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## ECONOMIC DIVERSITY AND CONTRIBUTION OF TOURISM TO OMAN ECONOMY

İbrahim ÇETİN<sup>1</sup>, Alamir N. AL-ALAWI<sup>2</sup>

<sup>1</sup>Akdeniz University Serik Faculty of Business, Serik/Antalya, Turkey

<sup>2</sup>Department of Business Administration, Salalah College of Applied Sciences, Ministry of Higher Education, Sultanate of Oman

Corresponding Author:

E-mail: [ibrahimcetin@akdeniz.edu.tr](mailto:ibrahimcetin@akdeniz.edu.tr)

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### Abstract

Oman economy is heavily dependent on oil revenues. Crude oil accounts for more than half of total export earnings, The crude oil sector is the major contributor to the GDP of the Sultanate with almost half (more than %40). Agriculture and fishery industry are considered as the other industries may possibly effect on reducing the economic disparities while contributing positively on GDP. Contrary that agriculture is far from the desired contribution to economy. So the next the main trigger may become the tourism industry which will contribute the overall economy, by supporting the other industries and on the other hand making the triggering effect etc. The reason of this approach can be easily seen since Oman carries great tourism potential when considered its geographical point, nature, history, culture, climate etc. In its economic impact report for 2017, the WTTC placed Oman ninth in the world in terms of overall tourism industry growth. The purpose of this study is to explain the positive economic impacts of tourism in general and as in the case of Oman, from the point of income generating, employment effect and other impacts.

**Keywords:** Economic diversification, Tourism, Travel, Tourism Product, Oman.

### 1. INTRODUCTION

According to the World Bank tourism industry accounts for more than 10% of global GDP, and represents 7% of all international trade and 30% of the world's export in services and through the made of 1.4 trillion \$ in export earnings makes it the world's third largest global export (World Bank, 2017). As a global industry, tourism has been developed massively since the dates coming across the end of II. World War largely effected many countries. The attractiveness of the tourism industry is explained with its impacts on economic, social and cultural environment of a country. Tourism industry, especially, positively impacts on economy of a country since it stimulates GDP Growth, reduce the deficits of balance of payments with the foreign countries by increasing the foreign earnings and increases international trade, drives infrastructure development etc. supports low income economies. Also, tourism supports low income economies. As mentioned in the report of World Bank (2017), in 2015, the world's 48 lower income and lower middle income countries received 29 million international tourist arrivals (nearly a threefold increase in a decade) and earned USD21 billion from international tourism. On the other hand, the impact of a sector on the economy is also taken into account from the point of its contribution to employment. Tourism sector is also important for many countries in terms of employment. For this reason, tourism is considered as an alternative sector which provides a solution to the unemployment problem for countries as a people-oriented sector. Due to the limited automation and mechanization facilities in the tourism sector, the employment intensity created by the sector is much higher than the other sectors. As a result, the tourism sector affects the total employment in the country through the overall employment effect it creates (İçöz, 2003: 226; Şit, 2016: 102).

Sultanate of Oman aims to diversify the economy promoting tourism as a supporting industry in addition to the gas and oil. In this purpose it aims a sustainable growth for the travel & tourism sector, working with governments, private sector and education institutions to drive tourism exports,

to create jobs for local people, and to generate prosperity. Thus as mentioned in its long run Oman Tourism Strategy 2040, Oman is committed to economic diversification, to move away from an oil-based economy since it noticed that its tourism potential with pure and unique culture as an invisible heritage and geo resources offers an enormous opportunity to carry out that objective.

## 2. PURPOSE AND METHODOLOGY OF THE STUDY

The purpose of the study is take attention the tourism potential of Oman and also to explain the contribution of tourism to Oman economy currently. Oman considerably has diversified and virgin tourism elements which all will be the core components historically, culturally and naturally of tourism product that will be able to create tourism demand. The study aims to show how important those resources on the basis of supporting and diversifying economy. Ultimately the study explains contribution of tourism into Oman economy and stressing the tourism resources.

