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# *Surviving disaster*

**How to reemerge  
as a tourism  
destination after a  
period of political  
instability**

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# Executive summary



**In an era of growing political turmoil**, the tourism sector is facing a significant test. Political stability and safety are prerequisites for tourism; even the mere threat of events such as civil unrest and terrorism can cause tourists to rethink their decision to visit a destination. Negative perceptions of a tourist destination can persist for years and affect a whole country. Although the road to recovery can be long and arduous, the scale of the economic benefits from tourism makes investing in travel and tourism worthwhile.

Countries can take a number of measures to revamp their tourism sectors after political unrest. Efforts to restore safety and security and reboot the tourism sector once the situation is normalized should be aimed at four key stakeholders: tourists, the media, tourism businesses, and the governments of tourists. The first measure, crisis management, demonstrates a country's ability to minimize losses and ensure safety, through effective search and rescue efforts, safe shelter, and tightened security. Perception management limits negative publicity and communicates a strong message to address visitors' concerns. Incentivizing tourism demand once the crisis has passed, encouraging domestic tourists, and inviting visits from new segments that are less susceptible to the impact of political unrest are measures to restore the number of visitors. Crisis-immune product offerings such as isolated resorts or heavily guarded enclaves decrease the riskiness of tourist destinations. Multistakeholder planning is a preemptive measure that includes a country's tourism authority in disaster planning and management activities through appropriate local, regional, or national committees. Following these measures will prepare a country to weather a period of political instability and help maintain its appeal as a tourist destination.

# ***The impact of political instability on the tourism sector's performance***

Political stability and safety are prerequisites for tourism; even the mere threat of events such as civil unrest and terrorism can cause tourists to rethink their decision to visit a destination. The impact of political instability on a destination's tourism sector is both immediate and potentially long-lasting. In some circumstances, instability in one country may have an impact on the tourism sector of neighboring countries.

Emerging economies, which generally run a higher risk of political unrest, are expected to account for 57 percent of total tourist arrivals by 2030. In those countries, tourism has the potential to drive foreign trade, increase access to international markets, increase foreign investments, spur entrepreneurship in an industry with low barriers to entry, and spur broader economic development given the sector's strong linkages with other industries.

Inevitably, countries affected by political unrest experience a decline in the number of international tourists and in tourism receipts. No country has been able to shield its tourism sector against the impact of insecurity.

Egypt's experience over the last decade serves as a good case study. The 2005 Sharm El Sheikh attacks and 2006 attack on the city of Dahab, which left more than 23 Egyptians and tourists dead, caused a national loss of 8 percent of foreign tourism receipts in 2006. The Arab Spring and toppling of President Mubarak in 2011 saw tourist arrivals decline by nearly a third year-on-year, to 9.5 million from 14 million. History repeated itself two years later, when political turbulence that led to the ousting of President Morsi led to a decline in tourist arrivals from 11.5 million trips in 2012 to 9.5 million in 2013.

Another example is Lebanon. The Lebanon-Israel war in 2006 and a series of violent episodes in 2008 led to year-on-year declines in foreign tourism receipts of 17.3 percent and 7.2 percent, respectively.

