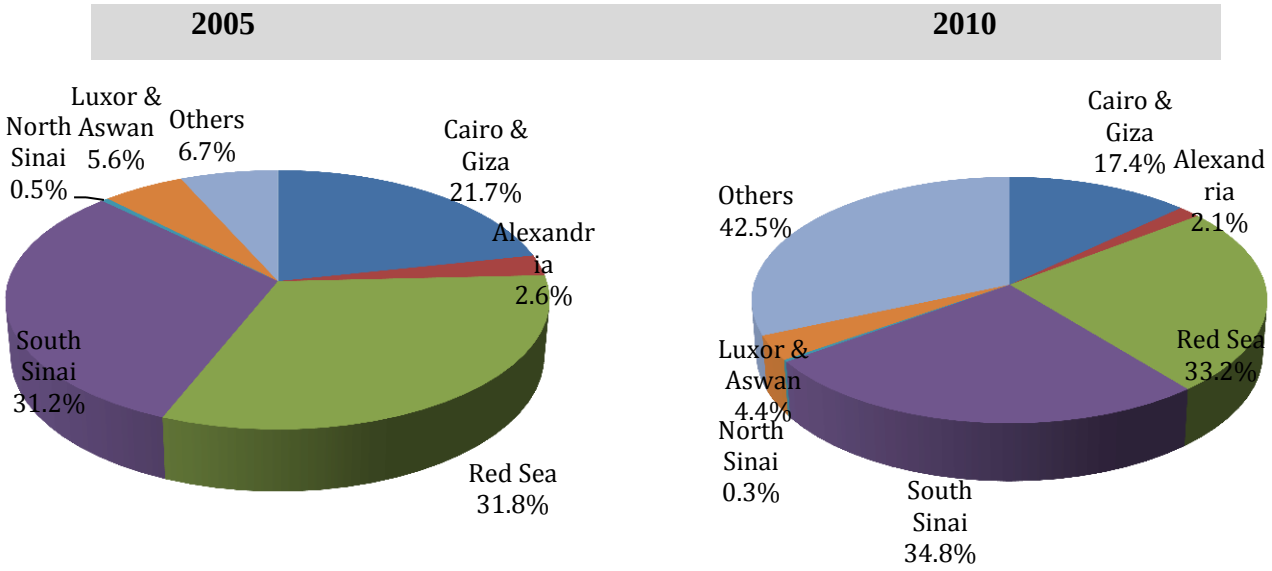
Women's participation in direct tourism activities is relatively low (Zaytoun, 2010), where the participation rate of women in this industry is less than the average participation of women in total employment. This can be explained by the nature of tourism industry type of work which could require domestic travel, working in different shifts, and dealing with foreigners' attitudes and traditions. Such characteristics might not be in line with the Egyptian traditions and norms. (figure 7).

Figure 7: Male versus Female Employment in Hotels and Tourist Villages

Source: Central Agency for Public Mobilization and Statistics, Hotels and Tourist Villages Statistics, online version.

There is a geographical concentration of tourism employment where more than 60% of direct related employment is concentrated in Sinai and Red Sea (Zaytoun, 2010). This geographical concentration is likely to be in line with the investments allocations and capacity of rooms which seem to be concentrated in the same governorates as explained above (figure 8).

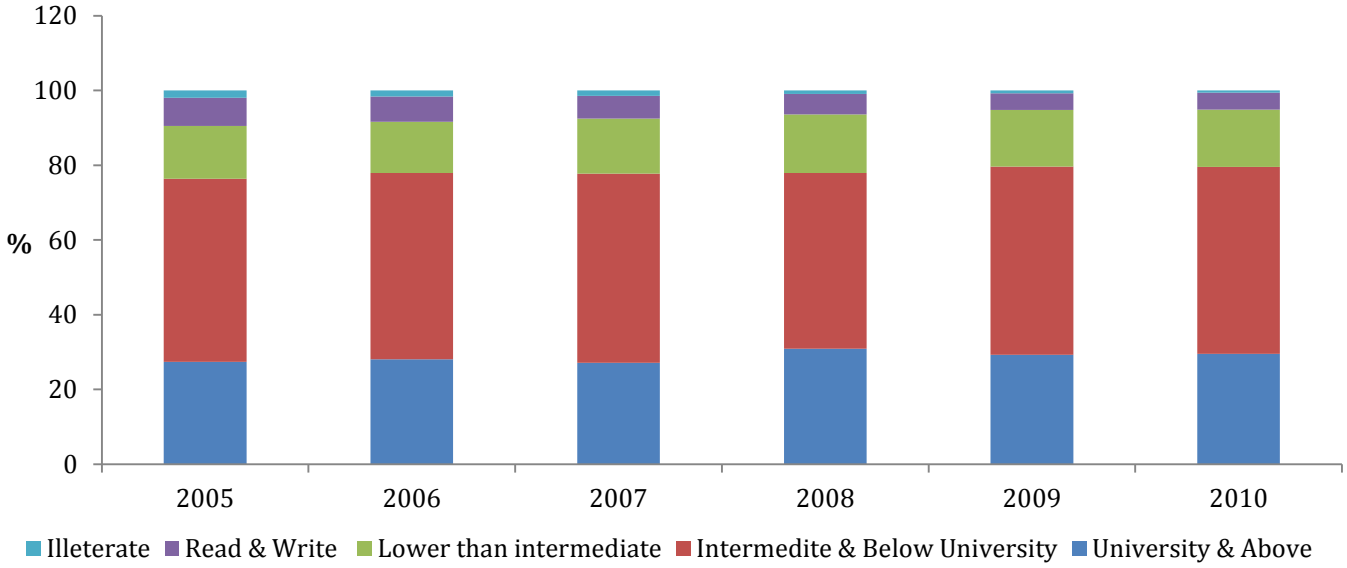
Figure 8: Distribution of Employment in Hotels and Tourist Villages by Regions



Source: Central Agency for Public Mobilization and Statistics, Hotels and Tourist Villages Statistics, online version.

The quality of labor in the tourism sector seems to be more educated than the average quality of labor in the economy when counted by the level of education (figure 9). Moreover, as depicted by Zaytoun (2010) the level of foreign language proficiency in the tourism sector seems to be high when compared to the average of the economy as a whole.

Figure 9: Distribution of Employment in Hotels and Tourist Villages according to Educational Level



Source: Central Agency for Public Mobilization and Statistics, Hotels and Tourist Villages Statistics, online version.

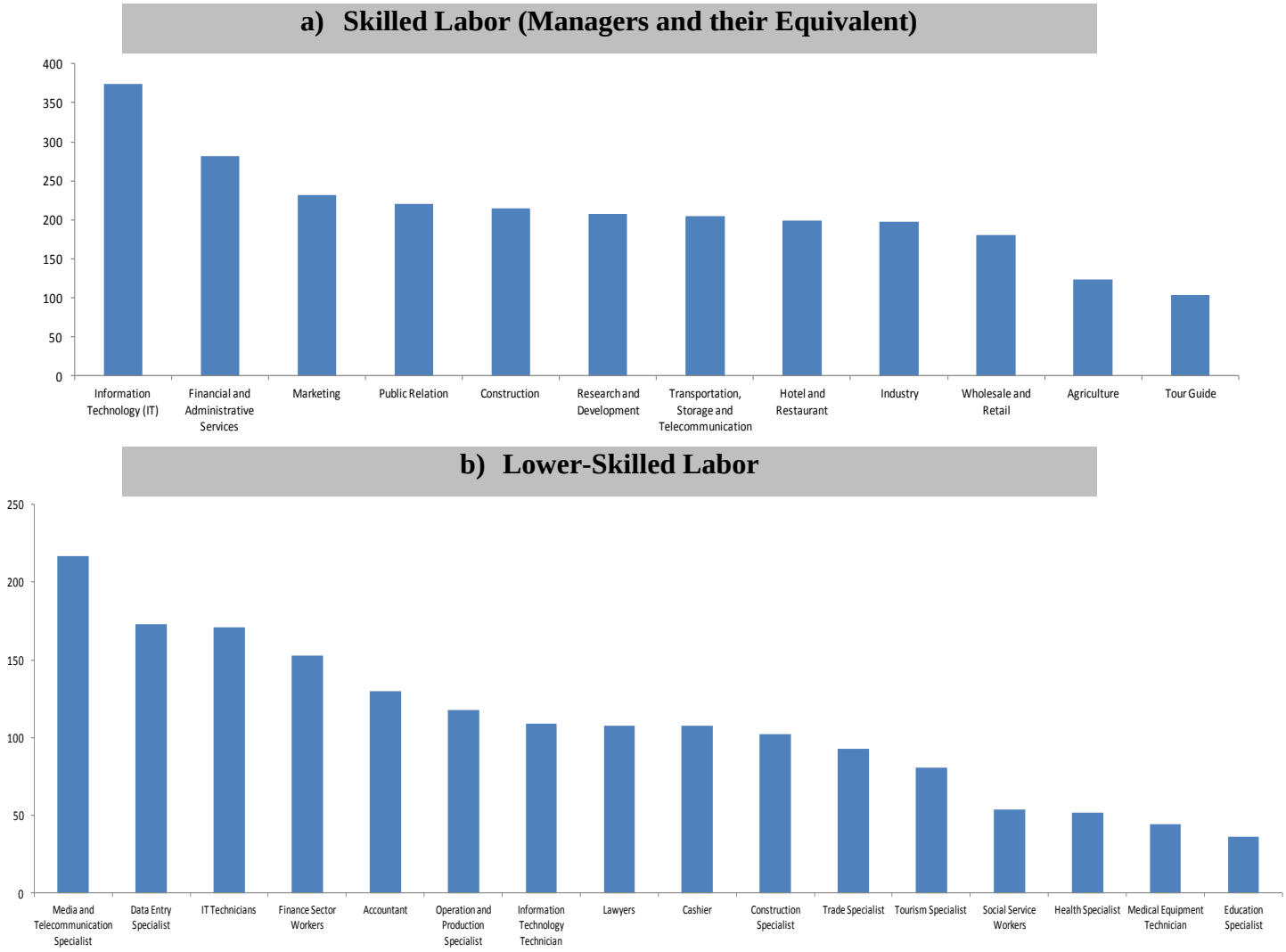
Regarding university education, there are around 2,000-3,000 tourism and hotel graduates every year. Out of this number, 600-900 go to the tour guide business, 800-1200 to tourism services and 600-900 to hotel management. There are also technical institutes that offer tourism – related courses, such as tourism study, hotel management and tour guide. There are three categories of technical institutes. The first one accepts enrolment of students who finish secondary school and the study period is four years. The number of students involved in this category of technical institutes is the highest representing 4 times the number of students involved in each of the other two categories. The second category of technical institute is similar to the first one, except that the study period is two years. The third category accepts students who finish preparatory school, and the study period is five years. The total number of students in such technical schools reaches around 30,000 students. The number of graduates each year from this type of technical schools is around 4000 where two thirds of them work in hotels and the rest in tourism services. Finally, there are also vocational schools where around 1000 graduate from them (Rady, 2002).

Foreign labor's share in total tourism employment is low (not exceeding 0.4%), and they are mainly concentrated in 4-5 stars hotels (Zaytoun, 2010). This implies that foreign labor is not crowding out domestic employment in this industry. Moreover, the number

of temporary labor in the tourism sector is low (3.8% of total employment) (Zaytoun, 2010). However, this might be underestimated due to recording problems.

As for the wage level, the average wage level in the tourism sector is lower than the average wage level in the economy as a whole (figure 10). This might be due to several reasons where average wages in services sector tends to be less than the average wage in the manufacturing sector. Moreover, the wide range of skills needed in this sector and the high unemployment rate in the country in general might have pushed the average wage downwards in this industry.

Figure 10: Average Wage as a Percentage of Overall Average Wage, 2007 (%)



Source: Center Agency for Public Mobilization and Statistics, Employment, Wages and Working Hours Survey, online version.

3. Governmental Policies and Institutional Infrastructure

The government of Egypt (GOE) has realized the importance of tourism sector in enhancing the economy and creating jobs. It has adopted plans to develop and upgrade the sector. The plans have focused on enhancing the demand and supply sides. Specific entities for boosting the sector have been created including the Ministry of Tourism and its associated TDA. Public investments have been set for each year to develop the associated infrastructure. Moreover, several investment facilities have been provided for private investment in this field including allocation of lands at modest prices (as explained above), tax exemptions, etc. The total amount of investment in the sector over the last thirty years reached LE 49.5 billion ($ 8.2 billion), of which 86% were private sector investments (AlexBank, 2010). Most of the private investment has been concentrated in hotels and resorts (81%) followed by tourism development (9%), tourist transportation (3%), tourist management (2%), amusement parks (2%), and others (3%) (AmCham, 2008). Several mega investment projects are being conducted by the government and include completing the new passenger building in Hurghada airport to absorb 7.5m passenger annually and widening the airport apron to absorb 29 aeroplanes; launching new passenger building in Bourg El-Arab and widening the airport apron to absorb 1.0m passengers annually and 5 airplanes; and finishing the passenger building No. 3 in Cairo airport (AlexBank, 2010).

The institutional and legal framework has always been upgraded to enhance the tourism sector as shown in box 1.

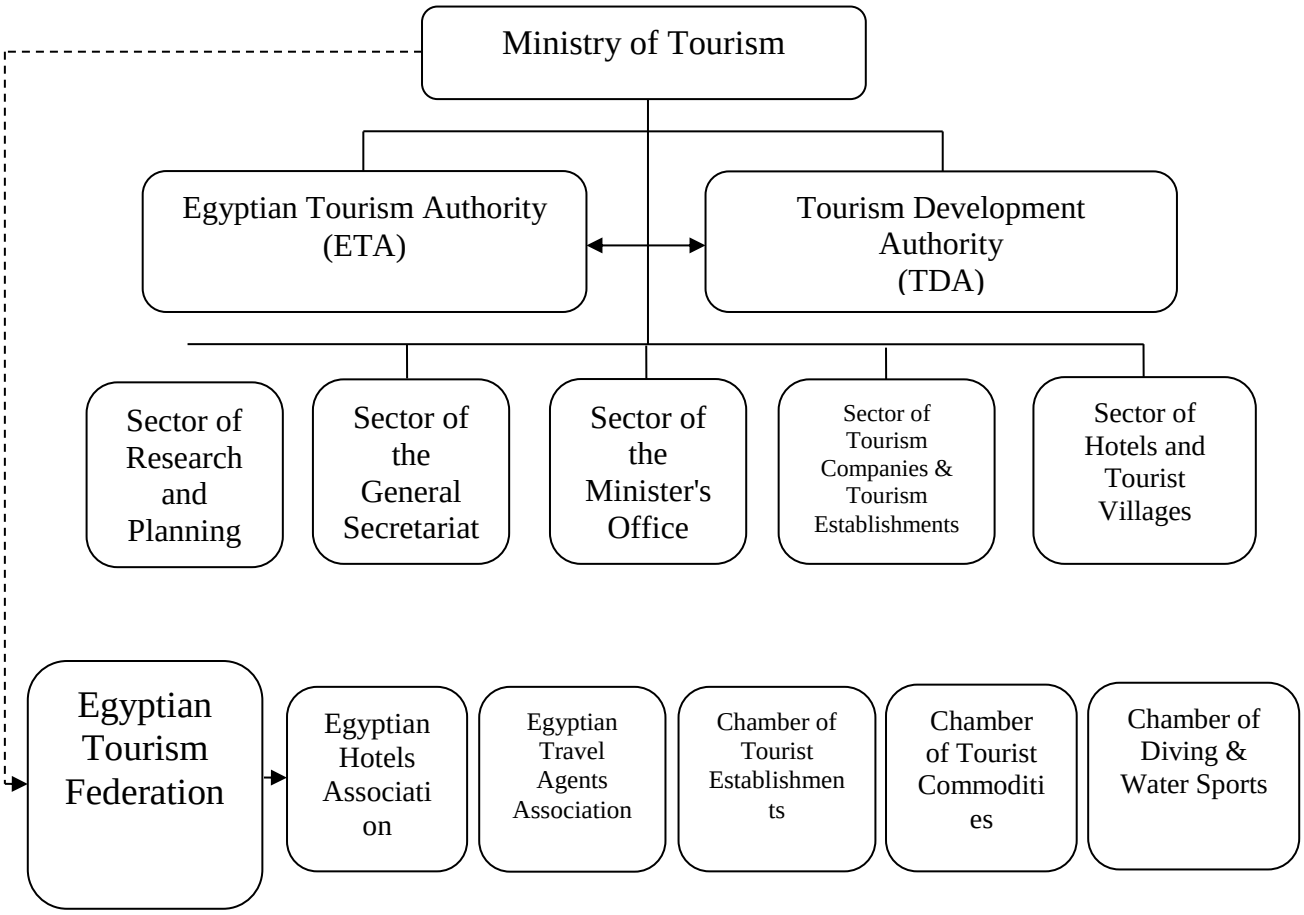
- **Box 1: Legal Framework Governing Tourism Sector**
- Amendment to the Investment Law No.8/1997 granting more privileges and incentives to private sector especially in tourist development activities.
- Law 1/1998 for liberalizing port- services and ministerial decree 216/1997 permitting licensed air companies to provide apron handling for their own flights) allowed private investment by participation in infrastructure projects (e.g., ports, roads, airports, ...) under BOT and BOOT arrangements and adoption of privatization and other liberal laws and regulations processes.
- Law 1/1973 related to Hotels and Touristic Construction, and its executive statutes in the Ministerial Decree 181/ 1973 concerning the Conditions &

Procedures of Licensing Hotels & Tourist Establishments aiming to eliminate any remaining restrictions on foreign investment in the travel agency segment.

- Amendment to law 230/1996 for organizing the possessing of buildings and lands for foreigners have been made by a Ministerial decree 548/2005 to facilitate possession and benefit of residential units for foreigners in some areas removing any remaining restrictions on residential tourism (the purchase of holiday residences by foreigners in Egypt).
- Ministerial Decrees: 131/1997 Considering Diving centres & Sea Activities as Tourist activities and 194/1997 Considering activities of Safari Journeys, flying balloons & hydrofoils as touristic activities permit licensed companies to provide these services.
- Other Decrees such as 96/1996 allowed time share systems in Hotels and Decree 318/2000 permit to provide and to perform scuba-diving centres at hotels.
- Other institutional and regulatory framework for investment were provided through Tourism Development Policy (TDA) policy of supplying land at a nominal price ranging from US $ 1 -10 per square meter, depending on infrastructure facilities provided by the government in the areas and facilitating access to loans for developing infrastructure projects.
- Ministry of Tourism MOT has announced that a Law 38/ 1977 and its amendment 118/1983 for organizing tourism companies are being reviewed to reduce or eliminate most of the eventual restrictions on tourism companies.
- Law 125/2008 which eliminated obstacle of establishing tourism companies but increased the associated fees
- Source: Ragab (2007) and Law 125/2008.

The Government has a specific ministry devoted to tourism which includes a number of affiliated bodies and agencies aiming at development the sector, setting the rules and regulations governing it, and drawing the needed policies. The institutional structure is depicted in figure 11.

Figure 11: Tourism Organizations in Egypt



Ministry of Planning, Strategic Planning Committee, First Workshop, 18th October 2011.

The Ministry of Tourism has adopted a strategy in 2009 for developing the sector, in conjunction with the Tourism Development Authority (TDA) and the Egyptian Tourism Authority (ETA) which are responsible in cooperation with other entities such as the Egyptian Tourism Federation (ETF) for achieving integration between all stakeholders in the tourism sector . The strategy is divided into short, medium, and long term plans. The short term plan in 2012/2013 aims to achieve 11.6 million tourists , 130 million night with 11 billion US $ revenues. The medium term plan (2012/2013- 2016/2017) targeting 30 million tourists spending 300 million nights, and achieving $ 25 billion of tourism revenues. In addition, the plan aims at increasing Egypt's share from world tourism market, and increasing the number of hotel rooms. The long term plan consists in implementing the Sustainable Development Plan in 2020 and increasing Egypt's

world market share in tourism (Ministry of Tourism, 2012). The strategy revolves around a number of pillars including:

- Product Diversification;
- Awareness Campaign;
- Investment Projects in tourism;
- Sustainable Tourism Development Strategy;
- The Application of the New Norms;
- Statistics and Research; and,
- Improvement of Services (Training).

Several efforts in collaboration with the foreign partners (governments and agencies) have been undertaken to achieve different objectives, and specifically those related to ecotourism, and preservation of cultural aspects of ancient touristic areas. Several initiatives have been undertaken to enhance the tourism sector. For example, the Ministry of Tourism through its affiliated TDA subcontracted a consulting firm to undertake a study aiming at setting a strategy for developing the sector, including a vision 2020. The study tackled the different issues constraining the sector from development including demand and supply bottlenecks and aiming at increasing the number of tourists to reach 25 million tourists by 2020. The overall vision of the Strategy is to achieve a sustainable and responsible tourism industry contributing significantly to the economic development of Egypt and the quality of life of the people primarily through enhancing contribution to national income, job creation and foreign earnings. The Strategy will focus at establishing Egypt as a world leader in sustainable tourism with a reputation for effectively managing the balance between the demands of cultural/heritage conservation/ preservation and tourism development.

The main components of the national strategy include an action/implementation plan and a marketing plan carried out in three phases (Ministry of Tourism, 2012):

The first phase consists of a baseline review of existing capacities in a number of areas including tourism products, information systems, infrastructures, cultural heritage, marketing and the environment. A number of growth scenarios were in accord on setting bold targets of 30-35 million international tourist arrivals and a 30% increase in daily spending. To achieve these goals, fulfilling the requirements of the following six specific objectives is imperative:

- an appropriate institutional framework is in place;
- safety, security and easy access is assured;
- tourism product base is expanded and diversified;
- necessary infrastructure and superstructure is provided;
- quality of service is improved; and
- tourism products are adequately promoted to the market.

The second phase of the strategy is concerned with drawing up policies and plans to achieve the set targets supported by a series of policy and sectoral research papers covering product development, product marketing, recommendations on infrastructure development, investment, human resource skill enhancement and SME development. These research papers will cover analyses of environmental, social and economic impacts, assessment of the expected results and recommendations of mitigation measures to achieve the development of a fully sustainable tourism.

The third phase involves the preparation of a five-year action plan to follow a preparatory plan . The first year is devoted to organizational activities and initiatives to immediately kick-start the strategy providing it with traction in the formative period when foundations are being laid. The succeeding five-year period (2010 to 2014) is the timeframe for the implementation of the strategy. The action plan identifies the phasing of tasks, responsibilities for initiating and execution of initiatives and a management structure to monitor and evaluate performance. It is complemented by a detailed five-year marketing plan.

Such plan has stopped being implemented in light of the political developments that took place after the 25th of January revolution. It is expected to be back in place after the political situation and economic circumstances stabilize.

4. Problems Facing the Development of the Sector

The comparative advantage that Egypt enjoys in tourism is not fully utilized due to a number of obstacles including modest quality of human resources, unfriendly tourism culture by some segments of the society, quality of services transportation and infrastructure related problems, high level of pollution, low hygienic standards, tourist harassment, transport safety, modest infrastructure, weak human capacity, lack of

environmental protection, weak coordination between governmental organizations and municipalities dealing with tourism, and cumbersome bureaucratic procedures associated with doing business (Zaki, 2008; Eraqui, 2007a). The lack of good transport and related infrastructure deprives Egypt from offering joint tourism products (as historical tourism, which is often in Cairo, and marine tourism, which is often in Red Sea and South Sinai), hence preventing it from fully utilizing its comparative advantage.

Moreover, the ambitious plans of attracting tourists face several problems associated with environment, capacity of tourism areas, etc. As a result, plans of the Ministry of Tourism through TDA started to revise its expansionary plans to take into consideration elements as environment preservation (UNEP and WTO, 2005). The international community and donors have been helping TDA in this regard, where for example the USAID has signed a bilateral agreement with the GOE on a project called " Red Sea Sustainable Tourism Initiative (RSSTI)", which aims at providing technical assistance and the provision of cash transfers based on successful adoption of policy measures by the government for preserving environment..

The sector suffers also from a number of institutional and regulatory problems arising from overlapping jurisdictions and weak coordination between the different governmental agencies involved in dealing with the sector. For example, as cited by Sakr et. al (2009), there are more than 17 authorities involved in the dealing with the tourism sector with poor coordination (e.g., Ministry of Health, Ministry of Culture, Ministry of Interior, Ministry ofManpower and Emigration, Ministry of Tourism, Ministry of Defense, etc.). Moreover, there is huge overlap between the role of TDA and the municipalities, despite the clear role set by law and giving the TDA the main responsibility. Other examples, include raising of service fees on some tourism related activities by other ministries (as Ministry of Culture and Ministry of Civil Aviation) without prior consultation with the Ministry of Tourism. Moreover, The system of environmental approvals was cited to suffer from several problems associated with coordination, bureaucracy, etc. (UNEP and WTO, 2005). Such actions in turn have a negative impact on agencies working in the field of tourism and adversely affect Egypt's competitiveness in this field. (Sakr et. al, 2009).

