

SWOT Analysis of the Foreign Direct Investment Climate of Tourism Sector in Egypt

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Abstract

Foreign Direct Investment (FDI) in tourism is increasingly recognized as an important factor in the economic development of countries. Egypt, like many countries, is striving to create a favorable and enabling climate to attract FDI in the tourism sector, but FDI is facing some challenges and concerns. The main objective of this paper is to overview the current situation of the FDI climate in Egypt. This overview was done through SWOT analysis depending on actual situations as well as empirical investigation with experts, decision makers in this field and number of foreign investors in order to evaluate their satisfaction with the FDI policies adopted in Egypt. The study concludes with appropriate suggestions on the policy implication for the purpose of attracting more FDI to the tourism sector.

Keywords: Investment; FDI; SWOT Analysis; Tourism Sector; GAFI

Introduction:

Travel and tourism industries are considered the third largest retail industry after automotive dealers and food stores (Harsseel, 1994) and (Goeldner and Ritchie, 1995). According to the Egyptian Information and Decision Support Center, the tourism sector represents 22% of the total foreign currency inflow; accordingly, tourism is considered one of the main important factors for achieving economic development. The importance and dynamism of tourism in service economy and economy in general were demonstrated on both the global and national levels as it contributes to the GDP, foreign exchange earnings and employment (Salma, 2006). Coupled with the recent move on liberalization, the magnitude of the foreign direct investment in service has been growing faster accounting for about two-third the global FDI inflows and 70% of the outflows (Endo, 2006). As mentioned by Purcell & Nicholes (2002), the tourism service has internationalized rapidly over the past two decades, sparking a worldwide boom in tourism-related FDI. The United Nations Conference on Trade and Development (UNCTAD) (2004) stated that tourism is one of the four leading service sectors that will attract FDI. Miroux et al (2006) defined FDI as an investment involving a large-term relationship reflecting a lasting interest and control by residency in one economy (foreign direct investor parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor. According to Wikipedia encyclopedia (2009) FDI in its classic definition is defined as a company from one country making a physical investment into building a factory in another country. Broadly speaking, FDI is being widely considered as an important vehicle for economic growth in the less developed countries. Egypt is not an exception in this matter as the recent increase in the FDI inflow in the tourism sector in Egypt – though important in itself – is still lower than what is expected. There are limited numbers of literature dealing with issues related to FDI in the tourism sector in Egypt; many of them deal mainly with Egypt's strategies towards local investors with very little discussion of the concrete strategies that could be adopted to the FDI in the country. The present paper attempts to overcome this limitation as its main purpose is to investigate the current situation of the FDI climate in the tourism sector and to provide an overview of the performance of FDI in Egypt and its means of attraction through applying the SWOT analysis on actual situations as well as empirical investigations with experts,

decision-makers in this field and number of foreign investors in order to evaluate their satisfaction with the FDI policies adopted in Egypt.

2. Theoretical Development:

2.1. Importance of Foreign Investment in the Tourism Industry:

Based on the benefits associated with FDI, several developing and developed countries fiercely compete for FDI as they try to attract foreign investors through providing financial and fiscal incentives. For example in 2001, 71 countries made 208 changes in their FDI policies to attract a great amount of FDI (Subbara, 2008). According to Ashe (2005), FDI in tourism contributes to achieving economic, national and social goals in the fields of investment while Subbara (2008) added that FDI contributes to the long-term economic development. Dupasqui & Osakwe (2005) and Vinays (2003) explained that FDI enhances international trade thereby contributes to the integration of the host-country into the world economy. In addition, it brings capital into facilities, improves the technological organizations, managerial practices and skills, and paves the way towards the international market. For all these reasons, FDI became an important issue in the tourism sector. FDI offers an additional venue for the developing countries through linking them to the global market and production system; thus, investments can help firms to access the markets (Miroux et al, 2006). Gummings (1999) and Abdel Hamid (1997) argue that FDI has a substantial positive effect on the macro-economic growth as it is also considered an important vehicle for transferring technology to the less developed countries. FDI also has the potential to generate employment by providing additional capital to a host country (Dupasquira & Osakme, 2005) and (Subbara, 2008). For example in USA, the foreign firms employ more than 5 million US workers and have created more than 4.5 million indirect jobs (Department of Commerce/ USA, 2007). On the other hand, Massiwi (2006) focuses on the effect of FDI on strengthening infrastructure and tax revenue. According to the above mentioned, FDI is increasingly being recognized as an important factor in the economic development of countries.

2.2. Foreign Investment Performance in Egypt:

The net FDI inflows increased from US\$ 509.4 million in 2000 to reach US\$ 11.1 billion in 2006 and US\$ 13.2 billion in 2008 (Ministry of Investment, 2008). According to the Economic and Social Commission for Western Asia (ESCWA) (2008), the net FDI inflows to

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Egypt in 2007 were approximately 25 times higher than in 2003 and as far as the GDP (Gross Domestic Product) percentage is concerned, the net FDI inflow rose from just 0.6 percent to 8.8 percent in 2006. The world investment report in 2008 reported that Egypt was

ranked first in North Africa, twentieth over the world with respect to the GDP and second in the African continent in attracting FDI (Ministry of Investment, 2008). Table (1) reflects the increase in the net FDI inflow against a number of countries:

Table (1): Foreign Direct Investment in the Mediterranean Region in 2005

Country	Turkey	Egypt	Israel	Algeria	Syria	Morocco	Jordan	Tunisia	Lebanon	Cyprus
Amount in Billion Euros	16.89	8.92	5.92	3.49	2.98	2.43	1.24	1.00	0.73	0.41
Number of Projects	73	101	94	93	40	118	46	78	26	7

Source: (Mohamed, 2005)

Dupasquire and Osakwe (2005) presented a module for the purpose of calculating the FDI performance based on computing the ratio of a country's share in the global flows to its share in the global GDP. For example, if the value of the index is one, this means that the country receives FDI consistent with its relative size; if the index is above one, it means that the country attracts more FDI

than what is expected based on its relative size. Finally, it should be stated that a country with an index below one attracts less FDI than what is expected based on its relative size. The following table illustrates the performance of FDI in Egypt according to the above concept:

Table (2): Performance of FDI in Egypt from 2003 to 2007

Year	2003	2004	2005	2006	2007
FDI in Billion US\$	0.701	0.407	3.902	6.111	11.0
FDI Performance (% GDP)	0.61	2.2.62	5.46	8.79	.35

Source: Modification of (ESCWA, 2008)

