

## The Emergence of Cruise Tourism in Iran

**Purpose** – Iran is a country with substantial tourism potential. Iran’s tourism industry however, was side-lined for decades due to international sanctions. The election of President Hassan Rouhani and the subsequent deal on Iran’s nuclear programme (reached on 14 July 2015) has resulted in softening of nuclear-related international sanctions and brought much needed relief to a struggling tourism industry in Iran. This paper focuses on the emergence of cruise tourism – as an attractive option for both domestic and international markets – with the introduction of the Iran’s first cruise ship, named ‘Sunny’, since the 1979 revolution.

**Design/methodology/approach** – This study is a short viewpoint piece based on the author's interpretation of cruise tourism development in Iran and its future opportunities and challenges.

**Findings** – Following the nuclear deal, Iran has seen a substantial growth in inbound tourist numbers and attracted considerable investment in tourism-related infrastructure such as air transport and the hospitality sector. While cruise tourism is and remains an emerging phenomenon in Iran, it is evident that the country has a vested interest in developing this lucrative sector due to the country’s strong domestic market and potential to serve the international market.

**Originality/value** – This is an original topic which has never been investigated before. Cruise tourism is an emerging market in Iran and this study sheds new light on this new development. The paper focuses on the historical, current and future development of the tourism industry in Iran with a specific emphasis on cruise tourism.

**Key words:** Cruise tourism; destination development; domestic tourism; Iran tourism; Iran nuclear; tourism planning.

## Introduction

Despite enormous potential, the tourism industry in Iran was side-lined for decades due to international sanctions (Khodadadi, 2016). Since the implementation of the Iran nuclear agreement, reached on 14 July 2015, and the subsequent softening of international sanctions against the country, Iran's tourism industry has experienced considerable advancement (Khodadadi, 2018). Tourist numbers to Iran have increased substantially in recent years, from two million in 2009 to over six million in 2017 (Euromonitor International, 2017). Iran is a vast and varied country which offers an abundant mixture of culture, history, heritage and natural attractions that are unique in the region. The country is, for example, the home to nineteen ski resorts and mountains reaching peaks above 5000 m, and has a rich biodiversity. Iran boasts spectacular seascapes from the northern Mediterranean Caspian coastline to the southern white sand beaches of Kish Island in the Persian Gulf. Iran has a population of nearly 80 million (World Bank, 2018) who enjoy 26 days of officially recognised national holiday every year (compared to eight days in the UK). Employees are also entitled to a one-month holiday per annum. Travel and tourism in Iran is an ancient activity and can be traced back to at least 2,000 BC (O'Gorman, 2007). As a result, leisure plays an integral role in the life of every Iranian family. Martin and Mason (2006: 251) for instance, argue that 'in leisure terms, Iran at the start of the twenty-first century is a country in which leisure is well established as a distinct part of people's time and life styles, particularly in urban areas'. Every year millions of Iranians travel across the country to visit/explore the country's natural, historical and religious attractions (Table 1).

	2012	2013	2014	2015	2016	2017
<b>Domestic leisure trips (000s)</b>	6,915.6	7,163.3	7,434.5	7,726.2	7,978.8	8,266.2

**Table 1:** Domestic leisure trips 2012–2017 (Euromonitor International, 2017: 11)

This love of leisure and holidaying therefore, has acted as a major contributor to a strong domestic tourism market in Iran (Sheykhi, 2009). Growth in the number of trips also looks promising with around 10 million travellers expected in the year 2022 (Table 2).

	2017	2018	2019	2020	2021	2022
<b>Domestic leisure trips (000s)</b>	8,266.2	8,570.9	8,896.8	9,245.3	9,618.2	10,017.4

**Table 2:** Forecast domestic leisure trips 2017–2022 (Euromonitor International, 2017: 12)

There were more than eight million domestic trips taken by Iranians in 2017 (Table 1). This figure is considerably higher than the number of inbound tourists (six million) to the country in the same period. Additionally, with a population of 80 million Iranians, ‘opportunities for the growth of domestic tourism are tremendous’ (Euromonitor International, 2017: 2).

