



# A new dawn? The Iran nuclear deal and the future of the Iranian tourism industry



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## ABSTRACT

Iran's tourism industry has suffered significantly over the past three decades as a consequence of a number of issues, including negative imagery in the tourism generating markets, political tensions with the West as a result of Iran's nuclear programme and poor management. But perhaps one of the most important issues affecting tourism development in Iran has been the wide ranging and crippling international sanctions against Iran in relation to its nuclear programme. However, after more than a decade of negotiations, on 14 July 2015, Iran and the P5 + 1 finally reached a comprehensive agreement on Iran's nuclear programme, which has given many, both inside and outside of Iran, the hope of a brighter future for the country. This paper aims to explore the possible impact of this agreement on the future development of the Iranian tourism industry.

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## 1. Introduction

On 14 July 2015, after more than a decade of tough and challenging nuclear negotiations, Iran, the P5 + 1 (the five permanent members of the United Nations Security Council – China, France, Russia, United Kingdom, United States – plus Germany) and the European Union reached a comprehensive agreement on the nuclear programme of Iran. Iran and six world powers agreed upon a draft resolution promising to lift economic sanctions in exchange for stricter monitoring of nuclear facilities by international inspectors. But what does this mean for the future development of the tourism industry in Iran? Iran's tourism industry has been suffering from a range of issues over the past three decades, including the over-reliance on oil revenues, negative imagery, international sanctions, political tensions, political instability and conflicts in the Middle East region, and poor management (Baum & O'Gorman, 2010; Butler, O'Gorman, & Prentice, 2012; Khodadadi & O'Donnell, 2015; Morakabati, 2011). The aim of this paper is to explore some of the possible impacts of the newly forged nuclear agreement on the future of the Iranian tourism industry.

## 2. Context of the Iranian tourism industry

Iran was considered to be the Middle East's top tourist destination during the period 1967–1977, when Egypt, which has one of the

world's Seven Wonders, was (only) ranked 14th in the region.

[Morakabati (2011, p. 110)]

This is hardly surprising. With an area of 1648 million square kilometres or 636,296 miles<sup>2</sup> (Foreign & Commonwealth Office, 2012), Iran is a vast and varied country which offers an abundant mixture of culture, history, heritage and natural attractions that is unique in the region: It is, for example, the home to nineteen ski resorts and mountains reaching peaks above 5000 m, and it has a rich biodiversity.

Iran has, in total, 19 listed World Heritage sites, and an additional 49 properties have been submitted on the United Nations Education, Scientific and Cultural Organisation Tentative List (UNESCO, 2015). As a result – given, of course, not only an appropriately enabling international situation, but perhaps just as importantly, positive and encouraging forms of representation – Iran's ancient and modern cultural heritage is seen by many outsiders as continuing to provide 'the basis for cultural tourism visitation experiences that, potentially, can be set alongside "leading brand" destinations such as Egypt, Greece, India, Italy and Turkey in terms of both their historical importance and their visual splendour' (Baum & O'Gorman, 2010, p. 2).

Morakabati (2011) shows in detail how, following the political changes ushered in by the Islamic Revolution in 1979, there was a significant fall in the level of tourism activity, as tourists, particularly those from outside the Middle East region, sought alternative destinations such as Turkey: He points out, for example, that while Iran had attracted more than 70,000 American visitors in 1977, during the period of sustained American support for the Shah, this figure had, by 2010, fallen to as few as 400 (Euromonitor International, 2013). Other

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tourism-related sectors in the country suffered a similar decline: For instance, in the 1970s, Iran Air was known to be the fastest growing airline in the world and one of the most profitable, being ranked second only to Qantas in 1976 as the world's safest airline (Baum & O'Gorman, 2010; Morakabati, 2011); however, in terms of its safety record, this airline cannot now secure a place in the top 30 in the world (Morakabati, 2011). This – like the situation of its tourism industry more generally – is largely due to a chronic lack of government investment, resulting in the fact that 'Iran's civil fleet is made up of planes in poor condition due to their old age and lack of maintenance. The country has been under international sanctions for years, preventing it from buying new aircraft or spare parts from the West' (BBC, 2011).

The effects on the economic health of Iran's tourism industry are glaring. According to a recent World Travel and Tourism Council report (WTTC, 2013), Iran was ranked 147th in the world in terms of travel and tourism's direct contribution to its Gross Domestic Product (GDP) in the year 2012. Its position is therefore now considerably lower than other countries in the region, such as the United Arab Emirates (ranked 17) and Turkey (ranked 12), which it had previously outperformed in this respect. According to WTTC (2013), the direct contribution of travel and tourism to Iran's GDP was \$11.3 billion in 2013, which is substantially lower than Turkey (\$34.8 billion) or the UAE (\$25 billion).

