

TOURISM IN EU TRANSITION COUNTRIES

AGUAYO LORENZO, Eva

EXPÓSITO DÍAZ, Pilar

VÁZQUEZ ROZAS, Emilia*

Abstract. The political and economic changes in EU transition countries have brought the attention in this area, making it a desirable destination for an important part of tourists, both in Europe and other parts of the world. We study the differences among the countries and fifty regions, considering the importance of resident and non-residents tourism in each of them. Through this analysis we would like to point those countries, and regions, which are already in a good position, such as the Czech Republic and Hungary, comparing them with those others which offer an important potential to develop this sector.

Keywords: Tourism, Transition Countries, CEEB, Central Europe Easter Europe

JEL Codes

Resumen. Los cambios políticos y económicos en los nuevos países de la UE han incrementado su atracción como destino turístico tanto en Europa como en otras partes del mundo. Examinamos las diferencias, en los países y regiones, considerando el turismo residente y no residente. Destacan la República Checa y Hungría, y comparamos su posición con otros países que tienen un importante potencial de desarrollo del sector.

1. Introduction

In this paper we analyse the economic impact of tourism in the economy of Central and Eastern European Countries (CEEB) at regional level. We will focus in those countries that became members of the European Union in May 2004, plus Romania and Bulgaria.

We will focus on the differences among nations or regions, considering the importance of resident and non-resident tourism at

* Eva Aguayo, Pilar Exposito and Emilia Vázquez Rozas, Econometrics, Faculty of Economics and Business, University of Santiago de Compostela, Spain, email: emilia.vazquez@usc.es

both levels. We will point the countries and regions that already are in a good position, such as the Czech Republic or Hungary, and we will compare them with others that have opportunities to develop this sector.

Since the transition many essential changes have occurred in Central and Eastern Europe. There has been a deep transformation all across the social, political and economic spheres, so this phenomenon should not be reduced strictly to its economic side. In this paper we will focus on the economic impact of tourism on the economy, mainly accounting for its impact on the labour market.

One of the basic axioms of the former system was the maintenance of full employment and security in the employment. With the ending of central planning economies all this countries experienced a huge increase in their unemployment rates, even surpassing many of the western countries. At present, we can state that this is one of the key problems of transition countries.

For this reason we will show how tourism can play a role in the reduction of unemployment in the transition countries through its impact on the employment in the service sector, both at the national and regional level.

2. Employment and Tourism in transition countries

The labour market situation in the former socialist countries was characterised at the onset of transition by full employment, no open unemployment (with the exception of the former Yugoslavia) and an excess of labour supply over demand. Poor wages and limited income differentiation did not motivate workers to improve their performance. Another important feature, was the high share of industry in total employment, while the private sector was almost non-existent. The transition implied a deep process of creative destruction across the economy, some sectors expanded while were reduced sharply. At the same time reallocation also helped to transfer the labour input from the declining activities to those which were under expansion.

The increase in unemployment experienced during transition has turned out to be the main problem politicians have to deal with, as it can be considered one of the major sources of misery in our society

(Dragicevic and Obadic, 2001)¹.

The average of unemployment rate for those countries, where data are available in 1990, was 1.57%. In 2002 the average for CEEB was 11.9%, surpassing the EU-15 with an average of 8%. This is even more important if we consider that at the beginning of transition it was much lower than in the EU.

As Galgóczi (2002) points out, the transition economies have managed to transform their economies in ten years, achieving high rates of GDP growth in recent years and making them the fastest growing region in Europe nowadays. It could be discussed in this process can be globally assessed as positive, in fact prominent economists such as Stiglitz (2003) hesitate it. Nevertheless, if we consider the social impacts, the consensus here is wider, and many authors consider that these results could have been partially avoided. It goes beyond the scope of this paper but for those willing to go deeper in this issue it could also be consulted in CEORG (1999), Weise et al. (2001), Papeles del Este (2002), Vara (2003) or Schediwy (2003).