According to the previous table, Egypt can be classified as a highly performing country with respect to the net FDI percentage compared to the global GDP. Looking at the competitor countries, Loewendahi and Ertugal (2001) mentioned that the FDI performance (FDI/GDP) in Egypt was 7.725 while it was estimated by 2.7% in Turkey and 5.51% in Greece. According to the UNCTAD, the world investment report of 2006 ranked Egypt as the 33rd country according to the performance index world ranking. Egypt has also witnessed an increase in the tourism-related investment along its spectacular Mediterranean and Red Sea coastlines in recent years. The FDI in Egypt's tourism industry exceeded US\$ 7,000 million annually till the end of June 2007 with a rise of about 17% above the previous year. According to the Ministry of Tourism, the FDI in the sector reached US\$ 7,120 million up from US\$ 6,100

million (ministry of industry and trade, 2008). In addition, the Arab investments in Egypt's tourism projects have hit more than 16 billion Egyptian pounds (US\$ 2.9 billion). For example, Kuwait's investments reached EGP 8.94 billion(; also many foreign companies invest in tourism such as Damac (UAE) in Gamsha Bay (Hurghada) with capital of US\$ 16 billion, Kharafi Group in the Red Sea with about US\$ 1.2 billion, the Dubai-based Emaar Group with about US\$ 175 million in the North Coast and the Dubai-based Al-Futtaim Group is developing the Cairo Festival City with US\$ 3.5 billion).(Arab investment bank, 2008) According to the tourism report of 2007, the Arab and foreign investments contributed by 8.5% in the total tourism investments in Egypt. The following table illustrates the Arab and foreign investment inflows to the tourism sector:

Table (3): Foreign Investment Inflows (in millions) to the Tourism Sector from 2000 to 2008

Activity	Arab Flows	Foreign Flows
Accommodation Establishment	3349.68	5275.79
Tourism Development	1352.86	335.63
Transportation	62.49	629.69
Tourism Management	77.12	122.54
Entertainment and Theme	26.00	77.67
Diving Center	3.1	11.99
Others	35.70	41.78
Total	4854.94	6495.09

Source: Modification of the General Authority for Investment and Free Zones (GAFI) (2009)

Many areas have been developed by FDI such as Sahl Hashish in the Red Sea (about one billion US\$), Ras Al-Hekma region in the North Coast (40 billion US\$ Arab estments) and Nabak region (2 billion US\$).(Ministry of industry and trade, 2008)

3. Methodology:

In this study, two methods were adopted: (1) the qualitative method where data was collected through personal in-depth interviews with (experts and decision-makers from the: Ministry of Tourism, Egyptian Federation of Tourist Chambers, Ministry of Investment and economists) and the results together with the literature were used as basis for the SWOT analysis of the FDI policies in the tourism sector; (2) the quantitative

method that is used to achieve the objective of this study through carrying out an empirical examination representing the level of satisfaction of foreign investors with respect to the FDI policies adopted in the tourism sector. The aim of this study is to provide a better understanding of the points of strength, weakness and opportunities in the FDI climate in Egypt.

3.1 SWOT Analysis of FDI Climate:

The Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis is a well-known method for describing a business or a business proposition in terms of those factors that can have maximum impact; i.e. the SWOT analysis is a method of analyzing a country's

competitive status. Both the strengths and weaknesses are internal factors that are subject to change from within the country itself, while opportunities and threats are those conditions that lie within the external environment and affect the country's capabilities. The following figure shows a suggested framework for the factors identified as being responsible for improving the FDI; it is developed on the basis of the published literature of **Endo (2006)**, **Louise et al (2004)**, **Clark (2007)**, **Enset (2002)**, **ESCWA (2008)** and **Wangure (2002)** as well as the propositions of experts in the field of tourism investment.

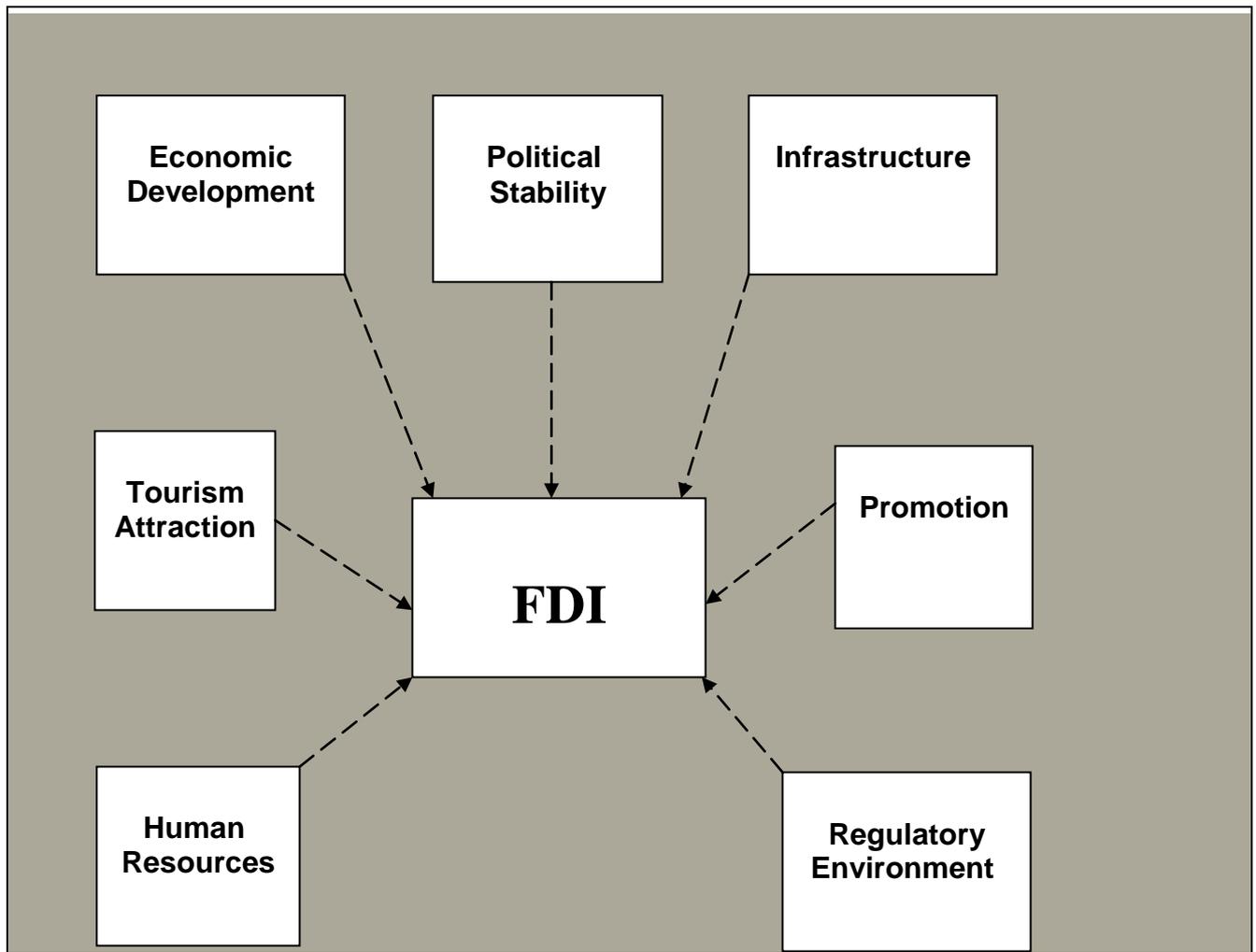


Figure (1): Factor responsible for improving FDI

According to the previous figure, there are seven main factors that directly affect the process of attracting FDI to the tourism sector; the following part analyzes the performance of each factor.

