

Laura – Maria Popescu

Ileana Nisule cu

The Bucharest University of Economic Studies, Romania

**TOURISM IN TIME OF CRISIS
AND INFLUENCE IN THE
PROCESS OF ECONOMIC
INCREASE.
COMPARATIVE ANALYSIS
ROMANIA-BULGARIA-GREECE**

Case study

Keywords

Economic growth

Tourism

Development

Investment

Communication

JEL Classification

O10, M00

Abstract

The article shows an analysis of tourist activity in the period of crisis, as well as as far as this sector is retrieves in the process of increase in economic among countries concerned. Have been taken into account three areas with different approaches in the field of tourism so as to be able to easily highlight difference between tradition in the case of Greece, exploitation and operation of the investment in Bulgaria and development in progress, in the case of Romania. In this way, the work of front proposes to analyze determinants underlying competitiveness in tourism from the perspective of the three states in direct competition, to highlight effects of communication on the competitiveness in the tourism industry.

The purpose of this analysis is to provide a series of responses, from the perspective of the development strategies and communication, which could explain the results so different in its turn to the three national economy in the tourism sector.

Introduction

Tourism has become an important sector with impact on the development of the economy of any country. The most important benefits of tourism are the generation of income and of jobs, representing thus, for many areas and countries, the main source of income. The capacity of the economy of a country to generate significant income from tourism depends on the availability of investments related to the infrastructure necessary and capacity of satisfying the needs of tourists.

In many countries, the tourism activity is considered more important than production related to the economic and social issue. Due to the importance of tourism in economy and to the hopes of governments that tourism will determine an economic increase and development, there is a substantial literature, dealing with this subject. Consequently, there are several publications focusing on the contribution of tourism to GDP, the absolute value of tourism related to GDP, the tourism share of GDP and their amendments Archer & Fletcher (1996), Biçak&Altinary (1996), Evensen (1998), Sharpley (2001), WTTC (2011.). There are also a range of articles proposing different methodologies to deal with the evaluation of impact. A study of the impact on tourism and economic development is the elaborated by Proença and Soukiazis (2005). In their investigation, it is correlated the lodging capacity in the Portuguese areas and the regions of economic increase evaluated by GDP per head of inhabitant. It is noticed that an increase by 1% of the lodging capacity in the touristic sector entails an increase by 0.01% of income per head of inhabitant. The tourism rate increases, as well as the rate of convergence of income per head of inhabitant in the areas studied.

The authors reveal that the countries with higher relevant natural resources are susceptible to develop a comparative advantage in tourism and they

will evaluate faster than those specialised in the production sector. Similarly, Brau Union et al. (2003) are discussing the issue observing the correlation supplement between the country tourism specialisation (report of the income generated by international tourism and GDP on market prices) and the real GDP per head of inhabitant, increase rate. They realised that small countries have evaluated faster during the period 1980-1995 than the countries from OECD, oil producers, less developed countries or other small economies, and the conclusion that, although the dimension of a country is detrimental to increase, the opposite is true if combined with touristic specialisation.

Using a different method, Lanza and Pigliaru (1999) are examining the specialisation in tourism of a country and the effect on economic development. Moreover, Eugenio-Martin et al. (2004) consider the relation between tourism and economic increase for Latin-American countries for the period with an analysis based on an approach with frame data. The authors show that the development in terms of the number of tourists per head of inhabitant produces a positive effect on the economic increase of the countries with low and average income levels per head of inhabitant, but not in the group of rich countries. This diagnosis suggests that the increase of the number of arrivals of tourists in any country offers an opportunity for economic development in the countries in progress of development, but not in case of the countries already developed.

In addition, Balaguer and Cantavella-Jord (2002) reconstructed a model, which includes the real gross domestic product, the international tourism in real terms, and the rate of real effective change. Vietze and Freytag (2005) investigated the influence of biodiversity over the economic increase. The common characteristic of all empirical studies abovementioned is that they have the possibility to examine the relation between

tourism and economic increase using the relevant econometric models on countries and regions. All these reveal that tourism is positively stimulating the economic increase.

Methodology of research

The research procedure of this work consists in the analysis of touristic activities and of the potential afferent to the three countries.

