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The Future of Tourism in Iraqi Kurdistan: Opportunities and Challenges

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A closer analysis of the growth of the KRI tourism sector since 2007 highlights a number of shortcomings in KRG strategy that have harmed efforts to promote tourism beyond budgetary and security issues. The KRG will need to address these issues before the sector can become viable as a central pillar of a reformed, diversified economy.

Introduction

Speaking at the Erbil International Tourism Conference in March 2016, the Kurdistan Regional Government (KRG) Prime Minister, Nechirvan Barzani, reaffirmed their long-term plans to establish tourism as a central pillar of the Iraqi Kurdistan economy. Addressing a large number of national and international companies in attendance, Barzani highlighted significant government investment in the sector since 2007, leading to a marked increase in the number of tourists choosing to visit the Kurdistan Region of Iraq (KRI) and a subsequent boom in the creation of associated businesses.

However, an analysis of the period of growth between 2007 and 2013 demonstrates a number of shortcomings in KRG strategy, in addition to the ongoing budgetary crisis with Baghdad and threat to security posed by Da'esh. These include a failure to sufficiently invest in key infrastructure such as health and transportation beyond the growing number of Erbil-based hotels and restaurants, restrictions on free movement from southern Iraq, and an overly-bureaucratic process for establishing new businesses. These overriding challenges will need to be addressed before tourism can flourish as a central pillar of a restructured, diversified economy.

Background

Since 2005, the KRI has enjoyed increased interest in travel to the region and the economic benefits that followed. From little under 400,000 in 2007, the number of visitors increased year-on-year to just under

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three million in 2013. The majority of these visitors had travelled from southern Iraq, although an eleven-fold increase in external visitors over the same period highlighted the potential for both regional and international markets.

To encourage the continued emergence of the sector, the Kurdistan Board of Investment authorised the spending of over US$ 6 billion in key projects. An indicator for the impact of this investment includes the number of hotels and restaurants operating in the KRI, increasing from 105 to 620 since 2007. The culmination of these efforts arrived in 2014, when Erbil was officially designated the 2014 Arab Tourism Capital by the Arab Council of Tourism.

Challenges

This trajectory has been reversed since 2014, in the face of significant structural and existential challenges. Structurally, the tourism sector has suffered due to a lack of investment since 2014. This has been largely driven by high-profile budget contestations between Erbil and Baghdad, along with a collapse in global oil prices that has diminished the main source of KRG revenue. The impact of this was immediate, with nearly 35 major investment projects that were scheduled to begin in 2013 being put on hold.

Existentially, the turbulence created over the war against Da'esh has both deterred foreign investment and heavily damaged the appeal of the KRI as a safe destination. This is especially relevant for international tourists with little experience of the region. The KRG has instead focused efforts on attracting internal and regional visitors, in particular from Iran, Turkey and Lebanon.

Strategic Failures

However, a closer assessment of growth since 2007 highlights a number of shortcomings in KRG strategy that have harmed efforts to promote tourism beyond budgetary and security issues. Firstly, too much attention appears to have been spent on investment in new hotels and restaurants. This was particularly relevant within Erbil, which saw an estimated 500 new hotels opening with little correlation to either the population of the city or the number of new visitors being received. Far less investment was concentrated on supporting infrastructure, including new road, healthcare and transportation systems that could form the foundation of a growing tourism sector.

Secondly, the response to the conflict with Da'esh has served to dissuade internal travel, beyond the harm done to insecurity and instability. In particular, the KRG has been criticised for discriminatory or arduous policies at travel checkpoints. These limitations on free movement have served to harm local businesses by deterring visitors from southern and central Iraq, the primary market for tourism in the KRI, and thus encouraged travel to competitor destinations such as Turkey. Air travel would alleviate some of the difficulties in passing through checkpoints, but remains a costly option for those with low incomes or large families.

Thirdly, and most fundamentally, the KRG must work to create an environment in which prospective investors can be welcomed with tightly-regulated protection measures and few bureaucratic hurdles. Despite seemingly strong political will among government leaders, the process of registering new businesses within the KRI remains laborious and uninviting. With the ongoing budgetary issues facing the KRG, such an approach cannot be afforded. Prime Minister Barzani acknowledged the critical need for such reforms during the tourism conference in March 2016, urging relevant government sectors to challenge routines and bureaucracy so that the sector could flourish.

Resolving these issues will be demanding, requiring a top-down approach that begins at the government level. However, creating a national culture of tourism will require changing attitudes at all levels of society, in addition to business training and capacity building that can prepare a future work force.

A Reformed Approach

The budgetary crisis facing the KRG has highlighted the importance of moving away from an oil-dependent economic model. For tourism to become a viable alternative pillar of the economy, the previously mentioned challenges to future growth must first be addressed. It is hoped that conferences such as the 2016 MERI Economic Forum will set the precedence for an open discussion on these issues, and provide the KRG with a chance to consider what steps must be taken to pave the way for future political, economic and societal reforms.

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