

Competitive Advantages of Ukraine on the World Tourism Market

Mar'yana Lozynska and Zhanna Poplavska

National University "Lvivska Polytechnika", Faculty of Economics and Management,
Theoretical and Applied Economics Department,
S. Bandery 12, 79000 Lviv, UKRAINE

ABSTRACT

The international tourism is a rapidly growing phenomenon worldwide and it is one of the major foreign exchange generators. The tourism industry has become a powerful engine for economic development of many countries. Considering the national importance of tourism, we have chosen Ukraine, as a typical representative of post Soviet Union countries, for our analysis. The development of tourism in Ukraine is an emerging and important problem from many social-economic points of view. Ukraine, being the part of Eastern Europe, has good preliminary conditions for the development of tourism business on the world level. The main factors that determine these conditions could be briefly listed as Ukraine entrance to the World Tourism Organization (WTO), favorable geo-political location, preserved cultural and historical heritage, availability of recreation zones and bases for ecotourism. At the same time, taking into account macroeconomic factors of country development, typical for many countries of this region, a number of open issues should be pointed out. First of all it concerns non-favorable investment conditions, low-income level and entertainment industry that is still on infant level of development. Therefore, the careful analysis of competitive advantages and accurate prediction of tourism development trends in Ukraine are the main objectives of this study.

1. INTRODUCTION

It is well known fact that the world tourism development in the last 50 years has been so fast that it was called a "phenomena of XX century". However, Middle East political instability and the boom of terrorist activity caused a considerable negative impact on its further development in the last years. The 14th General Assembly of the World Tourism Organization (WTO) held in Korea and Japan has emphasized the enormous decrease of tourist flows that had negative reflection in the economy of many countries all around the world. Therefore, the problems of tourism security become extremely actual and important. In this respect, Europe has been traditionally considered to be more attractive for tourism in comparison with the other parts of the world. The diagram in Figure 1 shows the international tourist flows. Europe definitively poses a leading position there that indicates its tourism attractiveness. Ukraine, being a part of Europe, represents a significant segment of European tourism market. According to Table 1, Ukraine possesses 2,2% of international European market.

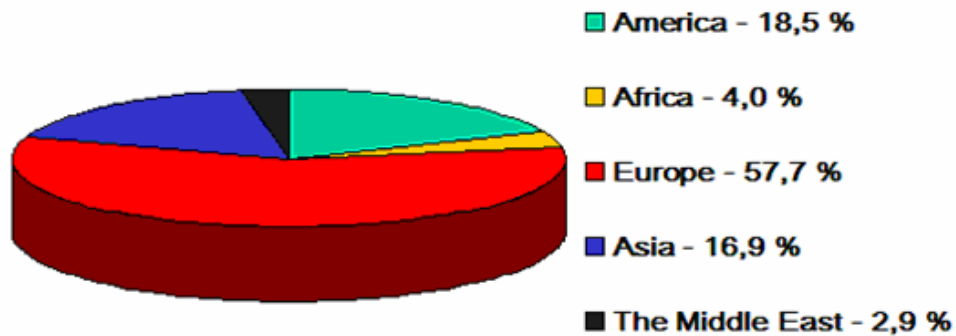


Figure 1. International tourist flows.

Table 1. Ukraine on the European tourism market in 2000 year.

Country	International touristic flows		Incomes from International tourism	
	Quantity, Mio. per	Market part. %	Amount, Mio. Dollars	Market part. %
European region	403.3	100	231.5	100
France	73.0	18.7	29.9	13.5
Poland	17.9	4.3	6.1	2.6
Greece	12.1	3.1	9.2	3.8
Ukraine	9.2	2.2	3.5	1.51

The collapse of the former Soviet Union and recent European integration processes have opened new frontiers and attractive possibilities for the tourism development. The problem of tourism in Ukraine is especially important since it constitutes an essential part of the third economical sector and its development will lead to the growth of overall social-economic level in the country.