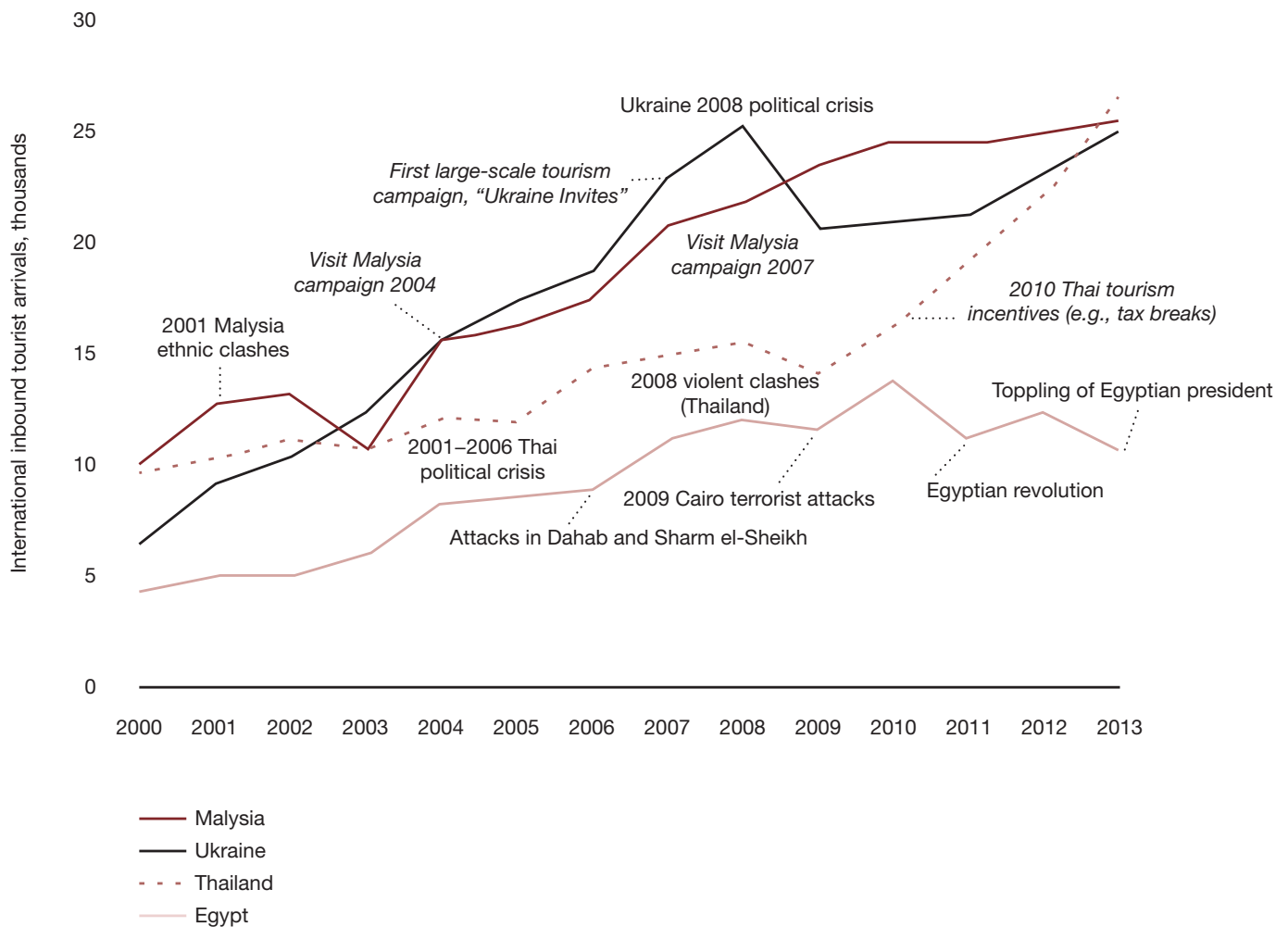
Examples can be found in other regions as well: Thailand experienced a decline in tourists' confidence beginning in December 2008 when international airports started closing and many foreign tour agents quit

*Inevitably, countries affected by political unrest experience a decline in the number of international tourists and in tourism receipts. No country has been able to shield its tourism sector against the impact of insecurity.*

the country. This led to a 3 percent year-on-year decrease in foreign tourist arrivals and a 12 percent decrease in foreign tourism receipts in 2009. The effects continued into 2010, with nearby countries benefitting from an increase in visitors. Similarly, in Ukraine, the 2008 political crisis sparked by the armed conflict between Russia and Georgia caused a year-on-year decline of around 18 percent in foreign tourist arrivals.

The decline in tourist numbers during and after periods of political unrest is illustrated in *Exhibit 1*.

**Exhibit 1**  
**Number of international inbound tourists in selected countries, 2000–2013**



Note: Events in normal font indicate “shocks” to the travel and tourism industry; items in italics indicate travel and tourism promotional activities.