The method of research used relies on the data from secondary sources, respectively on documentation. We have selected this method since it presents certain advantages in the development of research: it provides operability in obtaining information, it offers the possibility to compare the information supplied, increasing thus the reliability degree, involves a lower effort of collecting data, the information obtained have a more accentuated objective nature and in certain cases, providing information indispensable in other situations. The main secondary sources used were the external sources such as the official documents, the magazines and speciality publications, the statistical census, press, Internet, documents of different companies analysed and speciality literature.

The instrument of research used in the study was the actual identification and analysis of the data obtained during documentation and the grouping of these in terms of importance and relevance for the project topic.

Analysis and results of research

Tourism is an excellent potential being a catalyser of economic increase and thus a key sector on macro-economic level. Under the conditions of economic crisis, a high number of specialists consider tourism as one of the sectors with the highest potential of providing economic increase and development on international level by contribution to increasing the

number of jobs and the national income. Thus, tourism may be an important engine of economic increase and prosperity mainly in the countries with emergent economies, being a key element in reducing poverty and regional disparity. Despite its contribution to economic increase, the development of tourism may be prevented by a range of economic and legislative impediments which may affect the competitiveness of this sector.

Including mainly the rendering of services, the tourism represents this day an essential part of the third sector, the appurtenance to such sector deriving from the manner of performance of some of its definitive traits such as mobility, dynamism or capacity of adjustment to the exigencies of every tourist, as well as from the particularities of the touristic product, this being the result of harmonious combination of several services with specific traits and individual mechanisms of use.

The global economic crisis affected the entire world, initially the corporate segment, then the private one. If until 2008, the tourism was less affected, as of January 2009, the crisis began to become much more painful, mainly during the extra season periods. The effects of economic crisis over Romanian tourism appeared as a stagnation or reduction of the number of tourists who used to prefer certain forms of tourism, for instance sea coast tourism, practiced in September and in the first decade of October. It was also noticed the reduction of attractiveness of standard tourist service offers (lodging, meal, transportation) in the advantage of customised offers. Based on the economic crisis, in 2010, modifications appeared in the structure of the basket of products, both for the clients natural persons, and for corporate clients, who became much more careful with their money and much more receptive on promotional offers.

Considering the effects of tourism on economy, the Global Organisation of Tourism (in a study elaborated in 1980)

divides such effects in three categories, respectively:

- **global effects:** over national economy, in general, stimulation of production, use of labour force;
- **partial effects:** over the payment balance, level of exchange rate, money supply and financial circulation, manner of distribution of income, regional development, rural environment, demographic movement;
- **external effects:** on the quality of environment, professional training, consumption customs, training and education, social and cultural exchanges.

The macroeconomic impact of tourism is noticed mainly by the significant contribution to the creation of GDP, as well as by the special contribution to the added value. Having as specificity the high consumption of living work force, intelligence and creativity, the tourism participates to the creation of added value to a higher extent than other branches closer in terms of the level of development. Tourism involves as well the stimulation of production in other fields. The specialised studies emphasized that the activity of some branches is determined highly by the needs of tourism. This is also a manner of diversification of the structure of some country's economy. All these characteristics influencing the economy of a country in terms of tourism may be classified in:

The direct positive effects are emphasized by:

- Ñ **increase of gross domestic product and national income** due to the increase of the volume of receipts from tourism (made by direct performers – lodging units, public supply, agreement, carrier, and travel agencies), pursuant to the increase of production;
- Ñ **rebalancing the payment commercial balance** pursuant to the increase of the volume of foreign currency receipts generated by:

- sale of touristic services against foreign currency;
- internal export;

- Ñ **valuation of some categories of natural and anthropic resources** (which encounter in tourism the best and even the only valuation);
- Ñ **increase of prosperity of the areas where tourism is developed** (favouring the development of infrastructure in the area, valuation of resources, of labour force etc.).

Indirect effects may be represented by:

- Ñ indirect jobs created in other sectors pursuant to the development of tourism,
- Ñ increase of indirect income and indirect product from other branches,
- Ñ activities, increase of investments in other activity sectors, of income,
- Ñ supplementation obtained by these based on promoting the touristic potential of an area and intensification of touristic circulation,
- Ñ effects in the health plan,
- Ñ restoration of work capacity of human resources,
- Ñ effects in the plan of balanced territorial development, due to the mutations of touristic flows.

