

Impact of 9/11 Terrorist Attacks on US and International Tourism Development

Bachelor Thesis to Obtain a Bachelor's Degree in Business
Administration
Tourism and Hospitality Management

Submitted to Karin Glaser

Veronika Bysyuk
ID 0711545

Vienna, 24 May 2010

Declaration of Authorship

I declare that this dissertation is my own unaided work. I have not included any material or data from other authors or sources, which are not acknowledged and identified in the prescribed manner. I have read the section in the exam regulations on plagiarism and understand that such offences may lead the Examinations Board to withhold or withdraw the award of Bachelor of Business Administration.

Date

Signature

ABSTRACT

The purpose of this thesis is to research the impact of the 11 September 2001 terrorist attacks on the United States and the US and global tourism industry, to describe major problems, consequences and lessons learned, and analyze the response of the US and global tourism industry to these challenges in terms of the development of future concepts for a sustainable tourism industry. In particular, the impact analysis on the US tourism industry includes a detailed review involving the statistical implications for the whole industry's major sectors such as air travel, conventional leisure tourism, and the hotel and restaurant industries. Economic, security and legislation measures undertaken by the United States government and other official authorities and tourism institutions to combat the consequences of the crisis and help the domestic tourism economy to recover from the crisis are analyzed in detail. This thesis also reviews the real impact of these measures on the crisis recovery process in the US and on an international level.

Table of contents:

Introduction	5
1. Tourism and Terrorism Relationship.....	7
1.1. Influence of terrorism over tourism.....	7
1.2. History of terrorist attacks in USA	9
2. 9/11 Terrorist attack and its immediate impact on tourism.....	10
2.1. 9/11 Terrorist attack.....	10
2.2. First shock and immediate economic consequences.....	11
2.3. US tourism industry’s immediate losses	12
3. United States response to economic problems caused by 9/11	14
3.1. Air Transportation Safety and System Stabilization Act (ATSSSA).....	14
3.2. Six-Point Recovery Plan.....	15
3.3. Legislation and security measures implemented after 9/11.....	16
3.4. US security measures for air transportation.....	17
3.5. US visa policy and application restrictions after 9/11	19
3.6. US tourism industry demands stimulating activities.....	20
4. Close-up review of impact of 9/11 attacks on US tourism sectors.....	22
4.1. 9/11 implications on US air travel industry.....	22
4.2. 9/11 implications on US hotel industry	22
4.3. Impact on US restaurant industry	25
4.4. New York and other US metropolises.....	26
4.5. USA-Canada and US-Mexico tourism relations	29
5. Recovery effects of anti-crisis measures	29
6. Implications of 9/11 attacks on international tourism industry and recovery issues.....	32
6.1. 9/11 attacks implications on Muslim countries and their tourism industries.....	32
6.2. International air travel industry	36
6.3. Global crisis recovery	36
6.4. Effective measures for combating crisis	37
Conclusion	38
References	41

Introduction

The tourism industry has been one of the most rapidly expanding industries in modern business over the last two decades. Nowadays, people travel much more frequently than ever before. In 2005 the World Trade Organization (WTO) reported the following industry statistics (WTO, 2005):

- 338 million are people employed in the industry as a whole
- The industry represents 3.6% of Total World Product
- 800 million tourists are catered for annually
- 7.2 trillion US dollars business value
- 800 billion US dollars of total revenue
- 4.2% annual growth rate

The variety of services that tourism institutions offer, as well as the number of travel destinations are growing from year to year in hyper proportions. The tourism industry's share in the national economies of various countries throughout the world is quite significant. Some countries such as the Maldives are totally dependant on tourism, having 77.5% of their GDP in tourism services industry (CIA World Factbook, 2010).

However, one should not forget that apart from the promising development dynamics in the tourism industry, this type of business remains fragile and is exposed to risk factors such as political instability/conflicts, natural disasters, war, acts of terrorism, etc. The impact of these threats on tourism is substantial. Such happenings immediately lead to a downturn in the national tourism industry of the country affected. One needs to point out major post-crisis event issues which need to be identified: the severity and duration of the downturn, as well as a proper recovery policy implementation (Blake and Sinclair, 2002). On a short-term scale it will result in a drop-down microeconomic index. In the long run it will negatively affect macroeconomic values. That is why national governments (especially in those countries where tourism plays a dominant role in national economies) are trying to develop corresponding anti-crisis policies and security measures in order to be well prepared to rapidly overcome the possible consequences of such incidents. An explicit example of the long-term difficulties experienced in the tourist industry is the Bask organization's terrorist activities in Spain. According to official statistics,

this country loses around 10% in GDP every year due to this problem and the situation there is far from any foreseeable solution (Blake and Sinclair, 2002).

Needless to say, terrorism today is one of the most dangerous threats for the tourism industry as a whole. Generally, terrorism can be defined as “the premeditated use or threat of use of violence by individuals or sub-national groups to obtain political or social objectives” (Blake and Sinclair, 2002). The reason for that is very simple and frightening at the same time. “The success of a politically motivated terrorist action can be measured by the long-term effects caused by the action and the media exposure” (Al-Hamarneh, 2005). Among the threats mentioned above, terrorism is a threat whose aim is directed at stressing negative attention.

Comparing acts of terror to other tragic happenings such as natural disasters, epidemics, etc. which take or threaten human lives and harm economic development, one can observe a very important and distinct factor – “the rationality” of this happening. In other words, an act of terror is not just a tragic event which attacks civil liberties, stresses the public, generates mass media attention and harms economic and social prosperity, but also one which can be potentially repeated in the same area or region any time in the coming future (Korolev, 2007). This factor has a mid and long-term reach, discouraging potential tourists from selecting the region as a travel destination because to them the perceived risk goes far beyond the core of the problem and creates a bad image. Generally, an image can be described as a sum of beliefs and impressions and perceptions that people hold of a certain event (Soenmez, 1998). If a certain negative set of impressions and beliefs are being formed it is extremely difficult to re-establish favorable perceptions. It may lead to political and economic instability in the region/country, especially when such regions are heavily dependant on the tourism sector.

This thesis researches the impact of the 11 September 2001 terrorist attack on the United States and the US and global tourism industry, describes major problems, consequences and lessons learned, and analyzes the US and global tourism industry responses to this challenge in terms of the development of future concepts for a sustainable tourism industry. In particular, the impact analysis on the US tourism industry includes a detailed review involving the statistical implications on the whole industry’s major sectors such as air travel, conventional leisure tourism, and hotel and restaurant industries. Furthermore, it emphasizes economic, security, legislation and political measures undertaken by the United States government and other official

authorities to combat the consequences of crises and help the domestic tourism economy to recover from such crises. Moreover, it reviews the real impact of these measures on the crisis recovery process in the US and on an international level.

1. Tourism and Terrorism Relationship

1.1. Influence of terrorism over tourism

Before we touch upon the issue of the impact of 9/11 on the US and world tourism, let us take a brief look at the history of the relationship between tourism and terrorism. The history of acts of terror directed towards politically and economically affected countries is fairly new, but there is already a long list of terrorism events which have negatively affected the tourism industry, both in countries and on a global scale. Among those are:

- Hostage-taking of the Israel Olympic Team in 1978 in Munich, Germany (17 deaths)
- Terrorist attack on foreign tourists in 1997 in Luxor, Egypt (63 deaths)
- Hostage-taking in 2002 in Moscow (129 deaths)
- Multiple train bombing attacks in 2004 in Madrid, Spain (151 deaths)
- Multiple public transportation bombing attacks in 2005 in London, UK (56 deaths)

Without a doubt, this list can be extended. These terrorist acts are “milestones” highlighting the influence of terrorism on tourism besides the attacks on World Trade Center in New York in 2001 (Korolev, 2007). As one can see, the frequency of such attacks is dangerously growing. The number of irreplaceable losses is sadly growing too. Another observation of these statistics is the fact that these attacks were mostly aimed at developed countries where the tourism industry plays an important role for geographical, cultural, political and economic reasons. However, even the high level of security in these countries was not a deterrent for these attacks. This makes any tourist in the world feel unsafe.

The only “advantage” that developed countries enjoy over developing countries where tourism is the major economic factor is the recovery period. Without a doubt, the tourism sectors of developed countries can recover from the consequences of a terrorist attack much faster than

developing countries due to the economic sectors' diversity and sufficient financial resources (Belau, 2003).

Another observation experts have made is the fact that such terrorist attack happenings in countries with high democratic values such as the USA, UK, France, Germany, etc. do not suffer such severe consequences (Goldstein, 2005), (Llorca-Vivero, 2008). However, the higher the democracy level of a particular state, the higher the potential risk of a terrorist attack. Such a relation is tightly linked with the freedom of the media in these countries. The higher the level of mass media freedom, the more the terrorist attack will be publicly discussed and analyzed – and the greater the political, social and economic impact such an act will have. As discussed earlier, this is one of the major goals of modern terrorism. Such situations create a dilemma for democratic society which becomes a “victim” of its own liberties to a certain extent. Without a doubt, the more society is educated, the less chances for great resonance such terror acts will have in a particular country (Llorca-Vivero, 2008). Some societies are not yet ready to react adequately in order to give little chance to terrorists to destabilize the region. This is one of the greatest challenges a modern society faces and goes much further than just a terrorism and tourism relationship,.