The methodology of the study structured as qualitatively and the information gathered from the secondary resources mainly from the literature and official documents. The study explains the economy, contribution of tourism to economy based on those information.

## 3. TOURISM POTENTIAL OF OMAN

Tourism offers significant economic, social, cultural and environmental opportunities for the geographical places which has limitations for developing other industries and it seems as a chance for undeveloped areas' economic and social development since it is seen as the driving force for regional development (Çetin, 2016).



Source: Oukil et al. 2016.

Tourism resources plays great role for the tourism development of a location in a geographic location. Those potentials are referred as the components of tourism products in the literature. Tourism product, as stated by many authors in the tourism literature is defined as everything in a destination that a tourist is experienced during his or her on holiday. For instance Collier (2006 ) stress the significance of attraction on creating tourism demand to destination and attractions are describes as the elements including activities, historical and natural assets which attract a tourist to destination (Collier, 2006, p. 23). Kozak (2008) also defines it as the elements which create tourists'prefer one to the other destination

(p. 127). However that tourism product is a complex issue and multisided. Access to destination as transportation, availability of infrastructure and superstructure, destination image etc.

It is seen that the components of tourism products of Oman is extremely rich from the point of view in every form of attractions; culturally, historically, and naturally. Based on the classification of the Ministry of tourism, there are three categories of attractions: Nature, Culture, and Activities. The items that fall under each category are as follows ( Oukil et al. 2016):

- Nature: Reserves, valleys, strait of Hormuz, mountains, caves, deserts, beaches, islands, water springs, lagoons, rocks park, canyon, Muscat geo-site.
- Culture: Aflaj system, traditional villages, souqs, world heritage, museums, forts, castles, archaeological and religious sites, crafts, frankincense, cities.
- Activities: Scuba diving, boating, climbing, Via Ferrata, trekking, camping, caving, golf, kite-surfing, kite-boarding, shopping, watching (whales, birds, turtles, dolphins), racing (camels, horses), off-road, Muscat geo-heritage.

Oman has a vast cultural and archaeological resources and currently 748 major archaeological sites in addition to more than 2660 archaeological and historic buildings and landmarks over the country (Oukil, et al. 2016) constitute a base for strategic tourism planning. Many museums and galleries around the secluded and historic harbors of Muscat and Muttrah illuminate the importance of the sea and, indeed, of water in general, throughout Oman's 5,000 years of history. The country's landscape is still punctuated by more than 500 hilltop forts and castles displaying distinctive regional architecture that are a monument to its turbulent and fascinating past. Many of these forts and castles have been or are in the process of being painstakingly restored, offering insights into the lifestyles of their original inhabitants and traditional Omani craft and arts. Oman having an extraordinary civilization that takes back 5,000 years makes it considerable reach in archeologically. The sites including Al Baleed, site of the ancient city of Zafar, Bat, with its tombs dating back 3,000 years, the Bahla Fort, and Ras al Hadd (Ghani, 2006) the palace of prophet Süleyman are the unique heritages which increase the magic of the geography as a tourist destination. Oman, for its size, reserves a high number of sites classified in the list of Unesco World Heritage Sites. The aggregation and concentration of these assets make Oman unique in the region (Ghani, 2006).