Political Stability:

According to the World Bank study carried on 31 countries, there is a significant negative relation between political instability and FDI inflow (**Abdel Hamid, 1997**). In other words, countries suffering from political instability are considered relatively unsafe to travel to, which results in the decrease of tourism investment as well as the international tourism market interest in the region (**Guilherme, 2000**). Broadly speaking, Egypt is considered one of the most politically stable countries in

the region as it is free of political violence and enjoys a high level of democracy as well as good external political relations. **Kjeilen (2009)** added that Egypt is a country that has a fair amount of the freedom of speech and that civil rights are well secured in most cases. This made the WTO forecasts that Egypt will remain the region's largest tourist destination with over 17 million international tourist arrivals which makes it the leader of growth in the Middle East region. **Clark (2007)** ranked Egypt as the second country after Tunisia in north Africa

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as its political stability is only affected by occasional problems with the extremist Islamic fundamentalists; while Turkey and Israel achieved a low rank because both suffer from unstable political status that affects their FDI record. However, there have been many examples of unrest in recent years; according to some opinions, Egypt has a limited democracy as although it features a multi-party political system, law no. 40 of year 1977 still regulates the political parties formation (UN, 2006b) and also political parties have no stability or harmony in their objectives. According to Amr (2005), Egypt's political status has not evolved significantly towards democracy as despite its success in maintaining stability in an unstable region, it still faces a set of major political and socio-economic challenges due to its geostrategic importance that can neither be ignored nor subjected to pressure. Egypt has a highly complicated position in the Middle Eastern scenario as it has historically oscillated between being a leading country with pan-Arab orientation, a highly westernized country serving as a reference point for western interests in the area as well as a mediator in the Arab Israeli conflict. This difficult political situation in the Middle East had a very strong impact on Egypt that has suffered from serious blows in several key sectors such as tourism (UN, 2006a). Due to all the above-mentioned weaknesses and threats, Egypt may lose a huge number of investments in the tourism sector in the region; yet there are still opportunities to attract the Arab neighbors to invest in Egypt since they have the same political conditions.

Economic Development:

According to the World Trade Organization (WTO) secretarial report (1999), the economic stabilization program initiated in the early 1990s in Egypt has improved the economic growth, reduced inflation and, to some extent, improved the standards of living in Egypt. This program was designed to be carried out on several phases: the first focuses on stabilizing the economy, improving the public finance and exchange rate policies and stabilizing inflation; the second targets the trade and investment issues, the private sector reform and the banking sector restructuring. These reforms have been achieved through policy changes, educational amendments and other measures that aim at improving the economic and social welfare (Ministry of Investment, 2008). It should be noted that Egypt has a well-diversified economy where no one single sector participates with more than 21% in the GDP. Such a solid economic base has reduced the negative effects of the external shocks of 1997-98 (terrorist attacks, oil price collapse and the Southeast Asian economic crisis) and 2001 (September 11 attacks) (Ministry of Investment, 2008). According to the reports of the Ministry of Investment (2008), the private investments represented more than 80% of the total investments in Egypt during 1999 which reflects the government's keenness on facilitating the private sector participation. Moreover, the public private partnership has become one of the most important priorities of the new government which encourages the private sector to invest in non-traditional areas especially in the financial services and infrastructure. The following table illustrates a number of the economic stabilization indicators:

Table (4): Real Economy Indicators

Real Economy	2000/2001	2001/2002	2002/2003	2003/2004	2005
GDP at Market Price (LE Billions)	359	379	418	485	536
Real GDP at Market Price	320	379	391	407	427
Real GDP Growth Rate(%)	3.4	3.2	3	4.1	5.1
Private Sector Share in GDP (%)	70.7	65.4	64.9	62.2	62.3
Real GDP Growth Rate% (Per Capita)	1.4	1.1	1.2	2.1	2.9
Average Annual Inflation Rate(%)	2.4	2.4	7.1	9.5	--
End of Period Annual Inflation Rate	2.2	2.7	4	13.5	--

Source: (Ministry of Investment, 2008)

According to studies (Ahmed, 2003), the outcome of the competitive bench marketing indicates that Egypt provides a number of advantages versus other economies in the region. The following table shows some of these advantages:

Table (5): Bench Marketing Indicators of Economic Advantages

Country	Egypt	Turkey	Israel	Jordan	Tunisia	Saudi Arabia
Local Market	3	3	1	1	2	3
Utility Prices	4	3	1	2	2	4
Raw Material Availability	4	4	1	1	4	4
Trade Openness	2	2	3	2	2	2
Government Role	3	3	3	3	3	3
Finance	2	2	2	2	2	2
Labor	4	3	2	2	2	2

*4=highly competitive

0= limited potential

Source:(Ahmed ,2003)

Previous studies argued that the Egyptian economy enjoys most of the macro-economic stability conditions required for attracting FDI

(**Abdel Hamid, 1997**; such as the absence of restrictions on capital movement across the borders, market-determined interest rates and unified exchange rates that are also market-determined. Egypt has also removed most of the non-tariff measures, decreased tariff protection and achieved significant progress in reforming the financial sector which has been recently opened to foreign investment (**Abdel Hamid, 1997**) and **WTO (1999)**. **Daniel (2008)** added that Egypt has been the center of trade and enterprise in the Middle East for centuries. Moreover, as a result of the international trade agreements, Egypt entered many markets in North America, China, Europe, North Africa and Middle East thanks to its distinguished location in the heart of the region which links between Asia, Africa and Europe. (Ministry of state for economic development, 2007). As for the points of weakness, there are the high levels of government borrowing and debts, the moderate output growth that is below the minimum level required to absorb the growing labor force and the weak institutional and political effectiveness at large (**Egypt's Economic Report, 2005**). **Daniel (2008)** argues that the exchange rate still remains the most immediate hurdle to foreign investment as uncertainties over the foreign exchange policies have hurt the investors' confidence. Most of the banks consider tourism a high risk industry compared to other industries; therefore, there are many restrictions on loan policies in addition to the required high interest rates (**Adel, 2002**). There is also the inflation that has reached 20% which caused great disturbance for the Egyptian businessmen due to the expected risks that would affect the macro-economy (**information and decision support system,2007**).

However, Egypt – with its relatively attractive market and huge population – still has the opportunity to improve its economy through joining international trade organizations such as the World Trade Organization (WTO), the Euro-Mediterranean Partnership (EMP), the Greater Arab Free Trade Area (GAFTA) and the Common Market for Eastern and Southern Africa (COMESA) (Ahmed 2003). It can also reinforce its efforts towards the gradual liberalization of the centrally-planned state-dominated economy, launching a consolidation process in the banking sector in addition to the potential acceleration of growth through improving efficiency and facilitating a business-friendly environment (**Egypt's Economic Report, 2005**).

