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THE IMPACT OF INTERNATIONAL TOURISM ON THE EU SMALL STATES

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Michal Jasinski*

1. INTRODUCTION

The objective of this brief paper is to assess the socio-spatial and economic impact of international tourist arrivals on the European Union Small States (EUSS) so as to comment on the nexus of the two indicators.

The method used to measure the indicators presented in this paper are based on the Tourist Penetration Index (TPI) proposed and elaborated by McElroy & de Albuquerque (1998). The TPI has three components, relating to economic, sociocultural and environmental penetration. In practice the economic impact was measured as tourist expenditures per resident, the socio-cultural impact was measured in terms of visitor density per 1000 residents and the environmental impact was measured as hotel rooms per sq. km.

We shall use a similar method utilised for constructing the TPI, but confine our analysis to two components relating respectively to the social-spatial impacts and the economic impacts in order to measure what we call the Tourism Impact Indicator (TII).

2. METHODOLOGY

This section has three parts. The first part defines small size of a country; the second part identifies which countries qualify as EUSS; and the third part briefly reviews the construction of the indices and data sources.

2.1 Small Size

According to (Briguglio, 2011: 251) "the size of the country is generally measured by its population". Other indicators of size include land area and total GDP. The use of population index for purposes of size classification has number of advantages. As (Briguglio, 2011: 251) explains – "it is related to the size of the domestic markets, in terms of the number of consumers, reflecting the thinness, or otherwise, of a local market". This point is also important especially from the tourism market perspective. Other advantages according to (Briguglio, 2011: 251) are statistical point of view – "population size is generally more readily available and is less ambiguous than variables associated with land area and GDP".

For purposes of this analysis, a small country is defined as one with a population of about 3 million inhabitants or fewer.[1] This criterion eliminates a number of the EU states which are

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[1] Small countries are defined as those with a population of 1.5 million or fewer by the World Bank (https://www.worldbank.org/en/country/smallstates) and the Commonwealth Secretariat, (https://www.thecommonwealth-ilibrary.org/commonwealth/economics/small-states/what-are-small-states_smalst-2015-2-en) and this cut-off point is commonly used to identify small states. The 3 million population cut-off point used in this study follows that set by Briguglio (2016) and Briguglio, Vella (2019) when analysing the economic sitution of the EU small states, probably to include Lithauania in their study.

not small enough to fit our analysis, including Belgium, Netherlands, Denmark, Slovak Republic and Croatia.

2.2 The EUSS

There are seven EUSS, so defined, four of which are located in Eastern Europe (Estonia, Latvia, Lithuania and Slovenia) two are located in the Mediterranean Sea (Malta, and Cyprus, - the only island states in the sample) and one (Luxembourg) in the Western Europe.

Table 1 presents some data relating to the 7 EUSS. It can be seen that Malta is the smallest one in terms of population and land area. Luxembourg is the second smallest state, followed by Cyprus, in terms of these two indicators. Malta has by far the highest population density, followed by Luxembourg and Slovenia. In terms of GDP per capita, Luxembourg comes first followed by Malta and Cyprus.

Table 1. Selected indicators of the European Union small states in 2018

States	**Population** (thousands)	**Land area** (km^2)	**Density population** (inhabitants per km^2)	**GDP** (USD million)	**GDP per capita** (USD)
Cyprus	864	9,240	94	24,469.8	28,313.8
Estonia	1,319	42,390	31	30,284.9	22,958.2
Latvia	1,934	62,180	31	34,849.1	18,015.6
Lithuania	2,809	62,650	45	53,251.4	18,958.1
Luxembourg	602	2,590	232	69,487.9	115,427.5
Malta	476	320	1 487	14,542.0	30,569.7
Slovenia	2,067	20,140	103	54,235.5	26,240.3

Source: EUROSTAT (2019); World Bank (2019).

2.3 Constructing the Tourism Impact Indictor

As stated we shall attempt to construct a Tourism Impact Indicator (TII) using two components: (1) a Tourism Socio-spatial Index (TSI) and (2) a Tourism Economic Index (TEI).

In order to measure the TSI, we have used two variables, namely (a) international tourist as a % of total population and (b) international tourists per km sq. It is assumed that a high tourism density in terms of population and land area could lead to social discomfort and environmental degradation. This index may be too simplistic to measure all the social and spatial impacts, but it has the advantage of being relatively easy to compute as the data is readily available. We rescaled the variables using the min-max formula[2] in order to enable the averaging of the two variables, so as to obtain the TSI.

