Tourism Growth In The Kingdom Of Saudi Arabia (KSA)

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Introduction

The rise in oil prices in the international market and the global shift in energy consumption from natural resources, like oil and petroleum, towards renewable energies play a critical role in devising policy at a top leadership level in the Kingdom of Saudi Arabia (KSA) that aims to expand tourism and non-petroleum sectors of the economy. The tourism sector in KSA is growing, but the overall composition of the sector in the economic pie is significantly low. However, recent policy reforms have increased the overall number of visitors to KSA through instant tourism visas for forty-nine countries worldwide, and China ranks top in the list of countries with the most tourists visited from any country since the introduction of the policy.

Analysis

Waheed et al. (2020, p. 49) research utilizes empirical evidence for understanding the impact of the tourism industry and non-petroleum exports on the overall economic growth of the Kingdom of Saudi Arabia (KSA) for the years 1980-2017, and the data is on a quarterly basis. Authors argue that the impact of "non-petroleum exports" and the tourism industry on the overall economic growth of KSA is positive, which directs the policy-makers to invest more in the tourism sector, coupled with non-petroleum exports. Moreover, sustainable development is the twenty-first-century mantra, and the enhancement of exports of non-petroleum products is an effective strategy for ascertaining long-term and sustainable economic growth, which results in the decline of economic reliance on petroleum products. The critical nature of renewable energy and tourism for economic growth in KSA highlights the importance of investment in tourism facilities and renewable energy production, while the empirical findings of Waheed et al. (2020, p. 51) also suggest the presence of integration between capital, renewable energy, tourism, and consequently the economic growth of KSA.

The two primary reasons for increasing the tourism industry's share in the overall economic pie of KSA are a reduction in dependency on petroleum products while ensuring sustainable growth. Nonetheless, as per IMF statistics, capital formation is central to the enhancement of tourism, along with other non-petroleum exports. Lastly, fiscal deficit challenges due to the reduction of oil prices resulted in a 7.8 per cent budget deficit for the year 2019 alone, while the non-oil export growth stands at 2.6 per cent, which means a greater need for diversifying an economic portfolio. The author further states, "…capital formation in Saudi Arabia can be positively used to enhance investments in renewable energy, tourism policies, and establishing of new industries" (Waheed et al. (2020, p. 56). In a similar way, Jamel's (2020, p. 30) research findings also emphasize that positive relations exist between economic growth and the tourism sector in the context of the Kingdom of Saudi Arabia. However, the author further states, "CO2 emissions and financial development impact positively the tourism sector, while trade openness predicts a negative effect on tourism" (Jamel 2020, p. 36).

Global tourism is one of the rapidly growing global industries which directly and indirectly contribute to the economic growth of national economies. The tourism industry generates employment through economic activities in an organized manner and contributes positively to economic growth. Similarly, Alam et al. (2017, p. 4093) state, "The growth of tourism area appears to have been as important as the growth of other areas of the economy of Saudi Arabia." As per the World Tourism Organization (UNWTO), the growth patterns for the last ten years suggest an upward trend due to the integration of economy and society at the global level, which includes religion as a critical player, such as the role pilgrimages and visits to holy sites in Kingdom of Saudi Arabia (KSA) from Muslim population around the world. One of the critical functions of tourism is the creation of utility in other sectors and sub-sectors, which includes transportation, culture, health, communications, education, and infrastructure. Ali (2018, p. 418) utilizes secondary sources and defines inbound tourism as "travellers of other nations come to visit place/places of the country for non-economic purposes" while defining outbound tourism as "the nationals moving outside of the country for visiting purposes."

The sustainability of the tourism industry is evident from the fact that the Islamic provisions make it mandatory for each Muslim to visit the holy places of Madinah and Makkah as part of the annual pilgrimage in the month of Ramadan, at least once in a lifetime except only to the individuals that find it financial, or otherwise, impeding to support the visit. However, the overall growth pattern of Saudi tourism is lower than that of the world tourism average. On the other hand, the prices are increasing, and the demand for petroleum products in the international market has been on the decline over the last decade. Meanwhile, the KSA's economy is significantly dependent on petroleum products. The transition from an oil-led economy to a non-oil-led economy in Saudi Arabia is the number one concern of policymakers in enhancing and sustaining the national GDP over the long run. For the year 2016, the direct contribution of travel and tourism to KSA's GDP was only 3.1 per cent, which is 2,306 billion U.S. dollars. For the same year, the total contribution of the tourism and travel industry to KSA's national economy (GDP) was 10.2 per cent, which equates to 7,613.3 billion U.S. dollars. At the global level, the total employment level of the tourism and travel industry, as part of the Global Employment level, stands at 9.6 per cent. Additionally, total direct employment from the tourism and travel sector at the global level comprises 3.6 per cent of total employment and accounts for 108,741,000 individuals employed (Ali 2018, p. 423).