This problem has become an international issue however, because terrorism as a threat has become global and its targets are in many cases international tourists. The victims are used as hostages or “messengers” in order to gain more mass media attention, and to send “a message” to potential visitors to the region to reconsider their travel plans (Korolev, 2007).

Besides the terrorist acts mentioned above, one should not forget some other less explicit factors which negatively impact the tourism industry. Frequent airplane hijackings all over the world is another factor. The problem is that even if an attempt is faked (i.e. a hijacker bluffs) it leads to a negative resonance through mass media channels and does not add safety assurance to travelers. Considering the fact that travel is a major component of tourism, its influence is not difficult to estimate.

Concluding the historical background of terrorism influence over tourism, one needs to point out that this impact can easily be compared with the impact and consequences of war conflicts, natural disasters and the spread of epidemics. However, war clashes are to a certain extent

predictable because such conflicts do not usually happen from one day to another. Taking the Gulf War, or the conflicts in Afghanistan and Kosovo as examples, it is evident that tensions there started to show months before the military stage was reached. So, potential travelers were warned of the dangers trips to these destinations posed. Of course the reputations of these regions suffered considerably, but no casualties on the visitors' side were reported.

If we look at examples of natural disasters such as the earthquake in the Indian Ocean in 2004 when 165,000 people's lives were lost, or when Severe Acute Respiratory Syndrome (SARS) struck several years ago in China, we will see that, although these happenings were accidental and very harmful to the tourism industry in the short run - they were irrational (Belau, 2003). This means that they were perceived by travelers, as well as the mass media audiences, as unexpected happenings which may occur at any time, anywhere which cannot really be predicted and for which protective measures are difficult to predetermine. It is for this reason that these incidents have not had such a negative impact on tourists travel decisions in the long run. It is evident that terrorism is one of the most dangerous "enemies" of tourism in the modern world.

1.2. History of terrorist attacks in USA

The history of terror attacks in the USA began long before 9/11. The United States, as one of the world's leaders in economic and political spheres, was always one of the major targets for international terrorism (Korolev, 2007). The reason for this is the powerful political influence of the USA and its economic interests all over the world. Due to cultural differences, economic reasons, etc. not all societies - ethnical and social groups - perceive such an influence as "fair competition". Moreover, democratic values are not positively treated in such societies. Thus, there are several factors which could push international terrorist groups to react in such a violent way. Among them, clashes in cultural differences, economic and ideological influences of the "Western World" with the US to the forefront, disbelief in democratic values based on strong and sometimes radical religious influences, etc. (Goodrich, 2001).

International terrorism is quite a powerful political tool. During the rise of international terrorist activities in the mid-eighties, it significantly affected US tourist outflow. In 1986, over 28 million US tourists traveled abroad and 162 people were killed in numerous terror acts (although

mostly in Europe and Middle East regions). These circumstances influenced two million Americans to change their travel plans in favor of other destinations. This change resulted in a 30% decrease in people traveling to Europe in 1986 (Boger, Varghese and Rittapirom, 2005).

Prior to the terrorist attacks on the World Trade Centre in New York, the US had experienced three big terrorist attacks – the World Trade Center bombing in 1993, the Oklahoma City bombing in 1995 and a bomb explosion in Atlanta during the Olympic Games in 1996. The resonance of these attacks was so overwhelming that the US government began to realize the severity of such a national-level threat, and this resulted in the Antiterrorism and Effective Death Penalty Act, and which was adopted by the US government in 1996 as a measure to combat terrorism. The national security system was revamped and has since become much more advanced (Soenmez, 1998).

2. 9/11 Terrorist attack and its immediate impact on tourism

2.1. 9/11 Terrorist attack

On 11 September 2001, 19 terrorists on a suicide mission took over control of 4 passenger airplanes and used it as bombs on several targets in the United States. Two of the airplanes were used in an attack on the “Twin Towers” of the World Trade Center in New York, resulting in their total destruction. Another airplane was crashed into the Pentagon, the Headquarters of the US Ministry of Defense. The fourth plane crashed near Pittsburgh without hitting any particular target (possibly due to some resistance from crew members and passengers). This tragedy took the lives of 2,973 people (Goodrich, 2001). The attacks can be considered as one of the most horrible and tragic terrorist acts in the history of humankind due to the number of irreplaceable losses, as well as the level of impact it had globally. The cumulative loss in terms of rebuilding was estimated at 105 billion US dollars in 2001 (Goodrich, 2001).

The day after the attacks, the UN Security Council passed resolution # 1368/2001 and following that resolution # 1373/2001, condemning this terrible terrorist act. The international terrorist organization *al-Qaida* took responsibility for the attack. It became clear that in order to symmetrically react to such new challenges the frames of international legislation norms had to

be expanded. Until the 9/11 attacks, the legitimate use of force was possible in two cases – self-defense as stipulated in Article 51 of the UN Charter, and upon obtaining agreement from the United Nations Security Council. It has since become clear that these measures are not dynamic enough to adequately respond to threatening challenges such as international terrorism.

2.2. First shock and immediate economic consequences

With regard to the negative impact the 9/11 terrorist attacks had on the tourism industry, one needs to emphasize two time scales of this impact, i.e. the long and short-term timelines. If one looks at the short-term effect, it is evident that the world tourism industry suffered a severe downturn of over 10% (Belau, 2003), in the first few months following the attacks. In some countries such as Egypt this figure was even close to 30%. These figures would be even higher had world tourism not experienced a 3.8% increase in 2001 which created a kind of a buffer to balance out the economic downturn during the time of the crises. These losses have resulted in over 6 million jobs gone, or 8.6%, in the tourism industry worldwide, or every 12th employee in the industry had lost his/her job by the end of 2002 (Belau, 2003). It took up to one year to observe the peak effect on the tourism labor market.

Generally, the biggest losses were experienced in the Americas and Middle East countries. In particular, the United States had the worst downturn in tourist arrivals - a loss of 6.8% in 2002, a significant number considering that just in the last quarter of 2001 they experienced a loss of around 22.6% (Belau, 2003). During the same last quarter, many other global travel and tourism players reported severe losses in tourists arrivals: Canada (-19%), Mexico (-24%), Germany (-17%), Austria (-9%), the Dominican Republic (-25%), Egypt (-55%), the United Kingdom (-12%), Australia (-21%), etc. (Blake and Sinclair, 2002). It has become clear that these dramatic terrorist attacks affected tourists' decisions to rather visit countries which were far away from the North America region. The second conclusion is that Muslim countries suffered heavily in terms of tourists' inflow. Finally, we can see that countries such as Canada or Mexico, which are highly dependant on US travelers, also faced similarly severe difficulties.

In contrast, some countries continued to gain a higher number of tourists. Among them: Turkey (+12%), Croatia (+12%), Bulgaria (+14%), etc. (Blake and Sinclair, 2002). One of the reasons for these statistics can be that international tourists (mostly European tourists) redirected their

goals towards the Mediterranean region which were of benefit to the tourism industries of Mediterranean countries. It can be explained by the fact that 80% of European tourists (2001) and intra-region tourists easily opted for totally new destinations (Hamarneh and Steiner, 2004).

If one compares tourist arrival statistics by world geographical regions in 2001 and 2000, the following picture emerges (Evans and Elphick, 2005):

- Africa: -1.4%
- Americas: -20%
- East Asia/Pacific: -4%
- Europe: -6.5%
- Middle East: -20%
- South Asia: -24%

Based on these statistics we may conclude that the Americas (mostly the US) were some of the biggest losers due to the terrorist acts in this region. Middle East countries lost nearly the same amount of arrivals as a result of the initial reaction to the terror attacks by the Western world and the mass media, as well as the potential threat of a similar terrorist act happening in the near future. The European situation can be perceived as average to good compared to the first two regions discussed. A real surprise is the South Asia region, topping the international tourist arrivals losers list. Due to significant arrival losses in North America and the Middle East one could assume that this market would become an attractive opportunity to those international tourists who rethought their travel destinations. Obviously, a great concern for safety in air transportation in 2001 played such a dominant role in the decision making process of tourists that it culminated in a lose-lose situation for most of the biggest international tourism markets.

2.3. US tourism industry's immediate losses

The United States is the world's largest tourism market (Gut and Jarrell, 2007). The US tourism industry reported a 2 billion US dollar loss in the first two weeks after the terrorist act. The employment rate fell by 5%. Domestic airlines lost over 100 million US dollars. The severe drop in tourism expenditure resulted in a GDP loss of 27.27 billion dollars (Blake and Sinclair, 2002). During the post attack period, the 2001-2002 US tourism labor market suffered 335,000

job losses, whereas 141,000 jobs were lost in accommodation and 93,000 in air travel sectors simultaneously (Blake and Sinclair, 2002).

If one analyzes the negative impact on various sectors of the US domestic tourism industry (change from base) one will see that, logically, air transportation and hotel sectors experienced the heaviest losses of 5 billion US dollars and 5.9 billion US dollars respectively (Blake and Sinclair, 2002), (Table 3). The sector least affected is the entertainment and leisure sector – 0.2 billion US dollars.

The entire industry showed a cumulative loss of 34% in September-October 2001 (Blake and Sinclair, 2002). Total economic harm to the US was close to 5 billion US dollars. Tourists' influx to the United States from some major US supplier countries by the end of 2001 reduced by almost half (Brazil (-49%), Germany (-46%), Japan (-45%) and (Belau, 2003). The overall drop in tourist influx has resulted in a consequent accommodation sector decline of 6.5% (Belau, 2003).