As for the expected threats, it is highly needed to refer to the adverse effects of the domestic and regional setbacks, the possible pressures resulting from the lack of employment as well as some of the political hurdles caused by building a dynamic private sector economy that will face new forms of competition with the developed countries and their firms that enjoy various resources and assets (**Egypt's Economic Report, 2005**).

Egypt is also threatened by international factors out of its control like the world economic crisis that endangers all economies worldwide as it may negatively affect the Egyptian economy pace with respect to the macroeconomic reforms and trade/ investment liberalization.

Infrastructure:

The importance of infrastructure is manifested in its diverse role in the economy as it enhances the economy's long-term sustainable growth, increases productivity and income levels and improves the quality of life as well as the overall climate for FDI (**Ministry of Investment, 2008**). According to **ESCAP (2001)**, there is a number of infrastructure elements that are crucial to the tourism industry success at all national and regional levels as both destinations and countries require adequate infrastructure to meet the market demands. According to **Abdel Aziz (2009)**, the foreign investor cares for the efficiency of infrastructure that is capable of supporting his business. Tourism facilities, services and amenities are often dependent on a number of travel infrastructures that are comprised into a vital network: transportation, water supply, energy, waste disposal and telecommunications. There is also the tourist infrastructure that includes primary tourist facilities and services (accommodation, hotels, restaurants and travel agencies), secondary tourist facilities and services (shopping, recreation, entertainment and visitor infrastructure services) and tertiary tourist facilities and services (such as health services) (**ESCAP, 2002**) and (**Panitchpakdi,2008**). Egypt has a well-developed infrastructure that includes a vital network of tourist infrastructure as the first half of the 1980s witnessed upgrading the national infrastructure of electricity, roads, ports, telecommunications and basic services. As a result, Egypt enjoys a modern and efficient infrastructure network covering most of the country which is a fundamental pre-requisite for increasing the foreign and domestic investment. The world competitiveness report of the World Economic Forum (WEF) ranked Egypt as the 5th of 59 countries in terms of having the investment infrastructure as a government priority (**Louis et al, 2004**). At the level of weaknesses, although the Egyptian government has been the major provider of infrastructure projects, the multiplying population, expanding economy and increasing public sector financial obligations can hardly allow it to maintain its role (**investment ministry, 2008**). According to tourism development experts, there is a serious lack of vital tourist infrastructure especially in the isolated areas and governorates such as South Sinai, the Red Sea and the North Coast which makes them unable to fulfill all the infrastructure needs satisfactorily. Therefore, investors in these regions usually depend on themselves with respect to providing their own needs (**Mohamed, 2009**). Encouraging the participation of private sector is considered one of the most important opportunities as a well-designed public and private infrastructure can increase the service efficiency. Recently, the private sector participation has been growing as the sector growth rate increased to an average of 7% between 1999 and 2003. Moreover, the government has approved the

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private sector investment in the build, operate and transfer (BOT) projects that will substantially increase the quantity and quality of infrastructure projects (Louis et al, 2004). There are still many investment opportunities for developing tourism infrastructure such as the expansion of tourism hotels, restaurants, tour agencies as well as the tourist information system.

Promotion:

Since 2004, the Egyptian government has undertaken a wide-range program of reforms that aims at creating a better market-oriented and business-friendly environment with special focus on attracting FDI (ESCWA, 2008). This is clear in the GAFI role which gathers delegates from different government agencies in order to deal with investors where the focus is on investment facilitation, business support services, solving foreign investors' problems, databases creation as well as business affair coordination (such as visits and forums) in accordance with the agreed-upon annual plans (Ahmed, 2003). Along with the enactment of several investment laws and government legislations for the purpose of facilitation, Egypt has signed several binding commitments on the means of attracting FDI and joined various institutions such as the FDI Promotion Center of the World Bank and the multi-donor investment promotion agencies. Egypt has also signed various investment agreements with over 40 countries in addition to a wide variety of trade agreements such as the agreement with the European Union (EU) and the World Bank's Multilateral Investment Guarantee Agency (MIGA) (American chamber of commerce in Egypt, 2009). In addition, Egypt joined a number of international organizations that aim at promoting capital mobility, providing guarantee coverage investment against non-commercial risks (nationalization, confiscation, expropriation, war, currency transfer, etc) (The Arab investment & export credit guarantee corporation, 2008) as well as supplying technical assistance and online investment information services which help developing countries in setting and implementing FDI attraction strategies. Such organizations include the Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC), the Inter-Arab Investment Guarantee Corporation (IAIGC), the Multilateral Investment Guarantee Agency (MIGA),

the Foreign Investment Advisory Service (FIAS), the Organization for Economic Co-operation and Development (OECD) and the Overseas Private Investment Corporation (OPIC) (Ahmed, 2003). As a result, Egypt gained a huge competitive advantage that provided it with an added value in the investment field. Moreover, Egyptian authority tourism development authority and Ministry of investment have organized many convoys to several Arab, Asian, African and European countries (Abdel Aziz, 2009).

Regulatory Environment:

The government policies have adopted some strategies that led to simplifying the investment procedures and making them more efficient in addition to removing the obstacles of bureaucracy and liberalizing the business atmosphere. Besides, Egypt offers a wide range of incentives that encourage and promote FDI (UN, 2001); such can be briefed as follows:

- (1) Financial incentives through which the government provides grants or loans from its own resources or through a government financial institution.
- (2) Quasi-financial incentives through which the government provides loan guarantees, subsidies/exchange rate guarantees or differential grants that cover the gap between the official and commercial lending rates.
- (3) Fiscal incentives through which the government provides tax exemptions and deductions, customs duty exemption reduced corporation tax rates, concessions or capital expenditure allowances.
- (4) Other incentives of considerable diversity including training facilities profit repatriation, market preferences monopoly rights and work permits.

According to the above, the Ministry of Investment implements definitive policies to promote and develop investment by creating the suitable organizational and legislative environment for investment as well as the promotion and performance progress measures (Mahmoud A., 2009). In addition, the government has approved guarantees and incentives to encourage private investment in Egypt through a series of investment laws on tax incentives, customs exemptions as well as many new investor's protections and guarantees (Ministry of Investment, 2008). The following table briefs the historical progress of investment laws:

Table (6): Comparative Matrix of Investment Laws in Egypt

Category	Law 43/1974	Law 230/1980	Law 59/1981	Law 8/1997
Field of Activity	Reclamation and cultivation of barren and desert land, industry, tourism, housing and real estate development	Same as law 43	Not applicable under this law	Same as law 230, plus infrastructure, services of oil transport and gas delivery, financial leasing, risk capital and guaranteeing, subscription to securities, executive decree including petroleum refining and cinema production
Egyptian Participation in Equity	Mandatory but no minimum specified	Not mandatory	Minimum 49% Egyptian equity	Not mandatory
Capital & Profit Repatriation	Allowed	Allowed	Not allowed	Allowed
Foreign	Not allowed	Allowed	Not allowed	Allowed