Therefore, the main objectives of this study can be summarized as follows:

- to analyse the development of tourism and recreation in Ukraine;
- to validate the main results obtained in scope of investigation of potential and real competitive advantages of Ukraine, which is urgently looking for its unique place on the world tourism market;
- to determine the main ways of the development of Ukrainian tourism market and to popularise Ukraine as one of the European tourism centres.

To better represent and analyse the tourism possibilities in Ukraine, we first briefly review the geographical position of Ukraine and then consider its main economic parameters.

Geographically, Ukraine is situated in the south-east of Europe and has common borders with Poland, Slovakia, Hungary, Romania, Moldova, Belarus and Russia. From East to West Ukraine stretches for more than 1300 km and from north to south for almost 900 km. There are the Carpathian Mountains in the west and the Crimean Mountains in the south. Ukrainian territory is washed by the Azov Sea and the Black Sea. These factors influence the climate of Ukraine. The climate is pleasantly mild without extremes of cold or of heat. It is continental with the exception of the Crimea where the climate is close to the one that can be called «Mediterranean» or even subtropical.

The main rivers are the Dnieper, the Dniester, and the Bug. The Dnieper is one of the longest European rivers and one of the main sources of hydroelectric power in the country. The Dnieper river is the major river in the country and the third longest in Europe. Its total length is 890 miles, 475 miles over the territory of Ukraine. The coasts of the Azov Sea and the Black Sea are well-suited for ports. We have quite a lot of big seaports, for example, Odessa, Kerch and Izmail.

The capital of Ukraine, Kyiv, is situated in the geographical centre of Ukraine and is known as a city with rich history where the historical roots of Ukrainian, Russian and Belarussian nations are coming from and where the orthodox religion started to be spread among Eastern Slavonic nations.

The population of the country is 50 million people and consists of a variety of nationalities. Ukrainians, Russians, Belarussians, Moldovans, Tatars, Poles, Romanians and Greeks are the groups that are predominantly represented. The official state language is Ukrainian that is mostly used in the western part of Ukraine while still a considerable part of eastern regions is speaking Russian.

Ukraine is a land of gorgeous nature, which is much the same as it was during ancient times. Fields, meadows, hills dotted with green forests, mountains and valleys full of beautiful flowers create the unique landscape of our country. The real Ukraine is a land of natural beauty still untouched by the modern world. Most of Ukraine is flat land but in the west the Carpathians with the highest peak Hoverla (2061 m above sea level) and in the south the Crimean mountains with the highest mountain Roma-Kosh (1545 m above sea level) take up to 5 % of the territory of the country.

The Crimea has long been a favorite holiday destination for tourists. One can find gentle seas and good beaches, mountain lakes and waterfalls, ruins of ancient Roman, Byzantine and Genoese fortresses. The Crimea is a marvelous treasure, a natural storehouse of the secrets of millenniums. There are more than 175 officially registered monuments of nature. It is famous for Nikitsky Botanical garden, the Alupka palace, Swallow's nest and other historical creations.

Talking about Ukraine, one should also mention the ancient city L'viv located close to Polish border. The history of L'viv (known also as Lviv, Lvov, Lwow and Lemberg) is the history of Europe. From early nomadic tribes, the great dynasties of the Middle Ages and the regional superpowers of their times, all have left their legacy in the culture, architecture and heritage of the city. Little did they know that after centuries it would be included in the UNESCO list of World Heritage? Located at a crossroad of major routes from East to West and from North to South, L'viv was a natural stopping point for troops

of knights of different crowns and pilgrims of different religions. Numerous museums and galleries are now treasure-troves of masterpieces of all kinds to satisfy the taste of the most demanding connoisseur.

Finally, Ukraine is extremely rich in natural resources and has an enormous scientific potential concentrated there during last century.