Source: The Economist Intelligence Unit; Euromonitor

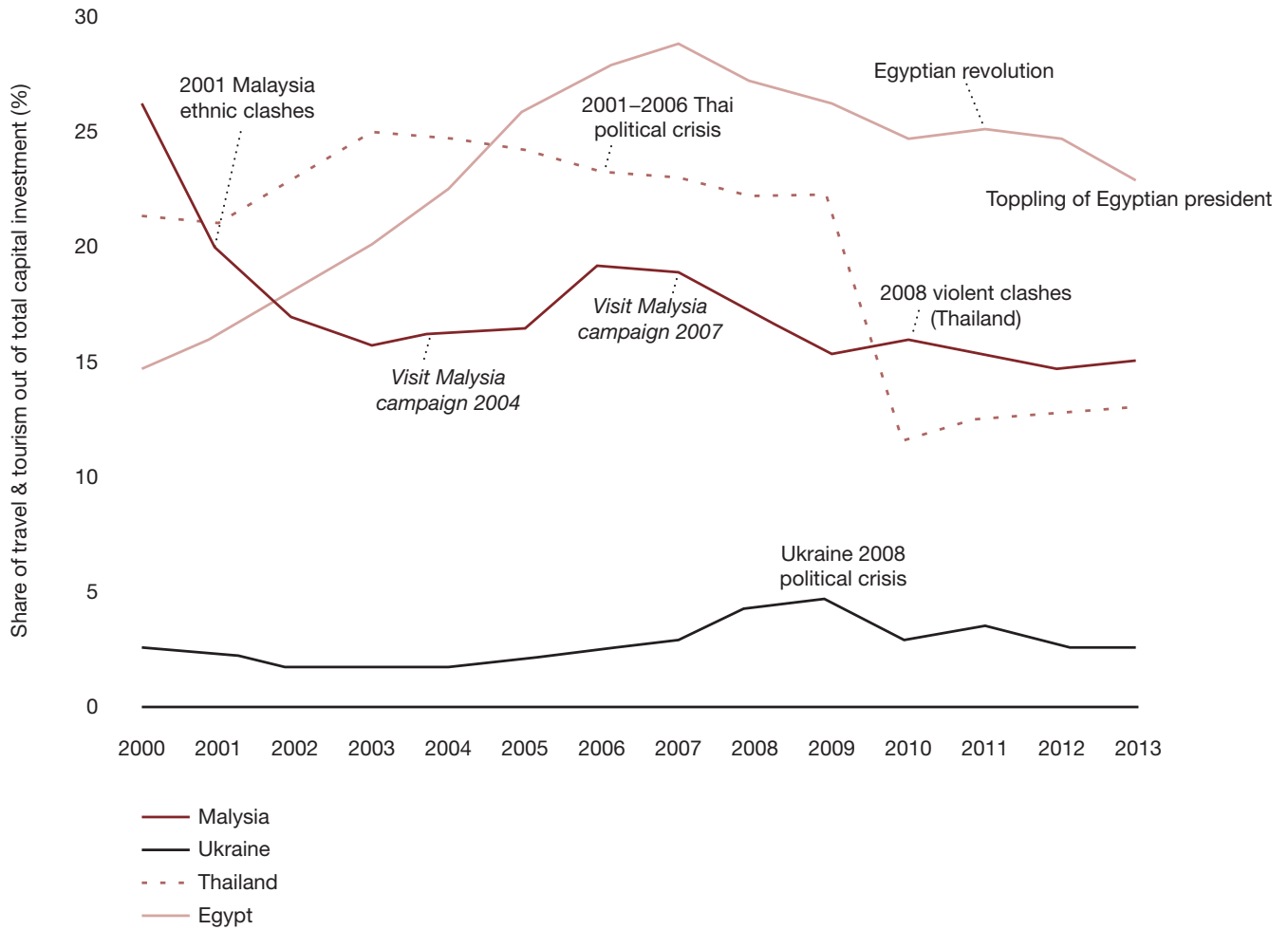
The main factors translating political turbulence into a decline in international tourism arrivals relate to media reporting of political conflict, as well as any accounts of negative experiences from family and friends. Negative images of a tourist destination created in this way can persist for years and affect a whole country, even if the political instability was contained in a small region.

Tour operators and travel agents can scale back operations, as a result of insufficient bookings or fear of liability suits. For example, German tourism giant TUI reported a year-on-year loss of €46.4 million in the first quarter of 2012 due mainly to weaker demand for travel to destinations in unrest-afflicted North Africa; after Russia annexed Crimea in March 2014, several cruise lines altered their Black Sea sailings to bypass Odessa, Sevastopol, and Yalta.

As a result, a vicious circle can develop: political unrest leads to lower demand, private investment declines as investors lose confidence, and public investment declines as security concerns cause funds to be reprioritized (*see Exhibit 2*). This leads to decreased readiness of the country as a tourism destination, and a further reduction in its appeal to tourists.