Ownership of Land				
Price Control	Non	Non	Possible	None
Exchange	No exchange control	No exchange control	Subject to control	No exchange control
Trade	No import or export license	No import or export license	Subject to control	No export/ import licensing
Income Tax Exemption	5 to 8 years 10 up to 15 years for land reclamation and new cities	5-10. 15-20 years on low-cost housing	50% tax relief on shares quoted on stock exchange. Projects in new communities enjoy tax privilege of law 59/1997	5 years, 10 years for new remote industrial areas and new projects financed by the social development fund 20 years for outside the old valley
Customs Exemption	Customs exemptions on capital goods for some projects	No customs exemption	No customs exemption	A unified rate of 5% on the value of imported machines, equipment and instruments
Work Participation in Profit	At discretion of company	10% of profit with on ceiling	10% of profit with a one- year wage ceiling	At discretion of company
Implementing Body	GAFI	GAFI	Capital market authority	General Authority For Investment and Free Zones

Source: Modification of (Louis et al, 2004)

According to table (6), investment law no. 8 issued in May 1997 is now replacing other previous laws as it introduces more incentives to the private FDI projects in Egypt. Under the umbrella of this law, projects could be wholly owned by foreigners and no restrictions are imposed on the number of Egyptian employees to be hired by the foreign company. Moreover, foreign investors also have the right to maintain foreign currency bank accounts, remit profits and repatriate invested capital. Transfers are made using freely convertible currencies and market exchange rates. Furthermore, foreign experts' salaries are exempted from income tax if they stay in Egypt for more than one year and all profits resulting from merging companies or changing their legal forms are tax exempted. Also, this law offers investors guarantees against nationalization, confiscation, sequestration and expropriation of the project (Louis ,2004) and Ministry of Investment ,2008). Egypt has also established about seven public free zones in addition to private free zones that represent a distinguished investment pattern that enjoys numerous privileges, the most important of which are the direct contact with the outside world, the availability of land plots completely supplied with utilities and infrastructure in addition to the special customs, import and monetary treatments. All this serve as magnet to foreign investment (Ministry of state for economic development,2007). The Egyptian laws provide a different type of organizational structures for investors such as the joint-stock companies, limited liability companies, joint partnerships and limited partnerships in addition to branches and representation offices of a foreign parent company (Louis, 2004). However, the legislative system in Egypt still contains a number of weaknesses such as (Louis, 2004) and(international chamber of commerce,2008).

* Absence of a unified policy framework for the reforms.
 * Vague and arbitrary nature of laws as they often refer to other laws or parts of laws annulling or amending them. For example, the new income tax law no. 91 which came into force in Egypt on June 2005 abolished the totality of the income tax exemptions provided in law no. 8 of 1997 (illustrated in table (6)).
 * Unconstitutionality of many laws.
 * Speed with which laws are passed negatively affects the credibility of the legislative process.
 Frequent amendments to laws bring their credibility into question. In addition to the above mentioned, there is no specific law governing foreign investment in Egypt as foreign investors have the freedom to choose to invest in Egypt under the companies' law or the investment guarantees and incentives law, depending on the types of the required incentives and the areas of investment (international chamber of commerce, 2008). Moreover, tourism investment faces a number of hardships including the difficulty of obtaining business licenses, prolonged dispute settlements, multiplicity of agencies responsible for investment decisions, failure of the legal framework in resolving business and commercial disputes, unstable and unpredictable rules and regulations, the central government inconclusive role in facilitating establishment procedures, setting economic policies that influence business operation and decisions (such as the exchange rate policies, import and export regulations, transfer of profit, etc.) as well as the role of the local government in granting business licenses and real estate titles (Louis et al, 2004). According to international chamber of commerce (2008), globalization has led to the increase of FDI competition among developed countries thereby making it more difficult to attract investment flows. Another threatening factor is the increased competition among countries in

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general due to promoting and developing policies for the purpose of creating the suitable FDI climate. The following table – for example – illustrates the average

number of investment procedures required in some countries and the average number of days needed to finish these procedures:

Table (7): Average Number of Procedures and Days Required to Finish Investment Licenses

Country	Average Number of Procedures	Average Number of Days
Middle East & North Africa	9	31
Israel	5	34
Morocco	5	11
Turkey	8	9
Tunisia	9	14
Jordan	11	36
Egypt	13	43

Source: (UNCTAD, 2003 cited in Nermeen, 2006)

The previous table shows the huge extent of bureaucracy existent in Egypt compared to other countries which is characterized by arbitrary operation using excessive discretionary measures, authorities,

delays, and unnecessary red tape. The following table was prepared by ESCWA (2008) to rank some of its countries with respect to the number of regulatory factors:

Table (8): ESCWA Ranking Countries Based on Investment Regulation Facilitation

Country	Business Facilitation	Starting Business	Dealing with Licenses	Protecting Investors	Enforcing Contracts	Closing Business
Saudi Arabia	23	36	47	50	136	79
Kuwait	40	121	85	19	99	67
Oman	49	107	130	64	110	59
United Arab Emirates	68	158	38	107	144	139
Jordan	80	133	71	107	128	87
Lebanon	85	132	113	83	121	117
Egypt	126	55	163	83	145	125
Syrian Arab Republic	137	169	86	107	171	77

Source :(ESCWA, 2008)

According to the above table, it is obvious that Egypt has dropped in some factors compared to the other countries; such as business facilitation, dealing with licenses, enforcing contracts and closing business.

Human Resources (Man Power):

According to Harssel (1994), it is estimated that each one billion dollars directly or indirectly spent on tourism generate 35,000 jobs; i.e. the sector tends to generate a large number of job opportunities particularly the unskilled or semiskilled ones (Ash, 2005). In Egypt, for example, Al-Kharafi Group which invests in the tourism sector generates about 37 thousand job opportunities (Adel, 2008). Wangure (2002) added that the investment enterprises recognize the quality and quantity of human resources as a critical element for the efficient development of tourism in the country. In Egypt, the strength points are located in the great workforce of young trainable members that is available at a competitive cost. Both local and foreign specialized technical institutes offer a large base of graduates, postgraduates and technicians that form a huge investment workforce (Ministry of Investment, 2008). According to the Egyptian Information and Decision Support Center (2007), the over-15-year-old population reached 15.768.215 including 205.852 working in the tourism field. However, the labor cost in Europe is almost 15 times higher than that in Egypt, for example Italy is 14.38 time higher than Egypt while Germany is 17.69 and France is 13.55 .(Ahmed, 2003) The points of weakness appear in other sides; for instance, the

tourism sector usually needs three kinds of skills: highly skilled, semi-skilled and unskilled. In Egypt, experts found that there is a problem in the highly skilled categories as the qualified workers are usually found in Greater Cairo while enterprises in other governorates suffer from shortage in the qualified employees (Hussein., 2009). The tourism workforce also faced the threat of the possibility of improving the workforce standards in the light of the foreign workers law that implies complex regulations on seeking the assistance of any foreign experience as foreigners should not exceed 10% of the total employees working in any enterprise. However, investors usually use the foreign employment in specific positions especially because such foreign labor is considered a real challenge for the Egyptian employees (Mohamed ., 2009). According to the above mentioned, such threats could be transferred to opportunities as the Egyptian workforce can benefit there from by acquiring the required foreign experience through training courses inside and outside the country in order to improve their human resource quality.