Trips abroad from the US declined from 60.9 million (2000) to 54.2 million departures (2003). Partially, this figure shows that a certain percentage of domestic travelers substituted international travel with domestic trips.

However, one should not forget the situation in the United States was economically far from perfect. Various economic problems such as the Enron oil company collapse resulted in a cumulative loss of 7 trillion US dollars (Boger, Varghese and Rittapirom, 2005). The US Federal Government had great difficulties in reducing the budget deficit. The terrorist act worked as a crisis catalyst which revealed economic problems and a lack of financial resources, as well as state security problems.

3. United States response to economic problems caused by 9/11

3.1. Air Transportation Safety and System Stabilization Act (ATSSSA)

As a response to the emerging economic problems, the US government came up with a number of initiatives which resulted in a master plan combating the turndown of the entire US economy caused by the September 11 terrorist acts, and not just in the tourism sector. The federal government's first rapid response came on 22 September – only eleven days after the terrorist attack the Air Transportation Safety and System Stabilization Act (ATSSSA) was passed. The main goal of this Act was to stimulate the stabilization of the air travel industry by means of subsidies in a form of compensation of 5 billion US dollars and state loans totaling 10 billion US dollars (Blake and Sinclair, 2002). Among other financial and safety measures taken were:

- Limitation of the liability extent by airlines for the outcomes caused by terrorist acts
- Late tax payment allowances for airlines
- Various compensations for victims of terrorist acts
- Funding in the amount of 3 billion US dollars for air travel safety and security issues

The idea behind this extremely important first step was to provide immediate support to keep the US air travel industry alive and, in turn, to give a positive impulse to the entire US economy that had already started to suffer from the crisis. One quite significant measure was the victim compensation issue. From a psychological and economic perspective it was absolutely the correct measure as it reflected the true attitude and social care of the US government towards victims of terrorist attacks. It was obvious that during these difficult times airlines were not capable of providing similar economic support, which is essential in such particular moments.

Without any doubt, ATSSSA presumed that compensation, loans and other stabilization support could be provided only to those airlines which could prove there were suffering economic losses. Moreover, such compensations could be granted only to those airlines which would guarantee the continuation of their business activities. Furthermore, these airlines could not cancel certain routes to airports where no other airlines were providing their services (Blake and Sinclair, 2002).

Although ATSSSA was quite an effective anti-crisis measure, it was extended in November 2001 with the Aviation and Transportation Security Act (ATSA) which comprised such security measures as air marshals, additional airport security and arming plane crews with non-lethal weapons. Moreover, additional funds were directed to fund the research of new airport and transportation security systems. Another 1.5 billion US dollars (in addition to ATSSSA funds) were directed to improve security at domestic airports (Blake and Sinclair, 2002).

3.2. Six-Point Recovery Plan

The second most effective US tourism recovery measure was the Six-Point Recovery Plan adopted by the Travel Industry Recovery Coalition (TIRC) which consisted of 25 US travel and tourism institutions. The aim of this plan was to “restore the economic health of the U.S. travel and tourism industry to pre-September 11 levels”. These six points are (Blake and Sinclair, 2002):

1. provide a \$500 tax credit for a domestic travel on air, cruise, train, bus, rental car, accommodation expenditures;
2. modernize loan programs to small businesses;
3. provide a workforce tax credit for employment in the tourism and travel industry;
4. organize federal funding for marketing campaigns;
5. extend tax allowances to balance business losses with future earnings;
6. achieve full tax deductibility for business entertainment expenses which were on a 50% level only.

Generally speaking, this plan was good not only for the air travel industry as in the case of ATSSSA, but was also aimed at stimulating the entire tourism and travel industry. Moreover, from a time perspective it would serve short-term and mid to long-term economic goals. Under short-term goals one understands that keeping the industry alive after the first immediate shockwave by directly subsidizing travel and tourism branches as per plan point one. Points three and four are meant to combat the crisis consequences in the mid-term. Employment markets would react to the crisis with some delay when business institutions had to start cutting all

possible operational costs. Marketing campaigns would also require some months to be implemented. Plan points two, five and six from the list are perfectly applicable from a long-term perspective. Tax allowances and loans are very good solutions to help companies remain operational and not go bankrupt even after some time. In other words, it stretches the industry's financial difficulties over a certain amount of time in order to balance out the consequences of a crisis (Blake and Sinclair, 2002).

In parallel with the anti-crisis measures listed above, the US government revised and expanded the national military budget with regard to national defense issues. The total military expenditure resulted in an increase of 48 billion dollars in 2003 compared to 2002 (Blake and Sinclair, 2002).

3.3. Legislation and security measures implemented after 9/11

In direct response to the new threats, the US government established a new department – the Department of Homeland Security (DHS), which was proposed by the Homeland Security Act of 2002. The main goal of DHS is to protect the country and its citizens from future terrorist attacks and to “reduce the vulnerability of United States to terrorism” (Hedrich, 2008). It means that the security authorities had to increase federal security levels, as well as implement preventative measures which could help to minimize potential risks of terrorist acts in the future. Later on (2004), the president of the United States signed the Intelligence Reform and Terrorism Prevention Act (IRTPA). This Act was a final fragment of the security legislation program – Uniting and Strengthening Americas by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA Patriot Act). This program also included the Enhanced Boarder Security and Visa Entry Reform Act of 2002 which significantly remodeled entrance regulation procedures (Hedrich, 2008).

Right after the attacks, US security services responded with emergency security measures to bring the situation under control. These measures resulted in a rapid increase in security levels on all kinds of transportation (air, sea, train and road). The presence of US National Guards dressed in camouflage outfits in all public places was another sign of advanced security measures. During the first 24 hours after the attacks all civil flights over the territory of the US were ceased. Over the following week all flights using private jets continued to be banned.

Besides domestic transportation security, all in/out border controls were enhanced and became much more stricter than usual. It included total screening of all passengers and luggage. All passengers, irrespective of the visa waiver program, had to have their fingerprints taken for record purposes.

The paradox of security restrictions with respect to tourism is that the more freedom that is given to travelers the higher the risk of terrorist attacks, but the main prerogative of tourism development is the freedom of movement (Nichols, 2002). Since one of the main goals of any state is to protect its citizens, in a case of clear and present danger the priority will always be given to security measure enhancements. Such formula has always proven to be effective (Korolev, 2007). That is why the US government implemented these security measures as part of a “war against terrorism” plan.

3.4. US security measures for air transportation

As already mentioned, after 9/11 the US authorities implemented additional security measures for all types of transportation. At first, they were applied to all air transportation – both on a national and international level. At all airports security services considerably increased the number of random luggage checks and personal searches in addition to regular checks of all individuals entering and leaving airport premises. Additionally, new regulations concerning limitations in hand luggage items were applied. Airport areas can be entered only by displaying an air ticket. Moreover, airport security have modernized its equipment by buying new observation cameras, control scanners, dirty bomb detection scanners, etc. Airlines had to send passenger lists to state security authorities before their departure. Any passenger could potentially be taken off a plane without an explanation or be given a reason, if security had even the slightest suspicion (Goodrich, 2001).

Cockpits on most airplanes got a bullet-proof cabin separation wall. Airplane passenger areas were equipped with cameras so that the crew could observe the situation in the airplane anytime. Crews of some domestic flights were equipped with non-lethal weapons as well. Moreover, some flights were additionally protected by a police officer on board (Goodrich, 2001). Needless to

say that airport security personnel, as well as pilots, went through advanced security training to be capable of preventing/resisting potential threats in the future.

All these measures were directed at protecting passengers from terrorist attacks, external hazards and other violence risks, as well as as providing additional psychological support and confidence in order to assure people of the high-level in safety of their travel. In other words, to make them believe that such dramatic accidents as 9/11 would be prevented by all means in the future. In turn, such measures were also directed at protecting air travel companies' corporate assets and minimizing potential financial risks. Airlines did not want to have a repetition of such a severe industry downturn.

Logically, all these measures were expensive and led to fare price increases. Moreover, strict airport checks have significantly increased check-in times. People were advised to come to airports 3-4 hours in advance in 2001-2002 (Goodrich, 2001). It detracted a lot of travelers from choosing air transportation and switching to trains, buses or cars as methods of travel (if the travel distance was not long). Business travelers started to replace personal travel through new technology communication kinds such as tele and video-conferencing. One should not forget that the business travel share of all domestic trips is 18%, but this 18% is made up of 31% of domestic travel spending (Bohnam, Edmonds and Mak, 2006). All these detractions were reflected in the short-term domestic air travel downturn figures in 2002-2003 discussed earlier.

However, these were inevitable security measures which have proven to be effective in the long run, as more and more customers returned after the first and deepest shock receded. With all these advanced security measures the air travel industry (national and international) has become the safest industry in the world within a few years of 9/11 (Korolev, 2007). This fact started to attract more and more customers. Thus, the impact of the 9/11 attacks was really dramatic, but it has made air travel the safest transportation in the world in terms of terror and violence prevention (WTO Report, 2005).

