

CHALLENGES

Although recent initiatives have already drawn public attention to the planned economic reforms in Saudi Arabia, there are a number of potential challenges that need to be addressed to ensure smooth and sustainable growth in the tourism and entertainment sectors. These challenges include:

- Competition from neighbouring countries
- Safety and security
- Visa regulations and ease of access
- Private sector investment

Although GCC countries share many similarities, including topographical features and natural resources, Saudi authorities argue that the upcoming seaside projects will focus their differentiation strategies not only on the natural beauty of the Red Sea Coast but also on other concepts, such as historical heritage, cultural immersion, sustainability and adventure tourism.

Furthermore, both The Red Sea Project and Amaala will target primarily the luxury and upper-class segments, a market that Dubai is moving away from in an attempt to boost visitor arrivals. Despite the region having a high density of luxury hotels, the addition of the proposed hotels within these new projects will elevate the hospitality offering in the region to a new standard.

In order to strengthen its unique selling proposition, particularly on cultural and nature-based tourism, the Kingdom will have to study the strategies adopted by other emerging regional destinations, such as Sharjah, Ras Al Khaimah and Oman, which have also placed cultural, nature and historical heritage at the centre of their tourism development plans.

The success of all new schemes will also depend on the government's ability to ensure security of its visitors. Past attacks at tourist sites in Sharm El Sheikh, Jordan and Tunisia have adversely affected the flow of tourists to these destinations and therefore the highest levels of security would be needed. This is not only to deter potential incidents, but also to provide a greater sense of comfort for tourists who are already wary of safety and security in the wider Middle East region.

Although the Kingdom does not face any major security threats, the political instability in the wider region and its involvement in Yemen may be considered to increase risk factors.

Despite an existing and rapidly developing hospitality sector, its highly regulated visa policy and strict laws and social norms have historically deterred western tourists from visiting the Kingdom.

In a push to lure international leisure tourists, Saudi Arabia announced in December 2018 plans to open its recently launched 'Sharek' e-visa portal to general visitors, a scheme initially restricted to visitors of specific events.

Once launched in 2019, the system will enable citizens of select countries, including all Schengen (EU) states, the US, Australia, Japan, South Korea, South Africa, Malaysia, Brunei and Singapore, to obtain an electronic tourist visa. This will be complemented by a number of planned social and logistical reforms, which will also contribute to an increase in visitor exports and will create additional demand for the upcoming tourism projects.

Finally, whilst investment in the initial stages will be government-led, the developments are likely to become increasingly reliant on private sector investment in the subsequent stages of construction.

In order for the projects to attract significant private sector investment, particularly given the scale, and in some cases remote location, government incentives will be critical.

MARKET OUTLOOK

The development of Saudi Arabia's government-led giga tourism projects will undoubtedly contribute to the growth and evolution of a unique tourism ecosystem in the Kingdom. However, as the majority of the projects are not envisioned to be completed before 2030, the immediate attention turns to how the country can attract greater demand from regional and international tourists.

The introduction of the new relaxed tourist visa system is an important step in improving ease of access to the Kingdom which has historically been restricted to business or religious tourists only. The implementation of the system is expected to generate a new wave of tourism demand primarily from within the Arab region and the wider Muslim nations.

In the short to medium term, western tourists will be likely limited to a select number of special interest visitors as well as western expatriates living in the region, who will be attracted to the Kingdom's historic and UNESCO sites.

However, over the long term, increased demand from western tourists will be dependent on the completion of the giga tourism projects and the implementation of more relaxed regulations within these zones.

Whilst Saudi Arabia's tourism industry remains in the infancy stage, the foundations that are currently being laid through the development of large-scale tourism projects, relaxed visa regulations, domestic tourism infrastructure and international events all point to the creation of a long-term sustainable tourism industry.