Tourism Attraction:

Egypt is considered one of the most successful destinations for tourism investment as it offers a range of diverse tourism attractions. Since very early times, it has developed as a multi-cultural country blending the traditions of Africa and the Middle East with the European influence across the Mediterranean Sea in addition to the pleasant warm climate all year round, the magnificent beaches and the unique historical heritage

(Ministry of Investment, 2008). According to studies, Egypt has become the top tourist destination in the Middle East and North Africa and the 24th most attractive tourist destination (WTTC, 2007). In 2008, 11 million tourists visited Egypt and spent the total of 112 tourist nights with revenue 9.5 billion dollars (Ministry of Tourism, 2008). The 2020 World Tourism Organization vision forecasts that Egypt will remain the 15th largest tourist-receiving country with over 17 million international tourism arrivals as Egypt leads the growth in the Middle East region with 26% market share (Business Studies & Analysis Center, 2008). Despite all these attractions, there are still many unused attraction sites especially in the isolated areas as well as a number of poor destination marketing strategies (Shawky, 2009). When compared to the neighboring countries, Egypt has succeeded in competing with many of the Mediterranean countries such as Turkey, Tunisia, Greece and Jordan as well as some European countries despite the fact that these countries were considered threatening factors. However, there are still excellent opportunities for investing in the tourism sector which can be found in many tourist facilities such as hotels, restaurants, travel services, shopping and entertainment. Finally, since such facilities are greatly needed in many tourist areas, the development authorities offer lands in low prices to the investors which is considered a competitive advantage for Egypt.

3.2. Survey Instrument:

The questionnaire was used to gather data and measure foreign investors' perceptions and satisfaction levels with respect to the tourism investment policies. The field study began with the questionnaire examination by distributing pilot questionnaires to ensure that respondents clearly understand the questions. The questionnaire is divided into four sections: section one

designed to evaluate the general climate of investment; section two contains a list of 10 general investment consideration items generated from reviewing related literature (Kantorci (2006) as well as the recommendations of a selected group of experts and investors in order to evaluate the conditions and benefits offered to the foreign investor in the tourism sector through a five-point likrte scale where one indicates "not satisfactory" while 5 indicates "very satisfactory"; section three evaluates the role of official governmental authorities in contributing to facilitating investment also using a five-point Likrte scale where one indicates "poor" while 5 indicates "excellent"; and, finally, section four comprises questions about the investment type, project location, number of projects and intentions of future expansion. At the end of questionnaire, the investors are asked to rate the climate of foreign investment as a whole and state their suggestions.

3.3 The Sample:

The target population for the study is the foreign investors in the tourism sector in Egypt which is estimated by 361 enterprises (Louis, 2004). The sample units were chosen from the Egyptian Hotel Guide (28th edition, 2008) as well as the Travel Agencies Directory (2008) produced by the Egyptian Federation of tourist chamber. The sample is designed to meet the following criteria:

- * Different types of enterprises (travel agencies, hotels, restaurants and diving centers)
- * Different regions with respect to the foreign investment volume (Greater Cairo, the Red Sea, South Sinai and the North Coast) The questionnaires were sent by mail, completed by telephone and sometime by hand. The following table shows the number of distributed questionnaires and valid questionnaires:

Table (9): Sampling Process: Selected Sample Breakdown by Region and Response Rate

Region	Percentage to Total Inflow of Foreign Investment (2000-2008)*	Number of Distributed Questionnaires	Number of Valid Questionnaires	%
Greater Cairo	36.6%	35	20	57%
Red Sea	34,8%	35	30	85.7%
South Sinai	5.2%	25	19	76%
North Coast	7.2%	20	11	55%
Total	-----	115	80	69.6%

* Data Center of GAFI (2009)

The total valid questionnaires were 80 questionnaires with the percentage of 69.6% including 7 travel agencies, 11 restaurants, 4 diving centers and 58 hotels. This sample represents approximately 33% of the whole society.

3.4 Data Analysis:

The statistical analysis has been carried out through two ways: (1) the descriptive statistics mean and standard deviation to describe the data; (2) the Analysis of Variance (ANOVA) to test significance between groups of respondents in order to indicate if there is any

difference among the means of two or more groups (Decoster, 2006) (the level of significance used was (P<0.05)). Furthermore, the Kruskal-Wallis test was used to test the median differences between groups; this test is similar to a one-way ANOVA test yet it is a non-parametric test based upon rank or ordinal data for showing whether the obtained results are particular to the governorate-based activities or to the sample as a whole (the level of significance used was also (P<0.05)).

4. Results and Discussions:

Table (10): Types of Activity

Answer	Frequency	Percent
Accommodation Establishment	58	72.5
Travel Agency	7	8.8
Restaurant	11	13.8

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Diving Center	4	5
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No missing units

The result clearly states that accommodation establishments are considered the main activity in the tourism sector (72.5% of the sample) as they succeed in attracting foreign investors through their short payback period. On the other hand, the diving centers had only 5% of the sample because they need special

environmental conditions and highly-skilled operation. With regards to the number of owned enterprises, 47% of the sample owned just one enterprise while about 41% owned from 2 to 3 enterprises. According to the respondents, most of them started their enterprises on the same time.

Tables (11): Mean Rating of the Satisfaction Level of Foreign Investors towards Investment Climate:

Tested Factors	1	2	3	4	5	Mean	Standard Deviation
Factor (1) General Climate (N=3)	-	-	-	-	-	3.2	0.56
Political Stability	-	-	33.8%	40%	26.3%	3.9	0.77
Economic Development	3.8%	8.8%	66.3%	16.3%	5.0%	3.1	0.77
Infrastructure	17.5%	50%	8.8%	10%	13.8%	2.5	1.3
Factor (2) Regulatory Environment (N=10)	-	-	-	-	-	2.9	0.33
Customs and Tax Exemption	7.5%	62.5%	26.3%	3.8%	-	2.3	0.65
Borrow and Interest	-	10%	45%	32.5%	12.5%	3.5	0.84
More Attractive Incentives relative to Tourism Sector	36.3%	50%	13.8%	-	-	1.8	0.67
Transfer Currency	6.3%	-	15%	33.8%	45%	4.1	1.1
Period for Starting Business	25%	43.8%	31.3%	-	-	2.0	0.75
Co-operation among Official Authorities	8.8%	57.5%	32.5%	1.3%	-	2.3	0.63
Dealing with Licenses	7.5%	50%	42.5%	-	-	2.4	0.61
Information Availability for Feasibility Study	10%	38.8%	45%	6.3%	-	2.5	0.76
Protecting Investors	6.3%	-	12.5%	38.8%	42.5%	4.1	1.1
Price Control Policies	-	1.3%	60%	38.8%	-	3.4	0.51
Factor (3) Tourism Sector (N=3)	-	-	-	-	-	3.4	0.48
Human Resources	1.3%	12.5%	30%	31.3%	25%	3.7	0.51
Tourism Attraction	-	2.5%	47.5%	33.8%	16.3%	3.9	0.78
Local Investor Competition	-	32.5%	48.8%	18.8%	-	2.9	0.71
Factor (4) Role of Official Authorities (N=3)	-	-	-	-	-	3.5	0.54
Ministry of Tourism	25%	53.8%	31.3%	12.5%	-	2.5	0.74
Ministry of Investment	-	11.3%	25%	23%	40%	3.9	1.1
Tourism Development Authority	-	3.8%	20%	47.5%	28.8%	4.0	0.80