On the other hand, the share of petroleum products in the Kingdom of Saudi Arabia accounts for 92.5 per cent of the total revenues in the national balance sheet, which accounts for ninety-seven per cent of total earnings from exports and amounts to fifty-five per cent of the national GDP. Policymakers are devising strategies for increasing the overall share of non-petroleum, coupled with tourism and travel share, in the total composition of national GDP due to an approximately nine-fold increase in oil prices over the last seven decades. For the year 2016, the total share for the direct contribution of tourism and travel is 3.3 per cent (21 billion U.S. dollars) of the national GDP, while the total contribution accounts for 10.2 per cent of the GDP, which is 65.2 billion U.S. dollars. Overall, 5.1 per cent of total employment is associated with the travel and tourism sector, and the total jobs due to travel and tourism activities account for 9.7 per cent of jobs nationwide. For the year 2017, estimates suggest that the direct contribution of the tourism and tour sector to the GDP in Saudi Arabia stands at 3.8 per cent, while 4.7 per cent is the total contribution to the national GDP. In a similar way, direct employment and total contribution stand at 3 per cent and 2.5 per cent, respectively. The estimates are higher than the expected growth for respective variables in the global tourism and touring sector, with a 0.2 % decrease in direct contribution to GDP in Saudi Arabia (Ali 2018, p. 421).

The figure of sixteen million visitors refers to 2017 and should be read as a historical benchmark. Saudi Arabia's official 2025 tourism results reported 123 million domestic and inbound tourists, including 29.3 million inbound visitors, while the national 2030 target is 150 million tourists. Recent policy reforms for the promotion of leisure tourism in Saudi Arabia are followed as part of evidence-based policymaking, and the diversification of the revenue portfolio within the tourism and tour sector is critical for achieving long-term economic growth based on the tourism industry. As per some analysts, the tourism industry of Saudi Arabia is the 'white oil' for the nation, and a significant increase over the year suggests approximately 25 billion U.S. dollars for the year 2019. Currently, the primary tourist destinations in Saudi Arabia are ancient ruins, the Hijaz, the Red Sea, and the Sarawat Mountains. As per the 2018 estimates of the World Travel and Tourism Council (WTTC), Saudi Arabia's tourism and travel industry is worth 65.2 billion U.S. dollars and contributes nine per cent to the total economy. Alodadi and Benhin (2015, p. 11) state, "… tourism as a future engine for growth means that policy-makers should think of ways to improve the tourism sector" while recommending measures of "solving regional conflicts, developing suitable infrastructures, and facilitating visa procedures" as instrumental in accomplishing the desired policy outcomes. In the recent move towards expanding the tourist base of KSA's tourism and travel industry, the Kingdom of Saudi Arabia initiated the issuance of 'tourist visas' to forty-nine countries from around the world at a flat fee of eighty dollars, and the issuance process can be online in the form of eVisa, or the already set tradition of 'on arrival.' Surprisingly, within ten days of the policy implementation, twenty-four thousand foreign nations visited due to instant tourism visas. China, the UK, and the U.S. comprise most of the recipients of instant tourist visas.

Conclusion

The primary factor behind the transition from reliance on petroleum-related products towards the non-petroleum and tourism sector owes to the rising prices and reduced demand for oil-related products in the international market. The need to diversify the economic revenue portfolio to achieve sustainable economic growth, in the long run, relies on investment in the travel and tourism sector, which has the potential to yield desired policy outcomes. Moreover, the global travel and tourism industry is expected to grow at a double-digit figure, and one of the factors in the acceleration of international travel and tourism is the closer integration of nations worldwide in socioeconomic terms.

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