[2] The formula can be expressed as follows: $TIij = (Xij - Min\ Xi) / (Max\ Xi - Min\ Xi)$ where Tlij= the magnitude of the impact for the jth country (7 countries) with respect to the ith variable (2 variables); Max Xi = highest value of the ith variable for all destinations; and Min Xi = lowest value of the ith variable for all destinations.

The second index, which relates to tourism economic impacts (TEI), is constructed by expressing in-country tourist expenditure (a) as a percentage of GDP and (b) per resident. As in the case of the TSI, this index may be considered to be too simplistic to measure all the economic impacts, but, again in this case, the index has the advantage of being relatively easy to compute as the data is readily available.

Again, the two variables were rescaled using a min-max formula, and the results were averaged.

The sources of the data were *International Tourism Highlights* (UNWTO, 2019) for the tourism variables, EUROSTAT (2019) for the demographic variables, World Bank (2019) for the economic variables. All data related to 2018.

3. RESULTS

3.1 The social and spatial impacts

Table 2 presents the results relating to the TSI.

Table 2. Construction of the Tourist Socio-spatial Impact Index (TSI)

EUSS	International tourist arrivals (thousands)	International tourist as a % of total population	International tourist density (tourist per km sq)	Impact Indicators[a]		
				Tourist as a % of total population	Tourist density per km^2	TSI[b]
Most Impacted						
Malta	2,599	546.4	8,121.9	1.000	1.000	1.000
Cyprus	3,939	455.8	426.3	0.797	0.049	0.423
Intermediate						
Estonia	3,234	245.2	76.3	0.324	0.006	0.165
Slovenia	4,425	214.1	219.7	0.255	0.023	0.139
Luxembourg	1,018	169.1	393.1	0.154	0.045	0.099
Least Impacted						
Lithuania	2,825	100.6	45.1	0.000	0.002	0.001
Latvia	1,946	100.6	31.3	0.000	0.000	0.000

Source: (EUROSTAT, 2019); (UNWTO, 2019).
[a] Calculated using the min-max formula
[b] Unweighted Average of two indices.

The most impacted EUSS in terms of the TSI are Malta and Cyprus. Their score is markedly higher than the rest of the EUSS.

The 'intermediately' impacted and the least impacted small states are considerably larger in terms of area and population, with the exception of Luxembourg. This very small, landlocked country is mostly a MICE (Meetings, Incentives, Conferences, and Exhibitions) destination.

According to (Keyser, 2003: 250) price is not a major issue for MICE tourists. They tend to spend more than the average holidaymakers, with some estimates indicating that this might be twice as much per trip.

3.2 The economic impact

Table 3 present data relating to the economic impact index (TEI).

Table 3. Construction of the Tourism Economic Impact Index (TEI)

EUSS	International tourism receipt (USD million)	International tourism receipt as a % of GDP	International tourism receipt per capita (USD)	Impact Indicators[a]		
				Tourism receipt as a % of GDP	Tourism receipt per capita	TEI[b]
Most economically impacted						
Cyprus	3,352	13.7	3,878.6	1.000	0.433	0.717
Luxembourg	4,990	7.2	8,289.0	0.409	1.000	0.704
Malta	1,854	12.7	3,897.4	0.914	0.436	0.675
Intermediate						
Slovenia	3,209	5.9	1,552.6	0.294	0.134	0.214
Estonia	1,783	5.9	1,351.6	0.292	0.109	0.200
Least economically impacted						
Latvia	1,036	3.0	535.6	0.027	0.004	0.015
Lithuania	1,423	2.7	506.6	0.000	0.000	0.000