3.5. US visa policy and application restrictions after 9/11

With regard to obtaining a visa to the United States one needs to point out that the United States has a visa waiver agreement with 27 countries. The United Kingdom, Japan, France, Germany, Austria, Italy, Sweden, Singapore, Australia, New Zealand are among these countries. Visitors from countries which are not on this list need to go through the visa application procedure. After the terror attacks on the US in 2001, visa application procedures became more stricter than ever before. The amount of “black-listed” visitors was considerably expanded. The list of necessary supporting documents was expanded as well. All applicants had to be thoroughly checked for any possible contacts with terrorist and crime organizations. US authorities could reject a visa application just by a small suspicion or an uncertainty in an applicant’s personal data without indicating a reason. The rejection rate in 2002 was 35.7% - the highest in the 14 years before the crisis. To a certain extent, such requirements applied to particular nationalities (mainly applicants from the Arab world) and could be treated as a violation of human rights, but according to US authorities such measures were dictated by the situation. However, some post-attacks security measures such as fingerprints and additional personal photo collections were equally applicable to visitors who do and who do not require a visa to the US (Neiman and Swagel, 2007).

All these new visa application changes since then have resulted in long waiting periods and higher visa application costs. The average waiting period has almost doubled (2002) and the average application cost has doubled as well (from 45 US dollars to 100 US dollars).

A study on visa policy changes after the 9/11 attacks conducted in 2004 revealed a very surprising fact. The decrease in visits to the US from visa waiver program countries was greater than from those countries where visitors required a visa. One possible reason for such a result could be the “hassle factor” (Neiman and Swagel, 2007). Visitors from the US visa waiver program countries were possibly expecting the usual, or close to usual treatment even after the terrorist attacks. However, they had to go through numerous security checks, fingerprint collections, luggage controls and other not quite so pleasant procedures. It could detract them from visiting the country. Visitors who had to apply for a visa were expecting such security control increases. They could understand that the higher visa application rate was a result of such

enhanced security. Moreover, most visa applicants applied for a visa because it was necessary to travel there or because of a business trip (Neiman and Swagel, 2007).

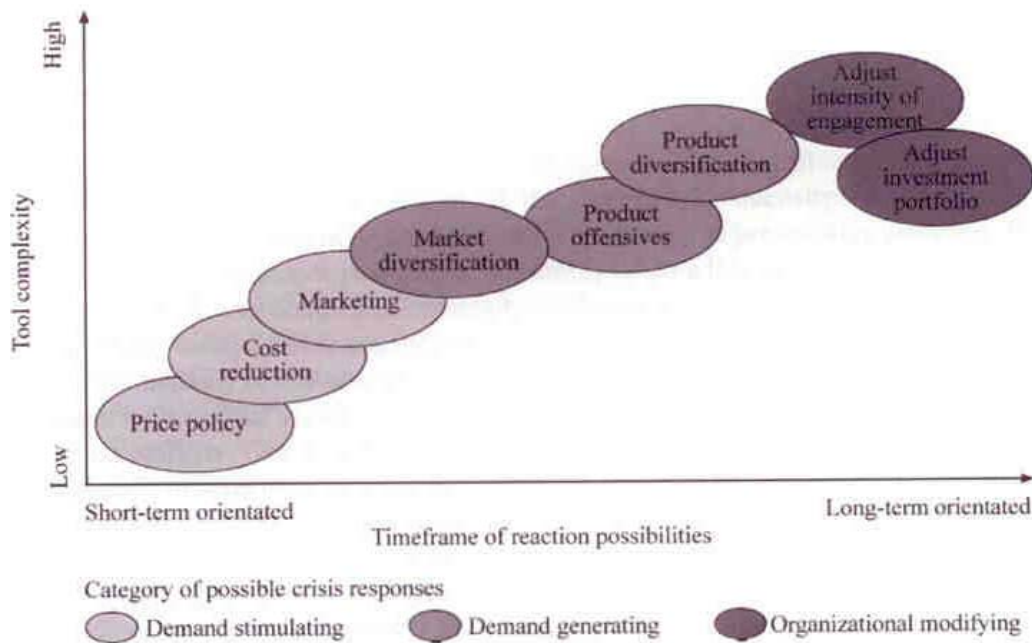
In any case, a decrease in a tourist influx to the US after the 9/11 attacks was partially evoked by the enhanced security measures including a stricter visa application policy as well stricter immigration laws. The “fortress like” image of the US after the terrorist attack discouraged a lot of tourists visiting the country in 2001-2002 unless it was really necessary.

Such a redirection of tourist flow caused through enhanced security measures can actually serve the interests of other countries with milder regulatory barriers (e.g. no visa, fewer security measures). Countries such as Singapore (which has visa waiver agreements with over 100 countries), China or European Union have milder entrance requirements and therefore may look or become more attractive to international tourists.

3.6. US tourism industry demands stimulating activities

In order to recover from as deep a crisis as 9/11, US tourism industry businesses had to undertake certain pro-active steps to stimulate the market. The primary goal during such an economic crisis was to stimulate demand, and to reanimate it from recession and stagnation. The federal support provided to the US tourism industry was important to overcome the first shock, but in order to survive tourism businesses had to come up with recovery plans to combat the economic consequences of the crisis. Very effective demand stimulating and demand generating tools which were successfully implemented through domestic tourism companies were (Steiner, 2007):

- pricing policies (reduction in prices of products and services, special offers, bonuses etc.)
- pro-active marketing campaigns (inform and inspire tourists to travel by offering new destinations, packages, ideas in order to break the current negative image)
- products and services diversification (to cover the market’s unexplored niches and to add the flexibility in business assets operations)



Crisis reaction opportunity graph (Steiner, 2007)

Operating cost reduction can be considered as another effective business recovery tool. It is not always the most popular decision to lay off staff, to reduce salaries/bonuses or to close some business units. However, it is an inevitable tool to keep the main business functional on a short-term basis in order to overcome the first and most difficult stage of the crisis (Korolev, 2007).

Nevertheless, one should not forget that recovery also depends on the size of the business. Big international corporations overcome a crisis faster and more successfully than small businesses do because of the diversity of business units, as well as the level of their involvement in various markets. For international corporations, it is much easier to relocate their resources and investments to other markets if they encounter a risk connected with potential losses in one particular market. In the tourism industry, transnational corporations such as big hotel chains play a dominant role and can influence the redirection of tourists flow considerably (Steiner, 2007). Such an approach is, however, not applicable to small businesses which are totally dependant on the local market and can not easily be relocated and adjusted to different market conditions (especially in crisis times) (Steiner, 2007).

4. Close-up review of impact of 9/11 attacks on US tourism sectors

4.1. 9/11 implications on US air travel industry

Basically, the statistics on a decrease in the influx of visitors to and from the United States discussed in the previous part reflects the situation in the US air travel industry to a great extent. Since the major passenger type of transportation with the US is air transportation, the number of arrivals and departures show the current industry's development trend. As it was already mentioned earlier, the total loss of the US air travel industry in 2001 was over 5 billion US dollars (Blake and Sinclair, 2002). Over 80,000 jobs within the industry were lost.

A very important topic which requires special attention is the business traveler segment. This segment represents 1/5 of the total traveling population, but its contribution to the total travel industry revenue is close to 50% (Belau, 2003), due to frequency of flights, and higher prices for business class or mid-term bookings. However, it is only one side of the coin. The second side is the fact that business travelers are actually the “moving force” of international business. A reduction in business travel would have an immediate negative effect on most of the economic sectors and not just on the travel industry which, in turn, will result in an overall decrease in macroeconomic values of various countries. Without any doubt, the number of business travel flights considerably decreased after 9/11 (a decrease in domestic industry arrivals of 5%) (Nichols, 2002). This is another factor which played a negative role in this crisis.

US air travel was, therefore, a leader of all tourism sectors in terms of economic losses caused by the negative impact of the terrorist attacks. Only the immediate support of the US government reflected in ATSSSA, combined with a proper market demand stimulating approach (discussed earlier), had prevented the industry's collapse.

4.2. 9/11 implications on US hotel industry

Without a doubt the US lodging industry is tightly connected to the domestic tourism industry. Therefore, the impact of the terrorist attacks on US tourism severely affected the lodging

industry as well. Within the first twelve months following the 9/11 attacks the average price for a one night stay at US hotels dropped by 8% (Nichols, 2002). The leisure lodging industry reported a loss of 20 billion US dollars in 2001 (considering the fact that the terrorist attacks happened at the end of the 3rd quarter of the year) (Boger, Varghese and Rittapirom, 2005). Price reductions were one of the emergency approaches for the domestic lodging industry used to stimulate demand during the first stage of the crisis in order to remain in business. However, after the first few months since the terrorist attacks, even price reductions were not a powerful enough tool to stop the cancellation wave which varied between 20% - 50%, depending on location (Boger, Varghese and Rittapirom, 2005). Big hotel chains such as the Hilton and Marriott even announced waivers of cancellation penalties in order to maintain good relations with customers for the future and to keep their own reputations high even in crisis times. This measure was predefined by the market situation and basic human understanding of people's fear of traveling after the 9/11 attacks.

If one analyzes the reaction of different segments of the US hotel industry during the recession in 2002, we will observe the following remarkable facts and trends:

Mid-scale segment. This segment showed considerable good figures even after the 9/11 attacks. Only 16% of travelers in this segment planned to take fewer trips in 2002 (compared to 24% in the high-end and 19% in economy segments). One of the major distinctions of this segment is brand loyalty. Domestic customers from this segment tend to choose well-known brand name hotels which to them reflect "safety and comfort" (Nichols, 2002). After the terrorist attacks on the World Trade Centre, these factors became crucial to the majority of travelers. In particular it is related to the mid-scale segment where over 50% are emotionally attached to brands when choosing a hotel (Nichols, 2002).