The international tourism and balancing the external payment balance. The invisible trade is concretised and forms the „invisible balance” or the „balance of services”, important component of external payments balance of a country. Within the service balance, the receipts and expenses resulted from touristic activity is registered in the balance account called „trips”. Thus, in the credit of this account are included the incomes resulted from the touristic activity (expenses of foreign citizens in the receiving country), and in the debit the expenses of the same kind made by foreign residents. Depending on the size and sign of the account balance „trips”, and the size and sign of the balances of the other

balance accounts, we may have one of the following situations:

-The „trips” account has a positive balance: reduction of the deficit of payment balance, balancing the payment balance, increase of the excess of payment balance;

-The „trips” account has a negative balance: increases the deficit of payment balance, reduction of the excess of payment balance, misbalance of payment balance.

Comparative analysis Romania-Bulgaria-Greece

Tourism represents for Romania the economic sector with a valuable potential of development, not exploited yet enough and which may become a source of attraction both for the investors and for foreign citizens, however this is prevented by the strong competition of the neighbouring countries (Bulgaria, Greece, Croatia, Hungary) and by the apleness of problems related to the competitiveness of Romanian tourism.

Tourism in Bulgaria started to develop in the '60s under the communist sign, by a range of luxury resorts, on that time that began to attract rich tourists from Occident. The number of tourists visiting the Bulgarian sea coast has constantly increased along the years, tourism becoming a strategic sector in economy, position still held to a certain extent these days. One of the Bulgarians' secrets is that they continued and developed the collaboration with the important international tour operators, after 1990s. These tour operators did not invest directly, but they provided loans for the restoration of some hotels, they guaranteed a high flow of tourists, against some very good prices, provided consulting services to the Bulgarians related to the introduction of the attractive services all inclusive.

Greece is considered a special destination that people from the entire world are visiting in order to know its cultural inheritance and natural beauties.

Being surrounded by sea due to the existence of thousands of isles in the Aegean Sea and Ionic Sea, Greece is holding 16 000 km of coast line, and on European level occupies the second place, after Norway. Also, the fact that the Greek people was noticed in the Antiquity for its hospitality and for the commercial trips, having one of the largest naval forces at the time, consolidates the conviction that tourism in Greece is highly important currently and in the future.

The tourism represents a combination between mirific, action and results, it has evolved during the last decades in a rhythm superior to the increase of global GDP or commerce with material goods.

The main factors influencing the increase of tourism during the current stage are:

- increase of the population income;
- extension of tripping customs;
- change of traditions and preferences of population.

In the context created by crisis when the profit decreased, and the travel agents' objective is only to cover the costs generated by conceiving, production, distribution and consumption of tourist services, the low profit resulted must be well managed, mainly, for investments. The absence of modern and competitive mechanisms of creation of production factors is often one of the most determinant weaknesses of a destination. Consequently, the implementation of the mechanisms of creation of factors - education and research, programs of investment in such fields - is the most important tool in obtaining sustainable competitive advantages.

Conclusions

Modern tourism appeared as a result of desire, mobility and availability, which made possible the existence of mass tourism. The 20th century characterised by the appearance of new fields and

technologies such as aviation, computers, robots and communication by satellite, is the period of appearance of modern tourism determined by the increase of leisure, by obtaining additional income, by development of telecommunication and creation of some efficient and fast transport means. Tourism will continue to represent one of the most dynamic sectors of global economy.

Despite the periodical recessions, political and climatic changes, wars, terrorist attempts and uncertainty related to the price of fuel, the international tourism represents the most important element of international commerce budget. The tourism entails these days the travel of million of people towards new touristic destination searching for an environment change and new experiences.

In conclusion, the touristic product is the result of the activity carried out by different economic agents, the tourism operating as a stimulator of global economic system. The development of tourism entails thus a multitude of components with stimulation and driving effects, both of the production of touristic industry and other branches of economic activities, directly or indirectly contributing to the process of economic development.