Now-a-days Ukraine, being on the stage of market economics formation, is facing a number of problems that are typical for the majority of Eastern European countries. Low purchasing capability of population, high level of unemployment, low salary, non-favourable investment climate and imperfect law for enterprise functioning are among other typical problems. However, at the same time the analysis of main macroeconomics factors of Ukraine in 2003 indicates the stable economical country growth during last 4 years. For instance, the average monthly salary has increased on 28.8%, the direct foreign investment has increased on 21.7%, the nominal gross national product has increased on 10% and the unemployment level has decreased on 10% in comparison with the same data in 2002. The main economic parameters of Ukraine are summarized in Table 2.

Table2. Main economic parameters of Ukraine.

Parameters	Years			
	2000	2001	2002	2003
GDP, %	105.9	109.2	104.8	109.3
Consumer price index, %	125.8	106.1	99.4	108.2
Foreign direct investment, Mio USD	3875.0	4555.3	5471.8	6657.6
Registered unemployment rate, %	4.3	4.2	3.7	3.6
Average monthly wages of employees, USD	47.9	63.0	75.2	87.2

The paper is organized as follows. In Section 2 we will analyse the Ukrainian tourist market and then in Section 3 we will derive some conclusion about competitive advantages of Ukrainian tourist product and try to look at future perspectives.

2. UKRAINIAN TOURIST MARKET

Having considered the main social-economic tendencies of Ukraine development, we will analyse the particularities of Ukrainian tourist product.

The development of tourism and recreation in Ukraine is characterized by the positive and stable dynamics during last three years. The creation of a new image of Ukrainian tourist product, its competitive ability within the country and abroad, the complex approach to the development of tourism and recreation bases on the regional level, the support of small and medium business in the tourism sector, and in particular of eco-tourism, have altogether caused the unavoidable increase of the number of tourists and the spectrum of offered services. About 12.5 Mio foreign

tourist visited Ukraine during 2003 that exceeds the same number on 19.0% (or 2.0 Mio) for the previous year. The diagram reflecting this tendency for the last four years as well as the forecast for year 2004 are shown in Figure 2. The amount of internal tourism is also slowly growing. About 7.5 Mio internal tourists travelled in Ukraine during 2003 that exceeds the data for the previous year on 4.1%. The partition of foreign tourist flow is schematically depicted in Figure 3. The majority of foreign tourists are coming from Russia and Poland that is explained by the recreation and business purposes. In general, the statistical data indicates the purpose of international travels to Ukraine as follows:

- with the goal of tourism – 51.3%;
- with the business goal – 31.9%;
- with medical, religious and other goals – 16.8%.

The amount of tourism consumption was equal to 5.3 Mio USD dollars and the growth corresponds to 18.0%. Therefore, the number of enterprises in tourism sector increased on 5.3% in 2003. This has caused the increase of the amount of subjects of tourist activity on 11.7% and the recreation centres on 0.6%. It should be also pointed out that the tourism development has positive impact on the decrease of the overall level of unemployment since the average amount of the employees involved in the tourism business increased on 7.7% in comparison with 2002.