Business segment. The number of business trips in the US declined by 5 % which led to a decline in hotel room (business segment) occupancy of 38% in 2002 (Nichols, 2002). One of the reasons for this downturn was the cancellation of numerous meetings due to the unstable situation and difficulties related to flight complications caused by the new security measures, as well as the quite predominant image of flight safety problems following the 9/11 attacks. Another reason which actually results from the first one is the switching from personal travel for meeting purposes to modern technology tools such as video and teleconferencing –

Technological Travel Alternative (TTA). Personal travel was undertaken only if necessary. Such an approach helped to save operation costs (which is an essential factor in crisis times), as well as avoiding unnecessary risks linked to air travel. For example, approximately 17% of high-level management representatives confirmed that they put special focus on TTAs. Over 48% of these 17% claimed that they used TTAs permanently (Nichols, 2002). All these reasons played a dominant role in the decline in business trips in the US which, in turn, resulted in a downturn in domestic hotel and air travel industries. Only in 2001 did the cumulative loss in the US business travel industry due to cancellations reach 1 billion US dollars (Boger, Varghese and Rittapirom, 2005).

Over the Road Market. It is well known that US domestic travelers enjoy car trips. After the 9/11 attacks the number of car travelers in the US substantially increased. The reason was simple – people prefer a transportation type with a high level of self-control. Over 40% of travelers claimed the control factor to be one of the trip’s essentials (Nichols, 2002). Air travel safety worries after the terror attacks in the US pushed a large number of travelers away from air traveling. This niche was in part filled by car travelers. According to a survey conducted, every fifth domestic traveler was considering to replacing air with land transportation and every sixth was considering air travel to be unsafe. Moreover, the survey revealed the fact that the average business traveler was ready to sacrifice a 5 hour car drive instead of one air flight, while a leisure traveler can contribute a 5-hour drive for the purpose (Nichols, 2002). Taking into consideration the fact that the majority of domestic road hotels are aimed at the mid-scale segment it becomes clear why this segment was called “survivor” among other domestic hotel industry segments after the 9/11 attacks (Boger, Varghese and Rittapirom, 2005). Customers of this segment have opened new opportunities for the US lodging industry as a whole and over-the-road market in particular. It partially helped to balance out severe losses in other segments and sectors of the industry during the first months following the terrorist attacks by filling in the on-road market niche. Furthermore, the 7% industry revenue growth in 2004 was achieved under the influence of this market relocation (Korolev, 2007).

Historically, it is not the first or the most severe economic crisis that the US lodging industry has survived. Based on HVS (Hotel Valuation Index) which measures hotel trends and values in 46 markets worldwide, the domestic hotel industry lost 10% as a consequence of the Gulf war in 1990. Following that, in 1992 the index dropped by 28% when the period of economic recession

in the US began (Lloyd-Jones, 2004). As was mentioned earlier, the attacks on the World Trade Centre took place in 2001 when domestic tourism and the hotel industry reported an annual increase of 3-4%. Considering the fact that a major part of US hotels do belong to various hotel chains such as Starwood, Intercontinental, Hilton, Marriott, etc., they were less vulnerable to the economic downturn due the fact that these corporations had enough of their own resources to overcome the crisis in the short-term when the market had experienced a lack of capital flow. No big investments were made and no big loans were given due to the fact that major investors waited for further market development influenced by the crisis shock. The domestic lodging industry started to show the symptoms of recovery in 2003 when revenue and net income decline stopped and started to slowly climb again (Lloyd-Jones, 2004). In 2006 the HSV index reached its pre-crisis level and has shown a further increase. However, due to the economic crisis of 2007-2008 the index has again reported a dramatic decline.

4.3. Impact on US restaurant industry

Based on the US National Restaurant Association review of 2001, the forecast for the annual contribution of the restaurant industry to the United States economy equaled 408 billion US dollars (2002). This industry employs over 17.5 million people in the US (Green, Bartholomew and Murrmann, 2003). However, due to the crisis caused by the terrorist attacks this industry, as a part of the domestic tourism industry, has been confronted by financial problems. As per a review conducted among various restaurant managers all over the United States, 2/3 of these restaurants are highly dependant on tourists (domestic and international) (Green, Bartholomew and Murrmann, 2003). In particular, this applies to restaurants of all US metropolises where tourist flow is highest.

The restaurant industry in New York suffered the most from the terrorist attacks. It was particularly obvious in the first few days when uncertainty and frustration were “hanging in the air”. Restaurants of New York, especially in Manhattan had to come up with response steps in order to adapt to this rather complex situation. On the one hand, they were concerned about the future of their businesses. On the other hand, they had to be very cautious in such a tragic and delicate period. The response of many New York restaurants seemed to be correct and suitable in

the circumstances. Some restaurants started to offer less expensive meals and lunches, longer opening hours, discounts, etc. (Green, Bartholomew and Murrmann, 2003). Moreover, more comfortable and simple food has become dominant in the menus because it was clear that, due to the stress and their emotional condition, many people could not think of exclusive meals. On the contrary, exquisite cuisine could make them angry and nervous because it was not suitable for the particular time. With the stabilization of the overall situation in the city as well as the support program offered by New York City, restaurants in New York began to feel the symptoms of recovery. In February 2002 overall price levels normalized (Green, Bartholomew and Murrmann, 2003). However, due to a reduced influx of international visitors the industry's revenues had not returned to pre-crisis levels by the year 2003. Moreover, the catering and meals delivery services sector still experienced severe difficulties and high-level business meetings and event cancellations after the 9/11 attacks. The non-desire of New York inhabitants to celebrate events when the 9/11 tragedy was still so fresh in their minds could be another explanation for this downturn.

4.4. New York and other US metropolises

In this thesis a few words need to be said about implications of the crisis on major US metropolises. Due to the significant share in the air travel, hotel, restaurant and convention tourism sectors metropolises can actually be viewed as stand alone tourism systems. New York, the city where the 9/11 attacks took place, has suffered from this tragic event the most compared to other states and regions on a national and international level. Besides the severe shock of this happening which seemed unimaginable one day before the attack, the city had to cope with the human tragedy – the loss of 2,800 people who lived and worked in New York.

From an economic perspective, New York became the greatest victim of the crisis. The World Trade Center, where offices of numerous national and international companies were located, was destroyed. Some businesses went bankrupt. Many businesses had to be relocated within a shortest period of time which created a lot of complications and, consequently, tremendous financial losses. Due to the destruction of the World Trade Centre offices of travel-related

companies the domestic tourism industry lost over 300 million US dollars (Rose, Oladusu, Lee and Asay, 2009).

The following picture appears after studying the New York tourism industry situation after the terror attacks. The industry, before the crisis, reported an increase. Hotel room occupancy rates in 2000 were 84% which was considered one of the highest rates in the entire US hotel industry. From 1984 onwards this rate increased by almost 10% (Fainstein, 2002). An average room rate per night in 2000 was \$ 224 which is almost three times higher than the average price across the United States. Total visitor spending in New York in 1999 resulted in 15 billion US dollars. The annual number of New York visitors increased by 28% from 1996 (Fainstein, 2002).

In October 2001, following the 9/11 attacks, the occupancy rate dramatically dropped to 65%. In 2002 tourist influx to New York showed a decrease of 5.5 million people from the forecasted value (37.8 million tourists). This decrease resulted in a 10% workforce shortage. Over 110,000 people lost their jobs in Manhattan alone (Treyz and Leung, 2009). Out of this number over 4,500 people were laid off in the accommodation sector. The cumulative loss in New York City due to the crisis was 24.9 billion US dollars.

Tourism is one of the most important economic sectors for New York. Around 90% of tourism companies in the city have 20 or fewer employees (Fainstein, 2002). This industry is also crucial for low-class workers who are employed in “cheap jobs” – cleaning ladies, kitchen workers, souvenirs sellers, etc. The consequences of the recession following the terrorist attacks left a part of this workforce jobless.

New York City has responded to this dramatic challenge with a powerful promotion campaign which mainly focused on supporting the city by domestic travelers’ visits as an act of solidarity against terrorism, as well as a reflection of patriotic feelings. It also applied to a new trend of organizing business meetings in New York as a reflection of support (Korolev, 2007). It was done not only for the purpose of market stimulation, but also for the purpose of uniting the nation after such a dramatic national tragedy. All these steps in combination with advanced security measures implemented right after the terror attacks on the World Trade Centre, such as additional observation cameras on bridges, in tunnels, on main roads, dirty bomb scanners as well as increased police presence in the city, helped the fast crisis recovery of New York.

Already by the beginning of 2002 the city of New York had become the metropolis with the fastest recovery speed in the US (Boger, Varghese and Rittapirom, 2005).

In 2003 the New York economic recovery rate displayed double digits and continued to rise further. The international JFK airport of New York reported an increase in the tourist influx in 2002, but these figures were still below the pre-crisis stand. One of the potential reasons for a slower recovery in air travel arrivals was also the fact that some travelers from neighboring regions (5-6 hours drive) (Nichols, 2002), had started to use car/bus transportation instead of air transportation more often.

Not all US metropolises were doing as well as New York. Los Angeles arrivals continually decreased by 16.2 % in 2002, where the conventional city tourism business decreased by 27.9% (Boger, Varghese and Rittapirom, 2005). The difference in these decreases can be explained by the fact that Los Angeles airport arrivals as one the US gateways also include international flights. However, as was mentioned earlier, many domestic tourists started to use car/bus/train more intensively instead of air travel, but only to close destinations. In other words, Los Angeles has experienced this tourism industry downturn due to a decrease of domestic tourists who have opted for closer destinations.

