

The Peculiarities of the Development of Tourism in Ukraine

Rezümé Ukrajna turizmusa számos olyan sajátosságot hordoz, amely az ország keretein belül fejlődő idegenforgalom megértését, átlátását a „megszokott” idegenforgalmi tudás alapján nem teszi lehetővé. A kialakult specifikumok jelentős része a történelmi örökségre, valamint a fejlődés elszigetelt kereteire vezethető vissza és közvetlenül a fogalmak, törvények, statisztikai adatok tartalmának értelmezéséből fakadnak. Ezek a sajátosságok egyben Ukrajna idegenforgalmi fejlődésének gátló tényezői is.

Резюме Туризм України має багато таких особливостей, які не дають можливості зрозуміти розвиток та вивчення вітчизняного туризму тільки на основі «традиційних» туристичних знань. Переважна частина цих особливостей пов'язана зі специфікою історичної спадщини, «закритим» розвитком та виводиться безпосередньо із тлумачення термінів, законів, статистичних даних. Ці особливості одночасно є стримуючими факторами й для розвитку сфери туризму в Україні. Нижче наведена стаття знайомить з особливостями розвитку туризму України, розкріє сучасне становище цієї галузі в країні.

Introduction

After the political transformation the newly-formed Ukraine inherited a number of serious problems from the common Soviet past. The transformation of the previously highly controlled political, economic, ideological system is slow and difficult. In many cases the processes had to be started without any previous experience, any applicable model to carry out the changes. These problems greatly influenced the country's tourism that was formerly subordinated to the central totally controlled Soviet tourism system and was run by three enormous state companies – Intourist, Suputnik, Tourists and Travellers' Central Committee. The previously characteristic travelling motivations – relaxation, recreation, holiday – changed into survival- and shopping tourism in the recession period after the political transformation. After Ukraine became independent 10-15 years were needed for the economic development to start and for real products to appear in the country's tourism sector. However, Ukraine's tourism is developing within quite a specific framework for it has a number of unique, specific features that are difficult to understand for an outsider.

The aim of the research is to describe the specific character of the development of tourism in Ukraine covering the most significant changes in this sphere in the last two decades. It will also elucidate the peculiarities characteristic of the country's tourism to reveal the problems and developmental anomalies arising from them.

1. The most important indices of Ukraine's tourism

The period after the political transformation was characterized by crisis which was followed by slow development in the third millennium. Ukraine's economic indices improved, except in 2008 and 2009, the increase of GDP yearly exceeded 4.5%. The economic development evoked the increase of Ukraine's attractiveness to tourists, and in 2004 the number of tourists leaving and entering the country was equal (figure 1).

The country's revenue from tourism was constantly rising (figure 2). The tourism revenue to GDP amounted to 1.5-1.6% in recent years (1.6% in 2005; 1.5% in 2009). In currency the 2005 tourism revenue was 7.2 billion hryvnias (about \$1.5 billion), in 2009

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it amounted to 15.7 billion hryvnyas (\$1.95 billion). Taking into account the influence of the tourism multiplier in Ukraine, the contribution of tourism to GDP is characterized by greater standard deviation, namely 7.8-9.3% (in 2008 it constituted 85.1 billion hryvnyas). However, the last two years show a clearly decreasing tendency (Szolovjov, 2010; Berghauer, 2010).

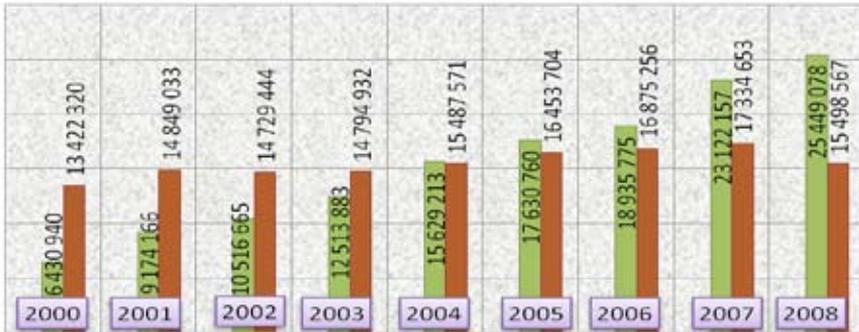


Figure 1. Number of citizens travelling to Ukraine and Ukrainians travelling abroad

