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**The Effects of Economic Crisis on Tourism**

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**Abstract: Objectives.** This paper proposes a listing of the main effects of economic and financial crisis on tourism, followed by an analysis of key trends in tourism development and mutations occurring in consumer buying behavior of such services. **Prior Work.** All these have a significant impact on the strategies that should be used for tourist destinations, given that the last 20 years, tourism has made a great contribution to the global economy, being the fastest growing sector in terms of External revenue and create jobs, and economic and financial crisis that has affected the world economy in 2008, has led to decreasing the flow of both domestic and international tourists. **Approach.** In terms of sustainable development, a concern must be emphasized that tourism as a phenomenon, but also as an activity is unique in its kind that manifests itself by dependence on the environment, social environment and cultural values, that are found in areas of interest. **Value.** Because of this dependency, tourism has an undeniable interest in ensuring the sustainability of these values.

**Keywords:** economic and financial crisis; tourism; sustainable development; rural tourism

## **1 Introduction**

The tourism industry is one of the sectors with the fastest global economic growth. This sector includes hotels, catering and tourism. In 1950, tourism industry has registered 25 million international tourist arrivals in 1980 there were 277 million international tourist arrivals. Tourism generates more than 9% of global GDP. It represents more than 220 million jobs, representing 6 to 7 percent of total employment (direct and indirect) and over 75 million direct jobs worldwide in the formal economy.

Tourism makes a major contribution to export earnings and provides significant opportunities in the areas of job creation, sustainable development, economic diversification, poverty reduction, investment, business creation and local empowerment. Tourism and travel industry was not immune to global recession. In 2008, international tourist arrivals reached 922 million and revenue rose 1.7% to U.S. \$ 944 billion. Travel and tourism demand is closely linked to economic conditions in developed and developing countries - a growing economy will produce, in general, increase trade and tourism spending. After several years of consecutive growth, a decline in international tourism began in the second half of 2008 and intensified in 2009. A drop in tourist flows, shorter stays, restrictions on business travel to destinations and spending restraint have led to a significant contraction in economic activity between regions. While tourist arrivals have remained stable in Africa, they have dropped dramatically in the Middle East.

Increased unemployment, decreased consumer confidence, market volatility, and strong reductions in household wealth have contributed to this trend. UNWTO, reported that worldwide international tourist arrivals fell by 4 percent to 880 million in 2009. For the first half of 2010, there was an overall

increase of 7%, international tourism arrivals compared with the values recorded during the same period of 2009. This confirms that the recovery process began in the fourth quarter of 2009 was continued in 2010.

## **2 Literature on Effects of the Crisis on Tourism**

From the earlier crisis - the Asian monetary crisis, the initial analysis of influence of the crisis on tourism and fired a warning at the conference focused on engineering, financial and other means of communication. In a short period of time, there were a number of books on this subject and academic press has tried to find answers to this problem. It has also emerged as a useful source of information website with over 1,200 references. References on this site include academic papers, newspaper reports, and links to government Web sites. Unfortunately, literature regarding the crisis on tourism has failed to highlight this issue, except for a relatively small number of journals, articles and conference papers. This is surprising, given the impact on tourism industry and the response of teachers in other fields, especially economy. Consequently, the causes and implications of the crisis for Asia as a whole and for each country were discussed at length from an economic perspective, but the impact on tourism are relatively poorly-researched.

Perhaps this is a reflection of the lack of extensive detailed economic analysis of the literature and tourism is a problem that needs more attention by editors of journals in the future, especially by detailing the problems. During the Asian financial crisis, tourism researchers have ignored the general crisis while studies from other disciplines have largely overlooked the impact on tourism. However, they begin to experience some research papers in the literature. Some researchers have assessed the impact on tourism hospitality industry, while others make an analysis of the crisis in a broader study of issues affecting tourism in Asia. Both studies found that the crisis was short-term negative effects on the viability of tourism in East Asia. There is also evidence that these studies were undertaken on the effects of the crisis on bilateral tourism involving Australia. Exemplified studies have found that the crisis had a negative impact on inbound tourism to Australia Indonesian and Korean. Outbound Travel from Australia to Indonesia has increased due to decreased amount of Indonesian rupiah, while issuing tourism from Australia to Korea, has declined due to cancellation of flights to Korea by international airlines, Qantas and ANSETT.

Some studies have identified the impact of the euro and the European Union Travel Directive which has caused local suppliers of products, responsible for shortcomings in terms of product promotion by the vendor in the country of sale, factors that have amplified problems of crisis. Regarding, the Australian Government's response to crisis assessment, Prideaux and Witt, as a result of investigations have found that the government has placed a low priority on tourism and has introduced a series of taxes that were unfavorable to encourage tourism receiver. Researchers conducting studies at the macro level, trying to provide information about the depth of the crisis, but researchers in the field of tourism in developing countries are not sufficiently involved in this process, even if the crisis comes from their countries.