In 2002 Atlanta airport, as one of four US international air gateways besides New York, Los Angeles and Chicago reported the best recovery rates of - 4.08% (below the pre-crisis condition). Los Angeles, New York, and Chicago airports have shown worthier values of -16.2%, -8.67% and -7.9% accordingly (Boger, Varghese and Rittapirom, 2005).

Another interesting observation in terms of tourism destination is the crisis recovery comparison of Las Vegas and Orlando as traditional leisure destinations for adults and for family trips. Las Vegas as a tourism destination has recovered faster than Orlando. In 2002-2003 Las Vegas outscored Orlando by 6% in terms of arrivals even considering the fact that family trips involve a high number of tourists (at least three persons – parents and at least one child) (Korolev, 2007). The main reason here is, of course, not the attractiveness of gambling games over amusement parks, but Las Vegas' aggressive marketing anti-crisis campaign combined with a comfortable opportunity to reach Las Vegas by car from Los Angeles, San Francisco and Phoenix. On the

other hand such a driving convenience, logically, resulted in a downturn in Las Vegas airport arrivals (Boger, Varghese and Rittapirom, 2005).

4.5. USA-Canada and US-Mexico tourism relations

Canada and Mexico are traditionally high-priority tourism markets for the United States of America because of their geographical location. These two countries are the only land neighbors of the US. It is no wonder that Canada and Mexico send more visitors to the US than any other country in the world. Their economic relations are so interlinked and interrelated that we will discuss these relations as a part of US crisis issues. In 2000 alone there were over 313 million visits between US-Canada and US-Mexico (ten years earlier this figure was 282 million visits only). Around 72 % of this figure falls within the US-Mexico visitors flow while 28% falls within the US-Canada flow (Hedrich, 2008). Moreover, it is quite important to know that 80% of these trips are same-day trips. The other 20% represent trips for one and more-night stays. Another significant fact is that over 80% of international tourists who leave Mexico come to the US and, correspondingly, around 60% of international visitors leaving Canada come to the US. Furthermore, around 60% of travel expenditure in Canada was made by US visitors and, similarly, 55% of travel expenditure made by Canadians is made in the US. These are explicit figures which represent the importance of such bilateral relationship between the US and Canada in the tourism sphere. The economic and tourism relationship between the US and Mexico is very strong as well. US imports count for 90% of Mexico's exports and 70% of Mexican imports have US origins (Hedrich, 2008). In addition, the US-Mexico border with annual visitors' in/out flow of 193 million people (2003) is one of the busiest borders in the world. Without any doubt, the terrorist attacks on the US in 2002 have negatively affected tourists influx - Canada (-19%), Mexico (-24%) (Belau, 2003). Since the tourism industries of Canada and Mexico are highly dependant on US visitors, they have indirectly suffered the consequences of the 9/11 attacks which resulted in the industry's downturns for approx. 2 years (Hedrich, 2008).

5. Recovery effects of anti-crisis measures

Anti-crisis measures have brought significant results in terms of economic stabilization of the industry. According to Table 1 below (Blake and Sinclair, 2002), the total decrease in tourist

spending was 40.88 billion US dollars and not 50.59 billion US dollars as it was estimated if no measures would be applied (2002). Around 135,000 jobs in the industry were saved by means of these measures which represent approximately 40% of the original estimate if no anti-crisis policies were applied. Airlines alone have saved around 46,000 jobs. Moreover, the negative net effect on government budget was reduced by 2.33 billion US dollars. Another interesting observation was the fact that if no policies were applied, the air transportation sector would be the industry's biggest loser with 11 billion US dollar losses. However, considering policy responses' results the hotel sector became the leader with a 5.9 billion US dollar loss (Blake and Sinclair, 2002), and air transportation came second with a 5 billion US dollar loss. Basically, it displays that the sector with the biggest need received the greatest compensation in the form of loans, subsidies and tax allowances.

Table 1: Effects of Reductions in Foreign and Domestic Tourism Demand brought about by September 11 Events

	Effects of September 11, without policy responses	Effects of reduced demand by non-residents	Effects of reduced demand for domestic air travel and tourism
Total change in tourist spending (\$bn)	-50.69	-15.89	-40.88
Constant dollar GDP (\$bn change from base)	-27.27	-10.54	-17.97
Net effect on government budget (\$bn change from base)	-7.27	-2.60	-4.94
Constant dollar factor adjustment (\$bn)	30.93	12.88	21.44
Relative factor adjustment (%)	0.75	0.32	0.49
Constant dollar employment (\$bn)	-13.57	-5.96	-7.85
FTE Employment ('000)	-383	-155	-248
FTE Jobs lost ('000)	559	198	414
FTE Jobs lost in airlines ('000)	203	42	160
FTE Jobs lost in hotels and other accommodation establishments ('000)	174	42	146

Note: columns two and three do not sum to column one because of increased demand for domestic travel and tourism by non-air transport.

Table 1 (Blake and Sinclair, 2002)

The table shows that the anti-crisis measures were really well aimed, because the air travel sector was the most vulnerable to the crisis due to an airplane type attack. At the same time, it is the most important sector in the US tourism industry due to the geographical location of the USA which has just two land boarder neighbors - Canada and Mexico. Air transportation is the major

type of travel in terms of international tourism. Thus, it is a strategic tool for the US economy. If US air transportation faced greater difficulties it would dramatically have an influence on other tourism sectors because without a constant tourist influx into the USA, the accommodation, catering and leisure sectors would report significant losses. In turn, it would lead to a decrease in GDP and other domestic macroeconomics parameters. Finally, such an impact will harm the entire US economy and bring it into stagnation or even a depression stage.

All these figures show that the immediate measures in the frame of the Six-Point Plan, ATSSSA and ATSA were well timed and extremely effective. By means of these measures the US domestic tourism industry managed to overcome the severe drop without any critical collapse and to preserve thousands of jobs. Such care by the US government was another indication of the high importance the domestic tourism industry has in the US economy.

The real recovery period from the crisis caused by the 9/11 attacks started in 2004 when the US economy gained GDP of 1% (Werling and Horst, 2009). It was a combined result of the state market stimulating measures such as the Six Point Plan (discussed earlier) as well as market stimulating tools used by various economic sectors (such as product price policies, active marketing campaigns, etc.). After just two years from the time of the crisis many economic sectors affected reported an increase in revenue and net incomes. For example, the domestic conventional travel industry reported a significant increase of 4.6% (Korolev, 2007), and reached the pre-crisis level. In 2004, the air travel industry also reported an increase in revenue as well as total recovery, but the pre-crisis condition was reached one year later – in 2005. In 2006 over 52 million people have visited the United States. This was a new record as the highest number of visitors the United States had in one year. The domestic economy rise after such a short period following the attack on the World Trade Centre in 2001 can also be explained by the fact that when domestic air travel and tourism industries experienced a shock after the crisis, other industries such as construction building, capital equipment, security and public protect industries started to boom. Some of the reasons were (Treyz and Leung, 2009):

- relocation of offices which were destroyed by the 9/11 attacks;
- renovation of the Manhattan area that was damaged by the terror attacks;
- building new security/protection constructions in airports, train stations, public facilities, state borders, etc.;

- acquiring and installation of new security and surveillance equipment (scanners, cameras, x-ray scanners, etc.)
- converting airplanes according to anti-terror protection recommendations
- enhancing of state air control measures
- improving military co-ordination and response to future threats (as it was discussed earlier the military budget was significantly increased in 2002)
- anti-terror training of security authorities
- acquiring of tele and video-conferencing equipment as alternative to business travel

6. Implications of 9/11 attacks on international tourism industry and recovery issues

6.1. 9/11 attacks implications on Muslim countries and their tourism industries

The mobility of the consequences of dramatic events is quite an important issue in modern tourism. Disregard where a certain terror act, disaster or political riot takes place, they can affect other countries and regions. In the case of 9/11, the tourism industries of Muslim countries were affected by the mobility challenge. As was mentioned earlier, the potential reason for the downturn of tourists inflow to Muslim countries such as Egypt, Saudi Arabia, Jordan, right after the 9/11 terror attack was fear and uncertainty of international tourists regarding safety and security of these regions in the current situation. After such a shocking attack which was organized by a radical Muslim terrorism organization, *al-Qaida*, international travelers worried about potential repetitions of the attacks in Muslim countries as well as a possible US answer resulting in military strikes which might provoke a wave of negative attitude of population in these Muslim countries towards international tourism and make them “hostages of the situation” (Hamarnah and Steiner, 2004).

Generally, the terror attack on the World Trade Center can be perceived as a “clash of civilizations” which can influence the meanings of “us” and “others” (Steiner, 2007). This terror attack indirectly harmed the image of Arab countries. Mass media played a dominant role in broadcasting such image interpretations worldwide right after the crisis. Whether it really was independent journalist opinion or it was just retranslation of policy of state authorities is not

essential for our research. However, it could lead to tourists flow redirection on a long term basis. Lots of scientific works were recently written on this issue as well as possible approaches for overcoming the consequences of this clash.