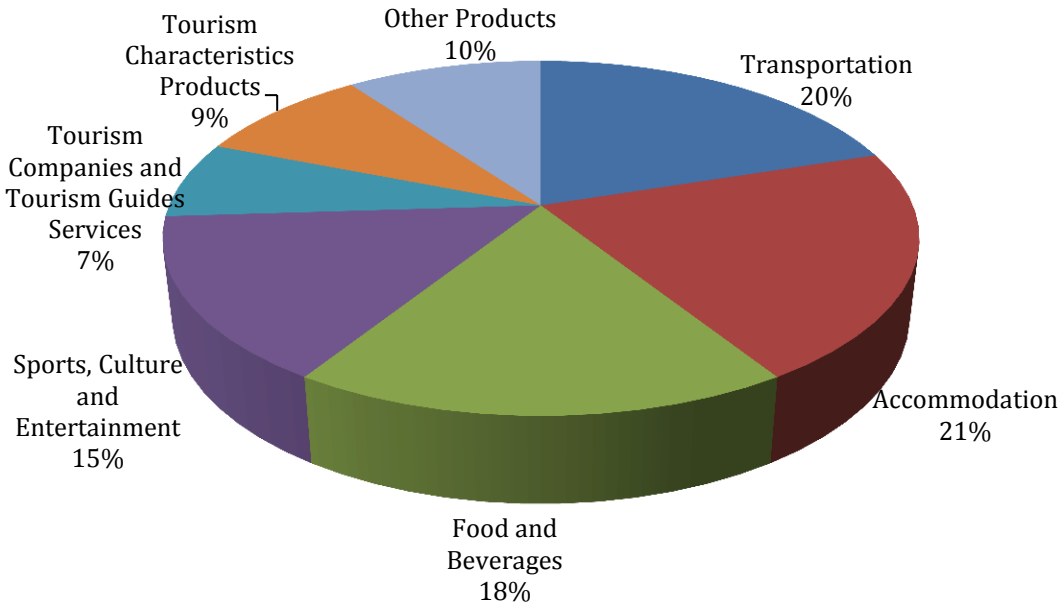
5. Expenditure Patterns

Expenditure pattern surveys have been constantly undertaken by the Ministry of Tourism in collaboration with CAPMAS. They undertake wide scale surveys to investigate the tourists' patterns of expenditure. Moreover such surveys reveal a number of indicators on tourism industry in general. We report below a number of the results of such surveys. Following the results of the 2008 and 2009 surveys which used a sample of around 105 thousand and 120.7 thousand tourists, a number of results were obtained. For example, Western European tourists rank first in terms of inbound tourists (more than 55%) followed by Arabs (15-20%). The inbound tourism remains highly concentrated in package tour visitors (72%) which is mainly dominated by Western Europeans compared to 28% for individual tourists (where more than 50% of it are by Arabs). The age group with highest percentage for inbound tourism is the 40-59 years old age group (40%) followed by the 20-39 years old age group (37%). The majority of tourists (62%) come for the sake of entertainment and recreation, where about 20% come for the purpose of visiting archeological sites. Average length of stay for individual tourism is 11.5 nights compared to 8.9 nights for package tour tourism. The accommodation is concentrated for package tours tourists in hotels (including floating hotels) (85%) where Arabs account for 76% of their total tourists nights, where this ratio drops to 65% for the Americans. The place of accommodation differs by tourists where there is a tendency for Arab tourists to stay in Cairo and Giza while Western Europeans tend to stay more in South Sinai and Red Sea, followed by Cairo and Giza, and to a lesser extent by Luxor and Aswan. There is high dependence on travel agencies for trip arrangements where 66% of tourists rely on travel agencies. Moreover, the reliance on travel agencies is mainly dominated by Europeans.

Regarding patterns of expenditure, the surveys revealed that tourist who spend $ 200 or more per night represent 31% of inbound tourism, followed by those who spend $ 100 to 150 per day. The average tourist expenditure reached $ 101.5 per night which increases in the case of individual tourists to $ 117.8 per night compared to $ 93.1 per night for package-tours tourists. Hotel accommodation and food and beverages account for the largest share of expenditure representing 36% of total outlays, followed by shopping (18-19.5%) and by recreation and sporting facilities (8.8-11.2%). In the case of package tours, tourists' expenditure outside the package accounts for around 22-29% of total expenditures. This is in line with the results obtained out of the TSA which

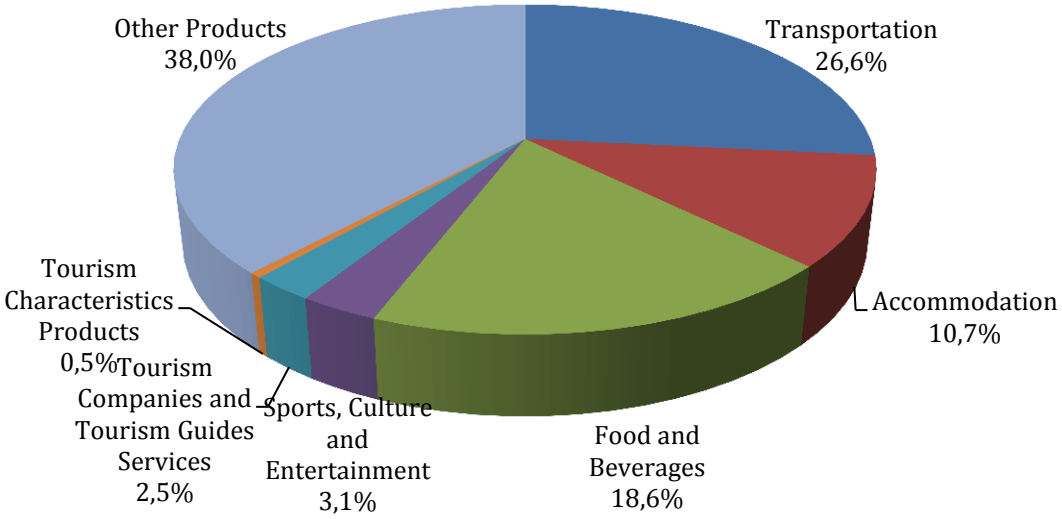
shows that accommodation, transportation, and food and beverages account for the lion's share of the inbound tourism expenditure (Ministry of Tourism, 2011a). The pattern of domestic tourism expenditure is highly similar to the inbound tourism as revealed by figures 12a and 12b.

Figure 12a: Structure of Inbound Tourism Expenditure by Item, 2009



Source: Ministry of Tourism, Egypt's Tourism Satellite Account Report, Executive Summary, December 2011.

Figure 12b: Structure of Domestic Tourism Expenditure by Item, 2009



Source: Ministry of Tourism, Egypt's Tourism Satellite Account Report, Executive Summary, December 2011.

The expenditure patterns differ significantly by the origin of tourists. As quoted by Tohamy and Swinsco (2000) in a survey carried out by the Ministry of tourism in 1996 it was identified that tourists spend on average 31% of their expenditure within hotels and 69% of their expenditure outside hotels, with major expenditure outlets in entertainment and culture (19%) shopping (18%), and other food and drinks outside hotel (11%). This is in line to a large extent with the survey results of 2008 carried out by the Ministry of Tourism and CAPMAS. Yet this pattern differs by the origin of tourists, where tourists from Arab countries, namely the Gulf Region (Saudi Arabia, Kuwait, United Arab Emirates, Bahrain, Qatar, and Oman) tend to have a different pattern of expenditure. The reason behind different pattern of expenditure for tourists of Arab origin has to do with their length of stay and the frequency of visits, where Cairo is a popular summer resort for them and hence they tend to stay for longer times and the frequency of visits is higher.

6. Tourist Satisfaction issues in Egypt

As argued above, the Ministry of Tourism in collaboration with CAPMAS, has been conducting tourist sample surveys for a long time. It can be argued that since the 1990s the problems facing tourism have remained the same to a large extent. For example, in the surveys conducted in 1992, 1994, and 1996 a number of problems facing the industry were identified. The problems included level of cleanliness, environmental protection, quality of services of domestic flights and taxies, unfriendly treatment of foreigners in tourist locations (abuse and exploitation), and acute shortage of public toilets. Such problems caused relatively high level of dissatisfaction. The activities that have received relatively high level of satisfaction included accommodation facilities, banks, customs and immigration authorities.

Some studies have tried to evaluate the satisfaction of tourists in Egypt. For example, Eraqui (2006) used some statistical analysis for a small survey. He identified that the general level of satisfaction of tourists is good. Most of the areas of dissatisfaction of tourists where related to weakness of infrastructure's services levels, followed by unsustainable environmental conditions, unfriendly tourist behavior of some Egyptians, and finally unsuitable safety and security conditions (Eraqui, 2006; AmCham, 2008). In another study (Eraqui, 2007b) it was identified that tourism transport services represent a major concern for tourists where airport services and behavior of bus drivers

act as a significant concern for tourists. Transport services are also associated with pollution and traffic problems which tend to be among the major dissatisfactory areas for tourists, especially in Greater Cairo.

The tourist sample surveys of 2008 and 2009 identified a number of concerns including: low level of cleanliness and high degree of pollution; weak environmental awareness; high prices associated mainly with entrance fees to touristic sites; absence of an effective system for price control and monitoring; traffic congestion and non-compliance with traffic laws; low quality of transportation means including railways and domestic flights, lack of discipline of taxi drivers and their abuse of tourists; poor connections and services in all means of domestic trans[port.

7. Future Prospects including Impact of Arab Spring on Tourism

The aftermath of the 25th of January, 2011 revolution has negatively affected the tourism sector. In December 2011, tourist arrivals have recorded 9.8 million with a decline of 33 % comparing to December 2010; Number of tourist nights reached 114.2 million nights with a decrease of 22.5 % in December 2011 compared to December 2010. According to the latest information in March 2012, tourist arrivals have recorded 0.9 million with a decline of 30.8% comparing to March 2010; Number of tourist nights reached 10.2 million nights with a decrease of 13 % in March 2012 compared to March 2010; and revenues reached 1.8 US$ billion in the third quarter of the fiscal year 2010/11 with a decline of 33 % compared to the third quarter of the fiscal year 2009/2010. (Central Bank of Egypt, monthly bulletin, May, 2012) In fact, all tourism cities in Egypt have suffered a significant decline where Nuweiba and Al Quseir experiencing the hardest hit with a decline of 41 and 37 percentage points in occupancy rates, followed by Cairo, Sharm El Sheikh, and Alexandria with 35, 34 and 12 percentage points decline respectively between 2010 and 2011 (Picenoni and Choufany, 2012). The amount of direct losses have been estimated to reach $ 267 million on weekly basis (Ragab, 2011). As a result, tourism has been diverted to other destinations in the region including Dubai and Doha (table 5). Such decline in different growth rates have resulted in significant repercussions on the industry where announcements of layoff have been declared, as well as taxes revenue foregone loss for the government (Ragab, 2011).

Table 5: Average Annual Occupancy (2008-2011)

Country	Rank			
	2008	2009	2010	2011
Bahrain	6	8	10	11
Egypt	1	2	1	6
Iraq	7	3	2	3
Jordon	5	9	11	10
Kuwait	10	10	12	9
Lebanon	11	7	8	7
Oman	9	6	7	5
Qatar	8	11	9	8
Saudi Arabia	4	1	4	2
Syria	3	5	3	12
Turkey	13	13	6	4
UAE	2	4	5	1
Yemen	12	12	13	13

Source: Picenoni, Rico and Hala Matar Choufany (2012), *2012 Middle East Hotel Survey: The Impact of the Arab Spring*, HVS, April 2012.

In general, it has been proven that the tourism sector in Egypt has been highly vulnerable to external and internal shocks. This has been experienced in several events including the Gulf War in 1990/1991, there was a drop of nearly 15% in the number of tourist arrivals and of almost 19% in the number of nights spent. In 1993, terrorist acts caused a fall of about 22 and 30%, respectively compared to 1992. Due to the Luxor attack (November 1997), tourism fell by nearly 13% and receipts by 31% in 1998 compared to 1997. Finally, as a result of the Palestinian *Intifada* and the 9/11 attacks on the United States, there was a decrease of nearly 16% in the number of visitors and 9% in tourist nights in Egypt (Sakr and Massoud, 2003). In fact the decline experienced in the aftermath of the 25th of January revolution is much larger than any of the aforementioned shocks. However, as identified by Sakr and Massoud (2003), the tourism sector enjoys relatively fast recovery when compared to other sectors, yet this recovery is mainly due to price cuts. The empirical evidence, in the case of Egypt has also shown that the recovery period is prolonged if the shock was mainly due to security and safety matters, when compared to economic and financial aspects. In the case of the 25th of January revolution, Egypt is experiencing a double shock effect, the first is due

to the lack of security prevailing after the 25th of January revolution, and the second is due to the economic downturn faced by euro zone crisis. Given the high concentration of tourists from the euro zone, this implies that the euro zone crisis is likely to have a significant impact on Egyptian tourism. Yet, despite this downturn there has been expansion plans undertaken by some international hotel chains as well as the embarking of the Ministry of Civil Aviation on long term developments to upgrade and modernize airport facilities which has been started around 10 years ago (Picenoni and Choufany, 2012). Moreover, the Ministry of Tourism has embarked on several promotion campaigns that aim at enhancing tourism and encouraging tourists to visit Egypt (Ragab, 2011).

After the political situation is stable, and the reputation of tourism in Egypt is back to the norm, there is a need to revisit the strategies set by the TDA for enhancing tourism. Among the issues that require additional efforts is preserving environment, as well as upgrading the level of infrastructure and human capacity. Diversification of products in terms of encouraging independent tourism, while not neglecting group tourism as well and in terms of offering new packages (e.g. linking historical and marine tourism) should be thought of.

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CHAPTER 2:

EXPLAINING BILATERAL TOURISM FLOWS IN A GRAVITY PANEL DATA FRAMEWORK

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Abstract

Using panel data approach for the years 2000 and 2010 in a gravity framework, we analyze the determinants of tourist arrivals around the world. We found that distance (geographical, economic, cultural and political) is a key variable influencing these flows. As a novelty we explore the role of visa restrictions in driving inbound (and outbound) flows of tourists, finding and important impact for such travel impediments in the case of MENA countries. Results recommend enhancing existing linkages between MED countries as the most relevant policy in fostering tourist flows in this area.

Keywords: Tourists arrivals, panel data, bilateral linkages, visa restrictions, MED region.

JEL classification: C23, J61, L83.

1. Introduction

Tourism activities are of great importance in Mediterranean (MED) countries, showing in the majority of cases shares on the national GDP of around 10%, including direct and indirect businesses. They promote infrastructures, and generate important levels of employment; allows for the valuation of traditional activities and other country assets such as culture, the national patrimony, and community life, all of them being an important part of the richness of the MED region; also provide big revenues for governments (McKercher and Du Cros, 2002). Political factors as the promotion of peace are usually associated to the tourism industry, given that when ensuring the arrival of new visitors, it is provided an incentive for peacekeeping, building a bridge between origin and destination societies and their cultures (Eilat and Einav, 2004). In this context, our investigation is directed to better understand the factors leading tourism flows worldwide, and particularly inside the MED area. With that objective, we estimate a function of tourists´ arrivals. The econometric model controls for the role of bilateral relationships between countries of origin and destination of travelers (geographical, cultural, economic, etc.), as relevant determinants of such types of flows. This focus enriches previous approaches usually centered on the economic dimension of the destination choice of tourists (exchange rates, GDPpc, prices, etc.), opening a broader view for the analysis.

As a novelty, we are also interested in exploring the effects of visa restrictions affecting flows of travelers, both for inbound and outbound flows. This is a novel and interesting issue just recently appearing in tourism studies. Many countries use visa restrictions as a mechanism to restrict entry to unwelcome travelers. The cost and hassle of obtaining a visa represent an important hurdle for many travelers, and because of it some travelers choose to change their destination elsewhere. For example, tourism groups coming to recent Olympic Games in the US, China and the UK, complained about the tight restrictions on travel and visa requirements, or even decided to spend their holidays elsewhere (Songa et al., 2012; Thomas, 2012). While general opinion agrees that visa restrictions actually reduce the flow of travelers, it remains an empirical question to evaluate the true impact. Neumayer (2010) found that countries with visa restrictions on average reduce the bilateral flow of travelers by around 60 percent.[1] The novel feature

[1] Using the same data on visa restrictions, Neumayer (2011) and Bertolia and Fernández-Huertas (2012) found that countries with visa restrictions on average reduce the bilateral flow of exports and foreign

of this paper is the use of a two-year panel data in order to introduce controls for country-pair fixed effects in order to estimate the effect of visa restrictions on international travel. For that purpose we have constructed a new database of bilateral visa policies for the years 1999 and 2009 that will be used to estimate the determinants of bilateral travel between 2000 and 2010.

Most papers on the determinants of international tourist flows use as their dependent variable, either the total number of arrivals to a country over a period of time (Zhang and Jensen, 2007) or a pooled of annual origin-to-destination arrivals (Eilat and Einav, 2004; Gil-Pareja et al., 2008). Baltagi et al (2003) and Chen and Wall (2005) show that a standard gravity model of trade with cross-section of data or pooled data tend to be biased because of unobserved or incorrectly specified individual and time heterogeneity. In the context of flows of travelers and visa restrictions, such bias could arise if there were, e.g., historical reasons for a low level of any type of bilateral exchange, included travelers, as well as for low level of political and diplomatic relationship between the two countries. It might also be that the measures of physical or cultural distance used in standard gravity models were biased measures of distance-related transaction costs. If unobserved components of political, historical, cultural and geographical proximity positively affect visa policy and international travel, OLS estimates would suffer from endogeneity bias and overestimate the true effects of covariates on international travel volumes.

We include travel determinants into a theory-grounded gravity equation. The data has a time dimension that we exploit in order to take into account unobserved heterogeneity by differencing out unobserved country-pair specific characteristics. The advantages of this approach in the gravity context have been corroborated, among others, by Baier and Bergstrand (2007) and Head et al (2010). Moreover, we are able to perform a regression-based test for strict exogeneity (Wooldridge, 2002). We report three major type of results: First, failing to control for observed time-variant heterogeneity and unobserved heterogeneity indeed leads to overestimation of OLS regression coefficients. Second, proximity relationships between countries of origin and destination of tourists are the main factors influencing arrivals. Cultural and political linkages, geographical distance, common history, border effects, are all relevant issues

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direct investment by about 25 percent and the bilateral flow of immigrants by around 40 percent, respectively.

influencing destination choices of travelers. And third, visa restriction plays a relevant role in this context, significantly reducing tourist arrivals to developing countries (around -23 percent). Particularly, visa restrictions seem to deter travelers going to Eastern Europe and Central Asia (-29 percent), Latin America and Caribbean (-21 percent), MENA countries (-23 percent), and Sub-Saharan Africa (-20 percent), with no apparent effects for flows arriving to developed countries. Finally, the detrimental impact of visa restrictions appear to be similar for travelers departing from both developed and developing countries.

2. Econometric specification

A conventional fixed-effects gravity model estimating the link between NTA_{odt}, the annual number of travelers (arrivals) from origin country *o* to destination country *d* at time t, and $VISA_{odt}$, a binary dummy variable that takes value of one if citizens from country *o* need a visa to visit country *d* at time t, might be presented as follows:

$$(1) \qquad lnNTA_{odt} = \beta VISA_{odt} + \gamma \boldsymbol{PROX'_{od}} + \gamma \boldsymbol{LINKS'_{odt}} + \tau_{ot} + \varphi_{dt} + \varepsilon_{odt}$$

where the vector $\boldsymbol{PROX'_{od}}$ collects time-invariant dyadic indicators of geographic and cultural proximity, which can influence bilateral travel costs; and the vector $\boldsymbol{LINKS'_{odt}}$ collects time-variant dyadic measures of economic, political or historical links that stimulate the exchange of people between countries, such as diplomatic representation, migrant networks or the intensity of trade relations. We include a comprehensive set of country-and-time effects τ_{ot} and φ_{dt} to control for all origin and destination specific determinants, in particular for multilateral resistance terms. Finally we impose the error structure $\varepsilon_{odt} = \alpha_{od} + u_{odt}$ where α_{od} is a dyad-effect and u_{odt} the usual idiosyncratic error term. In the presence of unobserved confounding factors, explanatory variables will be correlated with the error term u_{odt} so that OLS is invalid. In order to control for α_{od} we can proceed by estimating equation (1) including country-pair dummies to eliminate α_{od}.

3. Data

Data for annual bilateral arrivals (by country of origin and destination) are taken from the United Nations World Tourism Organization (UNWTO 2012) and cover the years 2000 and 2010. Table 1 describes the geographical pattern of the total number of arrivals and departures. In 2000 there were 681 million people traveling from one country to another; ten years later, the number was 941 million. High-income countries represented above 59 percent of the destination of total travelers, mostly concentrated in Western Europe (43 percent). In general, the number of travelers on average is growing at faster rate in non-high-income countries; the exception high-income countries in the East and Pacific region. The region with the highest annual growth rate of arrivals between 2000 and 2010 was Middle East and North Africa region (MENA) (8.8 percent), followed by Eastern Europe and Central Asia (6.9 percent). In contrast, arrivals to counties in North America only grew on average 0.6 percent per annum. Departures show more balanced shares of high-income and the rest of world countries. In individual terms, main origin of travelers is that of Western Europe, followed behind by Eastern Europe and Central Asia, and North America and East Asia. Traveling behaviour of European citizens around the continent, and majorly to MED region in summertime and Western renowned cities for the rest of the year, is one striking feature of worldwide tourism flows. In general, tourism is a continental issue, where distance matters, and people use to travel around nearby destinations.

Information on bilateral visa policies is obtained from the Travel Information Manual, a monthly publication of the International Air Transport Association, IATA. We expand the Neumayer (2006) dataset, which refers to November 2004. Our data refers to September 1999 and September 2009, so we can track changes in visa restrictions over time. We built a dichotomous variable signaling whether the citizens of country *j* are requested to have a visa for entering into country *k* or they benefit from a visa waiver. Visas upon arrival are considered as visa waivers because they need not to be requested before traveling. The dataset contains 179 countries of destination and 188 countries of origin.

Table 1. Arrivals and departures of travelers around the world

	Arrivals in 2010 (millions)	Share (%)	Annual avg growth rate 2000-2010 (%)	Departures in 2009 (millions)	Share (%)	Annual avg growth rate 2000-2009 (%)
WORLD	**941,6**	**100**	**3,24**	**922,1**	**100**	**2,32**
HIGH-INCOME COUNTRIES	**558,6**	**59,3**	**1,72**	**532,2**	**57,7**	**1,00**
East Asia and Pacific (high income)	75,6	8,0	5,83	62,8	6,8	3,74
North America	76,1	8,1	0,67	87,8	9,5	1,36
Western Europe	406,9	43,2	1,32	381,6	41,4	1,01
NON HIGH INCOME COUNTRIES	**383,0**	**40,7**	**6,15**	**409,0**	**44,4**	**7,33**
Eastern Europe and Central Asia	106,1	11,3	6,98	104,7	11,4	5,70
East Asia and Pacific (low income)	117,8	12,5	6,31	na	na	na
Latin America and Caribbean	64,2	6,8	3,10	41,2	4,5	3,34
Middle East and Northern Africa	53,1	5,6	8,83	25,3	2,7	3,13
South Asia	9,4	1,0	6,68	20,1	2,2	10,41
Sub-Saharan Africa	31,7	3,4	5,82	na	na	na

Source: Own elaboration using World Bank, World Development Indicators.
na: not available.

The number of changes to visa restrictions is relatively small in this period compared to the total number of restrictions in place, as shown in Table 2.[2] Taking into account the countries where information is available for the 2000-2010 period, the net reduction in the number of visa restrictions is slightly lower than 10% (from the initial level in 2000), and that trend towards a cut in this kind of barrier speed up between 2005 and 2010 with respect to the previous five-year period. Reciprocity is a common feature in the global process of cutting the number of visa restrictions (i.e., the less restrictive a country is with respect to travelers from another country, the less restrictions it used to face by the partner), since about half of the total number of cuts are reciprocal. Differences of restrictions by countries to travel to, are not relevant between high and non-high income groups, but for East Asia and Pacific that face less restrictions in total number. In terms of restrictions for countries to travel from high-income countries face

[2] During the period covered by our analysis, the general trend shows a reduction in the number of visa restrictions all over the world. Several examples, among many others, coming from countries in different continents and uneven degree of development could be underlined: since 2001 EU citizens except from the UK and Ireland are exempted from the visa requirement when travelling to Albania. Since 2007, Cambodia allows all foreign visitors to obtain a tourist visa upon arrival at the airport. Also since 2007, Philippines granted visa free to Indians nationals. Since 2008, Ecuador allows tourists from all countries but 10 to stay for up to 90 days without a visa on their arrival. However, that is not an unanimous trend, and there is cases of stricter visa policy. For example, in application of the Schengen visa policy, Spain recently introduced a tourist visa to Colombia (2002), Ecuador (2004); Chile, Peru, Argentina and Bolivia (2007) and the rest of Latin America (2009).

relatively less problems of departures than their counterpart group of countries. MENA countries have accomplished a relevant reduction in visa restriction for arrivals in the past ten years (-16%), although still have to continue improving accession to their territory for travelers.