Bibliography

- [1] Archer, B. H., and J. E. Fletcher (1996) The economic impact of tourism in the Seychelles. *Annals of Tourism Research* 23(1), pp. 32-47
- [2] Balaguer, J., and M. Cantavella-Jordá (2002) Tourism as a long-run economic growth factor: the Spanish case. *Applied Economics* 34(7), pp. 877-884
- [3] Biçak, H. A., and M. Altinary (1996) Economic impact of the Israeli tourists on NorthCyprus. *Annals of Tourism Research* 23(4), pp. 928-931
- [4] Brau, R., A. Lanza, and F. Pigliaru (2003) How fast are the tourism countries growing? The cross-country evidence. CRENoS Centro Ricerche Economiche Nord Sud, Working Paper 03-09, <http://www.crenos.it/working/pdf/03-09.pdf> (Accessed 09 May 2006)
- [5] Eugenio-Martin, J. L., N. M. Morales, and R. Scarpa (2004) Tourism and Economic Growth in Latin American Countries: A Panel Data Approach. *FondazioneEni Enrico Mattei Working Paper Series, Nota di Lavoro* 26.2004, <http://www.feem.it/NR/rdonlyres/881EB22A-4CF24FE8-9E78-D8C9AB1E65FD/1057/2604.pdf> (Accessed 12 May 2006)
- [6] Evensen, T. N. (1998) The impact of tourism on the Norwegian economy and employment. Paper presented at the 4th International Forum on Tourism Statistics, 17-19 June 1998, Copenhagen, <http://www2.dst.dk/internet/4thforum/docs/c2-8.doc> (Accessed 17 May 2003)
- [7] Ivanov, S. (2005) Measurement of the macroeconomic impacts of tourism. Unpublished Ph.D. thesis, University of Economics – Varna, Bulgaria
- [8] Lanza, A., and F. Pigliaru (1999) Why are tourism countries small and fast-growing. CRENoS Centro Ricerche Economiche Nord Sud, Working Paper 99-06, www.crenos.it/crenos/PDF/996.pdf (Accessed 09 May 2006)
- [9] Proença, S., and E. Soukiazis (2005) Tourism as an alternative source of regional growth in Portugal. Centro de Estudos da União Europeia, Faculdade de Economia da Universidade de Coimbra, Discussion paper 34, <http://www4.fe.uc.pt/ceue/working%20papers/EliasSara34.pdf> (Accessed 09 May 2006)
- [10] Sharpley, R. (2001) Sustainability and the political economy of tourism in Cyprus. *Tourism* Vol. 49(3), pp. 241-254
- [11] System of National Accounts /SNA/ (1993), United Nations Statistical Division, International Monetary Fund, World Bank, EUROSTAT, Organisation for Economic Cooperation and Development
- [12] Vietze, Ch., A. Freytag (2005) International tourism, development and biodiversity: first evidence. Public Choice Society Annual Meeting, New Orleans, Louisiana, 30th March – 2nd April 2005, http://pubchoicesoc.org/papers_2006/vietze.pdf (Accessed 09 May 2006)
- [13] World Travel and Tourism Council /WTTC/ (2006) The 2006 Travel & Tourism Economic Research: Bulgaria. London, <http://www.wttc.org/2006TSA/pdf2/Bulgaria.pdf> (accessed 12 May 2006)

Table 1. Economic importance of tourism

Characteristics	Means
Source of natural income	-by stimulating the tourism, it determines a production increase encountered as contribution to the increase of gross domestic product ; -by the export of tourists, it assures the valuation of the national resources and internal labour; -through the valuation of the resources still non-valued and the additional exploitation of those belonging to other fields.
Generates new jobs	-it is a consumer of live labour; -it generates both direct employments in the field of touristic services, and in the related branches such as agriculture, constructions, industry.
Contributes to the diversification of economic structures	-by development of the existent ones pursuant to the development of touristic activities and by increase of the dimensions of economic sectors meant to satisfy the touristic demand; -through the creation of other branches due to the occurrence of some new activities specific to tourism: agreement, cable transportation, travel agencies, handicraft productuon etc.
Means of valuation of resources	-by development of some areas poorer in resources, performance of some touristic arrangements, favouring the use of the existent ones; -by rural tourism.
Stimulator of investments	-by debauching and restoration of economy in certain areas; -by hiring the investments in the fields closely related to tourism; -by the incomes generated by the exploitation of objectives, by consumption of goods and services as well as by the wages offered to employees.
Reduces the inflationist phenomenon	-by the price of lands from touristic areas which present a fast increase, based on the investment of tourists within a certain area being thus created a sensitive inflationist pressure; -by the process of consolidation of national currency, by higher foreign currency receipts, which may be reduced by the increase of the rate of exchange or practicing a high interest.
It is a component of external relations	-by an increase and diversification of the international changes under the impact of development; -by services of international tourism, of international transport, of insurances, bank operations etc. -by financial transfer of wages, taxes, donations, contributions; -by significant contribution to the increase and diversification of exports.