Source: www.ukrstat.gov.ua; Editor: Sándor Berghauer

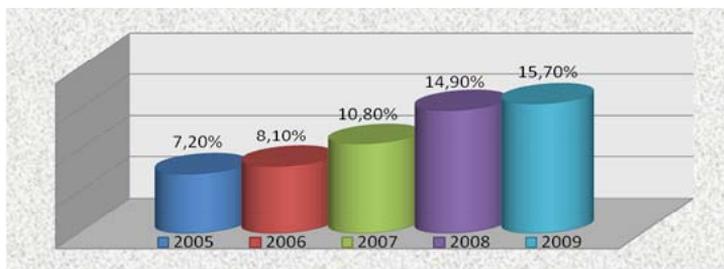


Figure 2. The share of tourism in the economy of Ukraine reckoning with the multiplying effects of the tourist industry

Source: Solovyov, 2010; *The Economic Impact of Travel & Tourism – Ukraine* Editor: Sándor Berghauer

Tourism plays a great role in Ukrainian economy. In recent years 1.2-1.3% of the population worked in tourism. If we take into account the indirect indices the influence is even greater – tourism employs 1.3-1.5 million people (14-15%) (Muljarcsuk – Svorob 2010).

The capital invested in tourism in recent years has been constantly rising (with the exception of 2009). Direct investment constitutes around 1.3-1.5% just like other known macroeconomic indices. The importance of indirect values is even greater. Analysing the period from 2005 to 2009 the share of capital invested in tourism amounts to 20% of the total investment and reached 50 billion hryvnyas in 2008. Ukrainian peculiarity is the division of revenue according to countries. More than half of investment (50-55%) comes from the accounts of the off-shore companies in Cyprus, Switzerland, British Virgin Islands (The Economic Impact of Travel & Tourism – Ukraine; www.tourism.gov.ua).

The state of tourism within Ukrainian economy has recently stabilized and knowing the multiplier influences it has become to play a significant economic role. On the political level the importance of this problem has not yet been recognized and it is

supported by the events experienced during the world economic crisis. By analysing the general data of 2009 we can see a 15-25% setback in Ukraine's tourism. The travel agencies' reaction to the decreasing traffic was laying off staff, thus in tourism the number of staff fell under 1.3 million in 2009 (in 2008 it was 1.57 million). The amount of invested money decreased (in 2008 it was 50 billion hryvnias, while in 2009 it constituted 47 billion hryvnias), the revenue coming from tourism decreased from 85.1 billion hryvnias to 84.5 billion hryvnias. The recent data in current form do not reflect the real situation for the 2008 economic crisis resulted in significant inflation, so in hryvnias the losses are only partially seen. A much greater problem is that instead of the job retaining policy tourism was further burdened with taxes. Due to recession Ukraine's home policy became unstable, thus discouraging a great number of investors (www.tourism.gov.ua).

2. Tourist traffic in Ukraine

2.1. The peculiarities of interpreting the official tourist traffic in Ukraine

Counting tourist traffic in Ukraine is done in a specific way due to two problematic components: the officially reported statistic data and the data offered by travel agencies that interpret it in a very narrow sense. The root of the problem lies in the Soviet interpretation of tourism for in the former USSR only the official highly controlled travel agencies had the right to perform this kind of activity. The system remained the same for even nowadays in Ukraine only those are considered tourists who use the services of a tour operator or a travel agency.

In official statistics side by side with the travel agencies' data we can find references to health care (recreational) tourism and commercial accommodation, however, these are registered separately and it is not clear whether there is any overlap between them. Besides the above-mentioned data the regional travel agencies report semi-official data about a particular region's tourist traffic, however, their elaboration, background measurement methods, and estimations are unknown.

The second problematic issue is the interpretation of the travel agencies' traffic which is done in a specific way and refers to the data in the official statistics. The narrow interpretation of the registered travel agencies due to the residual legal problem is problematic for it provides space for semi-legal and illegal economy and at the same time excludes a lot of services from the tourism sphere. Those offering complementary services that are part of the tourism services rendered by travel agencies function with a simple (non-tourism) licence, and even if they do have an official licence to function it is not to render tourism services. The individuals, landlords offering their own lodging are not considered entrepreneurs in the tourism sphere for giving lodging for under 9 people is free from official registration. All over the country, but particularly in regions with high tourist traffic (Kyiv, Crimea, and the Carpathians) this system presents serious revenue and information losses. Service providers, their tourist traffic, people providing passenger transport, tourist guides are not officially registered and usually have no official tourism licence, some trade souvenirs, illegally exchange money for tourists, etc.

The reported, known and officially provided data do not offer an overall picture of the tourist traffic in the country, regions and particular areas. No wonder that certain tourism products are not reflected in various statements and the official statistics. For instance, we can find no official data on wine tourism, rural tourism, and skiing tourism. One of the serious drawbacks of this situation is that travel agencies cannot make plans and, therefore, often develop in a spontaneous way. These problems damage the perspectives of companies and in the long run can lead to the exhaustion of sources providing attraction for tourists (Berghauer, 2009B).