### **Historical Development of Tourism in Iran**

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: 110). Iran is ‘incredibly rich in cultural and heritage resources’ (Baum and O’Gorman, 2010) and has in total 22 listed world heritage sites and an additional 56 on the UNESCO tentative list (UNESCO, 2018). Prior to the Islamic revolution (1979), Iran was ruled by a secular government which was closely connected to global capitalism and harmonised with the West and Western values (Hafeznia *et al.*, 2007). Baum and O’Gorman (2010: 5) for instance, argue that ‘politically, the regime created an environment within which visitors, particularly from the West, were welcomed to facilities and a level of comfort that was on par with the best in their home countries’. Therefore, tourism development in Iran was developed in line with the Western market, resulting in the steady growth of tourist numbers and consequent economic growth. In the period 1966 to 1978 for instance, the average of the country’s non-oil exports was 15.7 per cent (Hafeznia *et al.*, 2007: 3842). Currently, oil and gas exports, constitute more than 80 per cent of the country’s total export revenue (Khodadadi, 2016).

<b>Year</b>	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
<b>Percentage</b>	14.2	15.3	16.3	14.5	14.3	12.8	11.4	8.6	10.7	18.5	21.5	19.4	27.6

**Table 3:** Percentage of currency revenue from tourism in the non-oil exports of Iran 1966–1978 (Hafeznia *et al.*, 2007: 3842)

Following the Islamic revolution (1979), a religious independent government came into the power and the country distanced itself from Western powers (particularly the US) and their ideologies (Hafeznia *et al.*, 2007). The ideologies of the new government in power were in stark contrast to those of the Shah's (the ousted King of Iran) regime. The new government focused more on the Islamic identity and the Islamic values which formed the basis for new laws and regulations. As a result of new stricter regulations, for instance, banning the production, distribution and consumption of alcoholic beverages (which is forbidden in Islam), and other factors such as the Iran–Iraq war (1980–1988), the number of international tourists to the country fell rapidly 'from 680,000 in 1978 to a low of 9,300 in 1990' (Baum and O'Gorman, 2010). Combined with a hostile attitude of the West towards Iran (Khodadadi, 2016, 2018), the tourism industry in Iran has continued to suffer ever since and despite great potential, has faced a number of challenges including wide ranging nuclear-related sanctions, negative imagery in the West and lack of effective management of resources.

### **Tourism in the Post-nuclear Deal Era**

The election of President Hassan Rouhani however, and the subsequent deal on Iran's nuclear programme has resulted in softening of nuclear-related international sanctions and brought much needed relief to a struggling tourism industry in Iran (Khodadadi, 2018). This revival of the tourism industry in Iran has also resulted in government's change of attitude towards tourism. For instance, the director of Iran's Cultural Heritage, Handicrafts and Tourism Organisation (ICHHTO), the government body in charge of overseeing and managing tourism development in Iran, claims that 'Iran plans to annually attract 20 million tourists by 2025 which could generate \$30 billion of revenues' (Press TV, 2015). This is also noticeable through the increase in both national and foreign investment in the tourism industry. According to the World Travel and Tourism Council (2017: 5), travel and tourism is 'expected to have attracted capital investment of 107,315.0 IRR billion in 2016. This is expected to rise by 6.3% in 2017, and rise by 5.3% [per annum] over the next ten years to 191,392.0 IRR billion in 2027'. Iran's official tourism organisation (ICHHTO) is also supporting over 100 tourism-related projects worth \$277 million. According to the Director General of the Ministry of Industries, Mining and Trade's Foreign Investment Office, Iran attracted nearly \$25 billion in foreign investment from September 2013 to September 2017 in various industries (Financial Tribune, 2017). To attract foreign investment, the Iranian government also offers zero per cent corporate income tax for foreign investors who invest in

certain industries including services related to construction of hotels as well as tourism-related services.

Following the lifting of nuclear-related international sanctions against the country, the Iranian economy recovered strongly in 2016 (Khodadadi, 2018). For instance, GDP growth was recorded as 13.3 per cent in 2016 compared to -7.4 per cent in 2012 (World Bank, 2018). However, it is important to consider that as the economic situation in Iran improves, so does the spending power of its citizens. Therefore, unless tourism suppliers in Iran offer competitive products and services, Iranians may look elsewhere when choosing their holiday destinations, particularly neighbouring destinations such as Dubai and Turkey. Every year Iranians spend millions of dollars on holidays to these destinations. Iran’s outbound tourism expenditure in 2017 stood at more than 159 IRR billion (Euromonitor International, 2017). For example, according to the Hotel Association of Turkey (2018), Iran became the top tourist market for Turkey in January 2018, with 154,296 people from the country visiting Turkey in the month of January. Iranians therefore took a nearly 11 per cent of share in total foreign arrivals in the mentioned period. Iran is also ranked the 11<sup>th</sup> source market for Dubai, according to Dubai’s Department of Tourism and Commerce Marketing (2018). It is therefore important for the Iranian government to boost the domestic market and prevent millions of dollars being spent abroad.