Source: Created by the author

WORLD	2011 USD bn	2011 % of total	2012 Growth	USD bn	2022 % of total	Growth
Direct contribution to GDP	1.927,8	2,8	2,8	3.056,2	3,0	4,2
Total contribution to GDP	6.346,1	9,1	2,8	9.939,5	9,8	4,3
Direct contribution to employment⁴	98.031	3,3	2,3	120.470	3,6	1,9
Total contribution to employment	254.941	8,7	2,0	327.922	9,8	2,3
Visitor exports	1.170,6	5,3	1,7	1.694,7	4,3	3,6
Domestic spending	2.791,2	4,0	3,5	4.547,6	4,6	4,6
Leisure spending	3.056,9	4,4	3,1	4.853,8	4,8	4,4
Business spending	968,4	1,4	2,5	1.476,2	1,5	4,0
Capital investment	743,0	4,9	3,5	1.320,4	5,1	5,6

Source: WTTC, Travel & Tourism Economic Impact 2011 and 2012

The SWOT analysis of the three countries from a touristic point of view

Country	Strong points	Weak points	Opportunities	Threats
Romania	-Natural potential, geographical location; -Anthropic potential, monuments, vestiges, events; -Development and diversification of the lodging capacity and alimentation; -Creation of new tourist products; -Balneary potential.	-Weak development of services -Lack of an infrastructure -Lack of utilities -Lack of investments -Lack of promotion	-Geopolitical position -Entry of Romania in NATO and EU -Safety of Romania, -Valuation of cooperation relations	-Deterioration of the economic situation of the countries from Western Europe increase of oil rate -Globalization phenomenon affecting the cultural environment
Bulgaria	-Natural potential, geographical location; -Progress in building the image by media; -Investments from private sector; -Introduction of specialised publications;	-Lack of national strategy for tourism Insufficient development in tourism -Lack of strategic thinking and skills of presentation -Infrastructure -Lack of attractions	-Improvement of touristic and public infrastructure -Mountain tourism -Reduction of the barriers of access to the financing sources of small and middle tourism companies	-Prices and offers, attraction of marginal groups of tourists and creation of image of low quality -Lack of maintenance of cultural monuments -Chaotic planning of regional touristic development -Lack of state support
Greece	-Natural potential, geographical location, isles -Climate,	-Lack of commercial reasoning organisation,	-Cultivation of touristic demand programs of	-Uncontrolled development, oversaturated and lack of the

	-Cultural patrimony, Tradition, History -Low costs -Hospitality of hosts	functioning and management of business tourism, mainly among the small ones dependence on foreign tour- operators and channels of distribution	Regional Development low living level common European currency	infrastructure necessary in some isles and coast regions -Pollution of environment and Incidents of the last years
--	---	---	--	---

Source: Created by the author

Country	Travel&Tourism direct contribution to GDP		Travel&Tourism total contribution to GDP	
	2011	2012	2011	2012
Romania	1,4	14,8	4,5	7,6
Bulgaria	3,6	-1,0	12,9	-2,0
Greece	6,4	-2,1	16,5	-4,5

Source: Source: WTTC, Travel & Tourism Economic Impact 2011 and 2012

Country	Travel&Tourism Investment contribution to Total Capital Investment		Travel&Tourism total contribution to Total Exports	
	2011	2012	2011	2012
Romania	7,3	5,1	2,9	21,0
Bulgaria	6,1	-2,5	11,9	1,0
Greece	14,0	-12,6	28,5	0,9

Source: Source: WTTC, Travel & Tourism Economic Impact 2011 and 2012