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# DEVELOPMENT OF TOURISM IN UKRAINE: TRENDS AND FACTORS THAT CREATE THE NEGATIVE IMAGE

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**Abstract.** The purpose of the article is to substantiate trends in the tourism activities in Ukraine and factors that create the negative image. The research is based on the dialectical method of scientific knowledge, methods of scientific abstraction, analysis and synthesis (while summarizing the factors that form the negative image of Ukraine and reduce its economic security); comparative analysis (while identifying the trends of tourism activity development in Ukraine during 2011-2017); statistical analysis (while studying the dynamics of the tourism industry in Ukraine during 2014-2017). As a result of the study, the trends of tourism activity development in Ukraine during 2011-2017 have been determined. The factors that form the negative image of Ukraine and reduce its economic security have been determined. The implementation of strategic measures for the development of the Ukrainian tourism industry will create a positive image of the country, stimulate the development of tourism in Ukraine, formation of attractive investment environment and strengthening of the country's economic security.

**Keywords:** *Image, Tourism, Tourist activity, Factors*

**JEL Classification:** O52, L83, L88

## INTRODUCTION

The tourism industry makes a special contribution to the country's economic security. For example, in the USA tourism industry contribution to GDP in 2017 amounted to USD 210.7 million, in Spain it amounted to USD 68 million, in France to USD 60.7 million, in the UK to USD 51.2 million, in Poland to USD 12.8 million. Despite Ukrainian natural, recreational and cultural potential, its GDP increased by only USD 1.3 million at the expense of tourism industry enterprises activity in 2017. The tourism industry barely contributes to increasing the competitiveness of Ukraine in the world market. Hence, in order to ensure economic security it is important to create the positive image of the country by means of tourism activity development, since traditionally the countries that successfully develop tourism, have the highest rates of investment inflows.

While analyzing the indicators characterizing the development of the tourism industry of Ukraine during 2014-2017 (Table 1), it should be noted that the income from tourist services increased by 240.6 %, but the number of tour operators and travel agents in 2017 decreased respectively by 25.3 % and 20.4 %.

The reducing of the number of participants of tourism activity is a negative phenomenon for the Ukrainian economy caused by the growing uncertainty while doing tourism business

connected with currency, political and economic risks, and other factors over the years 2014-2017 (Fig. 1).