	2012	2013	2014	2015	2016
<b>Domestic leisure trips (IRR billion)</b>	15,319.3	21,571.7	25,658.7	29,965.5	31,014.3
<b>Increase from previous year (%)</b>	-	40.8	18.9	16.8	3.5

**Table 4:** Domestic expenditure: Value and growth 2012–2016 (Euromonitor International, 2017: 12)

As discussed earlier, domestic travel plays a vital role in Iranian tourism development. It also plays an important role in the Iranian economy (Table 4) generating more than 31 IRR billion in 2016. Following the Iran nuclear deal, inbound tourist numbers to Iran have increased substantially in recent years, from two million in 2009 to over six million in 2017. According to Euromonitor International (2017: 8) the fastest growth has come from ‘countries in

Europe, some of which have seen double-digit growth'. For example, in 2012, only around 18,000 German tourists visited Iran, while in 2017 more than 55,000 Germans visited the country, an increase of more than 200 per cent.

### **Cruise Tourism in Iran: An Emerging Phenomenon?**

Cruise tourism is now a well-established international sector which has seen significant growth over the past two decades (Del Chiappa and Abbate, 2016). Cruise tourism accounts for approximately two per cent of the worldwide tourism numbers which has seen a significant increase from nearly four million in 1990 to 26 million in 2017 (Brida *et al.*, 2012; Brida *et al.*, 2014; Cruise Lines International Association, 2018). According to the Cruise Lines International Association (2018), the total contribution of the cruise industry to the global economy stood at more than \$126 billion in 2016. The cruise tourism sector however, is a relatively new market in post-revolution Iran (1979). This is arguably due to a number of factors including difficulties in purchasing new vessels, insuring and maintaining these vessels and hesitance from international companies to work with Iranian counterparts as a result of the international sanctions against the country.

The introduction of Iran's first cruise ship – named *Sunny* [<sup>1</sup>] – since the 1979 revolution could be seen as an attempt to achieve this objective. *Sunny* completed its maiden revenue generating voyage between the resort islands of Qeshm and Kish (two of Iran's major domestic and international tourism destinations) on 13 April 2017, docking in the Gulf resort island of Qeshm. The nine-storey ship is 176 metres long by 23 metres wide, it has 130 cabins and a total of 417 beds and plans to carry up to 1,600 passengers and 200 vehicles between the two islands on four to seven-day cruises. It features two cinemas, restaurants, a swimming pool and a conference hall. The Swedish built vessel was the Stena Line ropax ferry *Trelleborg* which was built in 1982. The vessel was retired from service in Sweden and went through a shipyard refit period before beginning service in Iran. Her registered owner and operator are Greek firms, but her hull is inscribed with the logo of Karaneh Lines (Maritime Executive, 2017). Although the vessel was built as a long-distance passenger/car ferry, it is now marketed in Iran as a cruise ship. While the main purpose of the vessel is to carry leisure passengers similar to a cruise ship, passengers can also transport their vehicles to their destination on the vessel.

Kish and Qeshm Islands are designated free trade zones and major tourism destinations (particularly Kish Island), and Iran markets the islands as a leisure travel competitor to Doha and Dubai. They are less regulated than mainland Iran, and foreign nationals can visit without an entry visa for up to 30 days. Kish Island has long been the premiere domestic and international tourism destination in Iran and has more than one million visitors annually. It is a 91.5 square kilometre (35.3 square mile) resort island located in the Persian Gulf. The island is famous for its numerous shopping centres and in recent years, there has been a significant increase in the construction of new hotels, shopping centres and other touristic/leisure attractions on the island (Tajzadeh-Namin, 2012; Riasi and Pourmiri, 2016). The island hosts 1.5 million guests annually, including many foreigners. According to the island’s official airline (Kish Air), more than 50,000 foreign tourists travelled to Kish within the first four months of the 1394 Persian calendar year (which started on 21 March 2015). The figure showed a 17 per cent year-on-year increase (Kish Air, 2015). Qeshm also offers similar attractions on a smaller scale. Traditionally, the only transport option for visitors to travel to these destinations has been by plane or by ferry from the port of Bandar Abbas.

