

Terrorism & Tourism in Egypt

I am very angry about what happened," says Egyptian Tourism Minister Zoheir Garannah, referring to the 24 April terrorist bombings in Dahab on the Sinai peninsula, which left more than 20 people dead. "But we are very confident in our product and that people will continue to travel here. The main impression that the attacks left was of people's solidarity."

Garannah was appointed in December 2005 after a career in the tourism industry. So he should know as well as anyone whether this faith in the industry's resilience is well-placed. Tourism has long been a mainstay of the Egyptian economy--unsurprisingly, given the country's wealth of enticing historical sights. Leisure tourism, such as that enjoyed by the divers flocking to Dahab, has become increasingly important. Further development of the industry is central to the ongoing economic recovery that has gathered pace over the past two years, buoyed by the 2004 appointment of a reformist cabinet that has pushed through changes such as the easing of investment procedures for foreign investors in the tourism sector.

Attacks such as the one in Dahab inevitably capture world headlines and influence travel decisions. This is particularly true of Europeans, who make up the bulk of tourists visiting Egypt, but for whom any destination in the Middle East carries connotations of terrorism and instability.

However, travellers are proving increasingly immune to the terrorist threat. "From the Luxor massacre [in 1997, when almost 60 foreign tourists were shot dead by Islamic extremists], it took us two years to recover," says Garannah. "From the Taba bombings [in October 2004], it took us six months. From the Sharm el-Shaikh attack [in July 2005], it took three months. From this latest incident, it looks likely to take about three weeks. The threat is less from cancellations than from a decrease in new bookings. I walked around Dahab at 11.30 in the evening on the night of the attacks and already people were back on the streets, some helping to clear up the mess in the shops affected by the bombs." In the immediate aftermath of the Dahab bombings, impromptu demonstrations were held by Egyptians--who have made up the bulk of the casualties in recent terrorist attacks--seeking to welcome foreign visitors.

Key sector

The sentiment is understandable given the ever-growing importance of tourism to Cairo's job market and wider economic development. "In 1982, we had 18,000 hotel rooms and 1 million tourists, and our only product was cultural tourism," says Garannah. "Since the mid-1980s we have expanded heavily in the leisure area, especially in the Red Sea governorate and southern Sinai. Now we have 170,000 hotel rooms--including the Nile cruises--and 8.6 million visitors a year. Our aim is to add 50,000 rooms and to raise visitor numbers by 1 million every year, generating 200,000 new jobs." Already the

tourism sector accounts for about 12 per cent of the workforce and its further development is crucial for a country facing stubbornly high rates of unemployment and poverty.

In keeping with the new government's reformist credentials, the private sector is being asked to take the lead on new projects.

"One of the advantages in our tourism development at the moment is that it is all driven by the private sector," says Garannah. "We have the advantage of still being quite virgin in business. We are seeing mega-developers coming in to launch integrated mixed-use developments--some the size of new cities. One on the Mediterranean coast will stretch along 14.5 kilometres of coastline and extend 6 kilometres inland."

For its part, Cairo is playing the role of facilitator. "There have been lots of reforms to make it easier for people to do business here," says Garannah. "Business tax used to be 42 per cent, now it has been reduced to 20 per cent--among the best in the world. We sell land to developers at a nominal rate, and we are committed to eliminating bureaucracy. And since April 2005, foreigners are allowed to own freehold property, except in Sinai where special political circumstances apply and the maximum ownership is 99-year lease-hold."

Reforms in the aviation sector will also be necessary to smooth the path of visitor arrivals. Rival carriers to state-owned Egypt Air complain about restrictions on landing rights and the sector has yet to be fully opened to competition. However, Garannah says that further change is on the cards. "Our bilateral aviation agreements are very liberal, and we do have open skies except over Cairo, which will be opened by 2007," he says.

Sale of part of EgyptAir is also on the horizon. "You have to take a step-by-step approach because the carrier employs 25,000 people so a change in ownership would have a social impact," says the minister. Due diligence is being conducted for an initial public offering (IPO) of 20 per cent of the airline's capital and the company has been split into five different arms in preparation for possible future sales. "Ideally this will happen sooner rather than later," says Ahmed el-Khadem, chairman of the Egyptian Tourism Authority. "Competition is healthier. The same entity should not be both operator and regulator."