### **3. Tourism in Europe**

Tourism is a major economic activity, with an overall positive impact on growth and employment in Europe. It is also an aspect which is increasingly important that European citizens increasingly travel more or leisure or for business. As an activity that affects the natural and cultural heritage, traditions and contemporary cultures in the European Union, tourism is a concrete example of the need to reconcile economic growth and sustainable development, including an ethical dimension. Tourism is also an important tool for Europe's image in the world, the design values and promote attractions European model, which is the result of centuries of cultural change, linguistic diversity and creativity.

European tourism has recently experienced a difficult situation, compounded by Eyjafjoll eruption, which has demonstrated both the vulnerability and resilience of the importance that Europeans attach to holiday travel. Economic and financial crisis affecting all economies all economies in 2008, had a significant effect on the demand for travel. More recently, air traffic stop in April and May 2010, due to the presence of volcanic ash clouds, had a major effect on travel in Europe causing major disruption for airlines, travel agencies and tour operators and tourists alike. This difficult environment for the tourism industry has highlighted a number of challenges that European tourism sector must face. In this respect, it is essential that all operators in this sector to combine their efforts and work in a strengthened policy framework that takes into account new priorities of the European Union, established in the strategy, "Europe 2020. Europe must remain the No.1 tourist destination in the world, able to assert territorial wealth and diversity. European Commission intends to encourage a coordinated approach for tourism-related initiatives and define a new framework for action to enhance competitiveness and sustainable growth.

### **4. European Tourism Industry - Growth Important Element**

Tourism is an economic activity capable of generating growth and employment in the EU, while contributing to economic and social development and integration, particularly for rural areas and mountain areas, coastal regions and islands, outlying regions and outermost or those undergoing convergence.

Tourism is known as one of the major contributors to the global economy delivering 10.9% of world GDP in 1996 (UNWTO 2003). It offers economic benefits to industrialised and developing countries alike by satisfying society's curiosity of the unusual and people's need for leisure. It is one of the most visible global industries, physically linking opposite sides of the globe, involving all levels of society and supporting many industries. (Parpandel, 2009)

With 1.8 million businesses, especially SMEs, employment for about 5.2% of total employment (about 9.7 million jobs, a significant proportion of young people), European tourism industry generates over 5% of EU GDP, a figure which is steadily increasing.

Tourism, the third activity is therefore greater socio-economic, trade and distribution and after construction. Given that the sectors related to tourism, has even greater contribution to GDP is estimated to generate over 10% of EU GDP and provide about 12% of total employment. In this regard, noting the trend for the next 10 years, employment growth in the tourism sector was almost always more pronounced than in the rest of the economy. In addition, the EU remains the world's No. 1 destination, with 370 million international tourist arrivals in 2008, or 40% of worldwide tourist arrivals, 47.6 million arrivals in the BRIC countries (Brazil, Russia, India and China), a significant increase of over 4.2 million in 2004. These arrivals have generated revenues of approximately EUR 464

266 billion, of which 75 billion were from tourists who came from outside the European Union. In respect of movements of Europeans, they are estimated at around 1.4 billion euro of which 90% were from EU. Estimates of the World Tourism Organization (UNWTO), international tourist arrivals in Europe should increase significantly in coming years. Finally, European tourists are one of the largest groups arriving in third countries by providing an extremely important source of revenue for many countries. These elements provide more detail justifies the external dimension of EU tourism policy in order to maintain the flow of tourists from third countries, but also support EU partners, particularly in the Mediterranean Sea. European Commission, in cooperation with Member States and associations in the tourism sector, have invested considerable effort many years to implement actions aimed to strengthen competitiveness and European tourism.

It has been reported that Spain and Sicily have together lost 75% of sand dune habitats through tourism-related urbanisation. Meanwhile, the average tourist to Spain can use up to twice the amount of water as a Spanish city-dweller, consuming around 500 litres per day (BBC News 2005). Furthermore, the industry has continued to increase its demand and contribute to the scarcity of life-sustaining resources. For example, cheap flights entice more tourists to more remote destinations, which perpetuate the use of fossil fuels through travel as well as use of other sectors such as, the transportation of construction materials and goods (World Economic Forum 2008). Such dependency on finite resources indicates that the current management of mass tourism threatens the very existence of tourism. This is often described as ‘\_killing the goose that lays the golden egg’ and represents a key challenge for sustainable tourism. (Parpandel, 2009)

## **5. Tourism in Romania**

The global economic crisis has strong effect on Romania, which has a developed market economy, but an economy based on consumption and credit. What can we expect in terms of tourism can not meet anyone. The rich suffer less, unfortunately the vast majority of the population are affected by economic crisis, which will bear its cost: unemployment - due to bankruptcies in the private sector, leaving investors to other countries. The global economic crisis and the negative impact on tourism industry in Romania, all prices rose, more attention is paid to people in terms of spending money for trips and holidays. There are financial and economic restrictions, certainly, and this leads to a decrease in flow of tourists.

Most foreign visitors come to Romania in European countries (Bulgaria, Hungary, Germany and Italy), in accordance with the National Institute of Statistics data. The number of tourists who spent at least one night in Romania in 2010, declined significantly due to global economic crisis. About 2.5 million foreigners who arrived in Romania, have remained more than a day.