Exhibit 2

Capital investment in travel and tourism out of total capital investment, 2000–2013



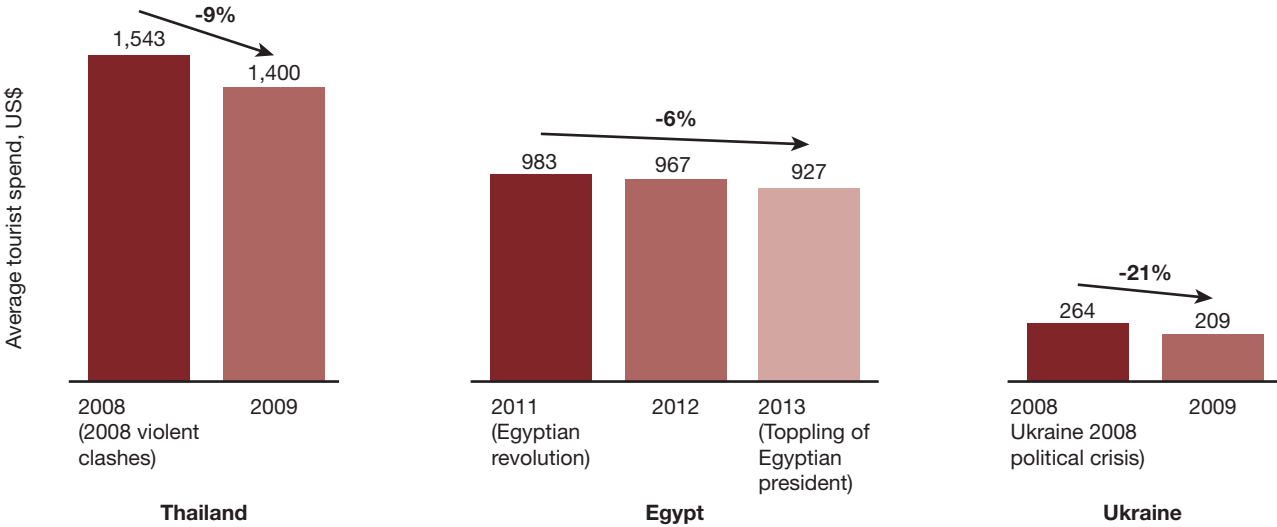
Note: Events in normal font indicate “shocks” to the travel and tourism industry; items in italics indicate travel and tourism promotional activities.

Source: Euromonitor; Economist Intelligence Unit; World Travel and Tourism; Strategy& analysis

The effects of political unrest on tourism can spill over borders, especially where a country is considered as part of an overall itinerary. For example, tourism in the Maldives is impacted by political unrest in Sri Lanka, because the Maldives is often considered an add-on destination to Sri Lanka. However, there can be a positive impact on neighboring destinations that are seen as unstable. For example, as political unrest affected other parts of the Middle East, tourism grew strongly in Qatar (+8 percent from 2010 to 2011) and the United Arab Emirates (+9 percent). Similarly, Greece, Cyprus, and Turkey benefited from conflict in Egypt, Israel, Jordan, and Lebanon in the 1990s as tourists saw them as alternatives to experience Middle East flair and ancient sights.

Tourism receipts can decline even more steeply than tourist numbers as the nature of tourist profiles changes — wealthy, security-sensitive segments are replaced by more price-sensitive, risk-taking tourists. For example, following Ukraine’s 2008 political crisis, total tourist arrivals did not decline but tourism receipts declined by 21 percent, implying a decrease in the per-tourist spend. A similar effect took place in Thailand where violent clashes in 2008 caused a roughly 9 percent drop in average tourist spend in 2009 (see Exhibit 3).

