

## EXAMINING TOURISM DEVELOPMENT CHALLENGES IN CENTRAL AND EASTERN EUROPEAN COUNTRIES

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*Abstract: The current world economic context imposes a growing inclination on a pressing problem encountered in any society: sustainable development in all sectors. From this point of view, the tourist industry has special significance, since as noted in the literature it has a strong capacity for recovery under economic crisis periods if its means of operation are implemented correctly. Tourism is one of the most important industries of the EU economy, with a significant contribution to the overall dynamics of the integration process and the strategic objectives of the Union. Yet, there are serious concerns over tourism development in the Central and Eastern European states: underdeveloped transport and accommodation infrastructure, dependence on external demand and foreign capital, structural weaknesses. The aim of this study is to investigate the impact of tourism on economic growth in these countries examining both successes and limits towards achieving sustainable development in general and sustainable development of the tourism sector in particular.*

*Keywords: tourism, sustainable development, CEE countries, economic growth, EU.*

### 1. Tourism - key to development, prosperity and well-being

Over the past decades, tourism faced continued expansion and diversification, becoming one of the largest and fastest-growing economic sectors in the world. The decrease in travel costs, changing lifestyles and consumers values, increased leisure time, international openness and globalization, increased point-to-point flights, ease of acquiring information on destinations turned tourism into a key driver of socio-economic progress through export revenues, the creation of jobs and enterprises, and infrastructure development. Tourism has also an important role in terms of investment incentives, poverty alleviation, while being part of the foreign relations between nations. According to UNWTO, in 2012 tourism generated 5% of world GDP and about 8% of total employment international. The sector ranks fourth (after fuels, chemicals and automotive products), representing 30% of world exports of commercial services and 6% of total exports.

Tourism has great potential in terms of employment and income opportunities, both directly and indirectly. This helps to alleviate unemployment, especially for poor and vulnerable groups such as youth, women, low-skilled and low-wage workers and migrant workers. Tourism partakes in the formation of the state budget revenues through direct and indirect contributions. Direct contributions are generated by taxes on wages of workers in the tourism sector, by taxing profits from tourism and direct taxes imposed on tourists. Indirect contributions come from taxes on goods and services provided to tourists.

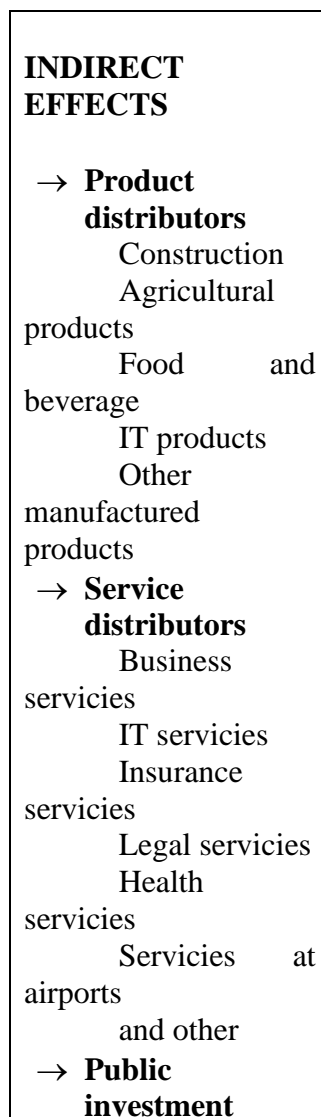
The tourism sector has an important role in enhancing competitiveness by stimulating competition among local firms and related businesses in other international tourist destinations and conducts to increased investment in public utilities and transport infrastructure, including roads, airports, ports, electricity, water and communication infrastructure. Such infrastructural improvements not only provide benefits for tourists but can also add to improving the living conditions of local populations. Likewise, foreign direct investments in the tourism sector include capital technology, skills, know-how, demand for local goods, improved trade balance, being an important vector of sustainable development.

