INTERDEPENDENCE OF TOURISM COMPETITIVENESS AND DEVELOPMENT OF SOUTHERN EUROPEAN COUNTRIES

Abstract

The importance of tourism sector in modern conditions and its significant participation in the macroeconomic indicators of countries, determine it as one of the key factors of competitiveness and development of national economies. Tourism contribution of tourism to competitiveness and economic development, as well as the economic effects of tourism, may vary from country to country. The purpose of the paper is to examine the interdependence between tourism competitiveness and the economic effects of tourism, as well as between tourism competitiveness and development of the Southern European countries. The methods applied in the paper are comparative analysis, descriptive statistics and correlation analysis. The results of the research indicate that there is no significant positive relationship between the tourism competitiveness and economic effects of tourism in the analysed group of countries, while the relationship between tourism competitiveness and development of these countries is characterized by a high level of positive correlation. This conclusion can be useful for economic and tourism development policy makers and the creator of the policy of improving the competitiveness of tourism.

Key words: tourism, competitiveness, development, economic effects

JEL classification: L83, Z32

МЕЂУЗАВИСНОСТ КОНКУРЕНТНОСТИ ТУРИЗМА И РАЗВОЈА ЈУЖНОЕВРОПСКИХ ЗЕМАЉА

Апстракт

Важност сектора туризма у савременим условима и његово значајно учешће у макроекономским показатељима земаља чине га једним од кључних фактора...
конкурентности и развоја националних економија. При томе се допринос тур- ризма конкурентности и економском развоју, као и економски ефекти туризма могу разликовати од земље до земље. Сврха рада је истраживање међузависности између конкурентности туризма и економских ефеката туризма, као и између конкурентности туризма и развоја Јужноевропских земаља. У раду су применећене следеће методе: компаративна анализа, дескриптивна статистика и корелациона анализа. Резултати истраживања указују да између конкурентности и економских ефеката туризма није потврђена значајна позитивна веза у анализираној групацији земаља, док однос између конкурентности туризма и развоја наведених земаља карактерише висок ниво позитивне корелације. Ови закључци могу бити корисни за краторе политике економског и туристичког развоја, као и политике унапређења конкурентности туризма.

Кључне речи: туризам, конкурентност, развој, економски ефекти

Introduction

Conscious of the growing roles and the importance of tourism, countries are paying more attention to the competitiveness of tourism, which depends on the success of the interaction of all comparative and competitive advantages of the destination and tourism products. As tourism in many countries is recognized as one of the strategic sectors, the improvement of tourism competitiveness consequently leads to the improvement of the competitiveness of national economies. On the other hand, the significant share of the tourism sector in key macroeconomic indicators, such as gross domestic product (GDP), employment, exports, globally and within a large number of individual countries, imposes as a logical assumption its great importance for economic development. As this importance varies from country to country, it is useful to consider the contribution of tourism to the competitiveness and development of the national economy of individual countries or groups of countries. Tourism is a dynamic activity and it is useful to consider each of its changes in the context of the impact on the economy that such changes can cause (Dwyer et al., 2004).

In the global context, the importance of tourism for the economy is evident and can be supported by empirical data. According to the data of the World Travel & Tourism Council (WTTC) for 2019 (the year before the exceptional conditions caused by the COVID-19 pandemic), the participation of tourism in key macroeconomic indicators is very significant. The total contribution of travel & tourism to GDP was 9,170.0 billion US$ (10.4% of total GDP) in 2019. Travel & tourism supported 334 million jobs or 1 for every ten jobs belonged to travel & tourism in 2019 (10.6% of all jobs). Also, it “was responsible for creating 1 in 4 of all net new jobs across the world between 2014 - 2019” (WTTC, 2021). These and other relevant data confirm the importance of the economic effects of the tourism sector.