### **Future Opportunities and Challenges**

The addition of cruise travel in this region opens up an exciting new mode of visiting the region. Considering the significance of these islands in the overall domestic – and potentially international – tourist market, it is not surprising that the Iranian government is keen to utilise these islands as a hub for attracting the domestic market. This, in turn, could bring economic benefits not only to these islands but the overall Iranian economy (Table 5).

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Domestic leisure expenditure (IRR billion)</b>	30,990.5	31,610.3	32,874.7	34,847.2	37,635.0	41,398.5
<b>Increase from previous year (%)</b>	-	2.0	4.0	6.0	8.0	10.0

**Table 5:** Forecast domestic expenditure: Value and growth 2017–2022 (Euromonitor International, 2017: 13)

Growth in the number of inbound arrivals also looks promising with around 8.3 million visitors expected in the year 2022 (see Table 6).

	2017	2018	2019	2020	2021	2022
<b>Forecast inbound arrivals (000s)</b>	6,257.0	6,579.5	6,978.1	7,398.5	7,860.8	8,348.7
<b>Increase from previous year (%)</b>	–	5.15	6.06	6.02	6.25	6.21

**Table 6:** Forecast inbound arrivals: Number of trips 2017–2022 (Euromonitor International, 2017: 11)

Despite these positive developments, however, we must also consider that Iran is located in a region (the Middle East) that is constantly in turmoil, and which is currently engulfed in political and military conflict (Syria, Iraq, Afghanistan, Palestine and Israel, Yemen, and so on). In a recent development, on 8 May 2018, Donald Trump announced that the US would violate the Iran nuclear agreement, nearly three years after it was reached (Holpuch, 2018). He also announced that the US will re-impose sanctions against Iran. This has started to cause several challenges for the economic development of the country (Khodadadi, 2018). For example, Boeing and Airbus signed more than \$40 billion in combined deals after sanctions were lifted in 2016. These orders now risk to be voided (Wall and Parasio, 2018). It is important to consider that international businesses will respond to uncertainties in the Iranian market by either shying away or pursuing ‘de-risking’ strategies that limit their exposure to US sanctions. A lacklustre investment climate will ultimately damage Iran’s growth (Nephew, 2017). Considering that foreign investment is vital in developing and maintaining a healthy tourism industry in general and the cruise tourism sector in particular, it is difficult to see how the sector could progress if there are renewed political conflicts between Iran and the West. Renewed hostility could seriously jeopardise the progress made and the future of the now flourishing tourism industry in Iran.

## **Conclusion**

While cruise tourism is and remains an emerging market in Iran, it is evident that the country has a vested interest in developing this lucrative sector due to the country’s strong domestic, and steadily growing international market. Iran still has a long way to go until it can match other more well-established cruise tourism destinations for example, Europe and the Caribbean. The purchase of Iran’s first cruise ship since the 1979 revolution – the *Sunny* – however, could be the start of a ‘sunny’ future for the cruise tourism sector in Iran both at domestic and international levels. Iran’s nuclear programme (reached on 14 July 2015) has resulted in softening of nuclear-related international sanctions which has brought much



needed relief to a struggling tourism industry in Iran. Iran has already seen a substantial growth in inbound tourist numbers – from two million in 2009 to over six million in 2017 (Khodadadi, 2018) – and has attracted considerable investment in tourism-related infrastructure. It can be argued that the emergence of the cruise tourism sector in Iran will also open up the country to the international cruise tourism sector as Iran develops its infrastructure to support this activity. Cruise tourism therefore, can be viewed as a welcome addition to the development of a brighter future for the Iranian tourism industry. However, we must also consider that the recent unilateral withdrawal of the US from the Iran deal and re-imposition of sanctions could pose serious future challenges to the now flourishing tourism industry in Iran (Khodadadi, 2018), with the possibility that the sector could ‘slide back into the doldrums’ (Dehghan, 2018).

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<sup>1</sup>The image in question can be found online: [www.presstv.com/Detail/2017/04/14/517994/Irans-first-ever-cruise-ship-completes-voyage](http://www.presstv.com/Detail/2017/04/14/517994/Irans-first-ever-cruise-ship-completes-voyage)