2.2. Tourist traffic in Ukraine

In Ukraine the high incoming and outgoing tourist traffic does not coincide with the official high tourist traffic of the registered travel agencies. In 2009 despite recession cross-border movement exceeded 36 million. However, tourist service providers reported only 2 million 290 thousand tourists (282 thousand foreign visitors, 914 thousand outgoing Ukrainian citizens, 1 million 94 thousand home tourists) and 1 million 909 thousand excursionists were rendered services to. The remaining 31 million traffic is a good example of Ukraine's transit characteristics and the serious deficiencies of the country's statistics on tourism.

Only a small part of Ukrainian citizens crossing borders and of foreigners coming to Ukraine do so via agencies and with a tourist aim in mind. However, even this rate is on the decrease in the last one and a half–two years. After analysing the data of the first nine months of 2010 we can see that the outgoing traffic comprises only 8%, while the incoming tourists make up only 3% (those using the services of tour operators and travel agencies). In 2005 these figures were at the rate of 10-12%. The share of personal (private) travels nowadays is the highest in cross-border traffic (85-90%) which fact not only supports the tourist significance of visiting relatives and friends, but also clearly shows the semi-legal economic characteristics of arranging personal, business and often recreational travels, as well as the importance of travels connected with the subsistence level of citizens (Berghauer 2009A; www.tourism.gov.ua).

There are officially 7322 travel agencies registered in Ukraine that rendered services to 2.3 million tourists and 1.9 million excursionists in 2009. In comparison with the previous year data we can see a 25% setback in tourist traffic and a 21% decrease in excursionists. Having analysed the last decade data we have come to the conclusion that the year following the emerging of the economic crisis brought about only average traffic for the previous three years (2003, 2007, 2008) showed much bigger traffic for the companies providing tourism services (table 1).

Table 1. Turnover of the tourist suppliers of Ukraine (2001-2009)

	Number of tourists drawing on the services				Number of excursionists
		Foreign citizens	Ukrainian citizens travelling abroad	Internaltourists	
2001	2175090	416186	271281	1487623	1874233
2003	2856983	590641	344 332	1922010	2690810
2005	1825649	326389	566942	932318	1704562
2007	2863820	372455	336049	2155316	2393064
2009	2290097	282287	913640	1094170	1909360

Source: www.tourism.gov.ua; Editor: Sándor Berghauer

Deterioration of the situation is clearly shown by poor foreign profit and the travel agencies had the lowest traffic in the last decade (in numerical terms 282287). In 2009 the number of foreign tourists decreased by 24% as compared to 2008.

Border traffic data testify to the fact that Russia shows the greatest interest in Ukraine (44%). It is followed by tourists from the USA (10%), Belorussia (5%), Germany (4%) and Great Britain (3.6%) using the services of official travel agencies and tour

operators. The majority of foreign visitors come from former USSR countries and they are characterized by substantial knowledge of the locality. Tourists from the EU, like those from the former USSR countries, choose Ukraine as their tourism destination for they are connected to the country in some way, we can find many former Ukrainian emigrants among them (www.tourism.gov.ua; Aubert et al. 2011). In 2009 as compared with the previous year the number of officially registered travels to foreign countries from Ukraine (913640) fell by 29%. Travels of this kind were constantly increasing in the previous ten years, except for in 2007 and the statistically closed 2009. Ukrainian citizens that travel abroad for recreation use the services of a travel agency choose mainly Turkey (42%) and Egypt (28%), and it seems this tendency is becoming fixed. Less significant destinations (under 5% of the share) are less stable but offer classic rest and recreation for the Ukrainians (Greece, Bulgaria, Poland, the Czech Republic, Hungary).

In Ukraine's tourist traffic home tourism is considered to be the most significant which makes up 48% of the total traffic. In 2009 about 1.1 million people were rendered services to by travel agencies and tour operators, however, these figures show a 21% setback. By analysing the last decade's data one can see strong deviations in Ukraine's home tourism with its bottom in 2005. Total traffic this year hardly exceeded 932 thousand people. 2007 stands out as the year with the highest traffic, viz. the double of the traffic in 2009. In the background of the successful 2007 there was a strong home tourism campaign. The latter, as it was mentioned above, resulted in the drastic fall of travels to foreign countries (Szolovjov, 2010; www.tourism.gov.ua).

Rendering services to *excursionists* is an extremely significant task for Ukraine's travel agencies and tour operators. The number of "one-day tourists" has been fluctuating between 1.5-2.5 million people in recent years. In the last decade 2003 was the most successful – this year the government placed strong emphasis on developing trips aimed at increasing knowledge of one's own country, while the following three years (2004, 2005, 2006) were characterized by a serious setback. In 2009 the country's travel agencies and tour operators rendered services to 1.9 million excursionists which is a 21% setback if compared with the previous year. We can single out two most popular travel destinations – the Ivano-Frankivsk region (27,3%) and the Crimean Autonomous Republic (26,7%) for 54% of the traffic falls on these administrative units (www.tourism.gov.ua).