According to Dragicevic and Obadic (2001), Nesporova (2003), Herzog (2003), Luengo (2003), or Bornhorst and Commander (2004), the key characteristics of labour market developments on transition countries in the 1990s can be summarized as follows:

a) *Decline in employment*: After the sharp decline in economic activity caused the collapse in the demand for labour, and after a short interval, the employment also started to decline.

b) *Shrinking participation rates*: Employment losses were transformed into unemployment as well as into economic inactivity. Participation rates of the population aged 15 to 64 declined in all transition countries between 1990 and 1999. The reasons for this falls are various, including voluntary withdrawals (e.g. persons who have been returned their previously nationalized property), and forced withdrawals (including the discouraged workers who opt for social welfare combined with informal work instead of accepting low paid or arduous jobs).

c) *Unemployment trends*: In CEEB, unemployment accelerated in the first years reaching double-digit levels. The

¹ Valev (2003) indicates that the unemployed generally personify the losers of the transition process.

economic recovery contributed first to stabilization of the unemployment rate, and later to a certain decline. Young people are the group hardest beaten by unemployment (rates for young under 25 are often twice as high, or even higher, than national averages). Low skilled workers are also more affected by unemployment.

d) *Regional disparities*: Regional disparities in transition countries are large, and have been increased by the transformation. This stems from the past legacy of high concentration of production in large enterprises, which were often the major employment providers for one region. Regions that are hit hardest by unemployment tend to be mono-structural, where the main industry is suffering from economic recessions. Low territorial mobility had also intensified these problems, both across sectors and occupations², which make it unable to play a role in equilibrating regional disparities. A different opinion can be found in Sorm and Terrell (2000).

Regarding unemployment rate in CEEB and their regions in year 2001, the lowest rates can be found in Prague with 3.9% in 2001, while Bulgaria (Severozapaden 28.5%, or Yugoiztochen 25.4%). Slovakia (Východné Slovensko 23.9%), and Poland (Lubuskie 24.3%, or Dolnoslaskie 23.7%) present the highest shares.

The table 1 presented in the Annex confirms the assessment made previously about the increase of regional disparities (measured through the unemployment rates) during transition. The average rate of regional unemployment has increased in these countries, as well as the differences between the maximum and the minimum values within each country, except for Polish regions.

As Havrylyshyn (2001) notes, there is a general opinion around the fact that traditional inputs do not explain growth over time in the transition countries since the fall of the communist regimes. The empirical evidence confirms the short-run nature of both, decline and recovery.

Many authors confirm that the beginning of recovery can be explained by many other processes, such as *reallocation* of

² Some of the basic mechanisms to understand this low mobility can be found in Korel and Korel (1999), Andrienko and Guriev (2003), or Bornhorst and Commander (2004).

resources, within and among the sectors, and *restructuring* of state firms (see Blanchard (1997)). However, this processes will get to an end, so if the growth is to be maintained, it will be necessary to increase the traditional inputs. As we have already mentioned, tourism can be consider as a driving force in many regions, stimulating the growth, not only in the service sector, inducing thus an increase in employment.

3. Tourism in transition countries

Prague is the region that receives the greatest number of tourists. In 2000 this region surpassed the 7 million overnight stays; more than 90% is foreign tourism. Slovak Republic surpassed 5.5 millions, a half came from national origin. Budapest region -Közep-Magyarország- achieved 5.3 million, 82% foreign.

We can stress other regions that surpass 4 million of overnight stays in 2000: Súd-Est from Romania, Severoiztochen (Bulgaria) and Slovenia. Only one of these regions receives principally national visitors (90%), it is Súd-Est, a region beside the Black Sea. The origin of visitors in Romania and Poland are principally from national origin; in these countries only state capital regions receive more foreign than national tourism.

The table 2 shows the position of the regions/countries in the ranking of total, foreign and national overnight stays per thousands of inhabitants. Some comments could be made attending to the data presented. We would like to underline the outstanding position of Prague in tourism, achieved trough the inflow of foreign tourists. The second position is Severoiztochen, in relation to the population, and in third position is Severozápad, both because of foreign inflow.

For the national tourism, the picture is somewhat different. The Sud-Est region (Romania) ranks the first among the fifty considered. Severovýchod is on the second position, while on the third we found Nyugat-Dunántúl. None of the Polish regions ranks among the top five. Actually, the higher situation between Poland's regions is Malopolskie which is in 24th place, so it seems that a push on tourism should be attempted to increase employment in this sector in Poland.

The figures [in the Annex](#) show one classification for the tourism in these regions and countries. The first map indicates the place of the regions

in overnight stays of foreign origin, and the second indicates the position in national origin, both in relation to de population.

Table 2. Tourism ranking of 50 regions/countries (2000).