Oman has multisided and diversified resources which is available for tourism development. As a prominent sea faring tradition the 1,700 kilometers of coastline offer mass tourism options during the all year. Natural beauty and diversity of the country has been recognized from the every districts of the country. At the east of the country the ancient fjords of Musandam, and at the west in Salalah entirely in Dhofar region especially in monsoon season and all year the lush green hills and waterfalls of Dhofar presents a panoramic views with the deep wadis to the peaks of the mountains. Jebel Akhdar situated at the top of the Hajar Mountain range offers cooler weather, old villages, canyons and terrace plantations and other unfelted adventures for tourism demand in addition to the offerings in desert. The considerable population of Oman is traditionally engaged in agriculture. More or less in every corner of the country, such as in the undeveloped areas, in the vilages close to the sea in wadis locals deal with traditional rural activities. Hence developing agritourism may be one of the component of tourism product which will positively impact on its competetiveness by appealing the tourism segment. For this reason, agritourism is suggested as situmulating rural areas' economic development since it creates more income and better living conditions for the locals. In rurals, agritourism offers alternative and an effective strategy to promote a more diverse and sustainable rural economy and it works well with existing rural enterprises by generating secondary income for farm households (Çetin, 2015). Contrary that the socio cultural structure of the rural community should put ahead theeconomical benefits of tourism. In many cases of tourism development showed us the undesired dramatic results of tourism development when ignored the local communities' culture, traditions, way of living etc. As for every community, the uniqueness of the cultures should not be allowed to be abolished, even it for the tourism development. Moreover, it was experienced that the uniqueness of the culture appeal the tourism demand such as allocentric tourists rather than mass tourists.

It is a common perception of the country's decision makers that despite these attractive destination attributes, the current level of Oman's tourism activity is well below its potential. Hence future strategies are suggested to focus on the rehabilitation of the existing rich cultural heritage such as renovating, setting the sustainable principles for usage etc. in addition to the developing nature and culture based tourism product diversification.

#### 4. CONTRIBUTION OF TOURISM TO GDP OF OMAN

Development in Oman is chronologically late and follows a different path comparing the other Gulf Countries. It is the fact that Oman was the last among the Arabian Gulf countries to start export oil. Lancaster (1995, 1996, 2000) unfold that circumstances for Oman by stating that the country had only three schools, two hospitals, and 10 kilometers of paved road in the entire country in 1970's and until the late of 1996 Oman was a closed book to the outside world with no education system apart from three elementary schools and there were no medical services, no roads, no communications network. Even, to travel outside the capital of Muscat was to venture into virtually uncharted territory. Eickelman (1989) states that Oman as the "Tibet of the Middle East" since it is so little known at that time. Overall growth of tourism industry in Oman is insufficient level specifically compared to the other countries in the World even to Gulf Countries. Oman's economic and social development is considerable in a lower level comparing the rest of the other Gulf countries except Yemen. The condition of Oman also stated in the studies of Lancaster (1993), Lancaster (1995), Lancaster (1996) Lancaster (2003), Eickelman (1989); Winkler, 2007) as how Oman behind the other countries in the World.

Tourism offers many opportunities for undeveloped countries. Several countries are promoting themselves globally, investing heavily in tourism and devising ambitious plans. These tourism development processes, underlying dynamics and likelihood of success merit attention and is concerned with the Persian (sometimes called Arabian) Gulf States of Oman and Qatar, which are interesting instances of up-and-coming destinations (Henderson, 2015). Tourism year by year is becoming one of the most significant industry in Oman. Mainational and international companies are investing in tourism industry in Oman. Especially it is easily seen that very wellknown international chain hotel groups operate in Oman. Investing the tourism industry in Oman is also considered as one the most profitable investment options for future. Tourism in Oman is comparatively new and a relatively small part of the total economy and however that Omani Government gives tourism priority as an important and socio economic sector of Sultanate of Oman (MoT, 2010; cited in Yüksel, 2014).

Since the positive impacts of tourism into an economy it is an option for inducing positive changes in the distribution of income in underprivileged regions in a country (Abby Liu, 2006). Oman pays great attention to tourism development since the tourism industry will bring increased, better and more diverse opportunities for the Omani people. As tourism grows, host communities throughout the Sultanate will benefit and their lives will become fuller and more prosperous as they develop new skills, find better jobs and set up enterprises throughout the country. Tourism will also help preserve Oman's precious cultural and natural assets and reinforce cultural expressions, strengthening the local pride and identity of the Omani population. Tourism will strengthen the nation brand, telling the world that Oman is an open, friendly, stable and peaceful place to visit, do business and invest (Oman Tourism Strategy 2040). However that successful tourism development requires the adoption of principals of sustainable tourism for destinations.