**Exhibit 3**  
**Change in average spend per inbound tourist, selected countries**



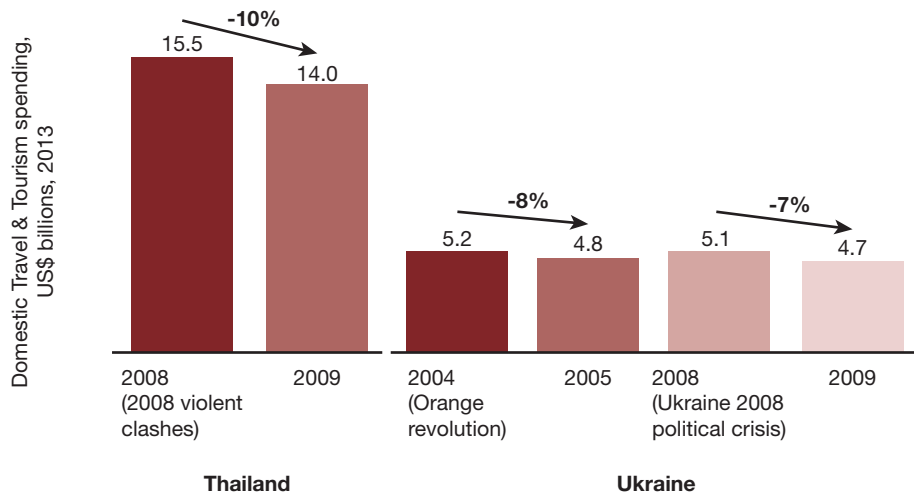
Source: Economist Intelligence Unit; Strategy& analysis



Even domestic tourism declines in times of political turbulence, as citizens tend to save their disposable income in anticipation of uncertain economic times ahead. In Thailand, total domestic travel and tourism spend dropped by 10 percent in 2009 compared to 2008 (*see Exhibit 4*).

*Exhibit 4*

**Change in total domestic travel and tourism spending in Thailand and Ukraine**



Source: Economist Intelligence Unit; Strategy& analysis

# ***Government measures to revamp the tourism sector after a period of political instability***

Although an initial negative shock from political unrest is inevitable, governments should rest assured that the tourism sector can be slowly revived if action is taken.

Countries can take measures to boost the tourism sector during crises, while safety and security are slowly being restored, and once the situation is normalized. Those measures should be aimed at four key stakeholders that influence whether a tourist decides to visit a destination: the tourists themselves, the media, tourism businesses, and governments of potential tourists.

## *Crisis management*

During the crisis period itself, the immediate priority is to demonstrate exceptional crisis management capabilities to minimize losses, ensure tourists' safety, and limit excessively negative media perceptions. This includes effective search and rescue efforts, provision of safe shelter for tourists, tightened security around touristic areas, and facilitation of return to home countries.

The success of initial panic containment and crisis management efforts can have a great impact on the destination's image and hence on future tourism arrivals.

Preemptive planning of crisis management, rather than a reactive response, is a key success factor. For example, the recovery effort following the 2002 bombing of a Kuta nightclub in Bali was devised after the attack took place, which led to slow and laborious recovery of tourist confidence and revenues. In contrast, security response to the London underground bombings of 2005 was quick and decisive, as London officials had established relationships and practiced agreed-upon procedures in case of a terrorist attack. The terrorist events had no visible subsequent effect on tourism.

### *Perception management*

Governments should limit negative media publicity about the destination when it is exaggerated. In cases when the perceived insecurity situation is more acute than the actual one, and once security is restored, strong, impactful communication campaigns must be developed to address would-be visitors' concerns. Campaigns can also emphasize the limits of conflict regions and the safety of other areas.

### *Incentives for tourists and the industry*

In cases of security misperceptions, governments and companies can incentivize tourism demand by reducing prices of tourism products and services. For example, after the 2002 Bali bombings, nearly three-quarters of hotels dropped their prices, by an average of 37 percent. In Greece, to avoid the perception of insecurity stemming from unrest and protests in Athens undermining tourism in other parts of the country, the government in 2011 waived levies on airline and ferry tickets and almost halved VAT on tourist accommodation. Hotel bookings beyond the capital recovered as prices fell significantly. In Thailand, to encourage tourism following the country's 2014 military coup, the Thailand Authority for Tourism organized the "Amazing Thailand Grand Sale" with discounts for tourists in more than 15,000 shopping malls, department stores, and restaurants.

Countries can also put a positive spin on political events that have devalued a country's currency, making it cheaper for tourists to visit the destination. For example, Bali used the drastic devaluation of the rupiah in the aftermath of the 2005 bombings in a marketing campaign with the slogan "Our loss is your gain!"

Price reduction strategies have a downside, however. Unless subsidized by the government, they often imply reducing staff salaries or numbers. More fundamentally, they can negatively affect the perceived value of the destination, making recovery more difficult when things improve.