Many studies deal with the analysis of the contribution of tourism to the economic development of countries and the economic effects of tourism. Also, tourism competitiveness is the subject of numerous research and scientific papers. However, there is a lack of studies dealing with the interdependence between tourism competitiveness and the economic effects of tourism, as well as between tourism competitiveness and economic development of countries. This is a gap in the literature that this paper is trying to fill. The results of
the research and discussion are grouped into two parts. First, a cross-country comparison of tourism competitiveness, economic effects and economic development of the analysed countries is made. After that, the interdependence of tourism competitiveness, on the one hand, and the economic effects of tourism and economic development, on the other hand, on the analysed sample of countries is examined.

Theoretical backgrounds

Considering the contribution of tourism to the key macroeconomic indicators of countries in modern conditions, tourism is of great importance in terms of the development. One of the specifics of tourism is reflected in the multi-sectoral influence and the fact that tourism links and that its effects extend through a large number of other sectors. Tourism development contributes to direct inflows into the local economy, the diversification of the economy, the sustainability of the environment and the local community. In this context, it can be said that tourism contributes not only to development, but also to the overall competitiveness of national economies. Over the last few decades, tourism has played an increasingly important role in the economic growth of many countries. Every consumption that generates economic activity is worthy of macroeconomic attention. While earlier economic research was focused mainly on the income that certain activities that are part of tourism generate, today tourism studies consider its broader impacts on overall economic development. (Stanić & Vujić, 2017).

The important role that tourism has for the economic and social progress of countries is recognized by the governments of modern countries (Dritsakis, 2004), but also by the scientific community and many authors studying the link between tourism and economic growth measured by gross domestic product (GDP) (Ivanov & Webster, 2007; Gökovaşlı & Bahar, 2006; Sequeira & Maçãs Nunes, 2008; Richardson, 2010; Samimi et al., 2011). De Vita & Kyaw (2016) confirmed that in certain groups of countries the growth of tourism arrivals is associated with an increase in the per capita real GDP growth rate. Lee and Chang (2008) confirm that tourism development has a positive impact on GDP, while also emphasizing that the strength of the impact depends on the group of countries observed and the greater impact is recorded in less developed countries. Oh (2005), using the Granger causality model, investigates the causal relationship between tourism growth and economic expansion. It is interesting that this author concludes that tourism is not a driver of economic growth in the short term. Ekanayake & Long (2012) come to the similar conclusion using the same model, noting that tourism revenues make a positive contribution to economic growth in developing countries. Dritsakis (2012) tests the impact of tourism development on economic growth on a sample of selected Mediterranean countries and concludes that tourist receipts have a high impact on the GDP of the analyzed countries. Eyuboglu & Eyuboglu (2020) have found a hidden causality between tourism development and economic growth in certain emerging countries.

Tourism generates multiple economic benefits for receptive countries. This is especially important from the aspect of developing countries, where the expected positive economic effects of tourism are a motive to promote tourism (Surugiu, 2009). The economic effects of tourism, mostly measured by its contribution to income and employment, are also the subject of numerous studies. The reason for choosing these economic aggregates and through them expressing the economic effects of tourism is, among other things, their visibility and relatively easy measurability.
(Vladašić et al., 2020; Zdravković & Peković). For the same reason, studies of the economic impact of tourism focus primarily on economic benefits, while costs are often neglected (Comerio & Strozzi, 2019). However, the economic impact should be understood to include both direct costs and benefits, directly related to the travel activity and expenditures, and secondary costs and benefits, which are induced. Tourism impact analysis, in order to gain more comprehensive insight into the economic effects of tourism, must take into account both of these types of benefits and costs (Ennew, 2003). There are two main reasons why the scientific and professional public is extremely interested in understanding the economic effects of tourism. First, the economic effects in tourism are not as easily visible as in some other sectors, so tourism stakeholders emphasize them in this way. Second, the complex structure of the tourism sector requires greater effort in measuring and expressing economic effects (Mayer & Vogt, 2016).