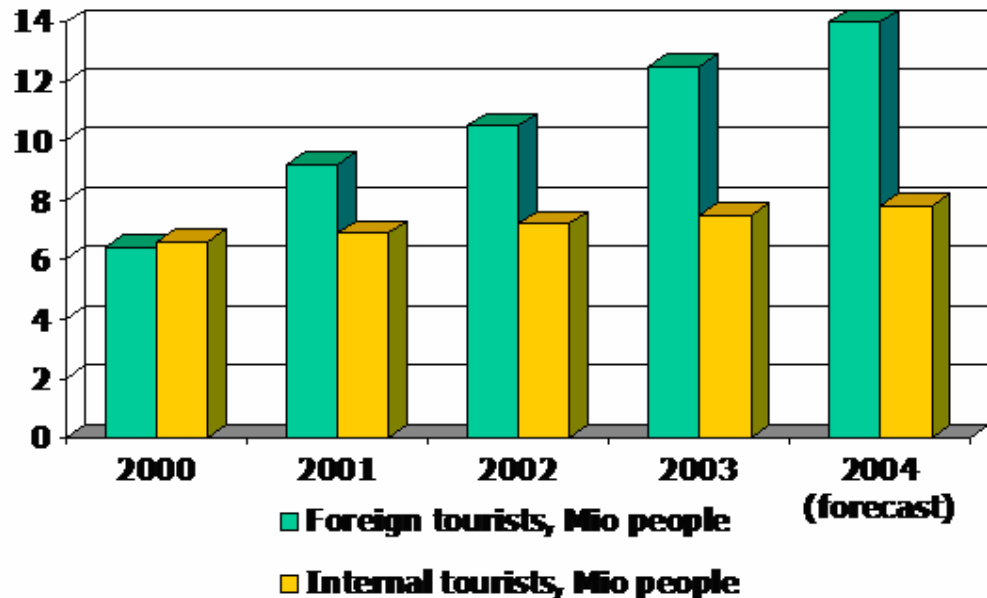


Figure 2. The dynamics of tourist flow.

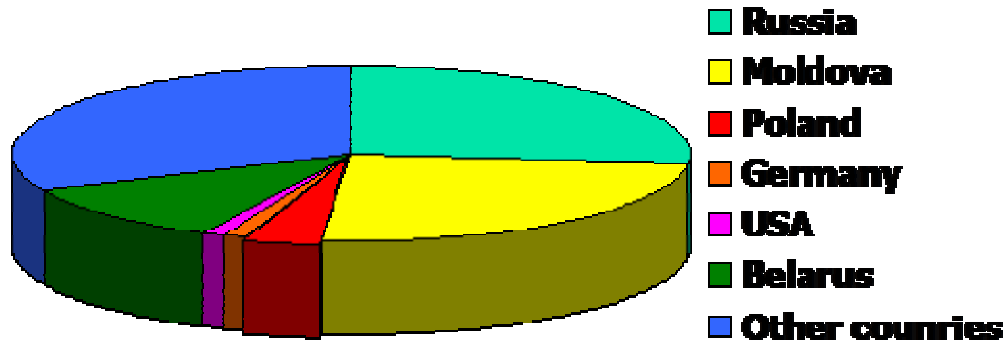


Figure 3. The partition of foreign tourist flows.

Therefore, we can summarize the main positive tendencies of Ukrainian tourist industry as:

- increase of the tourist flows;
- decrease of the quantity of the Ukrainian tourists, which are going to Europe for illegal work;
- increase of the amount of national tourist product realization;
- increase of the quantity of the tourist organizations;
- increasing the level of service quality.

The main tourist resources of the region can be classified in following categories:

- natural resources that include unique climate and mineral waters;
- recreation resources are represented by areas on the south coast of Crimea, Carpathian mountains and Pre-Carpathian region;
- ecological resources;
- historical resources;
- cultural resources.

These resources and corresponding factors determine the main forms of tourism in Ukraine among which one can mention:

- cultural and cognitive;
- recreation and health;
- sport;
- religious;
- ecological;
- aquatic;
- mountains and others.

Having briefly considered the social-economic tendencies of Ukraine development in general and tourism in particular, it can be concluded that Ukraine has promising preliminary conditions for the growth in international tourism business. This is indicated by the stable growth of tourism part in the national gross income for the last four years that equals 1.32% in 2000, 1.36% in 2001, 1.39% in 2002 and 1.60% in 2003. It is mainly conditioned by the presence of the following competitive advantages:

1. The very fact of advantageous geopolitical position is already, literally, a unique tourist recourse that determines Ukraine as a big tourist country. For a long time it has been a center of financial, transport and peoples flows from the West into the East, from the North into the South.
2. Entrance of Ukraine into World Tourist Organization (WTOO), which counts 139 member-countries. In 1999 at General Assembly of WTOO our country, the first one out of CIS countries, was elected to WTOO Executive Council, which contains in total 14 countries. This will promote development of various kinds of tourism, raise economic efficiency and intensify the integration into the international tourist areas.
3. The availability of a number of recreation and health improving areas on the south coast of Crimea, in Carpathian mountains and Pre-Carpathian region.
4. Successful combination of price and service quality. Today, the organizations of tourist market of Ukraine can offer foreign tourists active recreation in any region, regardless of the level of their financial capacity.
5. Recognizing city of Kyiv, the capital of the country, and city of Lviv as tourist centers of universal importance. The resolution of ICOMOS to enter Lviv in a list of world memorials of UNESCO testifies it.
6. Unique Trypillya heritage, steppe pyramids, burial mounds of the Great Scythia kings, sites of ancient settlement of the ancient Slavs and old princely town of Rus-Ukraine, memorials of Cossacks age and original intellectual and substantive culture of the Ukrainians and exotic for foreign tourists heritage of age of Communism create rich historical and cultural potential for tourism development.
7. The availability of high-qualified labor recourses etc.

Thus, Ukraine, possessing numerous historical and cultural values, unique recreation recourses, will be able to achieve a significant economic capacity in tourist business. While in developed countries this branch of activity became an industry of tourism, Ukraine is still making its first steps in this direction.

Besides the obvious progress on this way, Ukrainian tourism industry is facing a number of problems that include:

- imperfect law for enterprise functioning;
- high level of bank interest;
- low competitive ability of tourism product on the world market;
- slow development rates of the services sphere;
- low level of information technologies applications.

3. CONCLUSIONS AND FUTURE DEVELOPMENTS

Therefore, promising directions of social and economic designing of tourism activity, in our opinion, should be implemented on the grounds of reconstruction projects for tourist recourses and on the grounds of innovative technologies that will contribute to the advancement of domestic tourism product into world market. In this connection, following national strategies for tourism development acquire a great significance:

- improvement of legislative background for functioning of plants of tourism industry;
- formation of favorable investment situation;

- application of information technologies with the aim to form information tourism field that would provide availability, differentiation and accessibility of information about every possible type of tourist recreation;
- creation of branched tourism infrastructure, etc.

There to we should use scientific working outs and wide practical experience of European countries that are successfully surmounting the above stated obstacles. Some examples of such countries are Poland, Czech Republic, Slovakia, and Turkey. Thus, the government of Czech Republic has developed and successfully implemented the program of foreign investment attraction to the development of tourism industry and that allowed for the short period of time to double annual amount of foreign tourists. At the beginning of 90-ies there was a significant increase of foreign tourists in Poland but insufficient number of hotels, which could have corresponded Western service standards, put the brakes on this process. Making great effort towards the incitement of national tourist enterprises development the state managed to overcome these obstacles. There is the hope, that Ukraine being at new stage of its development will become equal and competitive partner in the world tourist area.

Short Biography

Mar'yana Lozynska received the Bachelor Degree in Management from National University "Lvivska Polytechnika", Lviv, Ukraine in 2000 and the Master of Science Degree in International Management in 2001 from the same University. Since 2001 she has been with Department of Theoretical and Applied Economics, National University "Lvivska Polytechnika" where she is pursuing her PhD. Current research interests cover strategic management, competitive advantages and mathematical modeling of optimal investment strategies. She authored about 10 publications. M. Lozynska received the second prize for the best paper and presentation of young authors during the international conference "Actual problems in management of socio-economic development", Kyiv, Ukraine in 2002 and the third prize during International conference "International business: adaptation for environment", Kyiv in 2002.

Zhanna Poplavska received the Master of Science Degree in Economics from Ivan Franko State University, Lviv, Ukraine in 1982 and the PhD in Economics in 1986 from the same University. In 1996, she received the Doctor of Science Degree in Strategic Management from Taras Shevchenko National University, Kyiv, Ukraine. She joined National University "Lvivska Polytechnika" in 1993 as an Assistant Professor where she is currently a full professor and the head of Theoretical and Applied Economics Department. She authored and co-authored more than 150 journal and international conference papers and 4 monographs and textbooks. G. Poplavska serves as an editor for several national and international journals in economics. Research interests are in the field of strategic management including strategic analysis, strategic thinking, strategic planning and synergy in strategic management. She has served as a consultant to private industry in the above areas.