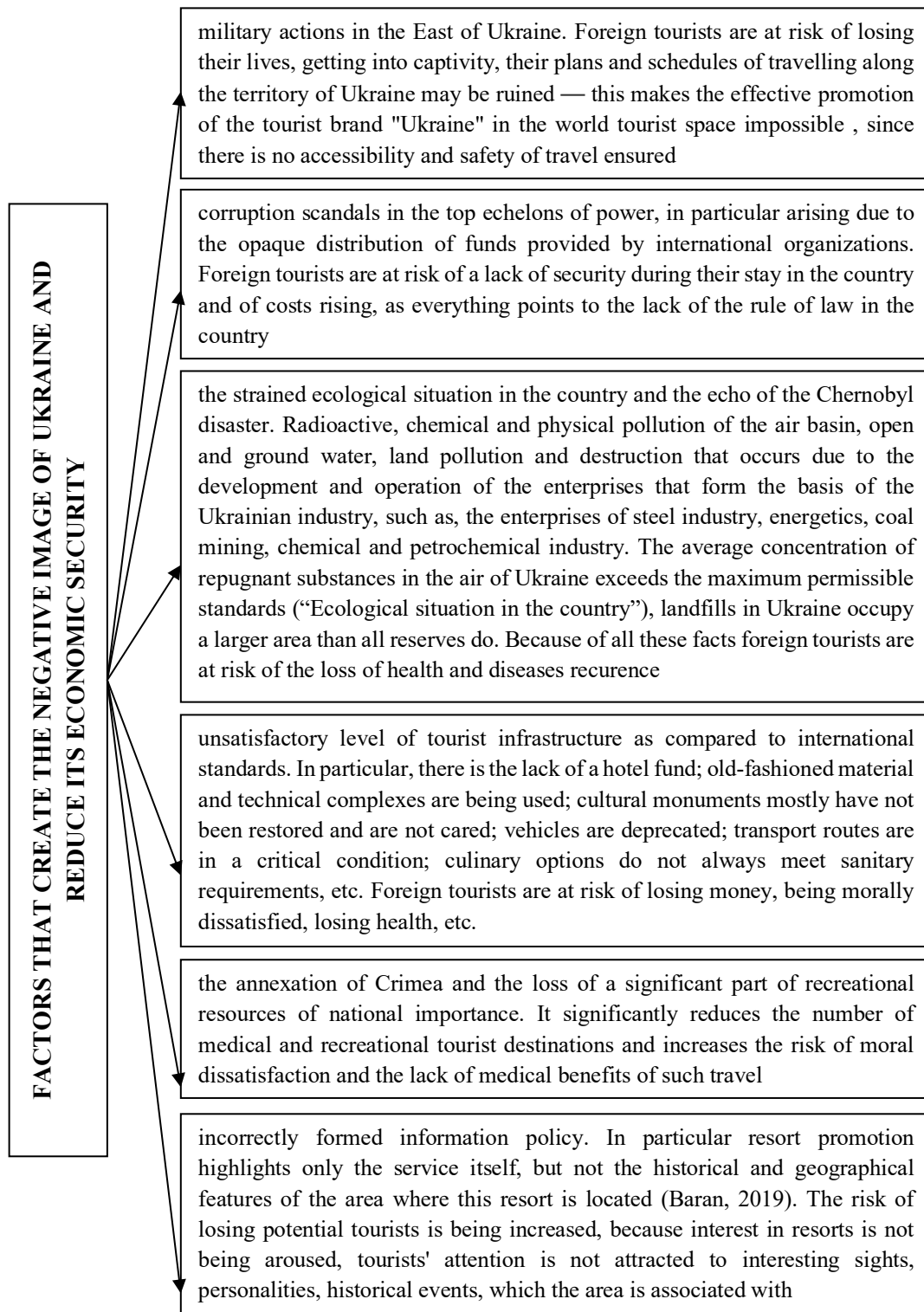


Fig. 1. Factors that create the negative image of Ukraine (Created by authors)

It leads to loss of jobs and aggravating of unemployment problem (according to Table 1 the number of staff members in the tourism industry declined by 16.7 % during the years 2014-2017) not only at the enterprises of tourist business but in related areas also. For instance, the same happens in the areas of hospitality and transportation. Also it leads to reducing government and local budgets revenue in the form of taxes and fees and to slowing the development of tourism in Ukraine, although this industry could form a significant part of GDP.

**Table 1.** The main indicators of the tourism industry development in Ukraine

Index	2014	2015	Growth rate, % 2015 to 2014	2016	Growth rate, % 2016 to 2015	2017	Growth rate, % 2017 to 2016	Growth rate, % 2017 to 2014
The number of participants of tourism activity, measured in unites including	2198	1785	-18,8	1838	3	1743	-5,2	-20,7
Tour operators	667	500	-25	552	10,4	498	-9,8	-25,3
Travel agent	1473	1228	-16,6	1222	-0,5	1172	-4,1	-20,4
Average number of staff members, people	9834	8086	-17,8	8545	5,7	8190	-4,2	-16,7
Tourism services income, UAH mln.	5432,7	4797,7	-11,7	11522,5	140,2	18503,0	60,6	240,6
The number of tourists who have been provided with services by legal entities, people								
Citizens of Ukraine	2200339	1800277	-18,2	2216323	23,1	2365424	6,7	7,5
Foreigners	16618	14550	-12,4	33784	132,2	38563	14,1	132,1

*Note: Created by authors based on "The main indicators of the tourism industry development in Ukraine".*

The income from tourism activity in Ukraine in 2017 is 3.4 times higher than in 2014 primarily because of the growth of the exchange rate. Thus, as of January 1, 2014, the euro/hryvnia NBU rate was UAH 11.04 per euro ("NBU exchange rate for January 1"), and at the beginning of 2017 the euro/hryvnia rate was UAH 28.42 per euro. Therefore, the growth of income from tourism activity through this extensive factor shouldn't be considered as a positive phenomenon.

While analyzing the change in the number of participants of tourism activity and tourists dynamics by regions of the country (Table 2), it should be concluded that during the last five years the number of tour operators and travel agencies mainly declined in the area of hostilities — Donetsk region — by 89.7 % — and in the front-line regions — Dnipropetrovsk (by 18 %) and Kharkiv regions (by 11.1 %).