Tourism competitiveness is also a concept that is gaining in importance in literature and practice. Research is primarily focused on reviewing the level achieved (Enright & Newton, 2004; Michael et al., 2019; Cronjé & du Plessis, 2020; Roman et al., 2020; Khalifa, 2020) and key determinants (Fernández et al., 2020; Corne & Peyroph, 2020; Krstić et al., 2017) of competitiveness of the country, region or tourist destination. However, there are sporadic studies that link the competitiveness of tourism and economic growth of countries (Pablo-Romero et al., 2016; Crouch and Ritchie, 2005; Botti et al., 2009). Wang and Liu (2020), dealing with the relationship between tourism competitiveness and economic growth of 56 developing countries, conclude that this relationship is not balanced and this is a result by the lag of economic growth of the analysed group of countries. However, there is still a lack of studies that examine the link between the competitiveness of tourism and the economic effects of tourism and economic development of the country.

**Research Methodology and Hypothesis**

The aim of the paper is to examine the interdependence between competitiveness of tourism, on the one hand, and the economic effects of tourism and development of Southern European countries, on the other hand. In accordance with the defined aim of the research, the paper starts from the two hypotheses:

1) There is a high positive correlation between tourism competitiveness and economic effects of tourism in Southern European countries;

2) There is a high positive correlation between tourism competitiveness and development of Southern European countries.

The information base of the research are data of the World Travel & Tourism Council, World Economic Forum (WEF) and World Bank. The competitiveness of tourism in selected countries was measured by the Travel & Tourism Competitiveness Index (TTCI). The economic effects of tourism are measured by the following indicators: Total contribution of tourism to GDP (%) and Total contribution of tourism to employment (%). The development of countries is measured by the GDP per capita and Global Competitiveness Index (GCI).

The methods applied in processing analysed data and finding results are the method of comparative analysis, descriptive statistics and correlation analysis. The research is conducted on a sample of a total of 14 Southern European countries (according to the classification of the World Tourism Organization).
Research Results and Discussion

Research results are grouped into three sections:

a) Cross-country comparison of tourism competitiveness, economic effects of tourism and development, and

b) Examination of correlation between tourism competitiveness and economic effects of tourism and development of the countries.

a) Cross-country comparison of tourism competitiveness, economic effects of tourism and development

The values of the analysed indicators for measuring the economic effects of tourism (Total contribution to GDP (%), Total contribution to Employment (%)), tourism competitiveness (TTCI) and development of the Southern European countries (GDP per capita and GCI) are given in Table 1.

Table 1: Competitiveness and economic effects of tourism, GDP and GCI in Southern Europe countries (2019)

<table>
<thead>
<tr>
<th>Country</th>
<th>TTCI (Value)</th>
<th>Total contribution of tourism to GDP (%)</th>
<th>Total contribution of tourism to employment (%)</th>
<th>GDP per capita (US$)</th>
<th>GCI (Value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>3.6</td>
<td>20.5</td>
<td>21.3</td>
<td>5,207.3</td>
<td>57.6</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>3.3</td>
<td>9.8</td>
<td>10.5</td>
<td>6,313.1</td>
<td>54.7</td>
</tr>
<tr>
<td>Croatia</td>
<td>4.5</td>
<td>24.3</td>
<td>22.2</td>
<td>16,519.0</td>
<td>61.9</td>
</tr>
<tr>
<td>Cyprus</td>
<td>4.2</td>
<td>13.4</td>
<td>13.4</td>
<td>32,517.2</td>
<td>66.4</td>
</tr>
<tr>
<td>North Macedonia</td>
<td>3.4</td>
<td>6.6</td>
<td>6.8</td>
<td>5,625.7</td>
<td>57.3</td>
</tr>
<tr>
<td>Greece</td>
<td>4.5</td>
<td>20.3</td>
<td>21.1</td>
<td>23,503.6</td>
<td>62.6</td>
</tr>
<tr>
<td>Italy</td>
<td>5.1</td>
<td>13.1</td>
<td>15.0</td>
<td>35,999.0</td>
<td>71.5</td>
</tr>
<tr>
<td>Malta</td>
<td>4.4</td>
<td>15.9</td>
<td>21.3</td>
<td>29,149.6</td>
<td>68.5</td>
</tr>
<tr>
<td>Montenegro</td>
<td>3.9</td>
<td>30.9</td>
<td>31.9</td>
<td>8,591.4</td>
<td>60.8</td>
</tr>
<tr>
<td>Portugal</td>
<td>4.9</td>
<td>17.1</td>
<td>20.7</td>
<td>24,679.0</td>
<td>70.4</td>
</tr>
<tr>
<td>Serbia</td>
<td>3.6</td>
<td>5.9</td>
<td>6.3</td>
<td>7,229.9</td>
<td>60.9</td>
</tr>
<tr>
<td>Slovenia</td>
<td>4.3</td>
<td>10.6</td>
<td>11.0</td>
<td>27,421.0</td>
<td>70.2</td>
</tr>
<tr>
<td>Spain</td>
<td>5.4</td>
<td>14.1</td>
<td>14.4</td>
<td>33,352.3</td>
<td>75.3</td>
</tr>
<tr>
<td>Turkey</td>
<td>4.2</td>
<td>11.0</td>
<td>9.3</td>
<td>15,125.9</td>
<td>62.1</td>
</tr>
</tbody>
</table>