Table 2. Visa restrictions in the world

	Countries that require visa to travel to … maximum of 188 countries			Countries that do not require visa to travel from … maximum of 179 countries		
	2000	2010	Difference	2000	2010	Difference
WORLD	**133**	**125**	**-8**	**124**	**112**	**-13**
HIGH-INCOME COUNTRIES	**127**	**123**	**-4**	**72**	**56**	**-16**
East Asia and Pacific (high income)	86	79	-7	84	66	-18
North America	150	143	-7	71	59	-12
Western Europe	126	123	-3	68	51	-17
NO-HIGH INCOME COUNTRIES	**137**	**124**	**13**	**136**	**124**	**-12**
Eastern Europe and Central Asia	152	139	-13	128	103	-25
East Asia and Pacific (low income)	144	133	-11	141	132	-9
Latin America and Caribbean	122	111	-11	120	107	-13
Middle East and Northern Africa	136	120	-16	146	135	-11
South Asia	166	153	-13	159	149	-10
Sub-Saharan Africa	123	109	-14	144	132	-12

Source: Own calculations.

Note: Interpretation of cell with value 86 (block of travel to): High income countries in the East Asia and Pacific region impose on average visa restriction to 86 countries in 2000. Value 84 (block of travel from): High income countries in the East Asia and Pacific region face on average visa restriction for entering 84 countries in 2000.

Data on income and population in 2000 and 2010 are taken from World Bank (2012). Time-invariant dyadic explanatory variable such as distance, contiguity, common language, colonial relationship and same continent are obtained from Head et al. (2010). We draw on several sources for the time-variant dyadic variables: the sum of bilateral migration stocks in 1990 and 2000 are from Ozden et al. (2011); the sum of bilateral trade flows in 1995 and 2005 are from Head et al. (2010) CEPII gravity database; the sum of the sending diplomatic contacts and receiving diplomatic contacts in 1995 and 2005 is obtained from Diplomatic Contacts (DIPCON) database; the common membership in a economic integration agreement (EIA) in 1995 and 2005 is obtained

from Baier and Bergstrand (2007).[3] Summary statistics of the variables are displayed in Appendix Table A.1, and a list of the countries of destination included in the analysis is displayed in Appendix Table A.2.

4. Empirical Results

Table 3 contains the estimation results. To start with, all the estimations include year-specific country dummies so we control for all possible observable and unobservable country-specific characteristics. Column (1) replicates the preferred specification of Neumayer (2010) paper using data for the years 2000 and 2010. The estimation excludes time-variant explanatory variables ($\boldsymbol{LINKS'_{odt}}$) in equation (1). All the time-invariant dyadic control variables ($\boldsymbol{PROX'_{od}}$) exhibit the expected sign and are statistically significant at conventional levels. Geographical and cultural proximity demonstrate a very strong effect on international travel. For example, pairs of countries that share a common border or speak the same language exchange on average people three times more than pairs of countries that do not share frontier or speak different languages. For visa restrictions, the estimated coefficient suggest that the existence of a visa requirement reduces the bilateral flows of visitors by 55 percent, close to impact found by Neumayer (2010) using data for year 2005 (between 60 and 63 percent).[4]

In the second column of Table 3 we introduce a vector of time-variant explanatory variables ($\boldsymbol{LINKS'_{odt}}$). The new variables measuring economic and political links exhibit the expected sign and are statistically significant at conventional levels. The impact of diplomatic relations on international travel is positive: the presence of an embassy in the country of destination of visitors increases arrivals by 57 percent. In a similar way, if both countries are members of a regional economic agreement, arrivals increase by 13 percent. Moreover, the higher the intensity of exchange of goods (flows of migrants in the past), the larger the impact on international travel: bilateral travel flows increase by more than 1.4 (2.1) percent when, bilateral trade (bilateral migration) increase by 10 percent.

[3] Web links for publicly available databases are: DIPCON database: http://www.u.arizona.edu/~volgy; EIA database: http://kellogg.nd.edu/faculty/fellows/bergstrand.shtml;WB-GBM database: http://data.worldbank.org/data-catalog/global-bilateral-migration-database; CEPII gravity dataset: http://www.cepii.fr/anglaisgraph/bdd/gravity.asp

[4] Reported coefficients do not render direct marginal effects or elasticities. We need to compute those numbers to obtain the values referred to in the text.

In addition to their own explicative role, the inclusion of time-variant control variables, $\boldsymbol{LINKS}'_{odt}$, have relevant implications on the estimated magnitude of the coefficients of the rest of variables, included on visa-related coefficient. All the coefficients but one (the one of same region) are much smaller than those reported in Column (1). For example, the coefficient on distance falls by nearly half the preceding value (from -1.44 to -.787) and the one on colonial link falls by nearly two-thirds (from 0.90 to 0.38). Moreover, the existence of a visa requirement reduces the bilateral flows of visitors by 46 percent from the preceding 55 percent. Marginal effects are equally lower now than were in column (1), i.e. for geographical distance (-54%), contiguity (117%), colonial links (46%), and common language (101%). In any case, results continue showing the remarkable role of proximity issues between countries of origin and destination of tourists in promoting travels.

The third column of Table 3 presents our preferred specification. When the estimation controls for country-pair fixed effects, a key ingredient in our analysis, the estimate of visa restrictions dummy falls by nearly two-thirds (from 0.61 to 0.23). The effect of visa restrictions is estimated at 20 percent, a much smaller impact than the one reported by Neumayer (2010) or our previous estimates. In the same line of argument, after controlling for dyad fixed effects, the positive impact of embassies on international travel flows is approximately 8 percent, i.e. much smaller than the one found without controlling for dyad fixed effects in this paper (column 2: 56 percent) or in Gil-Pareja et al (2007) (table 1, column 4: 29 percent).

As robustness check, we estimate equation (1) using a Poisson estimator with clustered standard errors, as suggested by literature (Santos Silva and Teneyro, 2006). The results are presented in columns 4 and 5 in Table 3. Results are very similar for our variable of interest: once we control for country-pair fixed effects, the detrimental impact of visa restrictions is about 30 percent. [5] Overall we can conclude that the lack of control for country-pair fixed effects introduces a severe upward bias in the impact of visa restrictions on international travel flows.

[5] As a final robustness check we also have taken first differences of equation (1). As suggested by Wooldridge (2002, page 285), in a two-period framework we can test whether the difference version of equation (1) satisfies the assumption of strict exogeneity $E[\Delta u|\Delta X]=0$ where ΔX is the vector of first differences of all time-variant explanatory variables. When we implement the differenced version of equation (1) and perform a F-test for joint significance, in all the specifications we could not reject strict exogeneity hypothesis.

Table 3. Estimation results of factors determining international travel arrivals

	(1)	(2)	(3)	(4)	(5)
Dependent variable	ln arrivals	ln arrivals	ln arrivals	arrivals	arrivals
Method estimation	OLS	OLS	OLS	POISSON	POISSON
Visa restriction odt	-0.789***	-0.612***	-0.232***	-0.635***	-0.365**
	[0.0377]	[0.0328]	[0.0563]	[0.0627]	[0.163]
ln distance od	-1.441***	-0.787***		-0.703***	
	[0.0270]	[0.0289]		[0.0702]	
Contiguity od	1.075***	0.775***		0.490***	
	[0.0970]	[0.0784]		[0.0987]	
Colonial link od	0.900***	0.381***		0.0944	
	[0.111]	[0.0871]		[0.0884]	
Common language od	1.093***	0.696***		0.290***	
	[0.0431]	[0.0388]		[0.0634]	
Same region od	0.208***	0.243***		0.321***	
	[0.0417]	[0.0369]		[0.0754]	
Economic integration agreement odt		0.122***	-0.041	0.100*	0.138
		[0.0370]	[0.0373]	[0.0563]	[0.123]
Diplomatic relations odt		0.452***	0.0867**	0.0916	0.153
		[0.0304]	[0.0414]	[0.0625]	[0.100]
ln bilateral trade odt		0.134***	0.0179*	0.203***	0.252***
		[0.00698]	[0.00915]	[0.0514]	[0.0689]
ln bilateral migration odt		0.193***	0.399***	0.196***	0.128***
		[0.00650]	[0.0137]	[0.0136]	[0.0380]
country pair fixed effects			yes		yes
Observations	17259	16268	16268	16268	16268
R-squared	0.862	0.887	0.981	0.912	0.933

Note: Robust standard errors in parenthesis. *, ** and *** indicate significance at 10%, 5% and 1%. All regressions include country-and-year effects and a constant.

In order to get deeper insights in our novel result on visa restrictions, we next analyze whether such an effect differs across groups of countries in the sample. To test for this, we interact the visa variable with various dummy variables for country groups. Results are displayed in Table 4. To start with, visa restrictions have a more damaging effect on bilateral travel to developing countries than to developed ones. Whereas such restrictions reduce bilateral travel by approximately 20 percent to developing countries, the effect is statistically not different from zero on travel to developed countries. The reason is more likely that traveling to developed countries on average is more hardly pursued by potential visitors than doing it to developing countries; as a consequence, the existence of visa restrictions does not seem to constitute a truly impediment to travel to developed countries. Among the more advanced economies, we find that visa restrictions have statistically not significant impact to travel to any of the high-income

countries located in East Asia and Pacific (Japan, Australia, New Zealand), North America (Canada and USA) and Western Europe. Among the developing countries, visa restrictions have the largest effect on travel to countries in Eastern Europe and Central Asia (-29 percent), followed by Middle East and Northern Africa (-23 percent), Latin America and the Caribbean (-21 percent) and Sub-Saharan Africa (-20 percent). The effect on travel to low or middle-income eastern Asia and the Pacific and to South Asia is negative but statistically insignificant. Note that these areas enjoyed the highest level of economic growth in the decade under consideration, which could make more profitable (on average) travelling to those countries. Again, if it was the case, it may explain the lower impact of visa restrictions on travelling with respect to the rest of less developed and emerging world.

Testing conversely for differential effects of visa restrictions on visitors coming from certain groups of countries, we find that such restrictions have the same effect on visitors from developed (-19 percent) and from developing countries (-20 percent). This result suggest that after controlling for unobserved time-invariant dyad factors, the level of income of the countries does not matter in order to overcome the hassle and economic costs of obtaining a visa. Nevertheless, we have large heterogeneity in the impact of visa restrictions by geographic regions. Among developed countries, the most strongly affected travelers are those from Western Europe (-26 percent) and North America (-21 percent), whereas travels from East Asia and the Pacific are not statistically affected. Among the various regions of the developing world, visa restrictions have the strongest negative effect on travels from Sub-Saharan Africa (-34 percent) and Eastern European and Central Asia (-21 percent). Travelers from low-income countries of Latin America, East Asia, South Asia and Northern Africa not appear to be significantly affected.

Table 4. Impact of visa restrictions on international travel by groups of countries

	(1) Travelers to (income group)	(2) Travelers to (region group)	(3) Travelers from (income group)	(4) Travelers from (region group)
*VISA * Dummy (origin or destination country group)*				
High income countries	-0.0885		-0.238***	
	[0.0912]		[0.0777]	
East Asia and Pacific (high income)		-0.0829		-0.171
		[0.169]		[0.133]
North America		0.187		-0.239**
		[0.142]		[0.121]
Western Europe		-0.371		-0.304***
		[0.279]		[0.0624]
No-high income countries	-0.227***		-0.206***	
	[0.0728]		[0.0689]	
Eastern Europe and Central Asia		-0.347**		-0.245**
		[0.140]		[0.114]
East Asia and Pacific (low income)		-0.111		-.0401
		[0.168]		[0.178]
Latin America and Caribbean		-0.242**		-0.228
		[0.0972]		[0.152]
Middle East and Northern Africa		-0.262**		-0.108
		[0.126]		[0.149]
South Asia		-0.0693		0.104
		[0.161]		[0.232]
Sub-Saharan Africa		-0.226**		-0.420*
		[0.116]		[0.221]
Economic integration agreement odt	-0.0403	-0.0386	-0.0409	-0.0372
	[0.0499]	[0.0499]	[0.0499]	[0.0500]
Diplomatic relations odt	0.0862**	0.0871**	0.0866**	0.0873**
	[0.0414]	[0.0415]	[0.0414]	[0.0414]
ln bilateral trade odt	0.0176*	0.0174*	0.0178*	0.0179**
	[0.00913]	[0.00917]	[0.00915]	[0.00913]
ln bilateral migration odt	0.0394***	0.0391***	0.0396***	0.0389***
	[0.0137]	[0.0138]	[0.0137]	[0.0138]
country pair fixed effects	yes	yes	yes	yes
Number of observations	16292	16292	16292	16292
R squared	0.981	0.981	0.981	0.981

5. Conclusions

In this paper we have developed a macro approach to the determinants of tourism flows, with special focus on the MED region. By applying a gravity framework, we have seen the role of relevant socio-economic and political factors in pushing inbound and outbound flows of tourists. Main results have primarily shown the key role of distance in promoting tourism. Tourist arrivals in MED destinations, and worldwide, use to come from nearby geographical areas. In MED region, the origin of tourists is majorly that of the EU and MENA countries (Gulf countries), and CIS countries as well (Russia mainly). For the rest of the world, tourists also use to travel along their continent of origin. Such an outcome results in several key policy issues: historical and social linkages between countries are relevant in promoting tourism flows (colonial ties, language, culture, belonging to the same region, etc.); geographical (and cultural) distance is also important in defining the size of bilateral tourism flows arriving to a single country. In the case of MED destinations, promotion campaigns should then be focused on potential clients from nearby destinations (EU, The Gulf, Russia, Eastern Europe), and on those coming from selected new sending countries (India, China, Latin America). Another result of this part of the study shows the relevance of political ties between countries in fostering arrivals of visitors: bilateral agreements, visa restrictions, and diplomatic relations are relevant variables in influencing the volume of tourism flows. The influence of visa restrictions is a novel result provided by the current research in tourism studies, and we have been able to improve estimation techniques for capturing this effect empirically. Basically, our model copes with (time and country) heterogeneity in estimation, by exploiting panel data methodology, and controls for all other bias potentially arising in a gravity framework, by including dyadic time variant and invariant effects, and multilateral resistance terms. It allows us to technically improve the measurement of such an effect in regards to previous studies. Further, the model also shows the role of economic ties in promoting arrivals of people. In this respect, bilateral trade and migration flows appear to increase the volume of tourism arrivals too.

As a general result, we have shown that the closer the links between countries of origin and destination of tourists, the higher the number of bilateral travels. In terms of the visa effect, it seems to be restricting the arrival of tourists to developing countries, as well as flows of travellers departing from both high and low-income countries. Particularly,

visa restrictions are shown to play a role in reducing inflows to Eastern Europe and Central Asia, Latin America, MENA countries and Sub-Saharan destinations, as well as outflows from citizens of Eastern Europe, Central Asia, Sub-Saharan countries, and Western Europe and North America. This is an important result for MED region, given that visa restriction can reduce the arrivals of tourists coming from Eastern Europe who increasingly travel to this destination. Moreover, inbounds to MENA countries are clearly affected by visa restrictions, reducing in 23% the number of arrivals. Visa requirements also appear to be restricting entrances from Western Europeans and North Americans, both being important visitors of Tunisia, Egypt, Turkey and other countries of MENA region. The impact of visa restrictions seems to reduce around 20-30% total arrivals and departures arising in these areas. Such a result presents clear policy implications, given that any improvement in visa facilitation would render a remarkable growth of future arrivals and receipts in MENA countries. As the model shows, once controlled for time invariant country-pair fixed effects (mainly capturing geographical and cultural ties between origin and destination countries), visa restriction is the major effect in explaining volumes of inbound and outbound travel flows, well above the effect of political and economic bilateral linkages.

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Appendix

Appendix Table A.1

Data for year 2000	Number	Mean	s.d.	min	max
lnvisitors	9010	6,86	3,44	0	17,89
visa restriction dummy	8643	0,55	0,50	0	1
lndistance od	8984	8,48	0,94	4,29	9,89
contiguity od	9010	0,04	0,20	0	1
colonial link od	9010	0,02	0,15	0	1
common language od	9010	0,20	0,40	0	1
same region od	9010	0,36	0,48	0	1
regional economic agreement od 1995	9010	0,14	0,34	0	1
diplomatic relations od 1995	8461	0,44	0,50	0	1
ln bilateral trade od 1995	8726	9,31	4,22	0	19,74
ln bilateral migration od 1990	8881	5,21	3,48	0	16,10

Data for year 2010	Number	Mean	s.d.	min	max
lnvisitors	9010	7,53	3,09	0,69	18,19
visa restriction dummy	8648	0,48	0,50	0	1
lndistance od	8984	8,79	0,94	4,29	9,89
contiguity od	9010	0,04	0,20	0	1
colonial link od	9010	0,20	0,40	0	1
common language od	9010	0,02	0,15	0	1
same region od	9010	0,36	0,48	0	1
regional economic agreement od 2005	9010	0,14	0,35	0	1
diplomatic relations od 2005	8461	0,50	0,50	0	1
ln bilateral trade od 2005	8726	10,24	4,51	0	19,97
ln bilateral migration od 2000	8881	5,69	3,47	0	16,09

Table A.2. List of countries of destination

Geographic regions	Included in panel	Countries of destination (code ISO3)										
East Asia and Pacific (high income)	8	AUS	FJI	HKG	JPN	KOR	NZL	SGP	TWN			
North America	3	CAN	MEX	USA								
Western Europe	20	AUT	BEL	CHE	CYP	DEU	DNK	ESP	FIN	FRA	GBR	
		GRC	IRL	ISL	ITA	MLT	NLD	NOR	PRT	SVN	SWE	
Eastern Europe and Central Asia	20	ALB	ARM	AZE	BGR	BIH	BLR	CZE	EST	GEO	HRV	
		HUN	KAZ	KGZ	LTU	LVA	MDA	POL	ROM	RUS	SRB	
		SVK	TJK	TKM	UKR	UZB						
East Asia and Pacific (low income)	9	CHN	IDN	KHM	LAO	MMR	MNG	MYS	PHL	PNG	THA	VNM
Latin America and Caribbean	31	AIA	ARG	ATG	BHS	BLZ	BMU	BOL	BRA	BRB	CHL	COL
		CRI	CUB	CYM	DMA	DOM	ECU	GRD	GTM	HND	HTI	JAM
		NIC	PAN	PER	PRI	PRY	SLV	TTO	URY	VEN		
Middle East and Northern Africa	13	ARE	BHR	DZA	EGY	IRN	IRQ	ISR	JOR	KWT	LBN	LBY
		MAR	OMN	QAT	SAU	SYR	TUN	TUR	YEM	AFG	BGD	BTN
South Asia		IND	LKA	NPL	PAK							
Sub-Saharan Africa	28	AGO	BDI	BEN	BFA	BWA	CAF	CIV	CMR	COG	COM	CPV
		DJI	ERI	ETH	GAB	GHA	GIN	GMB	GNB	GNQ	KEN	KIR
		LBR	LCA	LSO	MDG	MLI	MOZ	MRT	MSR	MTQ	MUS	MWI
		NAM	NGA	REU	RWA	SDN	SEN	SLE	SOM	STP	SWZ	TCD
		TGO	TZA	UGA	ZAF	ZMB	ZWE					

Note: "Underlined" ISO3 countries mean countries with lack of information either in 2000 and 2010; therefore they are excluded from the panel analysis.

CHAPTER 3:

FACTORS DRIVING EXPENDITURE OF TOURISTS IN MED COUNTRIES

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Abstract

Economic sustainability of tourism destinations highly depends on its capability to generate revenues. In this way, the analysis of factors determining expenditure patterns of tourists is one of the most scrutinised issues in the literature. The present study develops such an analysis for the Mediterranean region, focusing on two salient destinations: Spain and Turkey. Building on survey data, we explain daily expenditure of foreign visitors according to trip characteristics and individual profiles. Results confirm the relevance of all these variables in driving expenditures. They also lead to policy recommendations for improving the management of MED tourism destinations.

Keywords: MED region, tourist expenditure, trip characteristics, individual profiles.

JEL classification: C21, L83.

1. Introduction

The tourism sector has become one of the main wealth-creating industries at a global scale. In 2011 it accounted for more than 5% of the world GDP and 7% of total world employment, facing 983 million of arrivals and 740€ billion of receipts (UNWTO, 2012). Tourism is responsible of 30% of total exports of commercial services, and 8% of goods and services (IFS-IMF). As an export category, tourism ranks fourth after fuels, chemicals and automotive products. In some developing countries it is one of the main sources of foreign income, creating the necessary employment and growth opportunities, and turning into a key driver of socio-economic progress. Tourism activities generate jobs and enterprises, many of them SMEs, also permitting the development of pivotal infrastructures, help to accomplish external payments, and promote openness and the international image of the country (UNWTO, 2012).

The Mediterranean region is the world´s tourism leading market, together with Western Europe, receiving around 18% of total global annual arrivals (182 million of tourists) and 17% of receipts in 2011 (176€ billion). Forecast studies by UNWTO estimate that international tourist arrivals to the Mediterranean coast will amount for 300 million in 2020, with a growing path always above that of the regional GDP. Located in the MED region, Spain is the second country in the world in terms of tourism receipts (48€ bn), just besides the USA (86€ bn). The country also occupies the fourth place in terms of foreign tourism arrivals, with 57 million per year, with France being the leader with 80 million, although with lesser revenues per arrival, because of shorter stays and daily expenditures of visitors. Turkey was ranked in 7th position in terms of tourism arrivals, with 30 million-people inflows, and 10th in receipts, with 18€ billion, reaching an important growth of 6% in 2010 (UNWTO, 2012).

Recent evolution of tourism industry in the EU-MED countries has been of salient importance along the past fifteen years. Spain, Italy and France, together with Greece at a lesser extent, are world leaders in this sector, with average annual arrivals growing at 3%-5% and receipts at 4%-7%, since 1990. Turkey is also becoming a relevant tourism market, with arrivals growing at 8% in 1990-2000, and 14% from 2000 onwards. Receipts have shown remarkable growth of 9%-12% along years 2000-2010.

In this context, tourism has long been viewed as a tool for economic development due to its ability to generate substantial economic revenues (Lee and Chang, 2008).

Understanding the behaviour of tourists, and more specifically their expenditure pattern, is pivotal for managing the future development of MED destinations in a moment of tough economic crisis. Total expenditure includes a chain of activities composing the trip experience, such as transportation, accommodation, restaurants, shopping, etc. (Craggs and Schofield, 2009). An increase in expenditures can be due to an increase in the total number of days tourists spend in a given destination, and/or to an increase in tourists' daily expenditure. Therefore, from a policy point of view, it is very important to understand the main determinants of both daily expenditure and total number of overnight stays (Artal et al., 2010). In fact, the dynamics of these two variables, trip duration and daily expenditure, has been very different over the last decades. Stay duration has decreased over time at a worldwide scale, given changes in the holiday patterns of tourists (Alegre and Pou, 2006; Menezes et al., 2008). Daily expenditure has been evolving according to the type of tourism product the visitor has been focusing on, and regarding the information and familiarity the visitor has acquired with the destination (Alegre and Clareda, 2010). As the literature has shown, such an issue is better approached at a micro-level, by relying on information on both individual profiles of the tourists, and trip characteristics. This is the approach we pursue along this study for two leading destinations of the Mediterranean region: Spain and Turkey. Spanish case study builds on a rich data set for the years 2004-2009, based on personal interviews developed by the Spanish Institute of Tourism Studies. For the case of Turkey questionnaires have been completed at Antalya airport in the summertime of 2012. Both data sets provide homogeneous detailed information on expenditures, tourists´ profiles and activities, as well as for trip characteristics, according to the literature guidelines.

Building on this data set, the study aims to analyse the main factors driving tourists' daily expenditure. Provided that clients have a budget restriction, the higher the number of days spent at destination, the lower the daily expenditure is expected to be. Moreover, daily expenditure patterns of the visitor also rely on the type of tourism products chosen. Cultural activities, golf tourism, or health visits, as well as traditional "sun and sand" activities, lead to different patterns of daily expenditures of the tourist, as the literature has been emphasizing (Alegre et al, 2011). Further, and despite both destinations are located in the Mediterranean, they present some differences in the type of tourist they attract, and in the supply characteristics of the tourism model they build

on. In this way, another important feature of the study would be to distangle if those differences affect daily expenditure patterns of the tourists. After this introduction, the rest of the paper is organized as follows. Section 2 is devoted to the literature review, section 3 includes a descriptive analysis of the data set, section 4 develops the empirical model and estimation issues, while section 5 concludes.

2. Literature review on the expenditure of tourists

Expenditure patterns of visitors have usually been a pivotal variable in tourism studies (Kozak, Gokovali and Bahar, 2008). It has been approached in different ways by the literature. Some studies model the issue by employing the average expenditure per trip (Leeworthy et al., 2001; Mok and Iverson, 2000), while other focus on expenditure per person on a daily basis (Legoherel, 1998; Aguiló and Juaneda, 2000; Pol, Pascual and Vázquez, 2006). There are also studies employing the level of expenditure of tourists as a control variable when analysing tourism topics (Agarwal and Yochum, 1999; Jang et al., 2004). In the present study, we focus on the daily expenditure of a tourist as our variable of interest, this being the approach better fitting the characteristics of our data set, given that it employs individual survey data.