Table 2. The activity of tourist agents and operators in Ukraine

	2004	2005	2006	2007	2008	2009	Difference to 2008 (per cent)
Number of tourist organizations	2754	3670	4508	5338	6106	7322	+16,6%
Number of functioning tourist organizations	2506	2828	3052	3833	4631	4829	+4%
Number of persons employed by the tourist organizations (1000 persons)	23,6	21,0	21,7	22,7	23,6	22,8	-4%
General value of the services resorted (billion UAH)	1,988	2,8	3,8	5,5	8,052	9,388	+17 %
The amount paid to the budget (million UAH)	96	112,9	131,3	174	208,1	196,5	-6%

Source: www.tourism.gov.ua; Editor: Sándor Berghauer

Ukraine's travel agents and tour operators' total profit in 2009 did not decrease, on the contrary, it increased by 17% comprising 9.388 billion hryvnias (table 2). Among the administrative units the Ivano-Frankivsk region achieved the greatest development (83%) for the local government pays great attention to the professional development of tourism. However, in hryvnias Kyiv developed most increasing its revenue by 1.5 billion

hryvnyas. The amount of money coming to the budget decreased by 6% in 2009 after six years of increase. 70% (!) of the revenue of tour operators and travel agencies is earned by Kyiv service companies, however, only 36.6% of the fees come from the tourism service providers based in the capital.

3. Legal regulation of tourism

In 1992 after establishing the Ukrainian State Tourism Committee tourism companies were ordered to have state registration, uniform licensing procedure was introduced with the aim of organizing market relations. The necessity was grounded by the fact that there were too many companies in the tourism sphere. In 1993 there were 16 thousand companies registered, while nowadays the number is around 4800 (Maljszka–Hudo 2007).

In Ukraine the first law regulating tourism was passed only in 1995 and it was the first law on tourism in the post-USSR countries. The law is comprehensive in character; it is based on a number of other laws on tourism. It was extensively criticized, mainly due to the security sum and the typical seasonal ignoring of the tourism areas. To provide for the security of the travellers in Ukraine a law was passed. In 1996 two laws were adopted (“On insurance”; “Regulation on insurance activity”). In three years the uniform estimation system for commercial accommodation was introduced.

In the millennium year steps were taken to pass a law on the “Protection of cultural values” and a plan till 2010 was elaborated to develop tourism that increases people’s knowledge of their own country. In 2002 the Cabinet of Ministers passed the state program on developing tourism in 2002-2010. A number of laws/regulations were adopted in 2000, 2001, and 2007 to regulate the legal aspects of companies rendering tourism services. These regulate the tourism service providers’ obligations, the financial and other conditions of licensing, give a list of official documents to be submitted when establishing a company, as well as their content (Kovalszkij 2008).

The laws regulating the legal background of commercial accommodation were passed in the following years: 1994/7; 2000/2026/III; 2004/19; 2005/50). Ukrainian legislation pays special attention to adolescents’ travel, dealing with their safe travel in many laws. Moreover, the laws also regulate crossing borders and visa obtaining issues.

Ukraine’s regulations on tourism have numerous flaws resulting in many illegal ways for abuse by both the service companies and the controllers. All this prevents the businesses from calculating the expected profit. These facts make this business unfavourable for small and medium companies and that is why “real” investors stay away from Ukraine’s tourism.

Summary

In the last two years Ukraine’s tourism has undergone significant changes. The previously closed, isolated economic, tourism system has undergone serious structural modifications, there have been steps towards the formation of market economy. Tourism nowadays offers real products, the country’s economy has reached the stage when the emerging of discretionary profit enables wider strata of the population to experience tourism services.

The structural changes in the sphere of tourism are far from being complete, for there are serious deficiencies in legal aspects and in conscious running of the business. The rate of semi-legal and illegal economy is high; regulations and the state policy are often ambiguous which fact hinders the investors’ trust. The basic features of the tourism system today still contain elements of the previous regime and it can be easily seen in the statistic data for some tourism products are not present in the statements. All this causes the spontaneous character of tourism development for today’s tourism system is not clear

and is hard to analyse. However, the current situation will presumably improve for in Ukraine nowadays great emphasis is placed on training tourist guides; on the other hand, its influence will only be felt in the long perspective. Naturally a question arises whether the attractiveness of tourism and the developmental tendency of Ukrainian tourism remain or spontaneity takes over.

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