One should not forget that Western tourists are very vulnerable and sensitive to any violent reflection of political problems and to any violence as such. They can change travel destinations quite quickly if they encounter some potential threat. Thus, in the case of 9/11 it brought to tourists inflow a decrease of approx. 50% in Egypt and 20% in Saudi Arabia in 2002 (Belau, 2003). However, it gave an opportunity for the exploration of new markets such as Eastern European countries (Russia, Belarus, Ukraine, Poland, Hungary, Bulgaria, Czech Republic, etc.). Tourists from these countries are less sensitive and more resistant to such threats, most probably coming from slightly different values to Western world cultural values as well as easier adaption to stress situations due the fact that some part of the population which lived under communist regimes had to go through hard times and this made them more resistant to problems (Korolev, 2007).

The global impact of the 9/11 attacks was also significant because of the global leading role of the United States as well as the global character of the most powerful international terrorism organization – *al-Qaeda* which attacked the WTC (Hamarnah and Steiner, 2004). It was not just an attack on the US, it was the first precedent of global terrorism. This confrontation was, actually, quite symbolic and that is why a harmful challenge to the United States and the entire world from political and economic perspectives. However, the consequences of this dramatic event immediately and negatively rebounded on image and, consequently, economies of Arab world countries. In general, such situations were not new to the Arab world, because "Islamic" terrorism made this region a victim of its activities over 20 years ago, but the dimensions of 9/11 as well as severity of long-term effects were just incomparable to any previous terror acts organized by "Islamic fundamentalists" (Korolev, 2007).

Tourism industries of most of these countries suffered the first goal. The growing negative attitude towards Arabs "warmed up" by mass media resulted in an immediate tourist influx decrease to Middle East regions. Despite this fact, the announcement by some tourism experts' of the collapse of the tourism industries in Arab countries did not take place in the short as well

as long run (Hamarneh and Steiner, 2004). One of the explanations is the redirection of travel plans of Arab tourism towards domestic and other Arab region destinations. Such redirection was also influenced by the emotional reaction to Arab society and the overall attitude of the world's society towards the Arab world after the 9/11 attacks as well as dynamic promotion campaigns organized by local travel operators which were aimed at attracting domestic travelers to fill the empty niche left by European and US tourists.

Nevertheless, one needs to consider the Arab tourism industry as a set of various markets where characteristics are quite different depending on the types of tourist activities as well as destinations where these tourists came from. These are, (according to Hamarneh and Steiner, 2004):

- European and North America oriented leisure tourism (Tunisia)
- Arab-oriented leisure tourism (Lebanon)
- Multi-ethnic oriented mixed-character tourism (Egypt, Morocco, Jordan, UAE etc.)
- Multi-ethnic oriented cultural and pilgrim tourism (Saudi Arabia, Palestine, Syria etc.)

The crisis has confirmed the bottom-line markets with higher services diversification (in our case with broader tourist activities) have higher chances for fast recovery. Moreover, due to specifics of the situation Arab countries oriented to Western tourists (-25% Tunisia) experienced the biggest losses (Hamarneh and Steiner, 2004). However, in the case of Egypt and Morocco (-55% industry downturn in Egypt in the last 3 months of 2001) (Belau, 2003) it was just impossible to replace the amount of international tourists by the similar amount of Arab tourists in a short period of time. The situation in Egypt returned to pre-crisis conditions after 8 months following the terror attacks. One reason for the fast recovery is the influx of domestic tourists (Hamarneh and Steiner, 2004). Another reason for that was the fact that no other terrorist act has happened in-between.

Tourism to the United Arab Emirates (UAE) has even improved its positions on an Arab as well as international level. Even before the crisis, Dubai was quite a favorite tourism destination for Middle East tourists (Hamarneh and Steiner, 2004). On the wave of the change of tourism

destinations of Arab tourists and as an effect of a well-thought marketing campaign it has become even more popular. In the post crisis time many international tourists have joined this group as well and made Dubai one of the most famous tourism destinations in the Middle East region. An increase of foreign tourists' arrivals to UAE of 26% was reported in 2002.

Lebanon and Syria traditionally oriented on Arab tourists have also made big profits. Turkey by means of an aggressive marketing campaign gained over 10% of tourists from Arab countries in 2001-2002 (Hamarneh and Steiner, 2004).

In order to protect the global tourism industry from collapses caused by disasters, terrorism and epidemics in the future, the international community consisting of governments, international organizations such as the WTO, business representatives have come with an idea of establishing a Tourism Recovery Committee (TRC) (Hamarneh and Steiner, 2004). The TRC has become an international tool of developing marketing campaigns, concepts and strategies for local and international tourism markets' development as well as co-ordination of activities of tourism authorities from different countries (Hamarneh and Steiner, 2004). In other words, the TRC has become the first international tourism coordination authority which can be viewed as another achievement of international tourism initiated by the terror attacks on WTC in 2001.

Improvement in the "spoiled" image of Arab countries was the first challenge the TRC faced. Generally, the Arab tourism market is quite weak in terms of domestic and intra-regional travelling, but quite focused on close-to-home traveling. In Egypt and Tunisia the share of domestic tourists in 2001 was not more than 5%. This stereotype in particular had to be modernized in order to make the Arab tourism market more flexible in terms of destinations. The weak points of Arab tourism revealed by the terror attacks in 2001 had to be improved by means of the deep reorganization of the North Africa and Middle East tourism industries. In fact, one of the goals of Islamic terrorists was to detract Western visitors from the Arab world in order to keep an isolation which was quite a convenient base for the expansion of radical Islamic propaganda (Hamarneh and Steiner, 2004). However, considering the fact that the situation stabilized in less than one year and some Middle East tourism industries started to boom on a regional as well as an international level (UAE), one must admit that the plan of terrorists has

achieved the reverse results. The isolation of Arab tourism was replaced by integration into international tourism system with a combination of the rapid development of inter-regional tourism in Middle East and North Africa regions.

6.2. International air travel industry

It is not a secret that the supply and demand components of the air travel industries of various geographical regions are highly interrelated and are extremely sensitive to any market fluctuation in particular if one deals with terrorism threats and other related risks. Thus, air travel market problems in one region can have a negative impact on an international level. One month after the 9/11 attacks the International Air Transport Association (IATA) reported the world's air travel loss of 12 billion US dollars (UNWTO, 2001). The European air travel market decline resulted in 33%. Based on ARIMA methodology calculation the average European demand decrease was between 5% and 15% (Aimable and Rossello, 2009). It has become possible to speak of a slight situation improvement (3-4% increase in various air travel markets) only after six months (Blake and Sinclair, 2002). On the eve of the first anniversary of the attacks the international air travel industry was experiencing another short-term downturn. It was the result of people's fear of the threat of a potential repetition of the terror attacks which could happen anywhere in the world. It reflects the extraordinary influence of such occurrences on the entire world's air travel industry.

6.3. Global crisis recovery

Three years after the 9/11 attacks the World Tourism Organization (WTO) published a report which concluded that already in 2002 the number of international arrivals worldwide exceeded the pre-crisis value (Bonham, Edmonds and Mak, 2006):

2000 – 696.7 million arrivals

2001 – 692.7 million arrivals

2002 – 706.6 million arrivals

The US share in international arrivals has, however, decreased from 9.4% (1992) to 5.9% (2002) and has slowly started to increase by 0.1 % only in 2004. These statistics show that the crisis

implication at an international level was not that significant (1%) and crisis recovery on an international level was quite fast despite the severity of the 9/11 attack (Bohnam, Edmonds and Mak, 2006). Without a doubt the crisis impacted various countries differently, so the local values significantly varied for global values. Obviously, of all countries the United States was affected most by the crisis and it negatively affected the US economy as a whole and the tourism economy in particular.

According to UNWTO, two thirds of the cases when certain events negatively impact the tourism industry the decline comes in 1-3 months after the event. In 50% of such cases such a process is followed by a fast recovery (for example the Earthquake in the Indian Ocean in 2004). Experiences of countries which have a long history of terror attacks such as Israel and Egypt show that tourists' shock generated by the terror acts is transitory. After a certain period of time the situation always returns to normal (Gut and Jarrell, 2007), as travelers' perceptions of safety vary in parallel with the current condition while past experiences began to wash out.

6.4. Effective measures for combating crisis

An essential tool for overcoming severe economic problems in the tourism industry caused by terrorist attacks and other crisis-generating events is the national crisis management master plan which needs to be developed that would disregard the probability rate of a terror act in the future. A crisis management plan always involves a so-called 4Rs stage process: reduction, readiness, response and recovery (Evans and Elphick, 2005). One has to always be ready for a crisis and perceive the risks adequately so that the reduction (recession) period will be as short as possible, a response involving various demand stimulating tools will be adequate which will result in fast recovery. However, the speed of recovery depends, in turn, on the nature of the security situation, characteristics of affected tourism systems, characteristics of potential travelers and crisis management issues undertaken (Boger, Varghese and Rittapirom, 2005).

If a government of a certain state had such a plan it would always be prepared for immediate anti-crisis activities which would lead to less dramatic social and economic consequences. One of the major parts of this plan is a recovery marketing plan. By means of an anti-crisis marketing campaign, it would be possible to positively influence the country's image which was negatively

affected by the terror act. It is the perfect way to demonstrate a positive image of the country through mass media sources, as well as to transmit the signal of great concern of the government about the situation by showing the concrete activities directed to stabilize the situation and prevent such problems in the future. Another marketing tool is to come up with new products (new travel destinations), interesting offers and discounts in order to break the spoiled reputation and attract new tourists and stimulate the tourism market. Such an approach is usually called “re-marketing”. Thus, the major common goal of all state authorities, national security services as well as tourism-related business institutions is the re-establishment of the safe image of the country in the eyes of tourists.