*1=very unsatisfactory 5= very satisfactory

In factor (4) 1=poor

5= excellent

The above table shows details of the foreign investors' satisfaction with a number of variables which affect the tourism investment climate. For the purpose of simplicity and accuracy, these variables were categorized in four main factors: general climate of the country, regulatory environment, variables related to the tourism sector and role of official authorities. As for the first factor, the data make it clear that the statistical mean is 3.2 with a standard deviation of 0.56 which indicates the existence of moderate satisfaction with this factor. However, it can be noticed that the mean of the variable "infrastructure" has achieved only 2.5 due to the poor infrastructure found in the chosen governorates – except for Greater Cairo – as foreign investors faced a serious lack of some vital and tourist infrastructure especially in isolated areas and governorates such as South Sinai, the Red Sea and the North Coast. The overall mean value of the second factor was 2.9 with a standard deviation of 0.33 which indicates the investors' low satisfaction with the regulatory environment. It can also be noticed that the variables "customs and tax exemption, more attractive incentives relative to tourism sector, period for starting business, co-operation, dealing with licenses and information availability for feasibility study" score mean ranges between 1.8 and 2.5 which indicates that they are the main points of weakness in the regulatory

environment. On the other hand, the variables "borrow and interest, transfer currency, protecting investors and price control policies" need more improvement. The third factor discusses variables related to the tourism sector showing that the majority of investors had moderate satisfaction with this factor as the mean was 3.4 and the standard deviation 0.48. Finally, the fourth factor reflects that investors evaluated the role of official authorities as a whole with a mean of 3.5 out of 5 degrees; yet the Tourism Development Authority had high performance with a mean of 4 as about 75% of the sample were satisfied with its performance. The Ministry of Tourism, on the other hand, needs to improve its performance as 78.8% of the sample was dissatisfied with its performance. According to the results, it is obvious that the "official promotion efforts" (57.6%) is the main reason which encourages foreign investors to take the investment decision as such official efforts usually include the marketing efforts and agreements held between the Tourism Development Authority and the Ministry of Investment on one hand and the foreign countries on the other. Thus, it is highly valuable to develop and focus on this competitive advantage through signing new agreements, joining international investment organizations as well as arranging conferences and forums on potential investment projects. The results

revealed that the majority of investors (51.3%) had no intention to expand their enterprises which reflects their dissatisfaction with the investment climate while 27.5% had possible intentions to expand depending on the investment conditions improvement. Only 21.3% were satisfied and intended to expand their investments. The results indicate that, only 5% of the sample were very

satisfied, 26.2% were satisfied while about 68% were not satisfied, had moderate satisfaction or had bad investment experience in the Egyptian tourism sector. This result is due to the challenges and concerns of the FDI climate in Egypt which requires an in-depth study of the means of discovering and overcoming such challenges.

Table (12): Testing Equality of Variable Mean Regarding Enterprise Location (Governorate) (Kruskal-Wallis)

Factors (variable)	Value of Kruskal-Wallis Test	Sig
Overall Satisfaction	22.8	.00
Factor (1) General Climate	36.95	.00
Factor(2) Regulatory Environment (N= 10)	4.73	0.192
Factor (3) Tourism Sector (N=3)	16.46	0.001
Factor (4) Role of Official Authorities	6.30	0.098

The data analyzed in the above table show that there is a difference between investment places (governorates) with respect to the overall satisfaction; i.e. some governorates provide special incentives for investment while others do not. As for factor 3 (skilled employees, marketing efforts and tourism attraction), there is also a significant difference due to the different conditions affecting the expansion decision and the geographical location affecting the investment climate. For example,

investors in the Red Sea and the North Coast complained of the shortage in skilled employees. Finally, by applying the Kruskal-Wallis test on different governorates, Greater Cairo had the highest level of satisfaction with factor1 (65.15), factor2 (48.05), factor3 (48.80), factor4 (48.65) as well as an overall satisfaction of 57.10. The second place was shared between the Red Sea and South Sinai while the North Coast came last with moderate or low satisfaction towards the same variables.

Table (13): Testing Equality of Variable Mean Regarding Type of Activity (Kruskal-Wallis Test)

Factors (variable)	Value of Kruskal-Wallis Test	Sig
Factor (1) General Climate	2.60	0.457
Factor(2) Regulatory Environment	9.67	0.022
Factor (3) Tourism Sector	2.61	0.455
Factor (4) Role of Official Authorities	9.92	0.019
Overall Satisfaction	1.05	0.789

The previous table presents further data analysis to show whether the obtained results are confined to a particular kind of activity or not. The Kruskal-Wallis analysis indicates the absence of any significant difference among activities with respect to the four factors of the investment climate. The variable used for testing overall satisfaction is $P > 0.005$. The obtained result means that investors in the different types of tourism activities have the same satisfaction level; i.e. there is no relation

between activity type and satisfaction level.

The ANOVA analysis revealed the existence of significant difference in the variable mean of the sample governorates with respect to the investors' intention to expand their investments. This may be due to the overall satisfaction or the potential sustainable development in the area. ($f\text{-test}=11.96, p<.05$) The following table illustrates the ranks of governorates based on the investment expansion intentions.

Table (14): One-way ANOVA Descriptive Governorate Ranking Based on Investment Expansion Intentions

Governorate	Mean	Standard Deviation
Greater Cairo	2.5	0.51
South Sinai	1.4	0.59
Red Sea	2	0.64
North Coast	2.5	0.55

The results clearly state that investors in South Sinai (mean 1.4) have great intentions to expand their investments while the Red Sea (mean 2.0) comes in the second place compared to Greater Cairo and the North Coast sample. According to the analysis of the respondents' comments, South Sinai and the Red Sea are considered perfect areas for investment due to their attractive beautiful nature and the governmental investment incentives of owning lands. On the other hand, the North Coast faces several problems such as the shortage of vital infrastructure and tourist facilities in

addition to the expected unsustainable tourism development.

5. Conclusion and Recommendations:

Egypt has achieved considerable progress in liberalizing its business environment and encouraging FDI in the tourism sector. However, there are still weaknesses, threats and other challenges to be faced. Using the SWOT grid, the conclusion offers a clear framework for the points of strength and weakness as well as the opportunities and threats of foreign investment in the tourism sector.