On the supply side governments can help tourism-related businesses regain momentum after a slowdown through fiscal policy, low interest rate loans, and promotional trips for foreign tour operators and travel agents to restore their confidence in the safety and security of the destination. For example, Macedonia offered subsidies to air carriers willing to introduce new destinations for passengers — those carriers received €40,000 for each new destination, and the government paid €7 to €9 for each ticket purchased on these new flights. As a result, flights by low-cost carriers nearly doubled in 2014.

A similar incentive plan was made in 2011 by the Egyptian government, which reduced levies on unfilled seats to discourage airlines from cutting the numbers of flights to Egypt. In Thailand, following the May 2010 riots in Bangkok, the government announced tax incentives for companies hosting domestic or international trade shows and training seminars.

#### *Domestic tourism*

Shifting focus from international tourism to domestic tourism is a common measure. For example, in December 2008, the Thai government cooperated with the private sector to organize a “Thai Travel Fair,” cutting prices of local airlines and hotels, which increased the quantity and frequency of domestic travel. In 2010, Thailand introduced a personal taxable income deduction for Thai residents on domestic tourism-related spending.

However, an increase in domestic tourism does not typically offset the losses incurred by a decline in international tourists, as they tend to spend much more than domestic tourists. Bali’s efforts to promote domestic tourism after the bombings resulted in attracting tourists that spent only a third as much per day as foreign tourists.

### *New segments*

Countries can also shift focus from traditional tourist segments to new segments that are less susceptible to the impact of political unrest. This includes regional tourists who have a more realistic, less exaggerated view of the severity of the political situation in the country, and more price-sensitive tourists. For example, in light of the 2002 and 2005 bombings, Bali diverted its focus from its traditional Western holidaymakers to ones closer to home in Japan and Taiwan. In Macedonia, after years of unrest, the government boosted subsidies for tour operators focusing on visitors from Bulgaria, Serbia, and Bosnia. Egypt recently decided to grant Indian tourists, historically not major visitors to Egypt, visas on arrival and agreed to launch a direct flight between Cairo and New Delhi.

New tourist segments can be reached through technological advances, such as e-bookings and social media, which facilitate interaction with visitors and make it easier for them to learn about and visit the destination.

### *Crisis-immune product offerings*

Countries can develop strategies to decrease the riskiness of their products, such as physically insulating touristic places from areas of political unrest. This strategy has been successful in Egypt, where isolated resorts and enclave cities have been developed along the Red Sea, and across the Caribbean — the isolated peninsular resort of Labadee in Haiti, for example, is fenced, heavily guarded, and completely closed off to locals except for the resort personnel. Tourists can disembark only from cruise ships and are not allowed to move beyond the resort and into the politically unstable Haitian cities.

### *Multistakeholder planning*

Measures to revamp the tourism sector depend on proper planning and coordination among various stakeholders, as well as the availability of funding for tourism infrastructure and marketing efforts. Although the tourism industry is not responsible for the development or implementation of disaster management plans and arrangements, tourism authorities should, when possible, participate in disaster planning and management activities through appropriate local, regional, or national committees. This enables tourism to be taken into account by

disaster management agencies and promotes the need for appropriate measures to be established to protect visitors in times of crisis.

To enable better responses to tourism safety risks, the World Tourism Organization (UNWTO) recommends that countries “develop a national policy on tourism safety commensurate with the prevention of visitor risks,” and form national tourism councils with executive committees responsible for risk management in key areas, according to the needs of each destination. South Africa, for example, established a Tourism Safety Task Group that included the Department of Environmental Affairs and Tourism, the South African Police Service, and the South African Tourism Board. Following 9/11, Australia developed an Australian National Tourism Incident Response Plan, establishing a response framework and actions for national, state, and territory governments to ensure rapid, detailed, and targeted responses to incidents with an impact on the tourism industry.

Another common risk anticipation measure is the establishment of tourism recovery funds. For example, in the wake of the Bali bombings, the Indonesian government’s Bali Recovery Fund (US\$7.2 million) and general Tourism Recovery Fund (\$6.5 million) helped the recovery of the sector.

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# ***Conclusion***

When political unrest has negatively affected a country's tourism industry, disrupting visits by both domestic and international travelers and stifling the economic benefits of the sector, governments can take steps to refurbish the sector's image, during a protracted crisis and in the aftermath of a sudden violent event.

Better yet, countries that put in place a plan for crisis management and a national policy on tourism safety will be better equipped to handle unexpected episodes or periods of political instability in a proactive manner.

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