In what regards the methodology, Var and Lee (1990) summarizes three main approaches in studying expenditure of tourists, namely, quantitative, qualitative and combined. Quantitative approaches, rooted on historical data, include time series and causal methods. Causal methods account for regression models, as well as gravity and trip-generation models. Qualitative approaches involve experts or group opinions, including Delphi and scenario-writing methods. Combined approaches either use weighing scheme techniques or pure combination techniques (Lee, Var & Blaine, 1996). Our study relies on the quantitative approach by using an econometric framework through GLS linear models, in order to cope with heteroskedasticity problems usually arising in cross-section data. We explain “daily tourists’ expenditure” in relation to their individual profiles, trip characteristics and activities pursued in holidays. We also pay attention to the role played by stay duration and characteristics of tourism destination as explanatory variables.

Empirical studies on factors leading expenditure of tourists use to employ all sets of variables we account for in our exercise. Some of them build on individual profiles and

trip characteristics as explanatory variables. For example, Aguiló and Juaneda (2000) analyse tourists' daily expenditure in the Balearic Islands using cross-section data. They found a relevant role played by the origin of the tourist, socio-economic status, age, and their opinion on destination quality, in explaining expenditure patterns. Kozak, Gokovali and Bahar (2008) estimate tourists' expenditure determinants in Turkey using a self-generated survey data. Their findings show the role of country of residence, occupation, income, type of holiday, accommodation, travel companion, stay length, destination loyalty, package type, and overall value for money in leading tourists´ expenditure behaviour. Jang et al. (2004) also use linear modelling on a sample of Japanese tourists going on holidays to the United States, categorizing tourists by income level and investigating the trip expenditure determinants. They also found that there are several socio-demographic and trip-related variables explaining this process, mainly those of age, occupation, company along the trip, number of nights spent in the US, and repeated visits of the tourists.

On another side, some studies analyse the effect of stay length in driving tourist´s expenditure. Usually it has been reported a positive association between stay length and the total trip expenditure. The trip duration effect over the daily tourists' expenditure is however not so clear a priori. Several contributions as Fredman (2008), Kim, Han and Chon (2008), Laesser and Crouch (2006), or Mok and Iverson (2000), found that the trip duration does not have any sound effect on the daily expenditure of visitors. Additionally, Roehl and Fesenmaier (1995) found that the stay length increases trip expenditures per day, while Aguiló and Juaneda (2000) report a negative effect of stay length on daily expenditures. Artal et al. (2010), also found a negative relationship between both variables, when estimating a length of stay equation, with longer stays characterised by lower expenditure per day.

Further, the type of tourism product chosen by the visitor appears to clearly determine his/her pattern of expenditure. Cultural and urban tourism for example use to show the highest level of expenditure per day. In the Spanish case these tourists spend per day three times the amount that a sun and sand tourist. In contrast, sun and sand tourists stay three times longer than urban and cultural tourists at destinations. As a result, total spending of both types of tourists converge, although with very different expenditure patterns as we see (Artal, García-Sánchez and Villena, 2011). Alegre, Cladera and Sard (2011) for the case of the island of Mallorca also show how seaside tourists spend less

than those coming for cultural reasons and for social life. Along this study we will employ all variables identified by the literature as explanatory factors, combining them in a more general framework. In this way we take stock of all previous contributions when defining our empirical model.

3. Data set and descriptive analysis of main trends of tourists

Data for Spain

Data for Spain comes from the "Survey of Tourist Expenditure" (EGATUR, 2011) compiled by the Spanish Institute of Tourism Studies. It provides information on total tourist' expenditure of non-resident visitors along their trips to Spain. The study is focused on tourists visiting MED coast of Spain in the years 2004 to 2009, with five main destinations: Balearic Islands, Catalonia, Valencia, Murcia, and Andalusia. These five regions are mainly "sun and sand" destinations, attracting around 65% of all tourists visiting the country every year (FRONTUR, 2010). The dataset is just retrieved for those tourists staying between 1 and 30 nights. The bound of 30 nights has been established since foreigners staying for longer periods may have expenditure patterns different from those of tourists, then biasing results of the study (García, Artal & Ramos, 2002). Equally, we do not account for expenditures made in the country of origin, as travel costs, and also rule out those tourists coming with a travel package (17% of the sample), following the advice of other authors in the literature (Apostolakis and Jaffry, 2009; Anderson et al., 2009). We also deflate monetary data by the harmonised consumer price index (HCPI) (Eurostat). After all depurations, the remaining number of questionnaires is of 183,821, a relevant value for our analysis.

According to our sample, the typical tourist visiting the MED coast of Spain is a person who has finished a university degree (53%), comes by plane (77%), for leisure reasons (66%), accompanied by the family (58%), in a group of two people (51%), and has visited this destination before (88%). As it is common in this type of surveys, two thirds of the people declare to have medium income level. The second most numerous group is that of medium/high income level (22% of the sample). As table 1 shows, there is a remarkable difference in average daily expenditure among tourists with different income levels. For instance, high-income tourist spent on average 152€ whereas those

declaring low-income spent only 61€. The average stay length of tourists is slightly more than a week (7.42 nights), with an average expenditure of 100.91 euros per day.

Table 1. Daily expenditure (Euros) by income group and length of stay

Income level/nights of stay	1 to 3	4 to 7	8 to 14	More than 14	Total
High	240.70	151.72	93.82	71.76	151.93
Medium-High	185.22	115.43	85.90	62.19	121.15
Medium	151.37	83.15	62.79	45.52	92.86
Medium-Low	98.20	64.86	51.63	37.46	67.79
Low	92.87	58.45	45.75	34.07	60.58
Total	162.30	90.89	69.44	51.91	100.91

The type of accommodation used by the majority of foreign tourists during their trips to the Spanish MED coast is "hotel" (45%), although the proportion staying in second-homes (own properties or from family/friends) is also very large (39%). As we can see in table 2, there is an important difference in daily expenditure between both types of tourists (147€/day in the case of accommodation in hotels, and only 54€/day in the case of second-homes). This is pointing to differences between these two groups of tourists, not only in terms of spending, but in terms of stay length too (Artal et al., 2010).

Finally, our data set contains information on different activities carried out by tourists during their visit. We wonder if pursuing these activities influence spending of tourists. In Table 2 we present the average daily expenditure breakdown by groups of tourists who carried out, or not, every activity. It seems that for some activities, i.e. playing golf, it results in a decrease of the level of expenditure. However, tourists differ in several dimensions, and it might well happen that tourists doing certain activities are more likely to have certain characteristics that may explain low expenditures. This is clearly the case of playing golf when we take into account the type of accommodation. Tourists going to hotels are less likely to play golf than those using a second-home. Then, since tourists going to hotels spend more, it seems that playing golf decreases expenditures. However, when the type of accommodation is controlled for, it appears than those visitors playing golf spend more on average than those not doing it.

Regarding other activities like cultural and theme park visits, even controlling for type of accommodation, we find that tourists who carried out those activities spend less on average than those who didn't. This result does not necessarily imply that doing cultural visits or visiting theme parks decreases tourist expenditure. It could happen that additional control variables are necessary to observe the true effects of activities on spending. In any case, the regression analysis will allow us to distangle the effect of every activity on tourist daily expenditure, once controlled for the rest of covariates in the model.

Table 2. Daily expenditure (Euros) by type of accommodation and activities

Activities /Place of accommodation	Did it? / is it made?	Hotel & similar	Rent apartments	Second home or with friends/family	Total
Golf	Yes	157.65	81.48	74.11	95.72
	No	147.28	77.22	53.48	101.02
Cultural visits	Yes	130.29	75.98	53.86	95.89
	No	166.58	78.99	54.38	105.69
Cultural events	Yes	153.51	91.71	61.81	109.09
	No	146.90	76.11	53.56	100.25
Theme park visits	Yes	120.06	69.39	49.24	85.45
	No	148.72	78.07	54.36	101.69
Gastronomic activities	Yes	185.36	97.92	67.60	120.36
	No	143.68	75.38	52.40	98.75
Discotheques / clubs	Yes	141.28	88.60	59.15	97.79
	No	148.77	74.72	52.72	101.69
Health treatments	Yes	166.23	79.87	60.65	117.96
	No	146.94	77.25	54.03	100.54
Sailing	Yes	161.72	90.67	71.20	94.43
	No	147.35	77.01	53.99	100.96
Adventure sports	Yes	183.62	84.96	54.95	106.18
	No	147.31	77.22	54.16	100.89
Sport events	Yes	173.52	95.50	67.72	124.85
	No	146.86	76.97	53.93	100.45
Casinos	Yes	193.11	115.53	72.53	135.39
	No	146.67	76.78	53.88	100.37
Total		147.40	77.30	54.16	100.91

Data for Turkey

The expenditure analysis of tourists visiting Turkey is based on a cross-section survey conducted with 1027 departing tourists from Antalya airport during first half of September 2012. After filtering the survey for the length of stay bound (at least one night, and no more than 30 nights), 572 appropriate questionnaires left. Therefore this 572 fully set of completed questionnaires is going to be used in the empirical analysis.

According to the survey results, average length of stay is found approximately to be 10 nights (9.7) and average expenditure per respondent is 148.8 Euros/night. This expenditure is not treated as per departing tourist per night since it is highly possible that expenditure reported by respondents might include expenditure of household unit if he/she has accompanying persons such as couple/partner or family member with him/her. Therefore, we defined a variable called "visitor unit size" which indicates number of persons accompanying (average 2.0) such as single person, couple/partner and family member. This variable is used as an explanatory variable in the empirical expenditure model. Survey results indicate that average expenditure per visitor is around 72 Euros per night if respondent expenditure per night is converted into per visitor unit size[1]. The typical tourist coming to Antalya is a younger one (72% less than 45 years old), comes in groups of two persons (56%), uses package tour (73%), comes once per year (54%), having secondary education or university degree (72%), for holiday reasons (84%), stays at hotels (95%).

As seen in the Appendix tables, results of cross tabulation suggest that expenditure per respondent considerably differs with respect to age, education, income strata, accommodation types, accompanying person, "visitor unit size", group size and reason for visit. However, respondent aged 25-44 and 45-64 years spend 3% and 13%

[1] As of 2011, total number of tourist arrivals and revenues are 31.4 million visitors and 23 billion USD, respectively (MoD, 2012), which indicates average expenditure per tourist arrival to be 732 USD (527 Euros). On the other hand, the average expenditure and stay length by departing tourist including daily entrance and exit was 62 USD (around 45 Euros) and 10 nights in 2011 (Ministry of Culture and Tourism, and Central Bank of Turkey). According to the statistic released by Ministry of Culture and Tourism (MCT), approximately one third of foreign tourists visiting Turkey in 2011 departed from Antalya province (MCT, 2012). Total number of tourist visiting Antalya reached 11.3 million in 2011 including 436,489 domestic and 391,017 transit passengers (Antalya Provincial Directorate of Ministry of Culture and Tourism, 2012, http://www.antalyakulturturizm.gov.tr). The share of Germany and Russian Federation nationality in foreigner tourist was 26.6 and 26.0 per cent, respectively, in 2011.

respectively more than average, while respondent aged less than 24 and higher than 65 spend respectively 26% and 16% less than sample average.

Table 2. Descriptive Statistics Regarding Survey Data

Sex (female)	47.4%	**Income** (Low <11.999)	36.8%
-Sex (male)	52.6%	- Medium (12.000-23.999)	22.2%
Average traveller unit size (person)	2.0	-High (24.000+)	40.9%
Average stay length (night)	9.7	**Education** (Primary)	1.4%
Average expenditure (euro)	148.8	-Secondary	29.0%
Per capita average GDP (1000 USD)*	34.7	-University	41.2%
Age (young <=24)	22.3%	-Postgraduate	19.7%
-Age (25-44)	50.4%	-Other	8.6%
-Age(45-64)	25.0%	**Reason for** (Visit friends)	2.1%
-Aging (>=65)	2.3%	-Business	1.1%
-Age (<=25 and >=65)	24.5%	-Health	0.5%
Group size (only one)	4.8%	-Holiday	84.0%
-Group size (two person)	56.3%	-All inclusive	10.9%
-Group size (three person)	28.3%	-Other	1.4%
-Group size (four and more)	10.6%	**Accommodation** (Hotel)	95.1%
-Group size (>=3)	38.6%	-Own property	2.6%
Accompanying Person (one)	5.5%	-Rent house	0.4%
-Accompanying Person (two)	42.5%	-Relative/friends	1.6%
-Accompanying Person (three)	28.4%	-Camping	0.4%
-Accompanying Person (>=4)	23.6%	**Profession** (Official)	15.6%
Travel types (Individual)	26.7%	-Employee	56.1%
-Package tour	73.3%	-Freelance	8.7%
Travel Frequency Per Year (one)	54.2%	-Student	12.8%
-two times per year	28.5%	-Retiree	4.3%
-three times per year	11.7%	-Unemployed	2.5%
-(>=4 per year	5.7%		

*Average of the sample respondents' countries GDP per capita.

Personal expenditure by income strata is also significantly different. Expenditure of medium-high and higher income strata respondents are 10% and 29% higher than sample average respectively. Remarkable differences arise according to the visitor unit size. Per respondent expenditure increases as number of person acting together rises from one to three. Differences among all cross-tabulated variables with respect to expenditure are examined and included in the econometric analysis (see Appendix). Per

capita GDP (US$ in 2011) obtained from International Monetary Fund (IFS-IMF) also enters the model as a proxy for dispensable income in the origin country of tourist.

4. Econometric issues and empirical model

As we have already mentioned, the purpose of this research is to quantify the main determinants of foreign tourist daily expenditure, including trip and individual profiles, together with the activities performed by tourists during their visit to Spain and Turkey. The dependent variable of the model, in the case of Spain, is log daily expenditure, where expenditure includes accommodation, transportation cost in destination, restaurants, car rental, shopping, gifts and other expenditures. As we mentioned above, our expenditure measure does not include the transportation cost from the country of residence to Spain and return. Expenditure is deflated using the HCPI.

Explanatory variables include several dummy variables to reflect whether the tourist performed or not different activities during his/her stay. We also control for several socioeconomic tourist characteristics, such as age, education level and income level; and several trip characteristics, such as type of transportation, type of accommodation, group size, company, main reasons of the trip, previous visits, and trip duration. We also include year dummies to account for variation in the business cycle, month dummies to account for seasonal effect and regional dummies.

The proposed regression model is:

$$Ln\ Y = \beta_0 + \beta' X + \varepsilon \qquad (1)$$

with Y being the real daily expenditure, β_0 the constant term, X including the set of covariates, and ε being the error term. The set of covariates includes all dummy variables, plus other continuous variables as length of stay, GDPpc and PPP. This specification, despite being simple, is enough for our purposes, and updated in terms of the literature, so we decide to follow such a parsimonious approach in our exercise. We will now describe all explanatory variables in the model:

Activities pursued by tourist:

For each activity, we consider a dummy variable that take value 1 if the tourist has performed the activity, and zero otherwise. The activities considered are those of

playing golf, cultural visits, cultural events, theme parks, gastronomic activities, discotheques, health treatments, sailing, adventure sports, sport events, and casinos.

Profile of the tourist:

We consider several sets of dummy variable reflecting the socioeconomic characteristics of the tourist. The dummies are the following ones (with omitted reference category in brackets):

- Age: 0-24, 25-44, [45-64], more than 65 years old.
- Education level: [Less than high school], high school, University degree.
- Income level: [Low], Medium-Low, Medium, Medium-High, High[2].

Income categories are subjective and they may well reflect the relative income level within the tourist's country. In order to moderate income subjectivity, we have also included the log of the annual GDP per capita by country of origin of tourists, in constant 2006 Euros.

Another issue that might influence expenditure patterns is price level differences across countries. To control for differences in prices across countries, we also include the log of exchange rates in Purchasing Power Parity (PPP) of the origin country of the tourist relative to that of Spain. The effect of this variable on tourist expenditure is not clear a priori. On the one hand, the fact that some countries have higher prices than others implies that tourists coming from more expensive countries will have less money to spend in tourism when coming to Spain. In this case we would expect a negative sign of PPP covariate. On the contrary, these tourists could prefer to buy these goods in Spain than at home. This second effect will imply a positive sign of related PPP coefficient. So this is still an empirical matter.

Some socioeconomic characteristics of the tourist could be highly dependent one another, leading to collinearity issues. For example, there could be a positive correlation between the education endowment and the income level of a tourist, and between income and age features. To rule out this problem, we compute Cramer's V statistic reflecting the existing correlation between sensitive cases in our set of covariates. We

[2] Income levels are defined as: low <12,000€, medium 12,000-24,000€, high >24,000€.

find that the value of the statistic to be of 0.1501 for income level-education pair, and 0.2162 for income-age one. Both values are rather low, indicating that collinearity problems are of second order in this case.

Characteristics of the trip:

We include the following dummy variables reflecting the characteristics of the trip (reference category in brackets):

- Type of accommodation: [hotel], second residence (own property or yielded by relatives or friends), rented, other (camping, apartments).
- Main reason of the trip: [leisure], business, personal.
- Company while travelling: [family], friends.
- Group size: one, two, three people, [more than three].
- First visit to Spain: [yes], no.
- Transport mean to destination: [road or train], plane.

We also control for the trip duration by including the number of days the tourist spends in Spain and its square, allowing the stay length effect on daily expenditure to be non-linear in the second case.

As other controls we include:

- Regional dummies: Andalusia, Valencia, Murcia, Catalonia, Balearic Islands.
- Time dummies (month and year).

The tourist expenditure equation for Turkey is also defined. The functional form and explanatory variables of the specified model are quite homogeneous with those of Spain, despite slight differences because of some data limitations.

5. Results and Discussion

The model for Spain has been estimated by GLS with robust standard errors in Table 3, since the White test strongly rejects the null hypothesis of homoskedasticy. In this section we discuss main empirical results, showing how tourism activities, trip characteristics, and personal profiles, influence daily expenditure of tourists.

Table 3. Factors explaining daily expenditure of foreing tourists

Explanatory variables (reference category in parentheses)	**GLS estimates**
Activities	
Golf	0.2174*** (0.0097)
Cultural visits	0.0761*** (0.0029)
Cultural events	0.1569*** (0.0053)
Theme parks visits	0.0447*** (0.0061)
Gastronomic activities	0.1868*** (0.0048)
Discotheques / clubs	0.1001*** (0.0037)
Health treatments	0.0904*** (0.0093)
Sailing	0.0490*** (0.0166)
Adventure sports	0.1115*** (0.0272)
Sport events	0.1656*** (0.0104)
Casinos	0.1929*** (0.0119)
Stay length	-0.0659*** (0.0009)
Stay length^2	0.0013*** (0.0000)
Accommodation (hotel)	
Property	-0.7854*** (0.0039)
Rent	-0.2868*** (0.0054)
Others	-0.3697*** (0.0071)
Reason for the trip (leisure)	
Business	0.2678*** (0.0053)
Personal	-0.0866*** (0.0045)
Travel companion (Family)	
Friends	0.2143*** (0.0049)
Group size (Four)	
One	0.4455*** (0.0064)
Two	0.1733*** (0.0054)
Three	0.0294*** (0.0067)
Income level (low)	
Medium-low	0.0625*** (0.0133)
Medium	0.1661*** (0.0120)

Medium-high	0.3289*** (0.0124)
High	0.4956*** (0.0136)
ln(GDP)	0.1816*** (0.0094)
ln(PPP)	0.0462*** (0.0197)
Age (45 to 64 years old)	
0-24	-0.2285*** (0.0061)
25-44	-0.0783*** (0.0032)
More than 65	-0.0653*** (0.0053)
Education level (Primary)	
Secondary	0.0379*** (0.0056)
University	0.1254*** (0.0057)
Means of transport used to destination (land)	
Air	-0.0560*** (0.0043)
Number of visits (First time)	
Repeater tourist	-0.0244*** (0.0042)
R^2 adjusted	0.5477
White test (p-value)	14395.9 (0.0000)

Notes: GLS estimates (standard errors robust to heteroskedasticity in parenthesis). The model includes regional dummies, year dummies and monthly dummies.
(***, **, *): Significant at 1%, 5%, and 10%, respectively.

Activities

As the table shows, once we control for the rest of covariates, making any kind of activity seems to increase daily expenditure of tourist. Most salient activities increasing spending are those of golf, gastronomy, casinos, sports and cultural events. All of them appear to be important in complementing the offer at "sun and sand" destinations, in order to improve the "experience" of the tourist during vacations, and revenues received by destinations. All these activities are nowadays being developed all along MED geography, and as we will see in the following section devoted to the analysis of satisfaction issues, they appear to be of great relevance in accomplishing a satisfactory trip for the tourists visiting this geographical area. In general, all the activities included in the study appear to be important in explaining expenditure of tourists, showing high significance of the related coefficients.

Variables related to the trip

Length of stay

We have included in our regression the number of nights the tourist stays in Spain and its square to allow a potential non-linear effect of the trip duration on daily expenditures. Looking at the results, it seems to emerge some type of non-linear relationship between expenditure and stay duration, since the variable in levels and its square appear highly significant. The trip duration has a negative effect on daily expenditures, but this effect is smaller the longer the stay is. For instance, increasing the trip duration from 1 to 2 days decreases daily expenditures by 6.3%, whereas increasing the duration from 14 to 15 days decreases daily expenditures only by 2.9%. This result is in line with that of Aguiló and Juaneda (2000), which also encounter a non-linear effect between duration and daily expenditure.

Type of accommodation

The accommodation cost is a very important part of the total cost of the trip. Since hotels are in general more expensive per day than rented flats or owned homes, it is not surprising that the type of accommodation has a strong impact on daily expenditure. According to our results, a person staying in a second-home (own accommodation, or with family and friends), spends about 79% less in daily expenditure than a tourist staying in a hotel or similar. Since the estimated difference is so large, it is unlikely that it is only due to the difference in the accommodation cost, but it probably also comes from differences in expenditures in other items, like, for instance, having meals at restaurants versus eating at home. In any case, length of stay is also shorter than those employing own residence, so total spending gets more balanced by this issue. However, this result clearly identifies the differing vacational product that both types of tourists are consuming. This result must be taken into account when designing policies for management of MED destinations.

Main reason for the trip

The main reason for the trip has also a strong influence in tourist expenditures. Tourists coming for business spend 27% more than those coming mainly for leisure. This result is in line with Suh and McAvoy (2005), when analysing tourist preferences and

expenditures. Visits for personal purposes seem to provide a small amount of spending, as one will expect.

Travel companion

A tourist travelling with friends spends 21% more than a person travelling with the family. This is a plausible result, as both groups present certain differences in their spending behaviour at seaside destinations. Downward (2003) and Jang et al. (2004) found a similar result.

Group Size

The group size has an important effect on daily expenditures. Travelling alone increases the expenditure per capita by 45% compared to the reference group of four people. When the size group is two or three, the average expenditure per day is 17% or 3% larger, respectively. Therefore, our results suggest that there are scale economies in the group size, since groups can share some type of expenditures and, therefore, incur in lower expenditure per capita compared to those travelling alone. This is an important result of the study, that our micro focus allows to identify. Mok & Iverson (2000) found a similar result for Taiwanese tourists visiting Guam destination.

First visit

Being a repeater tourist, not for the first time at destination, decreases daily expenditure by 2.5% (18% in 7 days of average stay per visitor). This result is line with Alegre and Cladera (2010) who find that repeaters in Mallorca spend less than first-time comers. Knowledge of the destination allows the tourist to better allocate resources, resulting in a decrease in daily expenditure, and a slight increase in stay duration (Artal, García-Sánchez and Navarro, 2011).

Mean of transport

Coming by plane slightly reduces spending of tourists. It seems that people coming by road and train come from nearby countries, so it gives them higher knowledge of the destination, then reducing their expenditure.

Profile and characteristics of the tourist

Income level

Since we do not directly observe tourist income, but the income group he/she belongs to, we cannot estimate the income elasticity and, therefore, we cannot test whether tourism is a normal or superior good. However, we find that richer tourists spend more on average than poorer ones. In particular, high income tourists spend 50% more than low income visitors, whereas this difference is only 17% when we compare middle and low income tourists. This result is in accordance with the literature (see, i.e., Lee, Var & Blaine, 1996; Agarwal and Yochum, 1999; Jang et al., 2004).

We have tried to correct subjectivity of our income measure by including the logarithm of the GDP per capita of the country of origin of the tourist. The effect of this variable on daily expenditure is positive and highly significant as it was expected. This result indicates that tourists declaring to be in the same income group have on average higher income the richer the country of origin is. We have also included in our regression the exchange rate in PPP terms to control for other price differences between countries of origin and destination of the tourist. The effect of this variable is positive but small, what seems to point towards an increase in expenditure of tourists in Spain due to lower prices. This result is in line with Vietze (2011).

Age

Our results suggest that there is an inverted U-shape relationship between tourist age and daily expenditure. Young and old tourists spend less on average that middle-aged ones. The reference group, tourists between 44-65 years, spend more on average than tourists in any other group of age. Youngsters are those spending less, 23% less than those in the reference group. Our result can be due to differences in preferences over the life-cycle or to liquidity constraints. We cannot disentangle between these two hypotheses since we do not observe tourist total expenditure. Anyway, our result are in line with those of Craggs and Schofield (2009).

Education level

Highly educated tourists tend to spend more than those with lower level of studies. In particular, tourists with a university degree spend on average 12.5% more than tourists who have just completed the compulsory education.