Source: WTTC, 2021; WEF, 2019; WEF, (2019a); World Bank, 2021

If tourism competitiveness is analysed, the leaders of the Southern European countries is traditional Mediterranean tourist destinations, Spain, with a score of the TTCI of 5.4. The worst results was recorded in Bosnia and Herzegovina (index score of 3.3). When it comes to the total contribution of tourism to GDP, Montenegro (with a share of 30.09%) recorded the best results among the analysed countries. The lowest total contribution of tourism to GDP was recorded in Serbia (5.9 %). Regarding the total contribution of tourism to employment u Southern European countries, the situation
is similar to the previously analysed indicator. Countries with the largest percentage share of the total contribution of tourism to employment is Montenegro (31.9%). The smallest total contribution of tourism to employment among the Southern European countries was recorded in Serbia (6.3%). According to development indicators, leader by GDP per capita (33,352.3 US$), as well as by GCI (value of 75.3) is Spain. The worst result according to GDP per capita was recorded in Albania (5,207.3 US$). Bosnia and Hercegovina recorded the lowest value of GCI (54.7). The descriptive statistics of the analysed indicators are shown in Table 2.

### Table 2: Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Variation Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>TTCI (value)</td>
<td>3.3</td>
<td>5.4</td>
<td>4.2</td>
<td>0.6331</td>
<td>14.9</td>
</tr>
<tr>
<td>Total contribution of tourism to GDP (%)</td>
<td>5.9</td>
<td>30.9</td>
<td>15.2</td>
<td>6.9323</td>
<td>45.5</td>
</tr>
<tr>
<td>Total contribution of tourism to employment (%)</td>
<td>6.3</td>
<td>31.9</td>
<td>16.1</td>
<td>7.2569</td>
<td>45.1</td>
</tr>
<tr>
<td>GDP per capita (US$)</td>
<td>5,207.3</td>
<td>35,999.0</td>
<td>19,373.8</td>
<td>11436.4</td>
<td>59.0</td>
</tr>
<tr>
<td>GCI (value)</td>
<td>54.7</td>
<td>75.3</td>
<td>64.3</td>
<td>6.1</td>
<td>9.5</td>
</tr>
</tbody>
</table>

Source: Authors’ calculation (SPSS Statistics 23)

Based on the data in Table 2, it can be concluded that the analysed countries record the greatest variability of analysed indicators (measured by the coefficient of variation) when it comes to GDP per capita. Southern European countries represent a very heterogeneous group of countries, both when it comes to the economic development level and when it comes to the level of tourism development achieved.

b) Examination of correlation between tourism competitiveness and economic effects of tourism and development of the countries

In order to examine the interdependence between the tourism competitiveness and economic effects of tourism and development of countries, Table 3 shows the values of the Pearson’s correlation coefficient between the relevant indicators. Correlation analysis is done on a sample of all 14 analysed countries.