Tang and Jang (2009) state that there exists a temporal hierarchy between tourism-related industries and that tourism can encourage the development of other industries and the

overall economy (Holzner, 2011; Sequeira and Nunes, 2008). Lee and Chang (2008) also reported that tourism development not only stimulates the growth of the sector, but also triggers the overall economic growth of nations.

Tourism is a composite product involving a varied mix of products and services offered by different sectors such as transport, accommodation, tour operators, travel agents, visitor attractions, retail. The linkages between tourism and other economic sectors can take different forms, expressed directly, indirectly or induced, periodically or permanent, horizontally or vertically. The complexity of connections demonstrates the valuable position of tourism in the economic mechanism structure and its active role in the development and modernization of the economy and society. Figure 1 presents the connections and the effects of tourism on the economy.

**Figure 1. The effects of tourism**



DIRECT EFFECTS	INDUCED EFFECTS	SECTOR EFFECTS
<ul style="list-style-type: none"> <li>→ <b>Accommodation</b> Hotels and other forms of accommodation</li> <li>→ <b>Restaurants and Catering</b></li> <li>→ <b>Passanger transport</b> Rail transport Road transport Sea transport Air transport Maintenance and repair of vessels and aircrafts for passengers</li> <li>→ <b>Production and distribution of information and travel services</b> Travel agencies Tour operators Tourist information Tourist guides</li> <li>→ <b>Cultural services</b> Museums and other cultural services</li> <li>→ <b>Leisure and entertainment servicies</b> Sports and recreational sport servicies Other entertainment and relaxation services</li> <li>→ <b>Mixed tourist services</b> Insurance and financial servicies Rental of properties Other tourism servicies</li> </ul>	<p style="text-align: center;">Direct and indirect costs of tourism industry / beneficiaries</p> <p style="text-align: center;">Food and beverage Entertainment Transport Clothing Household equipment and other</p>	<ul style="list-style-type: none"> <li>→ Transport</li> <li>→ Construction</li> <li>→ Trade</li> <li>→ Agriculture / Fishing</li> <li>→ Food industry</li> <li>→ Communication and informational technologies</li> <li>→ Education și training</li> <li>→ Goods and services related to tourism industry</li> <li>→ Energy industry</li> </ul>
<p><b>Source: author's representation</b></p>		
<p><b>2. Historic evolution of tourism in CEE</b></p>		
<p>The assimilation of communism as a political and economic ideology, first in Eastern Europe in 1917-1920, followed by the Central European countries after World War II had profound effects on travel and leisure activities along with all spheres of life. Communism shaped the nature of tourism demand and the types of supply. In fact, the Central and Eastern European states (CEECs) had gone under Russian dominance with the imposed incorporation to socialism. In communist republics governments had monopoly over all aspects of tourism, from the planning of tourism to the management of the industry. During socialism domestic tourism in CEE had mainly an organized and ‘group’ character. Being firmly subordinated to political and ideological reflections, outbound tourism was frequently considered an instrument for foreign policy, particularly in public diplomacy. Hence promotion of a country’s national image, as a means of persuading visitors of the superiority of the communist system, was the main goal. Due to firm constraints on travelling abroad and lack of disposable income, outbound tourism</p>		

was minimal. Unsurprisingly, most of the outbound travel was to other socialist countries. A further restraint to the development of tourism industry in centrally-planned CEECs economies was insufficient marketing and unreliable information to promote tourism (Buckley and Witt, 1990). Paradoxically, tourism relations among communist republics were frail, and there were impediments in obtaining visas, currency regulations and the common development of package tours. Supposedly, the main impasse in developing tourism in CEECs was that of political attitudes.

In the course of ‘transition’ in CEE political instability and the shift to a market economy have had damaging consequences on social tourism. The introduction of democracy has given the CEE societies grander freedom to travel toward West, but low wages, a high rate of inflation and restrictions on the purchase of hard currency have been major limitations on outbound tourism. Infrastructure was entirely inadequate compared to Western standards and the quality of accommodations for tourists tended to be unsatisfactory. Moreover, there was a lack of education and employees training for tourism. Environmental pollution was also a considerable problem.