Regarding the results for the case of Turkey, they are presented in Table 4. Adjusted determination coefficient is 0.22 and 16 covariates out of 18 appear as statistically significant. The model is estimated by heteroskedasticity-corrected standard error procedure proposed by White (Gujarati et al., 2010, p.434) since various tests confirm the existence of heteroskedasticity problems. We cannot directly compare results with those of Spain since size of the information data set is very different for both studies. In any case results appear to be quite similar to those of Spain. As seen, expenditure increases with age for intermediate intervals (25-44 and 45-64) as in the case of Spain. Education is positively related to spending, although not significant for university degree. Income level (medium, medium-high, and high) increases expenditure, although some mistakes with lower-medium sign of the covariate. People traveling alone is again spending higher amounts (60% in Turkey, versus 44% in the Spanish case) than people coming in groups. Stay length decreases expenditure, although a negative relationship is found for squared variable. In any case, coefficient is so similar to the Spanish equation, and squared coefficient is also sufficiently lower than in the Spanish case (around 0.1%), being closer to zero value in both cases.

In terms of accommodation, and given that 95% of people stay in hotels in Antalya, other results are not so significant from a statistical point of view, although those staying at their own properties again spend less per day. Tables in Appendix let us see that daily expenditure is hardly driven by the accommodation bill, and that much of the visitors opt here for all-inclusive packages, with a middle price between only room/or b&b, and full-board rates. In comparison with Spain, resource to all-inclusive is much extended in Turkey (73% versus 18%). Finally, coming for business purposes seems to increase spending, in comparison with holidays´ purpose and All-inclusive visits. Finally, GDP per capita seems to decrease as length of stay gets longer and autonomous expenditures seems to be less for 1 person and 3 people groups compared to 4 people groups.

Table 4. Factors explaining daily expenditure of tourists visiting Antalya (Turkey)

Explanatory variables (reference category in parentheses)	**OLS with White Hetcov Procedure** (Double-Log)
Constant	55.102** (28.68)
Purpose of visit (Business)	
Leisure	-0.3333**(0.1464)
All inclusive	-0.4167**(0.1731)
Ln (Stay length)	-0.053728***(0.08752)
Ln (Stay length^2)	-0.0015701***(0.0002496)
Accommodation (Hotel)	
Others (own-property, relative/friends)	-0.2199**(0.1128)
Travel companion (others)	
Nobody	0.59833***(0.1529)
Group size (<=2)	
Other (>2)	0.1111*(0.0670)
Income level (low)	
Medium-low	-0.14860***(0.05084)
Medium	0.15365**(0.07589)
Medium-high and High	0.18756***(0.04863)
Ln (GDPpc)	0.14185*(0.08147)
Age (less than 24)	
25-44	0.16300**(0.08316)
45-64	0.18522**(0.09534)
65+	-0.14572(0.2338)
Education (primary)	
Secondary school	0.34957***(0.1420)
University and higher degree	0.20551(0.1367)
Ln (Visitor size)	0.76071***(0.1262)
Ln (Visitor size^2)	0.0221628***(0.0003581)
R^2 and Adj-R^2	0.25 and 0.22

Notes: (***, **, *) indicates coefficient significant at 1%, 5%, and 10%, respectively.
The model is estimated by White heteroskedasticity consistent estimator (Hetcov).
Visitor (traveler size) is calculated if respondent travelled with couple/partners and family.

6. Conclusions

This study has examined the factors influencing the daily expenditure of foreign tourists visiting the Mediterranean coast of Spain and Turkey. Both are leading destinations in the MED region, the most attractive area for tourism of the world, receiving around 20% of international arrivals per year. In doing so, we have employed pooled cross-section models building on survey data sets. Our micro approach allowed us to cope with heterogeneity issues arising in macro studies, identifying the main behaviour of tourists with different profiles while in vacations. The factors selected for explaining expenditure pattern of visitors have been those of the particular profile of the tourist, features of the trip, and the influence of main activities developed at destinations.

Results confirm relevance of all these factors in driving daily expenditure of tourists. Important activities increasing average expenditure of tourists per day are those of playing golf, going to the casino, attending sport events, and enjoying gastronomy. All of them are activities with presence in the MED coast. Gastronomy is one of the competitive advantages of Spain and Turkey, and there has been a boost in golf-related products along the MED area, despite the scarcity of water resources that characterise this area. And sport events are increasingly a present tourism supply in different cities of the Mediterranean. The rest of activities considered, although at a minor extent also contribute to increase spending per day of visitors, confirming the role played by complementary supplies in renovating traditional seaside destinations. Correspondingly, some of these new tourism products help to increase daily expenditures of tourists visiting the Mediterranean coast, also increasing satisfaction and loyalty of visitors as we will see in the next chapter.

Other main purpose of this study was analysing trip duration, as it constitutes the remaining pivotal piece explaining total revenues of destinations. We have found that the trip duration has a negative impact on daily expenditures in both MED tourism destinations. That is, longer trips are associated with smaller daily expenditures. It is likely that the tourist has a budget set previously delimited for tourism purposes and, therefore, he/she is forced to curb spending as the stay is prolonged. The most relevant case here is that of tourists coming to hotels versus own properties, where stays and daily expenditure vary considerably between them, pointing to a different approach to sun-and-sand vacations of these two groups of tourists.

These findings provide important information for destination managers. As mentioned by Jang et al. (2004) information on travel expenditure patterns is of vital relevance for travel organizers and destination marketers. As a result we have found that tourism policy compatible with sustainable tourism should contemplate tourist daily expenditure as a marketing aim, and not just trying to achieve the largest possible number of arrivals by itself. Reaching the highest sustainable income is then a matter of balance between stay duration and daily spending.

Additional results of the study have also confirmed that socio-economic and trip characteristics are important factors driving tourist expenditure choices. Socio-economic features of the tourist influence expenditure, mainly through the income level. High-income tourists appear to spend 50% more in the case of Spain, and 18% in Turkey, and relative level of wealth of the country of origin of the tourist (GDPpc) also seems to affect spending capacity, as one would expect.

Trip characteristics however appear as the main relevant variables influencing individual real daily expenditure. In this order, the most important factor is shown to be the type of accommodation chosen by the tourist. Tourists staying in a second home spend 79% less each day than those staying in hotels. The result is quite striking since accommodation in a second-home has become the option preferred by an important part of tourists visiting the Spanish MED coast. In the Turkish case, accommodation supply is mainly that of hotels, chosen in more than 90% of cases, so this is not a relevant issue in driving expenditure. Anyway, average expenditure in Spain is of 748 euros (100.91 per day, times 7.42 days of stay), while in Turkey it is of 720 euros (72 € per day, times 10 nights of average stay). In this sense, both destinations show similar total expenditures, although in Turkey stay is slightly longer, and in Spain daily expenditure is a little bit higher, perhaps because of the greater development of the tourism MED destination in terms of activities to be developed. In contrast, tourists employing second-homes in Spain stay for a longer period of more than 15 days, with lower spending per day, although the attachment and loyalty to destination increases, and they became highly repeaters in their trips every year, as we will see in the next chapter. In this way some differences have been arising between both areas, although in general similarities are very present along the MED coast.

Other important trip characteristics leading spending are those of the main reason for the trip (+26% for business purposes), group size (+44% daily for those arriving alones), and travel companions (+ 21% for friends trips), which also play a substantial role in explaining daily expenditure. For the case of Turkey, characteristics of the tourist, as education level, age, income level, GDPpc, and trip characteristics, as companion, group size, visitor size, and purpose of the visit are main drivers of the expenditure level of tourists.

In policy terms, tourists arriving to the MED coast have shown many similarities among them. All look for peaceful seaside destinations to rest in vacations, and show clear preference for typical activities once there. However, renewal of traditional destinations needs to focus on new activities for complementing such historical supply based on beautiful natural resources characterizing these areas. It opens interesting opportunities for new business, and employment generation, leading to increasing revenues as we have seen. Building on trip characteristics and profile features of visitors is also important when designing management policies for all near 200 million people visiting such destination every year. Sustainability of MED area as the leader world tourism destination also requires a long-term view in defining development policies for the region, from private and public instances, given the relevance of the issue for the whole area. Existing differences between tourism locations across the region, for example in terms of accommodation facilities, have important consequences for the development of the tourism model, so it must be also taken into account, as we will see more extensively in the next chapter.

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Appendix: Cross-Tabulation of Tourist Expenditure Survey for Antalya (Turkey)

Expenditure by Age Group

Age	Mean	N	Std. Deviation
<24	118,339	127	105,4423
25-44	154,292	287	144,4911
45-64	167,898	142	170,4668
65+	128,632	13	94,5822
Total	149,077	569	143,8901

Expenditure by Accompanying Person

Accompany	Mean	N	Std. Deviation
Nobody	128,343	31	74,7433
Couple/partner	150,472	241	155,8856
Family	177,835	161	157,9710
Friends	118,868	134	105,8899
Total	149,563	567	144,0997

Expenditure by Group Size

Group size	Mean	N	Std. Deviation
1	126,419	27	80,7577
2	132,907	320	116,8390
3	173,550	161	153,7916
4+	181,976	60	233,2458
Total	149,302	568	144,1225

Expenditure by Visitor Size (Number of Person Act as Single Unit)

Person	Mean	N	Std. Deviation
1	107,643	92	90,4789
2	138,312	353	117,4434
3	192,649	121	166,7824
Total	148,353	569	143,0882

Expenditure by Income Strata

Income Strata (€)	Mean	N	Std. Deviation
<5.999	120,633	116	98,3047
6.000-11.999	106,193	71	82,1030
12.000-17.999	147,116	56	171,7045
18.000-23.999	147,003	57	107,7753
24.000-29.999	164,532	77	188,7843
30.000 +	192,996	131	177,0007
Total	149,906	508	148,0164

Expenditure by Education of Visitor

Education	Mean	N	Std. Deviation
Primary	100,919	8	72,7144
Secondary	159,981	162	146,6768
University	137,768	230	145,5377
Postgraduate	169,184	110	154,4223
Other	140,744	48	115,1723
Total	150,138	558	144,8603

Expenditure by Accommodation Type

Type	Mean	N	Std. Deviation
Hotel	151,235	541	145,7826
Own property	115,361	15	116,9236
Rent house	108,333	2	35,3553
Relative/friends	79,425	9	23,4981
Total	149,421	569	143,9458

Expenditure by Accommodation as booked

	Mean	N	Std. Deviation
Only room	81,624	21	24,8719
Bed and breakfast	127,784	19	138,1308
Half board	133,517	18	90,3492
Full board	174,320	34	146,5012
All inclusive	150,877	465	146,8136
Total	148,184	558	142,7091

Expenditure by Reason for the trip

Reason	Mean	N	Std. Deviation
Visit friends	195,424	12	170,5027
Business	324,971	6	349,2923
Health	92,000	3	10,2378
Holiday	276,311	540	143,9314
Other	138,315	8	103,5730
Total	148,791	569	143,6145

CHAPTER 4:

ANALYZING SATISFACTION AND LOYALTY OF TOURISTS IN MED COUNTRIES

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Abstract

In this paper we analyze the factors influencing perceived satisfaction and loyalty behaviour of inbound tourists coming to the Mediterranean region. The set of explanatory variables includes personal profile of the visitors, characteristics of the vacational experience, and those of the destination itself. Results of the study show up the role of all these covariates in leading the choice of tourists, identifying important linkages between these two psychological dimensions of visitors. However, we observe that the formation of tourists´ perceptions on trip satisfaction, and their loyalty behaviour, responds to different underlying factors. All these are important findings in the tourism management literature, and provide relevant policy recommendations for the Mediterranean region.

Keywords: MED region, tourists´ satisfaction, loyalty behaviour, policy recommendations.

JEL classification: L83, C35.

1. Introduction

The Mediterranean (MED) region is nowadays the world tourism leading market together with Western Europe, receiving around 18% of total annual arrivals (182 millions of tourists) and 17% of total receipts in 2011 (176€ billions). It has shown a remarkable development along the past fifteen years, expecting to reach 300 million of arrivals in 2020. Spain, Italy, France, and Greece, represent traditional and well-established destinations inside this area, with annual arrivals and receipts growing at 3%-5% and 4%-7%, respectively, since 1990. Altogether, new destinations are emerging in the southern basin of the MED region. Turkey is a salient one, with arrivals growing at an average of 14% from 2000 onwards, and receipts making it at 9%-12%. Together with Israel, Cyprus, Former Yugoslavia and Slovenia, this country makes up the group of most dynamic destinations in the region (UNWTO, 2012).

Tourism activities have become important sources of income for MED economies, with shares on the GDP of around 6% to 12%. Their contribution is even more important than the one made by other global industries, as those of automobile or energy (UNWTO, 2012). Moreover, while the tourism industry develops, it provides some other key factors decisive for the advance of the countries. Tourism promotes infrastructures, and generates important amounts of employment, because it is a labour intensive activity, both for skilled and unskilled workers (Eilat and Einav, 2004). It allows for the valuation of traditional activities and other country assets, such as culture, the national patrimony, and community life (McKercher and Du Cros, 2002). Political factors are also associated with the tourism industry, providing an incentive for openness and peacekeeping, and building a bridge between origin and destination societies (Eilat and Einav, 2004).

In this context ensuring a good performance of the tourism sector in the MED region becomes a pivotal issue to be pursued. Sustainability of the activity depends on the correct management of destinations. Accordingly, the measurement of satisfaction of tourists along their travels is increasingly employed in the literature for valuing the competitiveness of destinations (Kozak and Rimmington, 1999; Murphy, Pritchald, and Smith, 2000). Understanding the factors influencing perceptions of visitors allow researchers and policy makers to account for important aspects underlying the holiday choice of tourists, for example, their intention to revisit the destination (Oom do Valle, Silva, Mendes and Guerreiro, 2006). This research is directed to continue improving our understanding of all these issues. In doing so, we will explore how a set of explanatory factors affect the declared

overall level of trip satisfaction of tourists. This set includes the profile features of the visitor, the main characteristics of the trip, and those of the visited destination. Our main objective is to take stock of the subjective features of the tourist experience, accounting for the existence of differences in factors driving tourist satisfaction in two salient MED destinations: Spain and Turkey. Further, we will complement our analysis by exploring how particular characteristics of visitors and destinations, as well as their level of trip satisfaction, influence the degree of loyalty with regards to destinations.

The present study is organized as follows. After this introduction, section 2 includes a review of the literature. Section 3 makes a general description of profiles of tourists and main characteristics of destinations in the investigation. In the fourth section, we introduce the empirical model, econometric issues and identify the factors explaining overall satisfaction of visitors. We further explore how all these issues affect the loyalty of tourists regarding MED destinations. Finally, the last section concludes the investigation, and elaborates on policy issues.

2. Literature review

Overall tourist satisfaction is the extent of global pleasure or contentment attained by the visitor, resulting from the ability of the trip experience to fulfill the desires, expectations and needs generated by the trip decision (Chen and Tsai, 2007). Although the level of satisfaction reached by a tourist is always a personal judgment, it does provide crucial information on how a destination performs (Schofield, 2000; Kotler, 1994). The literature on trip satisfaction reports evidence on the main factors affecting tourist behaviour. Some authors highlight the role that nationality and culture might have on conforming perceptions of visitors. For example, Kozak and Rimmington (2000) building on a survey of British and German tourists visiting Mallorca and Turkey note that the former were more satisfied with almost all individual destination attributes than the latter. G. de Menezes, Cabral and Carvalho (2009) find that Dutch tourists are always less satisfied than the average visitor in their visit to Azores Islands, all other things equal, while French (female) tourists are found to be more satisfied. Other studies wonder how “push” (psychology-related) and “pull” (destination-related) factors lead tourists´ choices on their vacations, and how destinations respond to this challenge. Results point to an increasing need of tourists for new experiences helping them to break the daily routine, including adventures, stimulating sensations, experiences that increase

their level of personal knowledge, or social activities where making new friends. So on, it is recommended to pay special attention to the "activities" offered by destinations in order to increase their level of competitiveness and the satisfaction of visitors. In a more general approach, recent investigations analyze the role of perceived satisfaction as a mediator variable connecting destination attributes, that conform the image of a destination, and the affective relationship a tourist develops with the destination (loyalty issues) (Geng-Quin Chi and Qu, 2008). Structural equation models use to be employed in exploring such an issue, obtaining interesting results. To sum up, main findings show that destination image and satisfaction with destination attributes positively influence overall declared satisfaction of tourists, with the level of overall satisfaction driving at some extent the loyalty behaviour of tourists.

However, it seems that destination attributes and image have only limited explanatory power on satisfaction and loyalty of visitors. For example, Geng-Quin Chi and Qu (2008), observe that these two dimensions of destinations (image and attributes) just account for 25% of the variance of the "overall declared satisfaction" of tourists, while "overall satisfaction plus attributes and image", just explain 44% of the variance of the "destination loyalty" for their own case study. It becomes then necessary to extend the number of explanatory factors when facing the analysis of satisfaction and loyalty of tourists. As pointed out by literature, it is important to account for the role that "tourists´ profiles" and their "motivations for travelling" play in this process. The first variable requires employing information on individual profiles of tourists. The second variable could be captured by the "activities developed" by tourists through their holiday time, or by the own characteristics of the tourism product chosen (sun and sand, nature, health, urban, etc.). Following this approach Oom do Valle, Silva, Mendes and Guerreiro (2006) find that education level of tourists, nationality, and duration of the stay, are important variables in influencing destination´s perceptions and loyalty behaviour of visitors of Arade in Portugal.

Given the strong relationship between satisfaction and loyalty of tourists with destinations, the study of loyalty patterns is gaining presence in the literature (Yuksel, Yuksel and Bilim, 2010). Building on marketing research, some authors point out that loyalty of customers becomes a better predictor of their actual behaviour than satisfaction, being more directly related with the objective of "retention" of clients. Repeating behaviour of tourists towards a destination, defined as loyalty, has generally been regarded as a desirable target by several

reasons (Oppermann, 2000). First, marketing costs necessary to attract this type of clients are found to be lower than those required for first-time visitors; second, a return behaviour is the most direct indicator of the satisfaction of tourists with one destination; and third, an inertial attitude of high repeaters increases their likelihood to return, creating some kind of captive demand (Alegre and Juaneda, 2006). Loyalty relationships could also lead to higher expenditure of repeating tourists if they pursue search-for-quality paths in their following visits, as a result of the greater knowledge they have on supply opportunities of the destination (Hallowell, 1996).

In this way, understanding the factors driving loyalty behaviour of tourists appears to be pivotal for improving the competitiveness of destinations too. Some relevant questions in this setting are those concerning the role played by geographical and cultural distance of tourists when choosing their vacational destinations, and the nature of second-home tourists while conforming affective links of visitors to destinations. Departing from previous findings of the literature, the present investigation is directed to the analysis of the main factors driving tourists´ perceptions on trip satisfaction, as well as their loyalty behaviour to destinations. In doing so, we will employ a quantitative framework building on ordered choice models. This type of models will allow us to define a comprehensive framework for testing the relative role played by all referred explanatory variables in conforming perceptions and attitudes of tourists visiting the MED region.

3. The data set

In this investigation we have selected two leading destinations of the Mediterranean for carrying out the analysis: Spain and Turkey. Spain, was the second country in the world in 2011 in terms of tourism receipts (48 € bn), just besides USA (86€ bn), and the fourth in foreign tourism arrivals, with 50-60 million per year, while France leads with 75-80 million. Turkey was ranked in 7th position in terms of tourism arrivals, with 25-30 million-people inflows, and 10th in receipts, with 19€ billion, reaching an important growth in 2010 of 6% in terms of arrivals (UNWTO, 2012).

Data for Spain

The study for Spain is based on the Tourism Expenditure Survey, EGATUR onwards, prepared by the Spanish Institute of Tourism Studies (IET), that is the statutory body in charge of the compilation and assessment of data and other information for the tourism

sector.[1] From an initial data set of more than 200,000 valid responses to questionnaires carried out in several points of the country to foreign tourists, we decided to keep information just on leisure tourists for this particular study, given that other type of tourists (basically business´ tourists) do not share the same behaviour than our selected group. Our sample then comprises a total of 124,410 observations, characterizing foreign tourists visiting the Spanish Mediterranean coast (including Catalonia, Valencia, Murcia region, Andalusia and Balearic Islands) and participating in leisure holidays through the years 2004-2009. This geographical area is the most important destination for tourism of Spain, receiving annually more than 65% of total foreign arrivals, what represents around 35 millions of tourists.

The questionnaire provides information on socio-demographic profiles of visitors (gender, age, studies, occupation, and so on), features of the trip (length of stay, accommodation, activities developed during the stay, etc.), destination visited and specific questions on overall trip satisfaction and loyalty to the particular destination. Main descriptive statistics are presented in Table 1a. A first look at data reveals the typical (modal) tourist to be male, aged 25 to 44 years old, travelling with her/his couple or partner, with medium income level, coming from United Kingdom by plane, buying a package tour, with higher education (post-secondary enrollment), highly repeating the trip to this destination (10 times of more), employing the internet for planning and booking the holidays, accommodated in hotels or in second-home property, visiting Catalonia, with a long stay of more than 10 days, and mainly attracted by own gastronomy and cultural activities of the location.

A careful look at data also shows that foreign tourists arriving to Spanish Mediterranean coast come from Europe in 95% of cases (United Kingdom, France and Germany are mostly the origin of tourists). An important share of the tourists commonly travels with the family. Tourists have majorly secondary or upper education level and they perceive a medium income, defined as a gross income of 25,000€-50,000€ per year. Catalonia and Andalusia are visited by at least half of all travelers to the Spanish Mediterranean in our sample. The mean of transport employed to travel to Spain is closely related to the distance to destination. If we analyze it by country of origin, it is seen how this behavior is similar for practically all countries, because, in at least seven out of ten arrivals, flying is the most relevant method used travel to Spain. Only for tourists arriving from France and Portugal, bordering countries, the car is used more than the plane. International visitors predominantly choose hotels as their

[1] We publicly want to acknowledge the great cooperation always received from this centre. To see more details on EGATUR survey, consult www.iet.tourspain.es .

type of accommodation, followed by stays in their own second home property or that of their relatives.

Table 1a. Sample descriptive statistics of tourists visiting the coast of Spain in 2004-2009

Gender		**Country of residence**		**Accommodation**	
Female	35,5%	France	21,0%	hotel	48,9%
Male	64,5%	Benelux	10,4%	own property	35,1%
		Germany	12,8%	rent house	8,4%
Age		UK	34,6%	campings, other	7,6%
less24	7,7%	Italy	7,1%		
bt2544	46,0%	Rest of EU	9,3%	**Destination**	
bt4564	36,4%	America	3,6%	Andalusia	20,7%
more65	9,9%	Rest of the World	1,2%	Balearic Islands	14,9%
				Catalonia	44,4%
Company while traveling				Valencia	17,7%
alone	15,2%			Murcia	2,3%
couple/partner	50,2%	**Travel package**	72,7%		
family	22,7%			**Length of stay**	
friends	11,9%	**Level of studies**		short stay (1-3 days)	16,4%
		primary school	9,2%	medium stay (4-10 days)	26,6%
Occupation		secondary	42,3%	long stay (more than 10 da	57,0%
occupied	80,1%	superior	48,4%		
retired	13,6%			**Mean of transport**	
jobless	0,7%	**Previous number of visits to destination**		flights	73,3%
student	5,6%	0	15,6%	own car	25,7%
		1-3	20,5%	rent car	0,7%
Income level		4-9	22,5%	other	0,4%
low	5,7%	10 or more	41,4%		
medium	66,7%			**Activities**	
high	27,6%	**Using internet for planning any part of** (flight, lodging, visits, e	62,1%	sports	13,5%
				culture	62,1%
				amenities (shopping, etc)	35,6%
				gastronomy	93,7%
				day trips	41,7%
				family visits	13,1%

Source: IET, EGATUR survey.

Another feature of the tourist profile is the high degree of loyalty of those who visit these areas. It should be noted that the average tourist has already visited Spain before at least four times, and a very high percentage of the sample, 41%, have been in the same particular destination for ten times or more. The annual frequency of the visits is not very high, once per year, what means this to be their main vacational time of the year. International visitors participate in a wide range of attractions and activities while in the Spanish Mediterranean

coast. We decide to create five main groups, each one including similar types of activities, in order to deal with this enormous set of information provided by the survey in this regard. The groups defined here are those of sports (including golf, sailing, other water sports, hunting, hiking, adventure sports), culture, gastronomy, amenities (spa, thematic parks, casinos, clubs and discos), daily trips and family visits. Clearly the most pursued activities are those of culture and gastronomy, what reflects main advantages historically linked to this coast. Generic activities such as land-based sightseeing, cultural performances and scenic/natural attractions are the most popular between them, closely followed by gastronomy and related activities. The majority of the travelers reveal to be highly satisfied with their trip, with an average of 8.4 out of 10.

Data for Turkey

In the case of Turkey, the data set comes from a cross-section survey conducted with 1027 departing tourists from Antalya airport during first half of September 2012. All the respondents have used airways to arrive Antalya and their main destination is Antalya and surrounding close-by regions. In general, Table 1b let us see that more than half the sample (53.5%) respondents are female and almost half of the whole sample (50.8%) is of the 25-44 age group, followed by visitors of age 45-64 (24.7%) and by people less than 24 years old (21.8%). Again, almost half of the sample (49.3%) is originating from Europe, followed by visitors from Russia (27.4%) and Northern Europe (15.2%). Majority (94.4%) of visitors prefer to stay in hotels, this being the predominant accommodation employed. Other accommodation such as own property, rental house, camping sites etc. in total adds just up to 5% only. About 67.5% of visitors have higher level of education, while the ones who have only primary school degree is about 1.5% only. Retired and unemployed people add up to about 7% of total sample, students have a share of 12%, and working people are about 78.2% of total visitors. Income level of the visitors is distributed almost equally among low, medium and high-income groups (33% each one, approximately).