**Table 2.** The number of tourists who have been provided with services by tour operators and travel agents by regions of Ukraine

Regions	2011	2014	2015	2016	2017	Growth rate (%) 2017 relative to 2011
Dnipropetrovs'k Region	397	118	294	322	325	-18
Donets'k Region	408	45	23	33	42	-89,7
Lviv Region	230	143	221	272	282	22,6
Odesa Region	261	172	245	268	264	1,1
Kharkiv Region	296	104	264	255	263	-11,1
Kyiv	885	1045	888	948	923	4,3

Note: Created by authors based on "The main indicators of the tourism industry development in Ukraine".

The reduction of the number of tour operators and travel agencies in Ukraine, and, consequently, reduction of the number of staff members in the tourism and related industries, reduction of revenues to the budgets in the form of taxes and fees and of the revenue part of the country's GDP and the decline in the country's economic security are driven by the following factors: military actions in the East of Ukraine and constant provocations in the regions bordered by Russia in the Eastern Ukraine; corruption scandals in the top echelons of power; the strained ecological situation in the country and the echo of the Chernobyl disaster; unsatisfactory level of tourism infrastructure; the annexation of Crimea and the loss of a significant part of recreational resources of national importance; incorrectly formed information policy (Fig. 1).

In addition, the factor of increased risk of tourists' life and health injury causes the slowdown in the tourism industry development in such promising area as Odesa region with its centuries-old historical, cultural and recreational traditions. The number of participants of tourism activity in this region increased only by 1.1 % during the last five years, and the number of tourists who visited the region during 2011-2017 decreased by 4.9 % (Table 3). During 2011-2017 the redeployment of tourist traffic in Ukraine to Lviv and Dnipropetrovs'k regions and the city of Kyiv has been discernible; tourist traffic in these areas respectively increased by 36.1 %, 17.2 % and 112 %.

**Table 3.** The number of tourists who have been provided with services by tour operators and travel agents, by regions of Ukraine

Region	2011	2015	2016	2017	Growth rate, %
Dnipropetrovs'k Region	64462	46121	57770	75526	17,2
Donets'k Region	88461	3297	10874	9231	-89,6
Lviv Region	128709	112472	181827	175150	36,1
Odesa Region	76066	45809	59077	72302	-4,9
Kharkiv Region	74038	31233	40429	51929	-29,8
Kyiv	944917	1501985	1841021	2006088	112

Note: Created by authors based on "The main indicators of the tourism industry development in Ukraine".

Thus, it is necessary to highlight the following trends in the tourism activities development in Ukraine during 2011-2017:

- aggravation of the risks of reducing competitiveness and economic security of the country as related to the tourist sphere of economic activity;

- growth of income from the provision of tourist services caused by the exchange rate fluctuations and the inflation growth in the country along with the reduction of the tour operators and travel agents number;
- slowing down the activity of the tourism industry development and reducing the number of tour operators and travel agencies in the areas that were among the leaders of the tourism industry — Dnipropetrovs'k and Kharkiv regions, along with almost complete closing up of tourism business in Donets'k region;
- redeployment of tourist traffic in the country from Donets'k and Odesa regions to Lviv, Dnipropetrovsk regions and the city of Kyiv.

It should be noted that in such conditions, the brand "Ukraine" in the world market has a negative impact on the perception of the country not only by tourists, but also by foreign investors, hosts of international forums, games, etc. In a situation where foreign investment is one of the keys to the transition to effective innovation-driven development and ensuring long-term economic security of Ukraine, the formation of Ukraine's tourism appeal is an issue of great importance. After all, the best advertisement of Ukraine for a foreign investor is the fact that it is a country of safe and high-quality tourism services.

It is essential to provide the state and local budgets aid to small business in the field of tourism by means of providing preferential loans at the expense of special funds, through targeted budget financing on the basis of non-repayable subsidization, celebration of contracts for the development of tourism projects, including green tourism, taking into account reconstruction of cultural and architectural monuments. In order to ensure the country's economic security over the long term, it is necessary to create environment for large-scale investment in infrastructure development, as well as to create the consumer's need to travel and learn more about Ukraine. It is essential to facilitate entry procedures for tourists from Australia, New Zealand, Singapore, China and India and to reduce the visa fee for tourists from other countries, along with establishing security cooperation based on bilateral and multilateral treaties.

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