Consequence of a long transition process, the EU enlargement had a positive effect overall as envisaged by international organizations such as United Nations World Tourism Organization (UNWTO) and World Travel and Tourism Council (WTTC). However, in spite of the accession into the EU and the fact that CEE region has great tourism potential, several challenges which discourage tourism development remain and will be discussed in the following section of this study.

### **3. Challenges of tourism development in CEE**

Tourism is one of the most significant sectors of the EU economy, being considered to have a high potential to contribute to the strategic objectives of the Union (competitiveness, convergence, employment, promotion of European identity and citizenship, economic and social sustainability). Tourism is also integrated into a wide range of European policies (cohesion, agriculture, transport, environment, etc.), therefore recognizing its capacity to ensure sustainable development of the Union. As well, tourism has an important role in strengthening Europe's image in the world. The intensity of tourist flows, intra (within Europe) and inter regional (to and from Europe) fosters mutual understanding and protection of European beliefs, creates a sense of belonging to a common space of values, contributes to the development of European identity and leads to the promotion of European model attractiveness, which represents the product of centuries of cultural exchange, linguistic diversity and creativity. Moreover, specifically for the European economies, tourism contributes essentially to the integration process (Pascariu and Frunza, 2012).

Prior studies have related that tourism positively affects economic growth in the EU countries (Albalade and Bel, 2010; Holzner, 2011), in Eastern Europe (Hall, 1998), in Austria (Falk, 2010), in Greece (Dritsakis, 2004a,b; Eeckels et al., 2012), in Italy (Bernini, 2009; Massidda and Mattana, 2013), in Spain (Balaguer and Cantavella-Jordá, 2002; Capó Parrilla et al. 2007; Nowak et al., 2007), in Romania (Surugiu and Surugiu, 2013), in Malta (Katircioglu, 2009b), in Cyprus (Louca, 2006; Katircioglu, 2007), in Portugal (Proença and Soukiazis, 2005), in Croatia (Payne and Merver, 2010) and in the United Kingdom (Blackstock, White, McCrum, Scott and Hunter, 2008).

Research in tourism in CEE has been narrow in number and scope because of the difficulties in accessing the countries and obtaining data, while studies of tourism have mainly concentrated on North America and Western European regions since they have been the leading generators and receivers of tourism. There have, nevertheless, been some appreciable studies of tourism in CEE. Some of the initial studies comprise those by Hall (1984), Sallnow

(1985), Buckley and Witt (1990), Borocz (1990), Pearlman (1990) and Hall's edited work (1991). Volatile changes following the dismantling of the socialist system in the region encouraged further studies focused on the consequences for tourism of the transition, and included those by Richardson (1999), Hall (1998) in Williams and Shaw (1998), Bachvarov (1999), Gosar (2005), Hall (2001), Ivy and Copp (1999) and Light (2000). Since the tourism industry has been exposed to more free-market forces, there has been undoubted 'success' in achieving high numbers of international arrivals and receipts, as documented by international organizations (UNWTO 2011; ETC 2012). However, there is a considerable lack of critical evolution and analysis of this growth.

Beside a lack of reliable literature along with less attention from tourism scholars, various challenges face the sustainable development of tourism in CEECs. Inadequate accommodation and transport infrastructure in many regions of CEE is a particularly challenging concern for tourism development. Poor roads and railway networks, the lack of highways and high speed trains, a poor level of tourist information, the impediments for international tourists to obtain required information about transport services such as timetables, a low level of tourist information, an insufficient number of car parks in main cities, a deficiency of international airports – all these factors damage the quality of tourism products (Murphy et.al. 2007) offered by CEECs. Additionally, air transport to Eastern European countries is very expensive.