The direct contribution of Travel & Tourism to GDP in 2017 was OMR 849.5 mn (3.2% of GDP). This is forecast to rise by 6.0% to OMR900.4mn in 2018. This primarily reflects the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). But it also includes, for example, the activities of the restaurant and leisure industries directly supported by tourists. The direct contribution of Travel & Tourism to GDP is expected to grow by 5.9% pa to OMR1,603.4mn (4.3% of GDP) by 2028. (WTTC, 2018:3). The total contribution of Travel & Tourism to GDP (including wider effects from investment, the supply chain and induced income impacts, was OMR 1,774.9mn in 2017 (6.6% of GDP) and is expected to grow by 6.3% to OMR 1,886.0mn (6.8% of GDP) in 2018 (WTTC, 2018:3).

In today's economies, unemployment is seen as the most important economic problem by both the people and the state and a solution to this problem is sought. The employment opportunities created by the tourism sector in this way are of great importance for the countries facing unemployment. According to the estimates, the total number of employment in the tourism sector will reach 2 million 817 thousand people in 2025 (Şit, 2016: 101). Travel & Tourism generated 72,500 jobs directly in 2017 (3.4% of total employment) and this is forecast to grow by 1.5% in 2018 to 74,000, (3.4% of total employment). This includes employment by hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). It also includes, for example, the activities of the restaurant and leisure industries directly supported by tourists. By 2028, Travel & Tourism will account for 95,000 jobs directly, an increase of 2.6% pa over the next ten years. The total contribution of Travel & Tourism to employment including wider effects from investment, the supply chain and induced income impacts, was 140,000 jobs in 2017 (6.6% of total employment). This is forecast to rise by 3.3% in 2018 to 144,500 jobs (6.8% of total employment). The forecasts regards to 2028 shows that Travel & Tourism is going to increase of 3.2% pa over the period by creating 199,000 jobs (WTTC, 2018).

Tourism is an invisible export and Oman generated OMR1,034.3mn in visitor exports. In 2018, this is expected to grow by 6.5%, and the country is expected to attract 2,739,000 international tourist arrivals. By 2028, international tourist arrivals are forecast to total 4,777,000, generating expenditure of OMR 2,137.0mn, an increase of 6.9% pa. In its economic impact report for 2017, the World Travel and Tourism Council placed the Sultanate ninth in the world in terms of overall tourism industry growth. Leisure travel, which contributed to nearly 70 per cent of the direct GDP, is expected to grow by 8.1 per cent to top OMR1 billion this year. Comparatively, business spending accounted for only 30 per cent of the direct GDP from the tourism sector, thereby emphasising Oman's leisure tourism potential. The report estimates that over the next decade, the tourism sector is expected to touch nearly OMR4 billion, contributing 9 per cent of the total Omani GDP in 2027 while employing more than 106,000 people, representing 9.2 per cent of the total jobs (WTTC, 2018).

## 5. CONCLUSION

Tourism offers an alternative option for the geographical areas which has dramatic shortages for developing tangible industry and a chance on the basis of economic and social development of undeveloped countries. Since the tourism has positive impacts on the economies as well as on to the social life of the regions where happened, it has been used as a magic tool which creates income for the locals, job opportunities for the jobless people and revenues etc. for the government, and benefits on to the quality of the life by many countries, regions and even cities. It is possible to gain more tourist receipts, income, government revenues and job opportunities through the application of successful tourism forms to Oman. In this manner developing tourism industry may overcome the social and economical and aggregate development problems occurred in Oman since the development chronologically late in Oman comparing the other countries in the World and Gulf Countries.

To gain the positive outcomes of tourism, firstly having the potential is curically important, and so, Oman has unique resosurces on the basis of tourism product components naturally, culturally and historically which will facilitate the creation of tourism demand to itself. The availability of infrastructure and superstructure for the use of tourists is the secondly other core element that they are also available. Thirdly promotion, image and other necessary efforts in marketing efforts are required. However that to make sense all efforts need to be done in a strategy. Another component of that strategy; Oman should diversify tourism products in a sustainable approach by differentiating itself from the other destinations in the region.

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