One of the reasons for the extent to which the tourism industry has been ignored by the government in Iran is the fact that this country is one of the world's largest producers of oil and gas. For the 25 years of the Shah's reign – from the CIA-backed coup of 1954 until the revolution of 1979 – the United States enjoyed privileged access to these resources, being guaranteed 40% of the total, divided among its five major oil corporations. As Chomsky (2008, p. 43) argued in a piece first published in 1966, the 'bland assumption' that such an arrangement was entirely natural was 'most revealing of deep-seated [US] attitudes towards the conduct of foreign affairs' at the time. On-going concerns regarding access to oil since 1979, he suggests, have lain behind the USA's antagonistic attitude towards Iran ever since. Writing in 2006 – when the situation in neighbouring Iraq was markedly different from what we are witnessing now – he argued that these concerns were further exacerbated by developments in that country:

The dilemma of combining a measure of [Iraqi] independence with firm control arose in a stark form not long after the invasion, as mass non-violent resistance compelled the invaders to accept more Iraqi initiative than they had anticipated. The outcome evoked the nightmarish prospect of a more or less sovereign and democratic Iraq taking its place in a loose Shiite alliance comprising Iran, Shiite Iraq, and possibly the nearby Shiite-dominated regions of Saudi Arabia, controlling most of the world's oil and independent of Washington.

[Chomsky (2006, p. 252)]

Iran's economy continues to be heavily reliant on oil and gas exports, which constitute more than 80% of its total export revenue (Economist Intelligence Unit, 2013). According to the Organization of Petroleum Exporting Countries (OPEC, 2013), the country's total revenue from petroleum exports – even under heavy international sanctions – was more than \$100 billion in 2012, roughly ten times greater than tourism's contribution to its GDP. Additional factors, such as the heavy US-led international sanctions (Economist Intelligence Unit, 2012; Morakabati,

2011; Nasr, 2013), combined with the Iranian government's low interest in tourism development, have resulted in extremely limited investment in tourism. A comparison between Iran and two of its neighbouring countries, the United Arab Emirates and Turkey (Table 1), demonstrates the gap in terms of capital investment in tourism, and therefore, tourism priority:

Iran's tourism administration is mainly governed by the 'Iran Cultural Heritage, Handcrafts and Tourism Organization'. ICHTO is an educational and research institution overseeing numerous associated museum complexes throughout Iran as well as the planning and development of tourism. It is administered and funded by the Government of Iran.

### 2.1. International tourism to Iran – the case of the UK

To the extent that international inbound tourism to Iran still exists, the balance has shifted away from Western sources, its primary form now being religious tourism from other Muslim countries. According to the Euromonitor International report:

The balance is shifting from a European tourist base back in the early 1980s and before the revolution, to a majority of Arab and regional tourists. Religious tourism continued to dominate in 2012, attracting visitors from across the region, including Turkey, Lebanon, Bahrain, Syria, and many others. The leading inbound source country after Saudi Arabia in 2013 was India with 189,500 arrivals. Many of these were business tourists. Saudi Arabia was the leading source country for Iran in terms of visiting tourists in 2012.

[Euromonitor International (2013, p. 14)]

While these figures show that international tourism is not only still possible, but is still happening, the situation regarding Europe and the West more generally is markedly different:

While the overall figures are low, the relative decline in some European countries (France and Spain) is, to some extent, offset by relative improvement in others (Germany and Italy). The UK to some extent lags behind the other Western countries listed.

The focus here is on the British tourism market, because despite the long-term decline indicated above, prior to the 1979 revolution, British tourists had been one of the main sources of international tourism for Iran. A study by Alavi and Yasin (2000) shows that, in 1977 (pre-Islamic revolution), 62,700 British tourists visited Iran. Considering the significant developments in areas such as transportation and information and communications technology, whereby travelling has become much easier and quicker, there has been a very significant decline (over 91%) in the number of British travellers to the country, a much greater decline than in any other European country (Table 2).

Whatever the broader picture, the level of such interest in the UK remains exiguous. As can be seen in Table 2, the number of tourists to Iran from the United Kingdom continued its long-term decrease between 2009 and 2014. Recent forecasts (Table 3) – which, like all forecasts, are somewhat speculative – may look more promising, but the increase in numbers remains extremely limited.

Only two hundred more arrivals per year from the UK are expected in 2017, 2018 and 2019, and even these numbers are challenging, because we need to take into account the proportion of this figure that would consist of returning expatriates. It would, in fact, be safe to assume that tourist arrival numbers would remain roughly the same as

**Table 1**  
Capital investment in tourism Iran vs. UAE/Turkey.  
Source: World Travel and Tourism Council (2014).

Capital investment US\$ bn	2005	2006	2007	2008	2009	2010	2011	2012	2013
Iran	1.86	2.03	2.49	3.28	3.22	3.233	3.773	3.803	4.166
UAE	3.67	5.76	13.3	16.9	14.2	17.93	20.821	22.541	24.848
Turkey	9.39	9.41	8.32	11.3	1109	10.32	17.326	16.941	18.523

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