About 74% of respondents have arranged their trip as part of a travel package and 64% have used Internet to arrange at least one part of their trip. About 40% of visitors come with their families, with couple about 32%, and share of people who travel alone is only about 5%. Majority of the visitors (6%5) stay between 4-10 days in the destination, and 35% decided to stay less than 3 days. Main purpose of visitors is cultural, historical aspects of the destination

(about 88%), while all-inclusive packages attracted only about 10% of visitors. Finally, more than half (54%) of the visitors have visited the destination between 1-3 times previously and share of visitors whose first visit to destination is about 24%. About 14% have visited the destination 4-9 times before. The level of satisfaction of tourists visiting Turkey is also relevant, with 75% of all respondents declaring levels of satisfaction between 8 and 10 in a 10-points scale.

Table 1b. Sample statistics of tourists visiting Antalya coast of Turkey in 2012

Gender		**Country of residence**		**Accommodation**	
Female	53.50%	The Balkans	3.41%	hotel	94.94%
Male	46.50%	Northern Europe	15.19%	own property	2.63%
		The Middle East	2.34%	rent a house	0.58%
Age		Europe	49.27%	campings, other	1.56%
less24	21.81%	Former Russia	27.36%		
bt25-44	50.83%			**Destination**	-
bt45-64	24.73%	**Travel package**	73.71%		
more65	2.63%			**Length of stay**	
		Level of studies		short stay (1-3 days)	35.35%
Company while travelling		primary school	1.46%	medium stay (4-10 days)	64.46%
alone	5.16%	secondary	30.96%	long stay (more than 10 days)	0.20%
couple/partner	32.03%	superior	67.56%		
family	39.53%			**Mean of transport**	-
friends	17.53%	**Previous number of visits to destination**		**Activities**	
Occupation		0	24.25%	visiting friends, family	1.66%
occupied	78.19%	1-3	54.53%	business	0.78%
retired	3.80%	4-9	14.41%	health	0.49%
jobless	3.02%	10 or more	0.28%	all inclusive system	9.35%
student	12.56%			culture/history etc.	87.73%
		Using internet for planning any part of the			
Income level		(flight, lodging, visits etc.)	64.27%		
low	32.91%				
medium	33.01%				
high	34.08%				

Source: Own elaboration.

Comparing Table 1a and 1b for Spain and Turkey, some differences, as well as similarities, arise between the tourists visiting these two MED destinations. Family travels are more present in the Turkish case, with higher number of people traveling alone and with their couples in Spain. Mean age of the sample is a little bit higher in the case of Spain, also showing higher relative income level of visitors. European people are predominant in both cases, with higher share of Russian citizens, twice the value, for the coast of Turkey. Both sets of visitors employ package tours in a similar and relevant way (74%), while tourists revisiting Spain have done it for a higher number of times than those of Turkey. 41% of visitors coming to Spain had been there previously for 10 times or more, while 80% of people arriving to Turkey have only been there for 0 to 3 times before. This is one of the most important

differences found between both types of tourists. Such familiarity with destination leads to important shares of tourists opting for second home residences (35%) and rental houses (8%) in the case of Spain; by the contrary 95% of visitors coming to Turkey decide to choose hotel accommodation. This feature would probably not only affect revisiting behaviour of tourists, but the duration of their stay too. As we can see, 74% of tourists have come previously for 4 or more times to the Spanish coast, with this being the case for the Turkish one in just 15% of them. Moreover, 57% of visitors stay in Spain for 10 days or more, while only 1% of the sample does it in Turkey. Culture is the most important activity of tourists in these two destinations, together with gastronomy. Shopping is also important in both cases. This feature points to the main advantages shown by MED coast in attracting tourism, with sun-and-sand activities and related supplies making up the bulk of the travel purposes of visitors. Cultural patrimony of the region is also one of the most attractive assets in the region, together with gastronomy richness. Day trips are important in both cases, leading to the generation of important revenues for the tourism industry in the area and other type of related services (car rental, cultural visits, shopping, etc.). All these activities would be of great relevance along the study, given that they are found to be the preferred attractions tourists are seeking in the MED area, this being the leading tourism area of the world with 182 million of inbound visitors in 2011.

4. Econometric issues

After the descriptive analysis of data, in this section we define the econometric model for the study of factors influencing trip satisfaction and loyalty issues of tourists visiting Spain and Turkey. The framework of analysis builds on two equations, one for tourists´ satisfaction and the other for loyalty issues. In the first equation we relate an index of overall trip satisfaction of tourists with a set of explanatory factors, comprising the main characteristics of the tourist´s profile, those of the destination, and the ones of the trip itself. For the loyalty equation we will relate an index of loyalty to the destination (approached by the number of times a tourist have revisited one destination), with a similar set of explanatory factors than in the previous equation. Following the literature on marketing and consumers´ behaviour, the loyalty equation will additionally include the declared trip satisfaction of the tourist as an important factor influencing her/his repeating behaviour. As noted in the revision of the

literature, it is important that the equation of tourist´s satisfaction includes the following covariates:

- Variables related to the origin and culture of tourists: We include dummy variables for the country of residence of the visitor capturing her/his individual and cultural specificities.

- Profile of the tourist: We include information on the gender, age, income level, level of studies, and present occupation of the tourist.

- Trip characteristics: We include questions regarding the company while travelling (size of the party), if the trip is booked as a package, the use of internet for planning the trip and getting information on the destination, the accommodation employed, length of stay, and the mean of transport used for travelling.

- Characteristics of the destination visited: We define a set of dummy variables for the destination chosen, in order to capture all its specificities.

- Groups of activities followed by the tourist on the trip: Sports, culture, amenities, gastronomy, daily trips, family visits.

- One covariate for the Overall trip satisfaction declared by the tourist: This would be the dependent variable in the trip satisfaction equation, and a relevant covariate in the loyalty equation. Original data for such a variable range between 1-10 likert scale, but we recode it in 5 categories for our econometric model. Value 1 (includes original values 1 to 6 of previous scale), 2 (value 7), 3 (8), 4 (9), 5 (10).

- Loyalty with the destination: We include four categories in this variable; 1 (first visit to the destination), 2 (1-3 previous visits), 3 (4-9), 5 (10 or more).

The set of defined covariates includes all factors that may inform an equation explaining perceived satisfaction of tourists as recommended by the literature. Given that the dependent variable is defined as an ordinal scale of perceived satisfaction of the tourist (between 1 to 5 as explained), we will employ an Order logit model in running the econometric exercise. The basics of the ordered logit model are as follows: Let us assume that the exact degree of satisfaction attained by individual *i* (denoted by y_i^*) is related to a set of covariates x_i (as defined) by the following relationship:

$$y_i^* = x_i\beta + \grave{o}_i,$$

where β is a vector of coefficients capturing the relationship between every explanatory variable and the level of satisfaction, and $\grave{o}_i$ is an error term. However, instead of observing directly the exact degree of satisfaction y_i^*, the survey only provides data on the response categories where this variable falls. In the ordered logit framework it is assumed that the following scheme determines the mapping between the (unobserved) level of satisfaction and the item selected in a likert (N+1)-item scale, represented by the variable y_i (which, consistently is a discrete variable which has a limited number of distinct values, say 0,1, 2,…,N):

$$y_i = \begin{cases} 0 & if\ y_i^* \le \mu_1 \\ 1 & if\ \mu_1 < y_i^* \le \mu_2 \\ 2 & if\ \mu_2 < y_i^* \le \mu_3 \\ \vdots & \\ N & if\ \mu_N < y_i^* \end{cases}$$

Thus, the probability of choosing a given category *j (j=0,1,2,…,N)* by the individual *i* is given by

$$\Pr(y_i = j \mid x_i) = \Pr(\mu_j < y_i^* \le \mu_{j+1} \mid x_i) = \Pr(\mu_j - x_i\beta < \grave{o}_i \le \mu_{j+1} - x_i\beta \mid x_i),$$

being straightforward to derive explicitly this probability if the error term $\grave{o}_i$ is distributed according to a logistic distribution, as the conditional logit specification implies. Finally, vector of β coefficients can be estimated by maximum likelihood.

Our dependent variable seeks for capturing the "overall satisfaction" of tourists, and it is specified as a categorical variable with five recoded ordinal data levels as explained (1 to 5). The interval ranges among the value (y=0), representing a "*no satisfied*" tourist, and (y=4) for a "*highly satisfied*" tourist. It is interesting to note that the tourist when leaving the country does the assessment made for trip satisfaction. Table 2a includes the distribution of data for this variable for the data set of Spain, showing that levels 9 and 10 of satisfaction (3 and 4 in the recoded variable) accumulate around 45% of total responses in the survey, reflecting high levels of satisfaction of the visitors with all five destinations along the Spanish MED coast. However, the value 8 (2 in recoded values) accumulates the highest number of respondents in the total sample (38%).

Table 2a. Distribution of the recoded "Overall tourists´ satisfaction" variable

original likert scale	recoded variable	Obsv.	Freq.
1-6	0	4,374	3.52
7	1	15,178	12.20
8	2	47,850	38.46
9	3	30,955	24.88
10	4	26,053	20.94
	Total	124,410	100.00

Now moving to the tourists´ satisfaction equation, this is going to be defined as:

$$OSAT_i = b_1 RESD_i + b_2 PFT_i + b_3 TRIP_i + b_4 DEST_i + b_5 ACTIV + e_i$$

where,

OSAT: Variable on overall satisfaction level declared by the tourist (0-4).

RESD: Variable of country of residence of the tourist.

PFT: Profile of the tourist.

TRIP: Characteristics of the trip.

DEST: Dummy variable capturing the characteristics of the destination.

ACTIV: Groups of activities pursued by tourists along the stay.

and *i* 1-124,410 referring to the number of individuals in the sample (Spain), and 1-1027 (Turkey).

The data set contains questionnaires from years 2004 to 2009 for Spain, and year 2012 for Turkey. Because interviewed tourists (individuals) change every year we cannot run a panel procedure, so we decide to pursue pooled data estimations. In order to control for possible time heterogeneity, we include time dummies in the satisfaction equation. Given that some covariates include a set of answers, we define a category of reference to avoid colinearity problems. For Spain, this is a "female tourist, with more than 65 years, coming from the United Kingdom, with higher education, medium income level, traveling with the family, with a long stay of more than ten days, accommodated at his/her own property or second-home, traveling by plane, employed, and coming to Valencia in the year 2007". In this way, our results regarding econometric estimates would refer to this category of reference, as we will note in tables of results. In the case of Turkey, we present the reference category and all data details when commenting on the empirical results of the estimation procedure in the next section. Both reference categories are very similar for Spain and Turkey, with just slight

differences regarding the origin of the tourists and some other covariates. Through this empirical model we will test for five different hypotheses, regarding the factors influencing perceived overall trip satisfaction of tourists. These are the following ones:

H1: Culture and origin of the tourist do not influence her/his perceived overall level of satisfaction.

H2: Individual profile of the tourist does not influence the level of satisfaction.

H3: Trip characteristics do not influence the tourist´s level of satisfaction.

H4: Destination characteristics and attributes do not influence overall satisfaction.

H5: The activities developed in vacations do not influence the tourist´s overall level of satisfaction.

5. Results for the Mediterranean coast

5.1 Results for Spain

The empirical analysis is carried out in two tables. In the first table (Table 3a), we present the regression results, showing the significance of coefficients for every single covariate, and for the joint model specification. In the second one (Table 4), we compute the marginal effects for every category of the dependent variable (from $p(y_i=0)$ to $p(y_i=4)$), and discuss the main results of the satisfaction equation. Regression results are presented in Table 3a, where it is important to note that the estimated signs of the parameter coefficients just reflect how every factor relates to the overall level of satisfaction of tourist, thus increasing (positive sign) or decreasing its probability (negative one). Coefficients have to be read in relation to the reference category if this is the case, or in direct form for the rest of covariates. All covariates are defined as dummies.

In general, results show that all of the explanatory factors specified in the equation appear to be significant, and by then influencing the overall perceived satisfaction of tourists. For comparison purposes we include the reference category in parentheses for the covariates of the table, with the selected individual of reference reflecting the profile of the most satisfied tourist in the sample. All four cuts estimated for the ordered logit model show significance at 94% level, revealing the modeling strategy to be correct, while the joint equation is shown to be significant according to the Wald test. Pseudo R^2 and usual information criteria indexes (AIC and BIC) are reported in Table 3a too.

We now move to Table 4 presenting the marginal effects of the satisfaction equation. This table describes with greater detail the results of the empirical exercise, particularly those regarding the hypotheses we have established in the investigation. The table includes two columns for every level of the dependent variable (p(0) to p(4)). In the first column we include the marginal effect computed by the model for every covariate for this particular interval; in the second column we include a standardized value of the first column data, just showing those with relevant values.[2] In this way, the sign and values of both columns inform about the relevance of every single factor in driving satisfaction for the corresponding interval. Obviously, the summatory of marginal effects for all intervals of every single covariate render zero value, neutralizing each other. In this way, if we observe that, for example, being French increases the probability of a tourist to be poorly or not so much satisfied with the trip (captured by levels 0, 1 and 2), then it would be expected to decrease at the same time the probability of appearing in levels 3 and 4, as it is shown in Table 4.

Summarizing the results, Table 4 show that main covariates affecting the probability of a tourist to reach the highest levels of satisfaction with the trip (levels 3 or 4) are related to "destination characteristics" (particularly for Valencia and Murcia), "country of origin of the visitor" (French and Benelux residents versus British ones) and other factors improving "knowledge or information" of the destination when planning the travel. All these variables appear as first order factors in the process, capturing the important role conferred by the literature to destination attributes, and cultural and individual idiosyncrasy of the tourist, in driving satisfaction perceptions. The relationship between "knowledge of destination" and "trip satisfaction" is primarily captured by covariates on "package tours", and the resource to "Internet" for planning the trip. Results appear to show how relevant is becoming the Internet as a mean for selecting pivotal aspects of the trip (flight, accommodation, activities to develop, or the destination itself), as well as the role played by tour-operators in the tourism market in providing reliable products for vacational consumers. Both relevant actors of the tourism market allow handling with the risk-aversion implicit in the vacational choice, clearly reducing the searching time for it. They also provide opportunities of cost-saving for the tourists. It´s also seen that those tourists arriving by car, mainly coming from the neighborhood countries of Portugal and France, seem to reach higher levels of trip satisfaction.

[2] Classical standardization is applied, subtracting the mean value and dividing for the standard deviation of data in the first column for every interval of satisfaction defined in the study.

Further, it is important to review the remaining factors influencing tourists´ satisfaction, as they provide useful information for policy issues. As Table 4 shows, other relevant covariates influencing satisfaction are those of level of income of the tourist (high level), if he/she is now retired or student, and the activities developed through the holidays, mainly for sports, gastronomy and amenities (spa, thematic parks, casinos, clubs and discos). First, it is interesting to note that high-income tourists declare higher levels of satisfaction when visiting the MED coast of Spain regarding their low and medium-level counterparts. It seems to be reflecting the ability of these destinations in providing adequate supplies for high-income visitors. Second, the activities better valued by tourists are those for which the Spanish MED destinations are well endowed with, i. e. gastronomy, water sports, sightseen, shopping, etc. And third, management policies aiming at attracting new visitors from the retired or students´ groups of population would help in increasing global satisfaction, and hence, competitiveness of destinations. In this regard, second order factors provide very useful information for improving satisfaction, and hence competitiveness, of destinations. Additional results of the satisfaction equation also show that having a second-home and mature age is a source of holiday´s satisfaction, again reinforcing the link between destination knowledge and tourist´s attachment to destinations. We will come back to this relevant question later on when reviewing loyalty issues.

Table 3a. Ordered logit results of trip satisfaction model for reference tourist in Spain

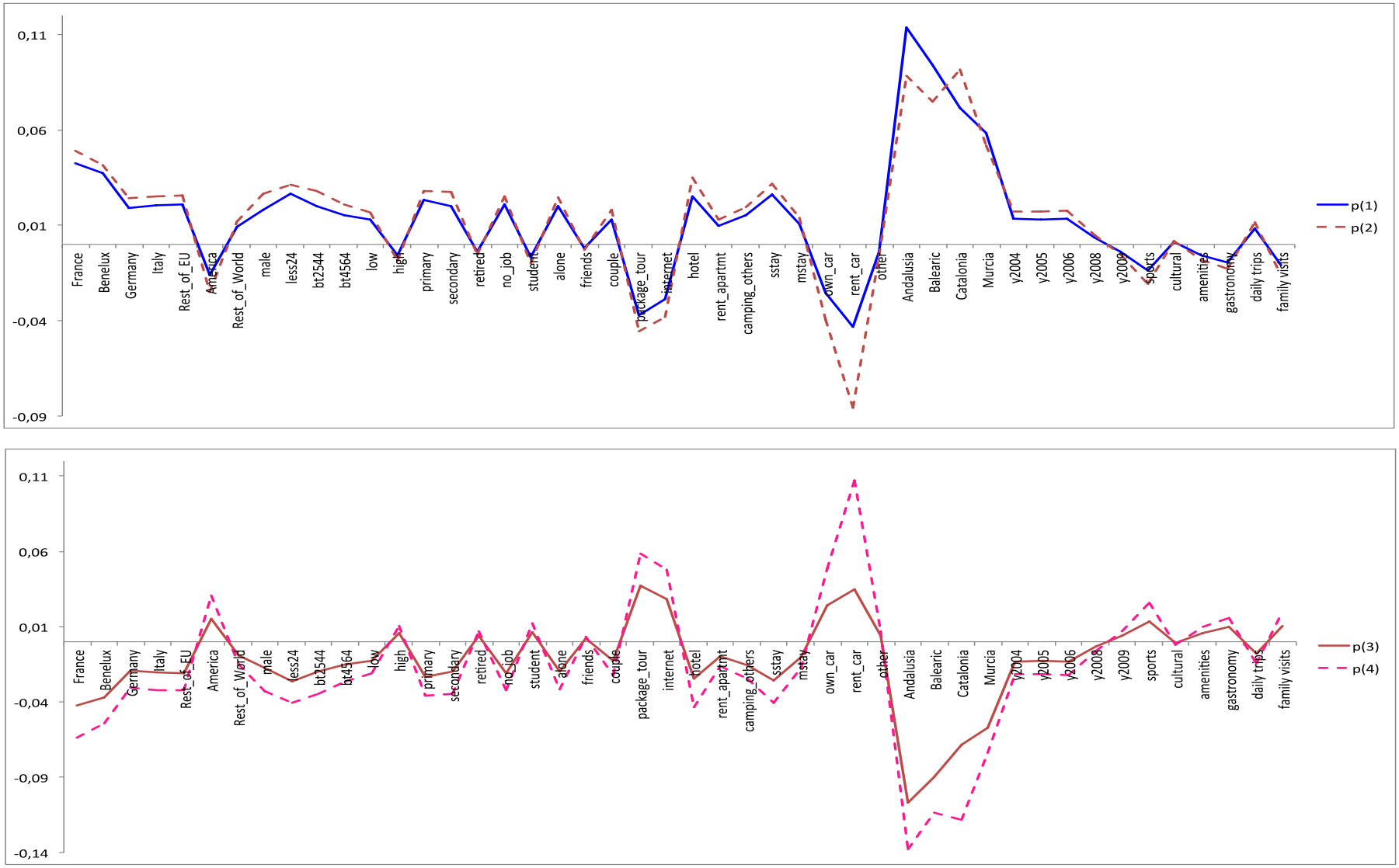
variable	set of dummies	Coeff.	Std. err.	z	P>|z|
Country of residence	France	-0.4321	0.0186	-23.21	0.0000
(UK)	Benelux	-0.3748	0.0186	-20.10	0.0000
	Germany	-0.2010	0.0185	-10.86	0.0000
	Italy	-0.2138	0.0226	-9.43	0.0000
	Rest_of_EU	-0.2161	0.0207	-10.42	0.0000
	America	0.1849	0.0290	6.36	0.0000
	Rest_of_World	-0.0985	0.0484	-2.03	0.0420
Gender (female)	male	-0.2017	0.0117	-17.21	0.0000
Age	less24	-0.2721	0.0364	-7.46	0.0000
(65 years or more)	bt2544	-0.2206	0.0258	-8.52	0.0000
	bt4564	-0.1681	0.0236	-7.12	0.0000
Income_level	low	-0.1359	0.0268	-5.06	0.0000
(medium)	high	0.0652	0.0129	5.04	0.0000
Level of studies	primary	-0.2398	0.0208	-11.49	0.0000
(higher than secondary)	secondary	-0.2195	0.0118	-18.58	0.0000
Employment	retired	0.0421	0.0218	1.93	0.0541
(employed)	no_job	-0.2156	0.0695	-3.11	0.0023
	student	0.0745	0.0319	2.33	0.0200
Company through the visit	alone	-0.2080	0.0193	-10.78	0.0000
(family)	friends	0.0227	0.0206	1.14	0.2712
	couple	-0.1412	0.0140	-10.07	0.0000
Is this a	package_tour?	0.3870	0.0471	8.21	0.0000
Did you plan the trip by using the	internet?	0.3072	0.0125	24.44	0.0000
Accommodation	hotel	-0.2749	0.0142	-19.31	0.0000
(second-home)	rent_apartmt	-0.1039	0.0215	-4.82	0.0000
	camping_others	-0.1629	0.0222	-7.34	0.0000
Duration of stay	sstay	-0.2700	0.0165	-16.34	0.0000
(long stay)	mstay	-0.1128	0.0135	-8.34	0.0000
Mean of transport for traveling	own_car	0.2931	0.0484	6.04	0.0000
(plane)	rent_car	0.5757	0.0763	7.54	0.0000
	other	0.0446	0.1197	0.37	0.7114
Region of visit	Andalusia	-0.1046	0.0201	-51.97	0.0000
(Valencia)	Balearic	-0.8642	0.0220	-39.2	0.0000
	Catalonia	-0.7632	0.0183	-41.51	0.0000
	Murcia	-0.5492	0.0443	-12.38	0.0000
Year of visit	y2004	-0.1403	0.0186	-7.51	0.0000
(2007)	y2005	-0.1387	0.0171	-8.09	0.0000
	y2006	-0.1450	0.0171	-8.46	0.0000
	y2008	-0.0384	0.0165	-2.33	0.0205
	y2009	0.0430	0.0205	2.16	0.0363
Activities developed	sports	0.1567	0.0164	9.56	0.0000
	cultural	-0.0133	0.0123	-1.08	0.2805
	amenities	0.0633	0.0118	5.37	0.0000
	gastronomy	0.1040	0.0232	4.48	0.0000
	daily trips	-0.0903	0.0115	-7.84	0.0000
	family visits	0.1234	0.0179	6.88	0.0000
	cut1	-4.4938	0.0645	-69.6	0.0000
	cut2	-2.8423	0.0630	-45.1	0.0000
	cut3	-0.9019	0.0624	-14.4	0.0000
	cut4	0.3640	0.0623	5.8	0.0000
N	124,410	Pseudo R^2	0.0351		
Wald X^2 (46)	10912.21	AIC	339901		
prob	0.0000	BIC	340388		
Log-pseudolikelihood	-169900.7				

As a general result, we can reasonably reject all five null hypotheses, H1 to H5, previously established on the investigation according to results of Tables 3a and 4. Graphical results are shown in Figure 1, where we plot the relevance of every single covariate in leading the probability of a tourist to be included in interval "1 & 2" or "3 & 4" of the dependent variable. As mentioned before, the factors that increase such a probability in the first graph of the figure would be decreasing that of the second graph, so we will observe an important degree of symmetry between both parts of the figure. Equally, results are presented in regards to the reference tourist as previously defined. As shown by the figure, factors clearly influencing tourists´ perceptions on trip satisfaction are those of "destination characteristics" (H4), "knowledge of destination", and "culture and origin of tourists" (H1), in this particular order. British residents show higher probability to be satisfied than the rest of the visitors of the Spanish MED coast, with the exception of American tourists, this latter group being marginal in total visitors (H1). Socio-demographic characteristics of the tourist seem to influence his overall level of satisfaction, mainly having an older age, higher level of studies and income, being retired or student, or coming with the family (coming with friends is not significant) (H2). Trip or holiday characteristics mainly show that accommodating in your own property (second-home) increases your satisfaction, as well as staying for longer periods of holidays (more than 10 days at destination), and employing your car for arriving from nearby countries (H3). The year of the visit is also a significant factor. Finally, although all activities seem to be important for the tourist, sports and gastronomy increases satisfaction and daily trips decreases it (H5). As expected, doing a visit to the family appears to increase the probability of a satisfied stay at the MED coast. As a result, we can reject the five working hypotheses, with all defined sets of explanatory factors influencing trip satisfaction of tourists, to a greater or lesser extent.