Table (15): SWOT analysis of FDI climate of tourism sector in Egypt

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<p>Strength</p> <ul style="list-style-type: none"> ➤ Political stability ➤ Efforts towards democracy ➤ Location importance ➤ Well-developed infrastructure ➤ Availability of low-cost utilities such as water, electricity, gas and raw material ➤ Guarantees and incentives for foreign investors ➤ Variety of incentives ➤ Local and international insurance ➤ Joining international trade and investment organizations ➤ Macro-economic stability in the country ➤ Cheap and available labor ➤ Availability of tourism attraction ➤ Success of many foreign investors (ex. Four Seasons hotel, Semiramis Intercontinental hotel) <p>Quality reputation (hotels, restaurants, tour operators, etc.)</p>	<p>Weakness</p> <ul style="list-style-type: none"> ➤ High inflation rate ➤ Borrowing and interest policies ➤ Customer service ➤ Insufficient infrastructure in some areas ➤ Legal procedure slowness ➤ High level of bureaucracy and corruption ➤ Lack of transparency and governance ➤ Complicated tourism license procedures ➤ Vague and arbitrary regulations ➤ New tax laws ➤ Multiplicity of investment decision-taking agencies ➤ Lack of official authorities cooperation ➤ Weak role of official authorities ➤ Local investors' competition ➤ Shortage of tourism attraction incentives ➤ Unsustainable tourism development in some areas ➤ Ineffective marketing strategies
<p>Opportunities</p> <ul style="list-style-type: none"> ➤ Removal of international trade barriers ➤ Focus on Arab investment market ➤ Encouraging the private sector infrastructure investment ➤ Joining new trade and investment guarantee organizations ➤ Improving manpower (training and exchanging experience with foreigners) ➤ Expanding tourism development in new areas ➤ Merge & acquisition <p>Euro-Mediterranean partnership</p>	<p>Threats</p> <ul style="list-style-type: none"> ➤ Globalization ➤ Trade barriers ➤ Competition among regional countries (tourism attraction, incentives and promotion) ➤ Poor representation in the European countries ➤ Lack of regional integration and economic co-operation ➤ Effect of the Israeli-Palestinian conflict on the region ➤ Middle East political instability ➤ World economic crisis <p>Effect of terrorism on the tourism sector</p>

In the light of the above perspective and in order to improve the foreign investment climate in the tourism sector, the following recommendations should be taken into consideration:

General Climate:

- Implementing structural reforms related to the improvement of the political, economic and judicial environment as well as the administrative capabilities. This requires regulation simplification in order to reinforce competitiveness and reduce the informal economic activities.
- Resuming efforts towards achieving a stable macroeconomic environment.
- Increasing awareness among official authorities regarding the importance of FDI.
- Setting priorities for the development of various tourism projects that can contribute to attracting more foreign tourists as well as producing higher profits for foreign investors. After setting such priorities, intensive procedures should be taken to attract foreign investments.
- Applying basic principles of investors' protection.
- Improving the skills of the tourism sector workforce.
- Encouraging the private sector infrastructure investment.
- Setting up policies for the sustainable tourism development.

Regulatory and Administrative Issues:

- Facilitating and speeding up enterprise creation.
- Simplifying and improving customs technical standards and licenses.
- Encouraging and facilitating foreign investments in the Egyptian tourism sector by giving more incentives and tax exemptions which will create a more competitive

status with respect to attracting foreign investors from all over the world.

- Ensuring that legislations have clear and unique interpretations.
- Speeding up the implementation of new laws and amendments to existing laws.
- Improving the business climate.
- Taking measures to combat bureaucracy, corruption and red tape including the establishment of a powerful independent supervisory authority.
- Exerting continuous efforts to improve the foreign investment environment through easing the related regulations and providing sufficient information and quick services.
- Carrying out research on the abovementioned activities, strategies and policies for the purpose of evaluating and promoting the tourism industry in Egypt.

Promotional Issues:

- Seeking the aid of experts and consultants to study and analyze competitiveness for the purpose of drawing an accurate picture of the current status.
- Studying and identifying target countries and prospective investors.
- Raising funds for tourism investment promotion.
- Establishing overseas distribution channels for promotional materials to serve potential investors in key markets.
- Undertaking promotional missions to prospective target countries.
- Producing a simple easily-updated investment guide and promotional videos (CDs & DVDs) for the tourism investment field.
- Strengthening relationships with current and prospective tourism investors.
- Identifying tourism sectors in need of more investment and development.

- Increasing awareness of investment opportunities through existing investors and information communication technologies.

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الملخص العربي

التحليل الرباعي لمناخ الأستثمار الأجنبي المباشر في القطاع السياحي بمصر

يلعب الأستثمار الأجنبي المباشر في قطاع السياحة دورا هاما في التنمية الاقتصادية للدول.ومصر تحاول الاستفادة من هذا الأستثمار شأنها شأن معظم الدول وذلك من خلال خلق مناخ أستثماري جذاب خاصة في هذا القطاع الحيوي.إلا إنها طبقا للدراسات والإحصائيات، تواجه مصر عدد من التحديات.ويهدف هذا البحث إلى عرض لمناخ الأستثمار الأجنبي المباشر في مصر بالقطاع السياحي وهذا العرض شمل محورين. المحور الأول هو استخدام تحليل للوضع الحالي والذي تناول بالتحليل نقاط القوة والضعف وكذلك التهديدات والفرص المتاحة أمام المناخ الأستثماري بقطاع السياحة من خلال تحليل النقاط الهامة المؤثرة في الأستثمار الأجنبي وشملت هذه النقاط (الأستقرار السياسي - التنمية الاقتصادية -البنية الأساسية بالمناطق السياحية -الترويج للأستثمار - البيئة التشريعية-العنصر البشري وأيدي العاملة -عوامل الجذب السياحي). أما المحور الثاني فهو القيام بمقابلات بعدد من الخبراء ومتخذي القرار بوزارة السياحة والهيئة العامة للتنمية السياحية ووزارة الأستثمار وعدد من خبراء القطاع الخاص بالإضافة إلى جمع آراء عدد 80 مستثمراً أجنبياً بالقطاع السياحي، لتقييم مدى الرضا عن سياسات الطبقة حاليا في مصر وكذلك المناخ الأستثماري بصورة عامة.وطبقا لنتائج الدراسة تم اكتشاف انخفاض مستوى رضا المستثمرين الأجانب فيما يختص ببعض القوانين والتشريعات وكذلك البنية الأساسية في بعض المناطق السياحية ودور بعض الجهات الرسمية.ومن خلال نتائج الدراسة النظرية والعملية تم تصميم شبكة SWOT لأهم نقاط القوة والضعف و الفرص المتاحة وكذلك التهديدات الخارجية. وفي نهاية الدراسة تم التوصل لعدد من المقترحات والحلول لبعض السياسات المطبقة حاليا" في محاولة لجعل المناخ الأستثماري بقطاع السياحة أكثر جذبا".