Region	Total	Foreign	National
BULGARY			
Severozapaden	50	50	48
Severen Tsentralen	38	41	33
Severoiztochen	2	2	18
Yugozapaden	28	21	35
Yuzhen Tsentralen	30	36	23
Yugoiztochen	7	5	26
CZECH REPUBLIC			
Praha	1	1	16
Střední Čechy	14	12	15
Jihozápad	11	11	7
Severozápad	3	3	4
Severovýchod	5	8	2
Jihovýchod	18	16	20
Střední Morava	12	15	5
Moravskoslezsko	15	19	8
HUNGARY			
Közép-Magyarország	8	6	29
Közép-Dunántúl	17	13	19
Nyugat-Dunántúl	4	4	3
Dél-Dunántúl	9	10	10
Észak-Magyarország	22	30	14
Észak-Alföld	21	18	21
Dél-Alföld	31	32	28
ESTONIA	13	9	27
LITHUANIA	41	28	50
LATVIA	27	17	34
SLOVENIA	6	7	6
SLOVAK REPUBLIC	16	14	17
POLAND			
Dolnoslaskie	29	26	30
Kujawsko-Pomorskie	42	38	40
Lubelskie	48	47	47
Lubuskie	37	33	36
Łódzkie	44	44	43

Malopolskie	24	22	22
Mazowieckie	34	24	38
Opolskie	49	43	49
Podkarpackie	47	48	46
Podlaskie	45	39	44
Pomorskie	32	27	31
Slaskie	46	45	45
Swietokrzyskie	43	46	42
Warminsko-Mazurskie	26	20	25
Wielkopolskie	40	35	39
Zachodniopomorskie	35	25	37
ROMANIA			
Nord-Est	39	42	32
Sud-Est	10	29	1
Sud	33	40	24
Sud-Vest	25	49	12
Vest	20	34	9
Nord-Vest	23	37	13
Centru	19	31	11
Bucuresti	36	23	41

Source: Authors' elaboration from REGIO database, EUROSTAT.

There are five regions in the foreign and national tourism top ten: two regions in the north of Czech Republic (Severozápad and Severovýchod), two Hungary regions (Nyugat-Dunántúl and Dél-Dunántúl) and Slovenia.

Within foreign tourism (see Figure 1), Prague achieved 5.4 overnight stays per inhabitant in 2000. The mean value of the other regions is one stay per two inhabitants; only fifteen regions surpass this value. In addition to Prague, nine regions have more than one overnight stay per inhabitant: the aforementioned top five regions; Bulgarian regions of Severoiztochen (3 stays per person) and Yugoiztochen; Közép-Magyarország and Estonia.

None regions in Poland, Rumania and Lithuania achieve 300 overnight stays per thousand of people in 2000. Last position is taken by Severozadaden in the north west of Bulgaria (11 stays per thousand of inhabitants).

Prague is the most important region in number of foreign tourism

per thousand of people, but it is in 16th position in national overnight stays. Also, the Bulgarian region of Severoiztochen falls from 2nd to 18th position in the ranking of national tourism. In addition, there are other three regions in good position in the foreign tourism that drop under the mean of national overnight stays in relative terms: Yugoiztochen (BU), Közép-Magyarország (HU) and Estonia.

The number of overnight stays of national origin in hotels and similar establishments per thousand inhabitants in the year 2000 can be seen in figure 2.

Súd-Est, in Romania, is the first region in national overnight stays; it has almost 1.5 overnight stays per inhabitant. In addition, the Czech Republic regions of Severovýchod and Severozápad, and Nyugat-Dunántul (in Hungary) have more than one tourist per inhabitant in year 2000.

The mean of national tourism in our fifty regions is 466 overnight stays per thousand of people. All regions of the Czech Republic surpass the mean and none Polish region achieve this value.

We have compared briefly some touristy indicators of CEEC countries and regions with the EU-15 in 2000. We can say that among the 161 countries and regions of EU-27 only three of the CEEB are between the first fifty in total tourism, in *per capita* terms: Prague (in 17th place), Severoiztochen and Severozápad.

In relation to foreign tourism, the position of CEEB is even better; ten regions are in the top-50: Prague (10th), Severoiztochen, Severozápad, Nyugat-Dunántul, Yugoiztochen, Közép-Magyarország, Slovenia, Severovýchod, Estonia, and Dél-Dunántul.

However, these countries do not appear in top-50 of national tourism. This is quite important because, as Williams and Balaz (2000) point out, national tourism has been more affected by the deep economic crisis of the 90s. With the recovery many national tourists started to try to find for affordable nearby destinations instead of the former national ones. Thus, we consider that there is an important source of tourism increase in national tourism, if the appropriated reforms are implemented. This could also help to increase the economic activity in some of the hardest hit areas of CEEB.