### Table 3: Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>TTCI</th>
<th>Total_GDP</th>
<th>Total_employment</th>
<th>GDP_pc</th>
<th>GCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>TTCI</td>
<td>1</td>
<td>0.201</td>
<td>0.244</td>
<td>0.854</td>
<td>0.900</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.491)</td>
<td>(0.401)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>Total_GDP</td>
<td>1</td>
<td>0.966</td>
<td>-0.023</td>
<td>-0.021</td>
<td>-0.021</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.000)</td>
<td>(0.938)</td>
<td>(0.943)</td>
<td></td>
</tr>
</tbody>
</table>
Based on the values of the coefficients shown in Table 3, it can be concluded that, tested on a sample of analysed Southern European countries, there is high positive statistically significant correlation between TTCI and GDP per capita \((r=0.854, p=0.000)\), as well as between TTCI and GCI \((r=0.900, p=0.000)\). Weak positive non-statistically significant correlation is observed between TTCI and Total contribution of tourism to GDP \((r=0.201, p=0.491)\), as well as between TTCI and Total contribution of tourism to employment \((r=0.244, p=0.401)\). This can be seen by reviewing the linear regression curves between the mentioned variables shown in Figure 1.

*Figure 1: Linear regression models*
Based on the presented results, it can be concluded that the first initial hypothesis of the research is rejected. Namely, there is no high positive correlation between tourism competitiveness and economic effects of tourism in Southern European countries. The obtained values of the correlation coefficients indicate a weak positive correlation that is not statistically significant. On the other hand, the second initial hypothesis of the research is confirmed, i.e. there is a high positive correlation between tourism competitiveness and development of Southern European countries.

**Conclusion**

Given the many benefits that tourism brings to receptive countries, considering and studying its contribution to key macroeconomic aggregates of countries, as well as to overall development is imperative for both scientific and professional public. Countries in the world increasingly understand the role and importance of tourism and are trying to valorise own tourism potential. In modern conditions, the economic effects of tourism are not the only goal that is set when it comes to tourism development. The need to develop tourism in a sustainable and competitive way is increasingly emphasized (Veličković & Jovanović, 2021). Considering that, competitiveness in tourism is a phenomenon that is gaining in importance. All the countries of the world are trying to improve the tourism competitiveness to the greatest possible extent. Improving the tourism competitiveness means recognizing tourism potentials and comparative advantages and turning them into competitive advantages. The paper attempts to understand the relationship between the tourism competitiveness and its economic effects, as well as the relationship between the tourism competitiveness and development on the example of Southern European countries.

The results of the research indicate, the significant heterogeneity of the Southern European countries, having in mind the analysed indicators. Spain is the country that is the leader among the observed countries when it comes to the competitiveness of tourism, measured by the TTCI, and when it comes to development, i.e. indicators of GDP per capita and GCI. When it comes to the economic effects of tourism, expressed through the total contribution of tourism to employment and the total contribution of tourism to GDP, the largest share of tourism in the analysed macroeconomic indicators is recorded by Montenegro. The interdependence between tourism competitiveness and the economic effects, as well as between tourism competitiveness and development of the analysed countries is tested by correlation analysis. The results of the correlation analysis confirm the fact that there is no high positive correlation between the indicators of measuring economic effects and the TTCI value on the sample of the analysed group of countries. This is in line with the modern concept of understanding the competitiveness of tourism, in which the economic dimension is only one of many equally important dimensions of competitiveness. In other words, the fact that tourism is very important from the economic point of view for a particular country does not necessarily mean that the tourism competitiveness in that country is at a high level. On the other hand, the results of the research confirmed the existence of a high positive correlation between the tourism competitiveness and economic development, as in the overall national competitiveness of the analysed group of countries.

The key limitation of the research is the heterogeneity of the selected group of countries, since the group of Southern European countries includes countries that differ from each other
both in terms of the achieved level of tourism development and the achieved level of overall economic development. Regarding this, future research can be focused on further dividing the analysed group of countries into developing and developed countries, concluding on the relationship between tourism competitiveness and analysed indicators separately for these subgroups and comparative analysis of results and conclusions.

References