Conclusion

Paradoxically, international tourism and international terrorism have some issues in common. Both have global implications - involving people from different countries and use travel and communications facilities (Soenmez, 1998). As we have seen, the influence of terrorism on global economics is significant. In the history of humankind, there has been no other single terrorist act like the 9/11 attacks which have had such a negative impact on the economy of countries worldwide and at the same time on the emotional condition of billions of people around the world. The dimensions of this attack were just incomprehensible from all perspectives. Moreover, this terrorist act predefined the development of entire global industries such as the travel and tourism industries. The negative economic consequences of the US tourism industry caused by the crisis have had an immediate affect on global tourism economies due to the tight interrelation of international tourism industries. The first shock following the attacks has resulted in a deep market recession. Besides that, governments, international organizations and tourism and travel companies were forced to work on emergency crisis management plans in order to find adequate solutions for the industry’s recovery, as well as to prevent similar attacks in the future.

For the United States this terror attack became a national tragedy. It was hard to believe that the US could be exposed to such a violent act considering the level of its national security. US citizens have been terrorist targets all over the world for decades, but the fact that this tragedy

occurred on its own soil was difficult to comprehend or accept, and has resulted in severe shock and consequently in economic difficulties.

The severest economic problems were experienced by the US tourism industry in 2001. On a national and international level the domestic tourism industry experienced a radical decrease in demand which was reflected in the losses of all sub-industries such as travel, hospitality, restaurant and leisure. This negative situation continued and lasted for 6-25 months depending on the industry. The biggest losses were recorded by the air travel industry. Due to the geographical location of the United States air transportation was one of the few vital “bridges” with the rest of the world. The impact of the terrorist attacks on the travel industry was so enormous that without federal support it would not have been able to survive. The US government came up with immediate support which resulted in effective initiatives such as the Six-Point Plan and ATSSSA. Its combination with effective market stimulation tools helped the US air travel industry by the end of 2002 to curb the overall decrease and to slowly return to the pre-crisis level. Domestic hotel and tourism sub-industries recovery development was considerably faster than that of air travel. By the end of 2003, the US tourism industry had to a great extent recovered from the crisis. This was the result of cumulative efforts of the industry’s business activities combined with a national security enhancement and the US government’s legislative activities. Economic growth, as well as the fact that another similar terrorist attack has not happened have helped the industry considerably.

Terrorist attacks have, however, also brought some positive implications in terms of economic development and security issues to the world’s tourism industry. Crisis does not always just means threats, but can also mean new opportunities. Many new markets such as the United Arab Emirates, Turkey, Croatia, etc. have started to boom because they have benefited from the situation where discouraged tourists started to cancel trips to the US and to some Middle East and European regions. They changed their travel plans to what they perceived as safer destinations. Moreover, the post-crisis market situation created enhanced competition between international markets for customers who were undecided with regard to travel locations following the crisis. This competition has brought onto the global tourism market new products, services and destinations. The tourism industry is not the only economic sector which benefited from this crisis. Building construction, security systems and products business, telecommunication equipment (as a result of the trend to switch from personal business travel to

Technological Travel Alternative – video-conferencing) are only a few sectors which have gained considerably and profited from the situation.

This terrorist act has made air transportation the safest transportation type in the world (Korolev, 2007). This fact is not hard to underestimate because the tourism industry depends more and more on air travel as the most significant factor in industry development. By means of cumulative support from governments, international organizations (Tourism Recovery Committee, World Tourism Organization) and tourism businesses, global tourism has become much safer and is better prepared for future challenges.

Although not that much time had passed since the terror attacks to make any definitive judgments, the world will never be as it was before this tragedy. The historical timescale is being split to before and after the 9/11 attacks. Supposedly, the US as well as the world's tourism industry have learned lessons and have adapted to handling such situations and the difficulties connected to it. International tourism today has all the business tools as well as the strong countries' governmental support to influence the consequences of crisis in the future because without these tools it may not survive another crisis of such dimensions. According to the findings discussed earlier, most of the marketing strategies and government policies developed to overcome the crisis were proven to be effective because they led to rapid recovery, in some industry sectors almost immediately. Moreover, the impact of the crisis on the international level was even more minimized. Thus, it was a good industry test for future challenges. Let's hope that a similar or worse crisis scenario will never be given the chance of happening in the future.

References

- Aimable, E. and Rossello, J. (2009) The short-term impacts of 9/11 on European airlines demand. *European Journal of Tourism Research*. Vol. 2(2). pp 145-161.
- Al-Hamarneh, A. (2005), The Political Factor in Traveling, *Qantara*
http://www.qantara.de/webcom/show_article.php/_c-476/_nr-451/i.html - retrieved on 11/05/2010.
- Belau, D. (2003) The impact of the 2001-2002 crisis on the hotel and tourism industry. *International Labor Organization (ILO)*. Essay Paper.
- Blake, A. and Sinclair, M. T. (2002) Tourism crisis Management. Responding to September 11. *Nottingham University Business School*. Essay Paper.
- Boger, C.A., Varghese, N. and Rittapirom, S. (2005) The impact of the September 11 Attacks on Airline Arrivals and Conventions in Nine Major U.S. Cities. *Journal of Convention & Event Tourism*. Vol. 7(2).
- Bohnam, C., Edmonds, C., and Mak, J. (2006) The impact of 9/11 and Other Terrible Global Evenets on Tourism in the U.S. and Hawaii. *Working Paper # 06-2*.
- CIA World Factbook (2010), <https://www.cia.gov/library/publications/the-world-factbook/fields/2012.html> - retrieved on 11/05/2010.
- Evans, N. and Elphick, S. (2005) Models of Crisis Management: an Evaluation of their Value for Strategic Planning in the International Travel Industry. *International Journal of Tourism Research*. Vol. 7. pp 135-150.
- Fainstein, S.S. (2002) One Year On. Reflections on September 11th and the 'War on Terrorism': Regulating New York City's Visitors on the Aftermath of September 11th. *International Journal of Urban and Regional Research*. Vol. 26(3). pp 591-595.
- Goodrich, J.N. (2001) September 11, 2001 Attack on America: Impact on Tourism Security. *Journal of Travel and Tourism Marketing*. Vol. 11(4). pp 1-12.

Green, C.G., Bartholomew, P. and Murrmann, S. (2003) New York Restaurant Industry: Strategic Responses to September 11, 2001. *Safety and Security in Tourism: Relationships, Management and Marketing*. Vol. 15(2). pp. 63-79.

Gut, P. and Jarrell, S. (2007) Silver Lining on a Dark Cloud: The impact of 9/11 on a Regional Tourist Destination. *Journal of Travel Research*. Vol. 46(147).

Hamarneh, A. and Steiner, C. (2004) Islamic Tourism: Rethinking the Strategies of Tourism Development in the Arab World After September 11, 2001. *Comparative Studies of South Asia, Africa and Middle East*. Vol. 24(1). pp. 173-182.

Hedrich, M.P. (2008) Section 7209 of the Intelligence Reform and Terrorism Prevention Act of 2004: Balancing the Western Hemisphere Travel Initiative with International Tourism and Homeland Security. *Northwestern Journal of International Law & Business* 28:341.

Korolev, V. (2007) Загадки 11 сентября (Mysteries of 11 September). *Veche, Moscow*.

Llorca-Vivero, R. (2008) Terrorism and international tourism: new evidence. *Defence and Peace Economics*. Vol. 19(2). pp. 169-188.

Lloyd-Jones, A.R. (2004) The Repercussions of September 11th: What is the Future of Hotel Values

Neiman, B. and Swagel, P. (2007) The impact of post-9/11 visa policies on travel to the United States. *MPRA Paper # 2952 (Munich University)*. <http://mrpa.ub.uni-muenchen.de/2952/> - retrieved on 11/05/2010.

Nichols, J.P. (2002) A Review of the current status and prospects for the US mid-level hotel sector: A survivor in uncertain times. *Journal of Leisure Property*. Vol. 2(4). pp 299-304.

Rehman, J. and Ghosh, S. (2008) International Law, US Foreign Policy and Post 9/11 Islamic Fundamentalism: The Legal Status of the 'War on Terror'. *Nordic Journal of International Law* 77. pp 87-103

Rose, A.Z., Oladusu, G., Lee, B., Asay, G.B. (2009) The Economic Impacts of the September 11 Terror Attacks: A Computable General Equilibrium Analysis. *Peace Economics, Peace Science and Public Policy*. Vol. 15(2), Article 4.

Soenmez, S.F. (1998) Tourism, terrorism, and political instability. *Annals of Tourism Research*. Vol. 25(2). pp 416-456.

Steiner, C. (2007) Political instability, transnational tourist companies and destination recovery in the Middle East after 9/11. *Tourism and Hospitality Planning & Development*. Vol. 4(3). pp 169-190.

Treyz, F. and Leung, B. (2009) The Economic Impact of 9/11 on the New York City Region. *Peace Economics, Peace Science and Public Policy*. Vol. 15(2), Article 8.

Werling, J. and Horst, R. (2009) Macroeconomic and Industry Impacts of 9/11: An Interindustry Macroeconomic Approach. *Peace Economics, Peace Science and Public Policy*. Vol. 15(2), Article 5.

World Tourism Organization (2005). WTO Report 2005 - <http://www.world-tourism.org/facts/menu.html>
- retrieved on 11/05/2010.