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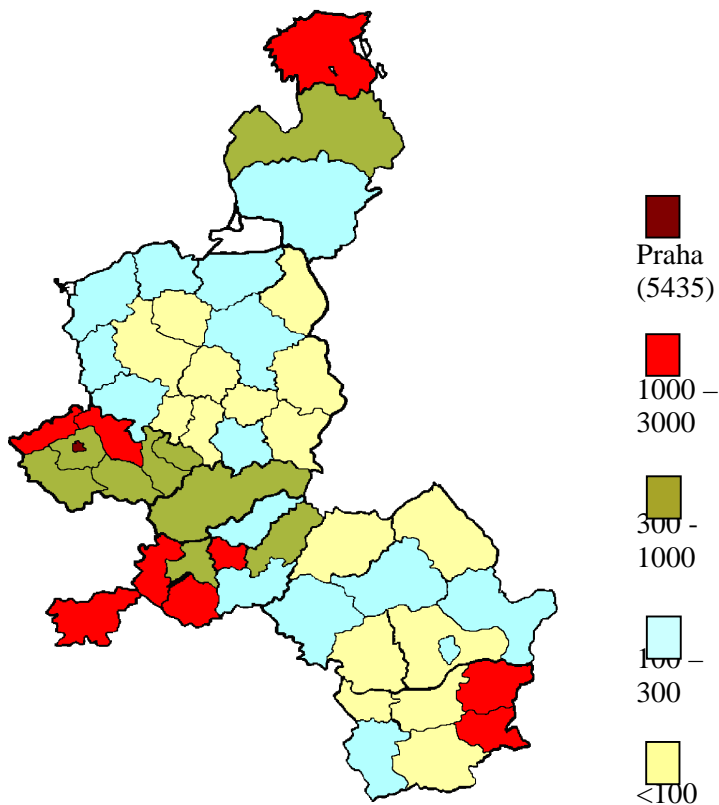
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¹ <http://www.usc.es/economet/welcomei.htm>

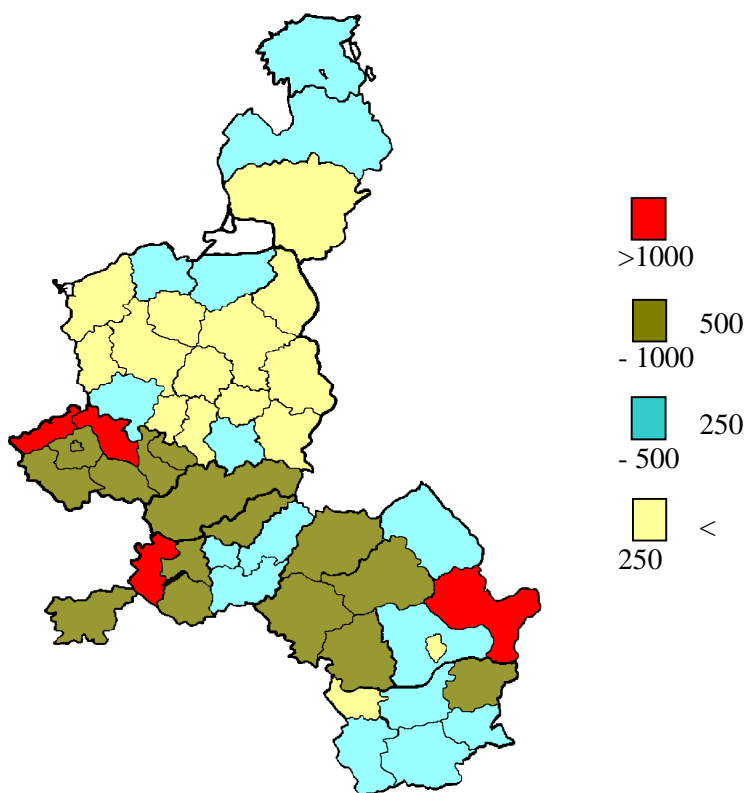
² <http://www.econ.kuleuven.ac.be/licos/joep/konings.htm>

Annex



Source: Authors' elaboration from REGIO database, EUROSTAT

Figure1. Number of overnight stays of foreign origin in hotels and similar establishments per thousand inhabitants in the region/country, 2000.



Source: Authors' elaboration from REGIO database, EUROSTAT.

Figure 2. Number of overnight stays of national origin in hotels and similar establishments per thousand inhabitants of the region/country, 2000.

The first map indicates the place of the regions in overnight stays of foreign origin, and the second indicates the position in national origin, both in relation to the population. The number of overnight stays of national origin in hotels and similar establishments per thousand inhabitants in the year 2000 can be seen in figure 2.