At the same time, many Romanian took the decision to opt out of spending holidays in the country, although according to a specific analysis, accommodation rates have decreased nationally by about 20-30% compared to 2009. On the coast, price fluctuations have been observed on weekends, when there was a large number of tourists.

Romania has ceased to be an attractive tourist destination, especially due to competition (Bulgaria), the existence of problems in supply, inadequate infrastructure and a limited number of services. Romania is facing a fierce competition on the European stage. All types of programs in Romania should consider Western European markets, offering a wide range of facilities for all categories of tourists.

Also, the Romanian offer is limited, that is a rather small number of resorts, hotels scarce. Services are lower than competing destinations in countries such as Bulgaria, Turkey, Greece, Cyprus, while the other distractions are not competing tourist destinations. These problems add roads and inadequate infrastructure, lack of quality hotels in major cities and tourist resorts of international interest.

In terms of value for money, Romania has ceased to be an attractive tourist market, has the worst indicators of tourism development (road quality, sustainable development of tourism industry, effective marketing and brand building, tourism rank among the priorities government, extend and effect of taxation, transparency of government policy, access to improved drinking water, accessible tourism) is a result of their competitive disadvantage as a tourist destination.

The main reasons for which Romania has relatively poor performance in the tourism industry in comparison with Central and Eastern European countries are:

- Lack of a stable and coherent action plan on tourism development;
- Lack of investment funds for specific and general development, infrastructure rehabilitation and change due to the slow and complicated process of privatization, taxation of unapproved
- Lack of facilities for bank loans.

However the tourism sector reform started later, even though some economic reform attempts were made in early 1990, but its application was extended during a very long time.

However, research shows that European tourism in the future will focus on the quality of tourist experience - meaning they will pay particular attention to the environment, employees, local communities, care much more for tourists.

Integrating sustainability issues in all their activities, tourism entrepreneurs will protect the benefits that make Europe the most attractive tourist destination in the world - will protect the diversity and variety of landscapes intrinsic and cultures.

Also addressing sustainability concerns in a socially responsible tourism industry will be able to provide products and services, quality, value-added.

As part of the European Union, Romania should have a clear approach in respect of certain principles in tourism development, record rates of competitiveness and sustainable development.

The principles for achieving a competitive and sustainable Romanian tourism should be those outlined by the European Commission, which calls on all actors to respect the following principles:

- A holistic and integrated approach - tourism planning and development should take into account all the effects it produces, tourism must be balanced and integrated into a series of activities that produce positive effects on society and on environment;
- Long term planning - Sustainable development refers to the protection of resources both for present and future generations, long term planning requires the ability to support activities that you can use time efficiently;
- Finding an appropriate pace of development - the pace and form of development should respect the character, resources and needs of host communities and tourist destinations;
- Involvement of all stakeholders - Sustainable development requires a comprehensive approach and commitment of all participants in making and implementing decisions, implementation of outcomes by all stakeholders, including a real financial support;
- Use best available knowledge, policies and actions should be developed based on the latest and best knowledge, must have information on trends in the tourism industry, its impact over

- time, skills and experiences should be shared;
- Reduction and risk management (precautionary) - where there is uncertainty about the results to be achieved, it should make a full assessment, then preventive measures are taken to avoid damage to the environment and society;
  - Effects on transmission costs (user and polluter pays) - prices should reflect real costs to society caused by the consumption and production activities. This has implications not only pollution but also use equipment that generates significant costs of administration;
  - Establishing and respecting limits - where applicable - limited capacity of individual sites and regions should be recognized, to make an estimate of potential tourists accommodation capacity;
  - Conducting ongoing monitoring - Sustainable development is about understanding impacts and increased attention to them, so changes and improvements to be met.

Romania should focus on those elements of conceptual development, to create enthusiasm, consumer satisfaction, so that beyond the stage of "pull" consumers to ensure not only landscapes and tourist destinations, but their loyalty.

The dual challenge for tourism researchers is to find ways to effectively transfer existing knowledge about tourism and tourists directly to regional communities and to further develop an understanding of tourism as a social and economic phenomenon. (Parpandel, D., 2009).

## **6. Conclusions**

The data confirm an ongoing global recovery in terms of travel. Recovery extends to Europe which has seen an increase in arrivals in the first half of 2010, promising to accelerate in the third quarter, this despite the obstacles on the air in April because of volcanic ash.

While traveling in Europe on the recovery was generally positive earnings have helped Western Europe, while northern Europe continues to lag behind 2009.

Some European destinations have benefited from favorable exchange rate conditions. Russia and Japan had strong growth, and the U.S. show some signs of recovery in recent months. Increasing the number of passengers at European airlines was consistently positive due to the closure of airspace in April 2010. U.S. economy in particular has slowed while the Euro area showed surprisingly strong first half of 2010 to the fiscal constraints and care debt. While the cooperative sector is flush with cash and represents an upside risk to the forecast, the shy responsible investment.

Uncertainty in the financial sector, European banks due to the problems of asset prices and sudden changes in the financial sector crisis maintain, increase the risk of a return to recession.

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