Table 4. Marginal effects of trip satisfaction model for reference tourist in Spain

		p(0)	satisf 1-6/10	p(1)	satisf 7/10	p(2)	satisf 8/10	p(3)	satisf 9/10	p(4)	satisf 10/10
Country of residence	France	0.0143	**95%**	0.0426	**101%**	0.0488	**111%**	-0.0422	**-105%**	-0.0636	**-105%**
(UK)	Benelux	0.0127	**79%**	0.0375	**83%**	0.0414	**88%**	-0.0372	**-87%**	-0.0544	**-84%**
	Germany	0.0063		0.0192		0.0240		-0.0191		-0.0305	
	Italy	0.0068		0.0206		0.0252		-0.0205		-0.0321	
	Rest_of_EU	0.0069		0.0208		0.0255		-0.0207		-0.0325	
	America	-0.0050		-0.0159		-0.0251		0.0152		0.0309	**110%**
	Rest_of_World	0.0030		0.0092		0.0121		-0.0092		-0.0152	
Gender (female)	male	0.0057		0.0180		0.0264		-0.0175		-0.0326	
Age	less24	0.0089		0.0267		0.0312		-0.0265		-0.0403	
(65 years or more)	bt2544	0.0065		0.0202		0.0280		-0.0199		-0.0349	
	bt4564	0.0050		0.0155		0.0211		-0.0153		-0.0263	
Income_level	low	0.0042		0.0128		0.0165		-0.0128		-0.0208	
(medium)	high	-0.0018		-0.0058		-0.0084		0.0057		0.0104	**64%**
Level of studies	primary	0.0077		0.0232		0.0280		-0.0231		-0.0359	
(higher than secondary)	secondary	0.0065		0.0202		0.0277		-0.0199		-0.0345	
Employment	retired	-0.0012		-0.0038		-0.0054		0.0037		0.0067	**55%**
(employed)	no_job	0.0070		0.0210		0.0250		-0.0209		-0.0321	
	student	-0.0021		-0.0066		-0.0098		0.0064	**69%**	0.0121	**67%**
Company through the visit	alone	0.0065		0.0198		0.0249		-0.0197		-0.0316	
(family)	friends	-0.0006		-0.0020		-0.0029		0.0020		0.0036	
	couple	0.0041		0.0128		0.0180		-0.0126		-0.0224	
Is this a	package_tour?	-0.0124	**-165%**	-0.0373	**-172%**	-0.0455	**-179%**	0.0369	**178%**	0.0583	**173%**
Did you plan the tripl by using the	internet?	-0.0094	**-136%**	-0.0287	**-142%**	-0.0380	**-156%**	0.0283	**148%**	0.0478	**149%**
Accommodation	hotel	0.0081		0.0251		0.0350	**68%**	-0.0246		-0.0436	
(second-home)	rent_apartmt	0.0031		0.0097		0.0128		-0.0096		-0.0161	
	camping_others	0.0051		0.0155		0.0196		-0.0154		-0.0248	
Duration of stay	sstay	0.0086		0.0261		0.0318		-0.0259		-0.0406	
(long stay)	mstay	0.0034		0.0104		0.0141		-0.0103		-0.0176	
Mean of transport for traveling	own_car	-0.0080	**-122%**	-0.0255	**-131%**	-0.0394	**-160%**	0.0244	**134%**	0.0486	**151%**
(plane)	rent_car	-0.0131	**-172%**	-0.0433	**-192%**	-0.0856	**-302%**	0.0349	**171%**	0.1071	**284%**
	other	-0.0012		-0.0040		-0.0058		0.0039		0.00719	
Region of visit	Andalusia	0.0424	**368%**	0.1138	**343%**	0.0885	**233%**	-0.1069	**-337%**	-0.1378	**-275%**
(Valencia)	Balearic	0.0345	**291%**	0.0940	**276%**	0.0749	**191%**	-0.0898	**-275%**	-0.1137	**-220%**
	Catalonia	0.0238	**187%**	0.0717	**200%**	0.0916	**242%**	-0.0686	**-200%**	-0.1185	**-231%**
	Murcia	0.0208	**158%**	0.0586	**155%**	0.0519	**120%**	-0.0574	**-159%**	-0.0740	**-129%**
Year of visit	y2004	0.0043		0.0132		0.0172		-0.0131		-0.0216	
(2007)	y2005	0.0042		0.0130		0.0170		-0.0129		-0.0214	
	y2006	0.0044		0.0136		0.0178		-0.0135		-0.0224	
	y2008	0.0011		0.0035		0.0048		-0.0034		-0.0060	
	y2009	-0.0012		-0.0038		-0.0055		0.00380		0.0069	
Activities developed	sports	-0.0043	**-86%**	-0.0137	**-91%**	-0.0209	**-103%**	0.0133	**94%**	0.0258	**99%**
	cultural	0.0003	**-42%**	0.0012		0.0017		-0.0011		-0.0021	
	amenities	-0.0018		-0.0057	**-64%**	-0.0081	**-64%**	0.0056	**66%**	0.0101	**63%**
	gastronomy	-0.0032	**-76%**	-0.0097	**-78%**	-0.0128	**-78%**	0.0097	**81%**	0.0161	**77%**
	daily trips	0.0026		0.0082		0.0115		-0.0081		-0.0143	
	family visits	-0.0034	**-78%**	-0.0109	**-82%**	-0.0163	**-89%**	0.0106	**84%**	0.0201	**86%**

Figure 1. Marginal effects of trip satisfaction model for reference tourist in Spain (p1 & p2 vs p3 & p4)



5.2 Loyalty behaviour of the tourist and its relationship to perceived satisfaction for Spain

In this section we move forward in our investigation, estimating a model for the factors influencing the loyalty of tourists. As recommended by literature we employ a definition of loyalty building on realized actions of the individuals, and not on expected future actions as in previous studies. Our definition of loyalty builds on a question placed in the questionnaire asking the tourist about the number of times that has revisited the same destination previously. The dependent variable is originally defined for an interval of numbers, including 0 (first time coming), 1, 2, 3, etc., and we have recoded the values as follows. Table 5a includes information on the distribution of the loyalty variable, showing that a high share of visitors of the Spanish MED coast present high levels of loyalty to destination, with more than 40% of them having revisited the place for 10 times or more for vacational purposes. On the contrary, just 15% of the sample arrives for the first time to this destination.

Table 5a. Distribution of the recoded "tourists´ loyalty" variable

original scale	recoded variable	Obsv.	Freq.
0	0	19,466	15.65
1-3	1	25,506	20.50
4-9	2	27,994	22.50
10 or more	3	51,444	41.35
	Total	124,410	100.00

The econometric procedure we employ is again an ordered logit model, with a similar set of explanatory variables than in the satisfaction equation. Additionally, and following the literature, we include one covariate for the level of satisfaction of tourists, in order to see how this variable influences loyalty behaviour. Results are presented in Table 6a with the usual reference category in the first column. The joint model appears again to be significant, nearly as every single covariate specified in it. All fitting intervals of the model (cuts) and satisfaction dummies are significant as well. Table 7 shows marginal effects of the loyalty model, letting us to see that main covariates driving tourists´ loyalty are those of "distance to destination", "age of the tourist", "having a second-home at destination", and the "level of satisfaction" with it. All these are key findings for the debate of loyalty issues of tourists. First, the age of the tourist appears to highly determine the probability of revisiting a

destination. Second, distance to the destination is also a pivotal issue on revisiting behaviour; in this regard tourism flows seems to be clearly driven by the concept of proximity, with the bulk of world visitors majorly choosing closer destinations to their home countries. Travel flows mainly develop inside every continent, and they seem to be widely determined by distance as in trade gravity models (UNWTO, 2011). Third, the concept of "attachment to destination" appears to be nicely captured by the tourist choice of having a "second-home" at the Spanish MED coast. Perhaps this is explaining longer stays of tourists characterizing this area. In any case such an attachment affords for considerable loyalty behaviour in the consumer, as our results show. In contrast, visitors coming to hotels do not seem to develop such a great attachment, showing higher probability of being low repeaters, although to a lesser extent than the tourists accommodated in rent apartments and doing camping. This is the mostly the case for Turkey, as we will see in the next section. Fourth, "destination characteristics" again appear to play an important role in the repeating behaviour of tourists, particularly for some locations in the sample. As well as Balearic Islands promote higher levels of loyalty on the visitors, Catalonia not induce those highly-repeating behaviour, despite attracting many visitors per year (around 14 million in 2011), with revisiting patterns of 1 to 3 times at all. Again the characteristics of the destination appear to be relevant in the type of tourism product developed, and hence in the loyalty behaviour shown by tourists.

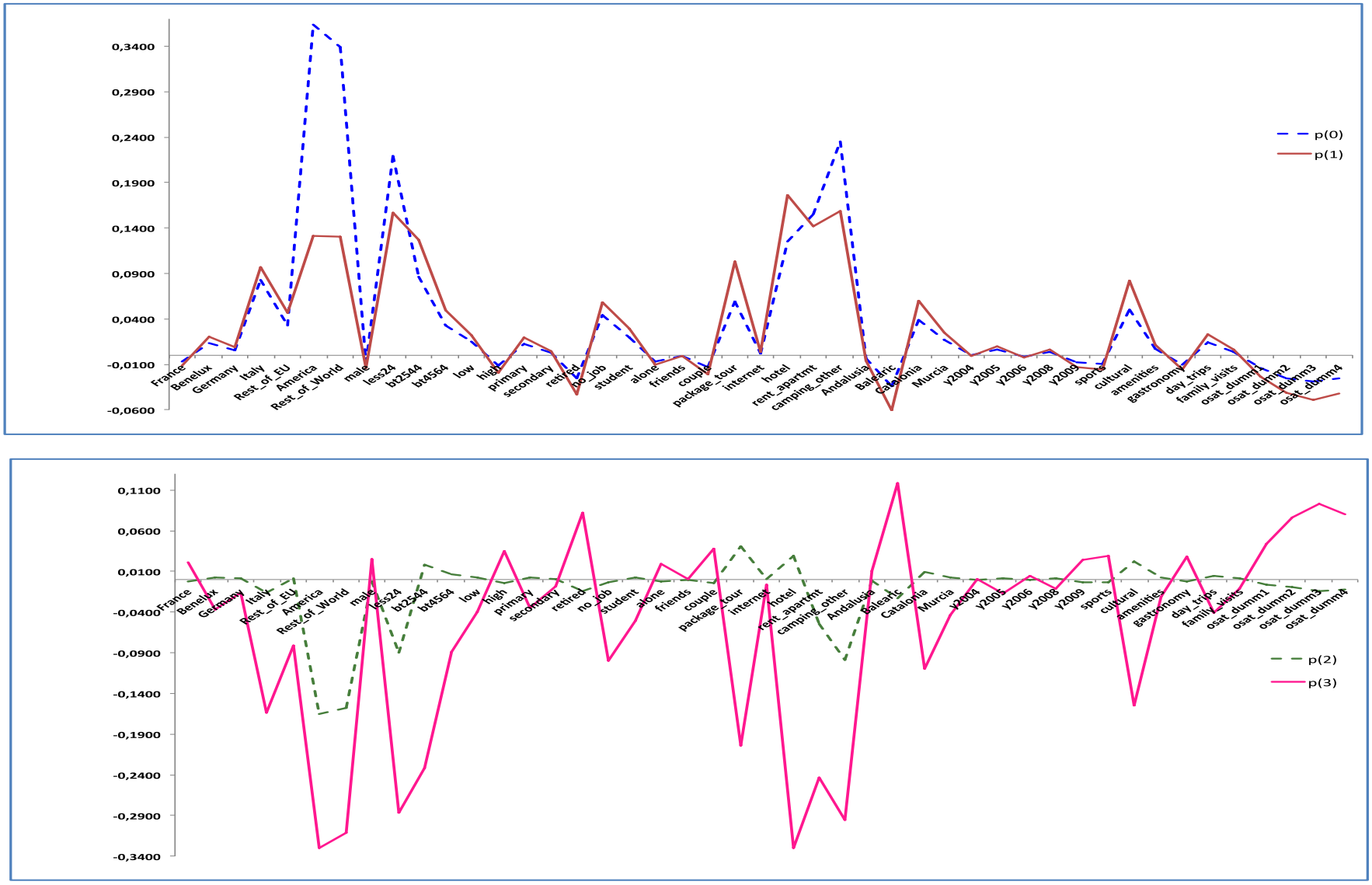
Table 6a. Ordered logit results of loyalty model for reference tourist in Spain

variable	set of dummies	Coeff.	Std. err.	z	P>|z|
Country of residence	France	0.0890	0.0214	4.16	0.000
(UK)	Benelux	-0.1595	0.0197	-8.10	0.000
	Germany	-0.0688	0.0175	-3.92	0.000
	Italy	-0.7745	0.0217	-35.55	0.000
	Rest_of_EU	-0.3584	0.0205	-17.42	0.000
	America	-2.1878	0.0338	-64.59	0.000
	Rest_of_World	-2.0485	0.0638	-32.08	0.000
Gender (female)	male	0.1059	0.0120	8.76	0.000
Age	less24	-1.5952	0.0416	-38.30	0.000
(65 years or more)	bt2544	-1.0086	0.0319	-31.56	0.000
	bt4564	-0.3810	0.0300	-12.70	0.000
Income_level	low	-0.1723	0.0275	-6.25	0.000
(medium)	high	0.1475	0.0140	10.47	0.000
Level of studies	primary	-0.1494	0.0251	-5.95	0.000
(higher than secondary)	secondary	-0.0353	0.0125	-2.81	0.005
Employment	retired	0.3409	0.0264	12.90	0.000
(employed)	no_job	-0.4508	0.0751	-6.00	0.000
	student	-0.2222	0.0322	-6.90	0.000
Company through the visit	alone	0.0812	0.0203	4.00	0.000
(family)	friends	0.0033	0.0207	0.16	0.871
	couple	0.1596	0.0150	10.62	0.000
Is this a	package tour?	-0.8451	0.0211	-40.03	0.000
Did you plan the trip by using the	internet?	-0.0261	0.0139	-1.88	0.060
Accommodation	hotel	-1.4540	0.0154	-94.22	0.000
(second-home)	rent_apartmt	-1.2550	0.0224	-55.84	0.000
	camping_other	-1.6706	0.0264	-63.15	0.000
Region of visit	Andalusia	0.0454	0.0201	2.26	0.024
(Valencia)	Balearic	0.4865	0.0212	22.88	0.000
	Catalonia	-0.4681	0.0184	-25.39	0.000
	Murcia	-0.1910	0.0428	-4.46	0.000
Year of visit	y2004	0.0023	0.0197	0.12	0.907
(2007)	y2005	-0.0729	0.0182	-3.99	0.000
	y2006	0.0204	0.0172	1.19	0.236
	y2008	-0.0457	0.0167	-2.73	0.006
	y2009	0.1023	0.0220	4.65	0.000
Activities developed	sports	0.1207	0.0179	6.73	0.000
	culture	-0.6496	0.0129	-50.25	0.000
	amenities	-0.0910	0.0123	-7.35	0.000
	gastronomy	0.1228	0.0255	4.80	0.000
	daily trips	-0.1752	0.0121	-14.44	0.000
	family visits	-0.0476	0.0197	-2.42	0.016
Tourists´satisfaction	osat_dumm 1	0.1851	0.0338	5.47	0.000
(osat_dumm 0)	osat_dumm 2	0.3230	0.0316	10.19	0.000
	osat_dumm 3	0.3855	0.0324	11.87	0.000
	osat_dumm 4	0.3332	0.0330	10.08	0.000
	cut1	-4.8341	0.0602	-80.3	0.000
	cut2	-3.3492	0.0593	-56.4	0.000
	cut3	-2.0249	0.0587	34.4	0.000
	N	124,410	Log-pseudolikelihood	-135811.87	
	Wald X^2 (45)	45161.89	AIC	271719.7	
	prob	0.0000	BIC	272186.9	
	Pseudo R^2	0.1704			

Table 7. Marginal effects of loyalty to destination for reference tourist in Spain

		p(0)	0 visits	p(1)	1-3 visits	p(2)	4-9 visits	p(3)	more than 10
Country of residence	France	-0.0070		-0.0114		-0.0025		0.0211	
(UK)	Benelux	0.0136		0.0207		0.0025		-0.0370	
	Germany	0.0057		0.0089		0.0014		-0.0161	
	Italy	0.0826		**0.0972**	**110%**	-0.0164	**-11%**	**-0.1634**	**-89%**
	Rest_of_EU	0.0328		0.0466		0.0015		-0.0810	
	America	**0.3636**	**362%**	0.1317	**165%**	**-0.1651**	**-380%**	**-0.3301**	**-226%**
	Rest_of_World	**0.3385**	**334%**	0.1306	**163%**	**-0.1578**	**-361%**	**-0.3113**	**-211%**
Gender (female)	male	-0.0087		-0.0137		-0.0024		0.0248	
Age	less24	**0.2195**	**201%**	**0.1572**	**206%**	-0.0902	**-194%**	**-0.2865**	**-190%**
(65 years or more)	bt2544	0.0864		0.1268	**157%**	0.0182	**75%**	**-0.2315**	**-145%**
	bt4564	0.0323		0.0493		0.0067		-0.0884	
Income_level	low	0.0149		0.0224		0.0024		-0.0398	
(medium)	high	-0.0116		-0.0190	**-78%**	-0.0043		0.0350	**76%**
Level of studies	primary	0.0127		0.0194		0.0024		-0.0346	
(higher than secondary)	secondary	0.0028		0.0045		0.0008		-0.0083	
Employment	retired	-0.0250		-0.0430	**-117%**	-0.0142		0.0823	**115%**
(employed)	no_job	0.0439		0.0584		-0.0029		-0.0994	
	student	0.0195		0.0289		0.0024		-0.0510	
Company through the visit	alone	-0.0064		-0.0104		-0.0023		0.0192	
(family)	friends	-0.0002		-0.0004		-0.00008		0.0007	
	couple	-0.0129		-0.020	**-81%**	-0.0039		0.0376	78%
Is this a	package_tour?	0.0595		**0.1035**	**120%**	0.0409	**131%**	**-0.2039**	**-122%**
Did you plan the trip by using the	internet?	0.0021		0.0033		0.0006		-0.0061	
Accommodation	hotel	0.1248	**96%**	**0.1761**	**237%**	0.0287		**-0.3296**	**-226%**
(second-home)	rent_apartmt	0.1552	**130%**	0.1418	**182%**	-0.0541	**-105%**	**-0.2429**	**-154%**
	camping_other	**0.2349**	**218%**	0.1585	**209%**	-0.0984	**-214%**	**-0.2951**	**-197%**
Region of visit	Andalusia	-0.0036		-0.0058		-0.0012		0.0107	
(Valencia)	Balearic	-0.0344	**-82%**	-0.0606	**-145%**	-0.0230	**-27%**	0.1181	**144%**
	Catalonia	0.0390		0.0603	**50%**	0.0098		-0.1092	**-44%**
	Murcia	0.0167		0.0249		0.0023		-0.0439	
Year of visit	y2004	-0.0001		-0.0002		-0.00005		0.0005	
(2007)	y2005	0.0060		0.0094		0.0015		-0.0170	
	y2006	-0.0016		-0.0026		-0.0005		0.0048	
	y2008	0.0037		0.0059		0.0010		-0.0107	
	y2009	-0.0080		-0.0131		-0.0031		0.0243	
Activities developed	sports	-0.0094		-0.0155		-0.0037		0.0287	**70%**
	cultural	0.0499		0.0820	**85%**	-0.0226		**-0.1546**	**-81%**
	amenities	0.0074		0.0118		0.0021		-0.0214	
	gastronomy	-0.0104		-0.0159		-0.0021		0.0285	**70%**
	daily trips	0.0144		0.0227		0.0040		-0.0411	
	family visits	0.0039		0.0061		0.0010		-0.0111	
Tourists´satisfaction	osat_dumm 1	-0.0142	-59%	-0.0236	-86%	-0.0064	14%	0.0443	83%
(osat_dumm 0)	osat_dumm 2	-0.0255	-72%	-0.0414	**-114%**	-0.0097	6%	0.0766	**110%**
	osat_dumm 3	-0.0290	-76%	-0.0489	**-126%**	-0.0146	-7%	0.0925	**123%**
	osat_dumm 4	-0.0250	-71%	-0.0423	**-116%**	-0.0126	-2%	0.0800	**113%**

Figure 2. Marginal effects of loyalty to destination for reference tourist in Spain (p0 & p1 vs p2 & p3)



Fifth, along this review we must highlight the role played by "satisfied tourists" in developing repeating behaviour. As a central point of consumers' theory states, the satisfied client forms the basis of a business performance, because, among other positive things, he repeats the buying action over and over again. This is the basis of the loyalty concept, and as the literature has been pointing out, the truly sign of competitiveness of the firm and that pointing to the perceived quality of product. In this way, studies on loyalty of tourists have been increasingly scrutinizing the relationship between these two variables, satisfaction and loyalty. Dummies for satisfaction variable include the five intervals employed previously, corresponding to categories 0 to 5, with 0 being the lower level of declared satisfaction and 5 the highest one (see table 2a). The reference category is defined as the value 0 of the variable. In general, results of tables 6a and 7 show high significance and explanatory capacity of the satisfaction variable in influencing the level of loyalty of the tourists. Highly satisfied visitors develop a great level of attachment to the destination, revisiting it for 10 or more times. Results clearly indicate that the perception of a high level of "overall satisfaction" significantly reduces the probability of the tourist to be low repeater, and increases the probability of being high repeater. Moreover, other relevant factors increasing loyalty of visitors are those of being retired (people with lower time restrictions), coming with the couple, being a high income tourist, not employing a package tour, and pursuing activities such sports and gastronomy. In this case, the use of the Internet for planning the trip does not seem to play a role in driving loyalty issues for tourists. Figure 2 shows graphically how all covariates in the model affect revisiting or loyalty behaviour of tourists. Distance to destination, age of tourist, accommodation chosen, and perceived satisfaction clearly emerge as the main relevant factors driving the process. All these covariates have clear implications for destination management in terms of loyalty of tourists.

Finally, as a summary of the empirical exercise for Spain, we present in Table 8 the results showing how the modeling strategy pursued for analyzing satisfaction and loyalty of tourists improve our predictive capacity regarding purely descriptive analysis based on distributional frequencies. This table is usually computed in ordered logit exercises (see i.e. Greene and Hensher, 2010). In general we observe the model to improve the predictive capacity in both equations, although predictive gains are shown to be higher in the loyalty model case.

Table 8. Predictive capacity of the ordered logit model versus data distributional frequencies for Spain

Satisfaction equation for the average tourist					
	p (0)	p (1)	p (2)	p (3)	p (4)
Prob. (osat=x_i) ordered logit	3.0	11.0	39.2	26.9	19.8
Prob. based on frequencies	3.5	12.2	38.4	24.5	20.9
change in pred probabilities	**-14.3%**	**-9.8%**	**2.1%**	**9.8%**	**-5.3%**
Loyalty equation for the average tourist					
	p (0)	p (1)	p (2)	p (3)	
Prob (loyalty=x_i) ordered logit	8.9	21.2	31.7	38.1	
Prob. based on frequencies	15.6	20.5	22.5	41.3	
change in pred probabilities	**-43%**	**3.4%**	**41%**	**-7.7%**	

5.3 Results for Turkey: Satisfaction and loyalty analysis of tourists visiting Antalya region

In this section we present main results of the study for Turkey and compare them with those of the Spanish case. The reference category in the satisfaction equation is defined as a "female tourist, with more than 65 years, coming from former Russia, with superior education, medium income level, occupied, traveling with more than two people, staying for more than ten days at destination, and accommodated at his/her own property or with friends and relatives. He/she travels to enjoy cultural and historical features, not employing travel package, and not using the Internet for trip arrangements". The same category applies for the loyalty equation, including an additional dummy variable for the satisfaction dimension, defined as "a tourist with the lowest level of satisfaction". Descriptives for dependent variables regarding satisfaction and loyalty for Turkey are shown in Tables 2b and 5b.[3]

Table 2b. Descriptives for Satisfaction variable

original likert scale	recorded variable	observation	frequency
1-6	0	113	11,35
7	1	118	11,85
8	2	256	25,70
9	3	213	21,38
10	4	296	29,72
Total		996	100,00

[3] We decide to mantain the same notation than in tables for Spain in order to facilitate comparisons.

Table 5b. Descriptives for Loyalty variable

original likert scale	recorded variable	observation	frequency
0	0	257	26,09
1-3	1	560	56,85
4-6	2	119	12,08
7-10	3	29	2,94
10+	4	40	4,04
Total		985	100,00

Results

Estimation results regarding the satisfaction equation for Turkey are at some extent disappointing, with only 3 intercept dummies and 1 continuous variable, out of 28, appearing to have statistically significant impact on the probability of satisfaction (Table 3b). Main findings show that female tourists, those coming from Russia, and those planning the trip in advance, show the highest mean levels of satisfaction. These results corroborate those of a recent study by Aksu et al. (2008), the only available literature on satisfaction and loyalty of tourists for Antalya region before our study. It includes interviews of a huge sample of 10393 people in Antalya International Airport over the period of July, August, September and October in 2008. The research mainly applies a descriptive approach to data.[4] General findings describe the majority of the tourists as being relatively young, married, with higher education (above secondary school), and with lower or middle levels of income. Majority of the tourists travel abroad once a year and they plan their trip just a short period before taking place. They mostly prefer all-inclusive packages, stay at hotels for about two weeks, and usually opting for city tours and daily trips. Tourists' expectations are found to be satisfied in Antalya region and, in addition, as their satisfaction level rises, loyalty to destination increases as well.