Another important challenge that has impeded tourism development in CEE is the lack of distinctiveness of the tourist destinations present in the region (Hughes and Allen, 2003). For tourist destinations to be efficiently advertised, they demand a unique labelling that allows potential visitors to differentiate them from other destinations in positive ways. An exclusive selling point is a requirement especially since many tourists prefer destinations where particular types of lifestyles can be attained. When tourists must choose from numerous tourism destinations, preferences vary, but generally they are attracted by the unique lifestyle assigned to various destinations, thus a destination that fits the preferences becomes the main target.

Coping with globalization, the present volatile economic context and fiscal pressures, the growing competition of other destinations, the employment of strategies and techniques meant to support sustainable development are also challenges that tourism in the CEE region is facing.

Environmental degradation also hampers tourism development in the region. The alleviation and adaptation to climatic change and environmental challenges; the weak implementation of environmental legislation; lack of pertinent information about environmental pollution and its costs; the efficiency of institutions for environmental protection; the contribution of tourism to sustainable development and community involvement are other factors that challenge sustainable development of tourism in CEECs (Hall et. al 2003; Roberts and Hall 2003; Beckmann and Dissing 2004; Hall et. al 2006; Hughes and Allen 2009; MacLeod and Gillespie 2011; Parthenis 2012).

Also, literature frequently fails to point out the corruption problem and regional conflicts that have had strongly negative effects on tourism in the region.

Obviously, sustaining tourism in the region requires careful consideration of the development process. A main factor in achieving sustainable development is the ability to meet these challenges.

#### 4. What can be done?

Sustainable growth enhances the economy and therefore ought to be emphasized. All businesses and principally those in the tourism sector must understand the ethical and financial benefits of sustainable development.

CEECs are not a uniform entity but are diverse in terms of location, topography, climate, history, culture and economic development. Each must identify its own comparative advantage regarding tourism.

In order to overcome the challenges that CEECs face regarding the tourism sector and improve its competitiveness, we present below several suggestions.

1. *Better coordination of policies in the sector.* As tourism is greatly influenced by different economic, political and cultural policies of EU, tourism should be managed proactively, instead of retrospectively reacting to changes.

2. *Better regulation of the legislation items on tourism, especially environmental regulation.*

3. *Intensification of the understanding of the importance of tourism* by supplying the quality data by the ones who take the decisions.

4. *Better promotion of the CEECs destinations.* Globalisation unsealed new prospects to attract tourists on new markets like China, Russia, India, which are able of offering high quality tourism products. In order to contribute to the promotion of Europe, CEECs must identify suitable and sustainable tourism attractions and events, modernize and diversify tourism activities and products. Innovation is a crucial factor in tourism development. The tourism product sells and buys easier if it is supported by appropriate, innovative solutions. Prompt and successful tourism development demands for destination brand creation, creation of a good reputation, destination brand marketing and promotion. This task belongs to the professionals in the field, to the researchers and to the stakeholders.

5. *Improvement of the tourism visibility.*

6. *Transport and tourism.* Transport and tourism are closely associated and infrastructure is particularly essential for the success of any tourist destination, the European policy in the field of transportation occupying an essential place. Also, the air transport sector has led to more connections with destinations considered until recently inaccessible. The elimination of constraints regarding acquisitions of charter flights will bring lower prices and improved products. The cost of transport is a determining part of the global cost of the tourist product. Considering some terms like quality, safety and profitability, the means of transport may condition the type of holiday and the chosen destination.

7. *Transfer of information.* Information exchange is crucial in any sector of an economy. In the tourism sector, information exchange helps update stakeholders on various activities and events around the world. It is through the information exchange process that stakeholders get information about the trends in the market, potential competitors, openings and hindrances.

#### Concluding remarks

Due to the fact that tourism potential is a part of the resources category, its integration in the social and economic circuit of values comprises a process of superior revision of the existent potential, as well as a significant feature in the economic development and the structure of the corresponding region.



Understanding the evolution of tourism and its growth trends and obstacles for sustainable development of tourism is thus an area worth researching and would add to the knowledge of tourism development in CEE.

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