Significant part of the respondents declared that they are going to recommend Antalya to their friends and they might revisit Antalya. One interesting finding of the extensive work of Aksu

[4] We have tried to get access to their data set in order to complement our findings for this region of study, although we have not been successful in this purpose.

et al. (2008) is that tourists that came with high expectations regarding Turkish cuisine and shopping opportunities were some disappointed. Another finding is that tourists with lower expectations regarding transportation, cultural and art based activities, interaction with the local people, sports facilities, hygiene, cleanness, and access to tourist information points, are shown to be more satisfied. Lastly, tourists' expectations regarding security are observed to be high, with their satisfaction level being high as well.

Across the present study, the level of satisfaction is defined according to 9 items: quality, price, security, cultural activities, nature, hospitality, Turkish cuisine, shopping and cleanness. Respondents ranked their satisfaction level from 1 to 10, with 10 representing the highest level. All of these items were ranked 7-10 at least by 76% of all respondents. At least 65% of respondents ranked the entire basis 8-10, and at least 41% ranked all them 9-10. Three common grounds for majority of the respondents to feel less satisfied are prices, shopping atmosphere and cultural activities. Finally, the majority of the respondents feel more satisfied about **security, hospitality and quality issues**. Moreover, in our research 97% of respondents are found to be inclined in recommending Antalya to their friends, and about 81% declared that they might visit Antalya again. Findings for Turkey appear to be in line with those of Aksu et al., 2008 in several ways. Particularly, the positive relationship found between satisfaction and loyalty, and the intention of respondents towards recommending and revisiting Antalya destination. In addition, features that respondents feel high satisfaction such as security, hospitality, and low satisfaction, such as shopping atmosphere, and prices, are other common findings between both studies.

Table 3b. Ordered logit results of trip satisfaction model for Turkey

Variable	Set of Dummies	Coefficients	Standart Error	z	P>|z|
Level of studies	primary	-0,2895	0,5375	-0,5400	0,5900
(higher than secondary)	secondary	0,1066	0,1417	0,7500	0,4520
Employment	retired	0,2239	0,4173	0,5400	0,5920
(employed)	no_job	-0,2592	0,3102	-0,8400	0,4030
	student	-0,2074	0,2182	-0,9500	0,3420
Income level	high	0,0786	0,1539	0,5100	0,6090
(medium)	low	0,0013	0,2009	0,0100	0,9950
Gender (female)	male	-0,3589	0,1299	-2,7600	0,006*
Age	less24	-0,4028	0,5221	-0,7700	0,4400
(65+)	25-44	-0,4941	0,5130	-0,9600	0,3350
	45-64	-0,2850	0,5059	-0,5600	0,5730
Did you plan the trip by using	internet?	-0,0345	0,0969	-0,3600	0,7220
How advance you planned the trip?	# of days	0,0019	0,0008	2,4200	0,015*
Duration of the stay	# of days	-0,0044	0,0148	-0,3000	0,7650
Is this a	package tour?	-0,1173	0,1409	-0,8300	0,4050
Company through the visit	alone	0,3087	0,3143	0,9800	0,3260
(more than 2)	couple	0,0896	0,1415	0,6300	0,5270
Accommodation	hotel	0,0690	0,3856	0,1800	0,8580
(own property, friends, family)	rental	0,1309	1,1050	0,1200	0,9060
	camping site	0,2239	0,4173	0,5400	0,5920
Activities developed	visiting friends	0,2302	0,8646	0,2700	0,7900
(culture, history, art)	business	-0,2111	0,6849	-0,3100	0,7580
	health	0,0396	0,8021	0,0500	0,9610
	all-inclusive system	0,1327	0,2083	0,6400	0,5240
Country group of residence	Balkans	0,1519	0,3954	0,3800	0,7010
(former Russia)	Northern Europe	-0,4477	0,1827	-2,4500	0,014*
	Middleeast	-0,9034	0,5549	-1,6300	0,1040
	Europe	-0,4153	0,1735	-2,3900	0,017*
	cut1	-2,8917	0,6756		
	cut2	-2,0457	0,6687		
	cut3	-0,8079	0,6663		
	cut4	0,1926	0,6680		
N	812	Pseudo R2	0,0138		
Wald chi2(27)	38.63				
Prob > chi2	0.0684				
Log-pseudolikelihood	-1224,615				

In the loyalty equation we employ the same set of covariates than in the satisfaction analysis, plus an additional factor including the level of trip satisfaction of tourists (Table 6b). Overall explanatory power of the equation is again appearing to be low, however diagnostics are better compared to that of satisfaction equation. Among 28 explanatory variables, 11 dummies and 1 continuous variable are statistically significant. The most robust and informative results are the following ones. First, any level of satisfaction achieved by tourists is found to affect loyalty probability in a positive sense, which is quite an expected outcome. Interestingly, tourists both from low and higher income groups are found to have less intention to revisit compared to medium income class. While students tend to be less loyal to destination compared to employed tourists, couples are found to be less loyal as well in

comparison to groups of more than two people, usually coming with families. As it is the case in satisfaction analysis, number of days in advance they plan their trip has a positive impact on probability of being loyal to destination. This is an expected outcome yet shown in the satisfaction equation. Finally, being a tourist from Northern Europe and Middle East decreases the probability to become loyal to destination compared to the ones coming from Russia. As in the case of satisfaction analysis, these findings are supported in Aksu et al. (2008). In the same study, the level of satisfaction is also found to have importance in influencing the level of loyalty of tourists towards Antalya destination.

Despite lower explanatory power of the Turkish case in comparison with the huge data set of Spain, results are coincident in several issues. In the satisfaction analysis, origin of the tourist, gender, and the activities developed during the trip, are all factors clearly affecting the level of satisfaction of tourists. In the loyalty study once more the origin of the tourist, together with the overall level of satisfaction reached in the trip, the company while travelling, and the level of income, affects the degree of loyalty of the tourist towards the destination. Planning the trip in advance increases satisfaction and loyalty of tourists for Turkey. These are the main findings shared by both country studies, some of them representing a common place in the analysis of tourist´s behaviour. In both cases we can conclude that European and Middle Eastern tourists deserve some special attention in order to have sustainable visits to Spain and Turkey, while Turkish and Spanish authorities should definitely work on every aspect increasing tourist satisfaction to improve and sustain levels of loyalty to destinations.

In general, the results of the investigation have shown the key role played by some variables in ensuring the competitiveness and sustainability of the MED region as a tourism destination. First, it is important to provide the potential visitor with a relevant set of information about the destination previously to the visit: prices, places to go, main locational advantages, lodging and gastronomy supply, activities to develop, how to arrive, etc. All that information will help the tourist to plan the trip in a more accurate way, hence improving the matching between expectations and realisations, what increases trip satisfaction. Second, promotion efforts and management of visitors must be clearly point to some important features of the visitor, such as the country of origin, length of stay, level of income, and activities pursued by tourists. Main advantages of MED destinations, such as gastronomy, cultural supply, historical patrimony, water sports, weather smoothness and warmth of people, are undoubtedly pivotal assets to be maintained, reinforcing the attractiveness of the region for

world tourists. Age of the tourists and type of accommodation supply predominant at destinations would also determine the level of loyalty of present and future visitors. The image created by a single destination, that builds on its own main advantages maintained year by year, is also a salient variable influencing both satisfaction and loyalty of tourists visiting the MED region. Finally, the close relationship existing between satisfaction and loyalty dimensions of tourists is a central finding of the investigation, to be accounted for MED tourism management policies.

Table 6b. Ordered logit results of loyalty model for Turkey

Variable	Set of Dummies	Coefficients	Standart Error	z	P>|z|
Tourists' satisfaction	satis level 1	0,6142	0,2620	2,3400	0,019*
(no satisfaction at all)	satis level 2	0,4351	0,2327	1,8700	0,062*
	satis level 3	0,7866	0,2626	3,0000	0,003*
	satis level 4	0,8001	0,2307	3,4700	0,001*
Level of studies	primary	0,2752	0,5240	0,5300	0,5990
(higher than secondary)	secondary	-0,1167	0,1750	-0,6700	0,5050
Employment	retired	0,7192	0,5434	1,3200	0,1860
(employed)	no_job	0,3137	0,3029	1,0400	0,3000
	student	-0,4814	0,2335	-2,0600	0,039*
Income level	high	-0,4377	0,1948	-2,2500	0,025*
(medium)	low	-0,4265	0,1766	-2,4100	0,016*
Gender (female)	male	0,0327	0,1578	0,2100	0,8360
Age	less24	0,3277	0,5444	0,6000	0,5470
(65+)	25-44	0,3896	0,5407	0,7200	0,4710
	45-64	0,6951	0,5424	1,2800	0,2000
Did you plan the trip by using	internet?	0,0447	0,1473	0,3000	0,7610
How advance you planned the trip?	# of days	0,0017	0,0009	1,8300	0,067*
Duration of the stay	# of days	-0,0047	0,0154	-0,3000	0,7620
Is this a	package tour?	-0,1783	0,1878	-0,9500	0,3420
Company through the visit	alone	0,5956	0,4706	1,2700	0,2060
(more than 2)	couple	-0,2596	0,1566	-1,6600	0,097*
Accommodation	hotel	0,5124	0,5127	1,0000	0,3180
(own property, friends, family)	rental	1,4831	0,8712	1,7000	0,089*
	camping site	0,7192	0,5434	1,3200	0,1860
Activities developed	visiting friends	0,8029	0,5962	1,3500	0,1780
(culture, history, art)	business	0,5119	1,0157	0,5000	0,6140
	health	-0,2057	1,3241	-0,1600	0,8770
	all-inclusive system	0,2993	0,2627	1,1400	0,2550
Country group of residence	Balkans	-0,4577	0,4294	-1,0700	0,2860
(former Russia)	Northern Europe	-0,4029	0,2240	-1,8000	0,072*
	Middleeast	-0,8879	0,4435	-2,0000	0,045*
	Europe	-0,0073	0,1797	-0,0400	0,9680
	cut1	-0,1030	0,7730		
	cut2	2,6495	0,7757		
	cut3	3,8871	0,7897		
	cut4	4,4468	0,7976		
N	800	Pseudo R2	0,0376		
Wald chi2(27)	79,2300				
Prob > chi2	0,0000				
Log-pseudolikelihood	-882,3183				

(*): Statistically significant variable.

6. Conclusions

The Mediterranean region is the leading tourism destination in the world. This area receives around 20% of total annual world arrivals and receipts. Tourism industry is of relevance for all countries in the region; it creates employment, permits the development of SME related business, and provides foreing revenues for the private and governmental sector. In this way, this paper has been directed to improve our understanding of factors driving satisfaction of tourists and loyalty of visitors arriving to MED destinations. By focusing on micro data we have obtained useful information on these two qualitative measures of tourism destination competitiveness, then complementing traditional macro approaches to the issue. Along the research, there have been several improvements regarding previous literature. First, the investigation has built on larger information sets, with more than 120,000 interviews to foreign tourists visiting the Spanish Mediterranean coast, and more than 1000 questionnaires for the case of Turkey. Second, we have pursued a comprehensive approach to the issue, accounting for all explanatory factors playing a role in this context. It includes information on tourists´ profiles, the characteristics of the trip experience, and those of the destination visited. And third, we have employed ordered logit models through the estimation procedure, quantitatively identifying the contribution of every covariate in that setting. All these contributions have improved the robustness and quality of the analysis.

Main findings of the investigation have shown how perceptions of trip satisfaction are closely related to the idiosyncrasy of the destination, and that of the particular profile of tourists. Tourist information increasing certainty about several aspects of the trip is another relevant variable in the process, as well as the type of activities offered by destinations. As a result, the correct management of all these factors would afford for higher levels of satisfaction of visitors, then achieving higher competitiveness of destinations. In what regards the loyalty behaviour of tourists, it is shown to be related to the distance to destination (transport costs, cultural distance), age of the tourist (time restrictions, choice of new destinations), and those variables capturing a sense of attachment to the place (property of a second-home, preference of French/British´ citizens for particular destinations). Despite the tourist is just coming once a year to the destination, and even could live far from it, the capacity of developing significant psychological linkages with the destination seems to be explained by the own characteristics of the destination itself, and by the level of satisfaction the visitor perceives through every visit. Psychological factors are shown to be of great relevance when explaining loyalty issues,

a matter addressed by this study. Certain types of activities also seem to foster loyalty of tourists (culture, gastronomy, sports); in this respect, the MED region appears to be well endowed for the most preferred activities of tourists, what enables a great presence of repeaters, reinforcing the sentiments of attachment to this particular area of the world.

The comparative analysis of tourism demand for Spain and Turkey also highlighted the differences arising between the profiles of tourists visiting these two leading destinations. In this way, it appears to emerge some kind of endogenous relationship between the pattern of specialization the destination has followed (accommodation, infrastructures, supplies, activities) and the resulting loyalty attitude of visitors. For the case of Spain, tourism demand is more focused on arrival of couples and people coming alone, with medium-high income level, going to their own second-homes, and staying for 10 days at least. This type of tourist presents high levels of satisfaction and marked patterns of loyalty and attachment to the destination. In the Turkish case, family visits are the most representative group of visitors, using to stay for 2-8 days, mainly going to hotels, and having younger mean age. Correspondingly, this type of tourist is characterised by less loyalty behaviour, although their level of satisfaction is quite similar to the Spanish case, both destinations reaching high levels of declared trip satisfaction by visitors.

Other striking result is that of a closer link between satisfaction and loyalty patterns, despite the relevant differences estimated between factors driving every one of them. Original marketing studies in tourism literature began by focusing on the analysis of customer satisfaction when approaching destination sustainability and its performance. In the aftermath, they move towards the analysis of loyalty patterns. In this context, our study has shown how satisfaction of tourist clearly determines the loyalty developed towards destinations, this being a pivotal issue for sustaining and promoting competitiveness.

In policy terms interesting indications have been emerging from the empirical analysis. The promotion of arrivals of certain collectives would have important effects on loyalty and satisfaction of visitors. For example, attracting older tourists would be improving loyalty of visitors. However, promoting the arrival of younger tourists (less than 45 years old) would lead to new first-comers at MED destinations. This is a representative group in today´s worldwide tourists (more than 50% of our sample), with increasing free time and income to spend. Focusing on more distant visitors, as Americans and Asian citizens, would also

improve the average trip satisfaction that tourists perceive from these destinations. Of course long-run policy recommendations must be addressing the central issues of improving destinations´ image, the way a tourist gets attached, and that of the quality level of provided supplies. Environmental issues, such as care of natural environments, landscapes, and related issues should be no doubt integrating the set of policy recommendations for the future. Finally, the role of the Internet and Tour-operators in improving tourists´ satisfaction and loyalty has been clearly stated along the study, opening new grounds for research in this branch of the tourism marketing literature.

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CHAPTER 5:

CONCLUSIONS AND POLICY OPTIONS

FEMISE Research Project FEM 35-04: "Tourism industry as an engine for export-led growth and social development: Analysing its main characteristics and future prospects for Mediterranean countries".

Main aim and conclusions of the study

The main aim of the present investigation has been to explore the characteristics of the tourism industry along the MED region, as a leading sector in promoting economic recovery and social development. As a benchmark we have analysed the case of three salient destinations: Spain, Turkey and Egypt.

In the first part of the study we have shown the relevant role that the tourism industry plays in the regional economy, its capacity to promote employment, mainly for fragile collectives as females and young people, and the important linkages maintained with pivotal sectors of the economy (finance, real estate/construction, culture, etc.). In this sense, tourism is a sector susceptible of helping in the socio-economic development of the region. Tourism activities use to contribute in the promotion of peace and social stability as well, maintaining openness of countries, what confers them a prominent role in MED societies further from their economic scope. After describing the current situation of tourism industry in MED region, we have moved to analyse the main factors driving tourism demand. From a macroeconomic perspective, a general finding has been that attachment to destinations is the relevant variable leading visitor´s choices and perceptions. Key travel decisions seem to be highly determined by questions of cultural, geographical, and economic proximity between countries of origin and destination of visitors. Political and administrative reasons, mainly visa requirements, appear to be relevant too. It explains why EU and MENA citizens, who travel around the region, are the main visitors of MED destinations. Hence, the objective of accomplishing a sustainable increase in the numbers of visits, and related receipts, becomes a question of reinforcing existing linkages between EU-MED-MENA countries, as well as developing new ones. In this context, neighbourhood policies of EU and MENA

countries become even more relevant, given that they ensure not only the socio-economic progress of the area, but reinforce the common political dimension. This is one of **the most relevant conclusions** of the present research project.

In the second part of the study we have focused on identifying the microeconomic aspects leading the behaviour of tourists while visiting the MED region (expenditure, satisfaction, and loyalty issues mainly). Characteristics of the trip, the individual profile of the visitor, and the features of the destination itself, appear to be the main factors influencing tourists´ choices and their psychological perceptions while in vacations. Important tourism marketing policies have been obtained in this regard. In a more general view, we have noted that the historical development of destinations creates their own image, what in turn determines their particular pattern of specialisation. In this sense, decisions made in the past affect the present sustainability and future prospects of tourism destinations. The main lesson emerging here is the relevance that planning activities play in achieving a balanced impact of tourism in the territory, mainly on natural resources and local population at destinations. The role of public (and private) policies in ensuring a sustainable approach to tourism activities is once more of pivotal importance.

Policy guidelines derived from the investigation

In policy terms, results of the investigation lead to the following recommendations:

1. Main output of the project shows that tourism industry becomes a relevant sector in fostering socio-economic progress of the MED region. In this regard, policymakers should be aware of the main advantages that the tourism-led growth model provides for the whole society, by promoting inclusive development and mainly relying on external demand. Both are key issues for Southern EU and MENA countries in the present conjuncture.
2. Continuing with investment programs in national infrastructures appears as a central activity for the development of tourism in many MED-MENA countries.

Socio-political stability and security issues emerge as key factors in ensuring tourism arrivals and receipts in MENA countries at present times, too.

3. The impact of tourism activities in the landscape, usage of natural resources, and the life conditions of local population must be accounted for when defining tourism development policies. The present situation characterizing some leading MED destinations must be taken into account when defining sustainability issues for EU tourism policy.

4. Educative and formative efforts appear as one of the main requirements for the future of the tourism sector. Improving qualification of the labour force, and reinforcing the presence of tourism studies in secondary and university cycles, would lead to higher receipts, also improving trip satisfaction of tourists. This is a relevant issue in a service sector as the tourism is.

5. Reinforcing the linkages between EU-MED-MENA countries should continue to be a central policy for EU instances regarding the MED region, as it directly fosters tourism-led growth strategies. In more general terms, **this political objective allows to achieve a shared socio-economic and institutional progress** for the countries of the region. This is another remarkable finding of the research project in policy terms.

6. In terms of tourism management policy, results point to the relevance of destination characteristics in determining expenditure behaviour of tourists. Trip characteristics and the launching of new tourism products and activities appear as other central factors in defining level of spending of visitors.

7. Backward linkages with construction/real estate activities are shown to be important for tourism industries. The financial sector is also closely engaged with tourism activities. Tourism-led growth model could in this way help to improve the present situation of both sectors, hardly impacted by the crisis in some MED countries.

8. Promotion and marketing campaigns developed by public and private instances should better focus in certain individual characteristics of the tourist, such as age, income level, and country of origin as a segmenting strategy of demand. Attraction of new visitors from Russia and Gulf countries is always a target for

MED destinations, although EU and MENA citizens will continue to be their main group of visitors.

9. Visa restrictions must be addressed in MENA countries to ensure the growth of tourist arrivals. Reducing political barriers to North American and EU travellers also would impact tourist flows to MENA area.
10. Facilitating all policies improving attachment feelings of visitors towards destinations clearly impacts trip satisfaction and loyalty of tourists. Policies directed to promote historical and cultural patrimony along the MED region, including gastronomy richness, should be one of the main actions in this respect.
11. Cooperation between public and private sectors in promoting tourism-led growth strategies appear to be pivotal for ensuring the success of this policy. National and supranational instances must be embarked in a joint effort while pursuing such a relevant objective.

Priorities and Opportunities

As main priorities and opportunities of the research in policy terms we would focus on:

- Exploiting all positive aspects associated to tourism-led growth policy: employment creation capacity, recovery of activity levels building on foreign demand, and promotion of political and social stability at the regional level.
- Accounting for all main findings of the research project in defining tourism policies for the EU-MED-MENA region, both from public and private sectors.
- A clear opportunity has been opened to reinforce the Barcelona process, and MED partnership in general. Such a policy is shown to present salient externalities in economic, social and political terms for the entire region.

Forum Euroméditerranéen des Instituts de Sciences Économiques

POLICY BRIEF ON:

"Tourism industry as an engine for export-led growth and social development: Analysing its main characteristics and future prospects for Mediterranean countries"

FEMISE Research Project FEM 35-04

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POLICY BRIEF

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Main aim and conclusions of the study

The main aim of the present investigation has been to explore the characteristics of the tourism industry along the MED region, as a leading sector in promoting economic recovery and social development. As a benchmark we have analysed the case of three salient destinations: Spain, Turkey and Egypt.

In the first part of the study we have shown the relevant role that the tourism industry plays in the regional economy. Its capacity to promote employment, mainly for fragile collectives as females and young people, and the important linkages maintained with pivotal sectors of the economy (finance, real estate/construction, culture, etc.). In this sense, tourism becomes a proper sector to foster regional socio-economic development. Tourism activities use to contribute in the promotion of peace and social stability as well, maintaining openness of countries, what confers them a prominent role in MED societies further from their economic scope. After describing the current situation of tourism industry in MED region, we have moved to analyse the main factors driving tourism demand. From a macroeconomic perspective, it appears that in general is the attachment to particular destinations what mainly explains the volume of tourist arrivals. People use to repeatedly visit those places that make them feel comfortable. In this way, destination choices appear to be led by questions of cultural, geographical, and economic proximity between the home and destination countries of tourists. It would be explaining why EU and MENA citizens, who travel around the region, make the bulk of MED visitors. Political and administrative restrictions, mainly visa requirements, seem to reduce arrivals in specific destinations too, for example in the case of MENA region. A general conclusion emerging from these results is that tourism growth at a regional scale should be based on deepening existing linkages between EU-MED-MENA countries. In this context, neighbourhood policies of EU and MENA countries become even more relevant, given that they ensure not only the socio-economic progress of the

area, but reinforce the common political dimension. This is one of **the most relevant conclusions** of the present research project.

In the second part of the study we have focused on identifying the microeconomic factors leading the behaviour of tourists while visiting the MED region (expenditure, satisfaction, and loyalty issues mainly). Characteristics of the trip, the individual profile of the visitor, and the features of the destination itself, appear to be the main variables influencing tourists´ choices and their psychological perceptions while in vacations. Important tourism marketing policies have been obtained in this regard. In a more general view, we have noted that the historical development of destinations creates their own image, what in turn determines their particular pattern of specialisation and returns. In this sense, decisions made in the past affect the present sustainability and future prospects of tourism destinations. The main lesson emerging here is the relevance that planning activities play in achieving a balanced impact of tourism in the territory, mainly on natural resources and on local population at destinations. The role of public (and private) policies in ensuring a sustainable approach to tourism activities is once more of pivotal importance.

Policy guidelines of the investigation

In policy terms, results of the investigation lead to the following recommendations:

1. Main output of the project shows that **tourism industry becomes a relevant sector in fostering socio-economic progress of the MED region**. In this regard, policymakers should be aware of the main advantages that the tourism-led growth model provides for the whole society, by promoting **inclusive development** and mainly relying on **foreign demand**. These two are key issues for Southern EU and MENA countries in the present conjuncture.

2. Reinforcing the linkages between EU-MED-MENA countries should continue to be a central policy for EU instances regarding the MED region, as it directly pushes tourism-led growth strategies. In general terms, **this political objective allows to achieve a shared socio-economic and institutional progress** for the

countries of the region. This is a **remarkable finding** of the research project in **policy terms**.

3. In terms of tourism management policy, results point to the relevance of **destination characteristics** in determining **expenditure behaviour** of tourists. Trip characteristics and the launching of new tourism products and activities appear as other central factors in defining level of spending of visitors.

4. **Visa restrictions** must be addressed in **MENA countries** in order to increase future arrivals of tourists.

5. Finally, it has been shown that every action **improving attachment feelings** of visitors towards destinations has a clear impact on trip **satisfaction and loyalty** of tourists. Policies directed to promote historical and cultural patrimony along the MED region, including gastronomy richness, should be clearly favoured in this respect.

Priorities and Opportunities

As main priorities and opportunities of the research in policy terms we would focus on:

- Exploiting all positive aspects of tourism-led growth policies pointed out by the research project: employment creation capacity, recovery of activity levels building on foreign demand, and promotion of political and social stability at the regional level.

- Accounting for all findings in terms of tourism management reached out by the investigation, and introduce them in EU and MENA policies.

- Being aware that the main lesson of the investigation is that economic gains for the MED region should be better pursued in a neighbourhood policy framework, i.e. reinforcing the Barcelona process and the MED partnership in general. As shown, such an approach presents salient externalities in economic, social and political terms for the entire region.