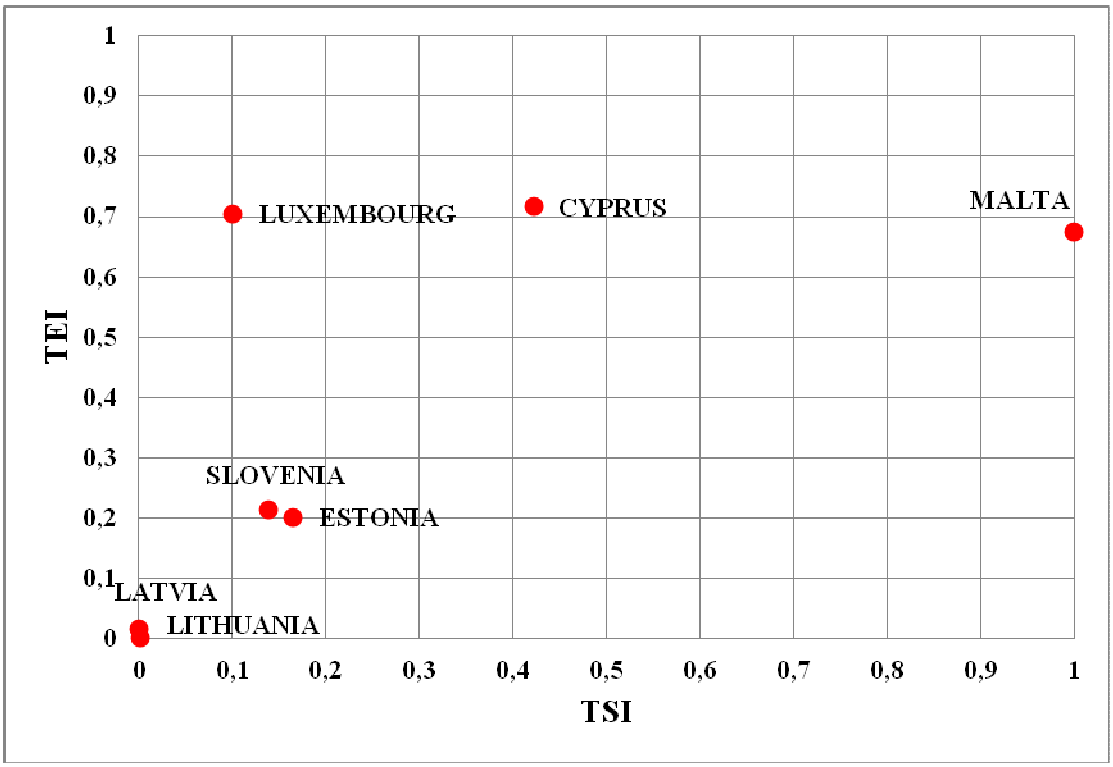
Source: Derived from (EUROSTAT, 2019); (UNWTO, 2019); (World Bank, 2019).
[a] Calculated using the min-max formula.
[b] Unweighted average of the two indices.

Table 3 shows that the most economically impacted EUSS are Cyprus, Luxembourg and Malta, in that order.

3.3 Juxtaposing the social/spatial and the economic impacts

In order to assess the two impacts on the EUSS, we constructed Figure 1, which shows the Juxtaposition of the TSI and the TEI for the year 2018.

Figure 1. Juxtaposition of the TSI and the TEI



Source: Derived from tables 2 and 3.

The TSI ranks Malta and Cyprus as the most highly impacted small states in terms of the socio-spatial impacts. These two island states rely heavily on mainstream tourism, which is dependent on natural attributes, the so-called 3xS: sun, sea and sand. These attributes offer many related activities, including sunbathing, swimming, boating, windsurfing, water-skiing, parasailing, snorkelling, scuba diving, sport-fishing, etc. (Keyser, 2003: 259, 260). Coastal and marine environments attract both general-interest tourists seeking relaxation and entertainment, as well (but to a much lesser degree) special-interest tourists.

The TEI ranked Luxembourg, and the Mediterranean Islands of Cyprus and Malta at the top in terms of economic impacts. Lithuania and Latvia had the lowest economic impacts.

The case of the countries with the highest economic impacts is interesting. While the social-spatial impact in the case of Luxembourg is low, it is very high in the case of Malta and Cyprus. This is because the tourists that visit Luxembourg are of better quality, in terms of spending per capita, than is the case of Cyprus and Malta.

These two island states have a relatively high population density, particularly Malta where average population density approaches 1500 persons/km^2. The Maltese and Cypriot economy is to a high extent tourist-driven. In both cases, there may be a case of what is known as "overtourism" (Briguglio and Avellino, 2019; Farmaki et al., 2016). This would seem to suggest that in the case of Malta and Cyprus, while the high socio-spatial effect may lead to social discomfort and even environmental degradation, the economic benefits are relatively high, rendering it difficult for the policy makers to decide as to whether to contain or encourage further tourism growth.

4. IMPLICATIONS FOR THE TOURIST AREA LIFE CYCLE

The Tourism Area Life Cycle (TALC), originally proposed by Butler (1980), explains how tourism destinations move through a pattern starting from absence or almost absence of tourism inflows, progressing to a very high rate of tourist arrivals, eventually reaching a stagnation stage and finally to a decline. For some scholars (among others Vanhove, 2005: 79, 80) the TALC is, from a theoretical point of view, an appealing concept, but is of limited practical value. According to this perspective - it is very difficult to identify the different stages and turning points, especially when there is a lack extended series of tourist arrival data from which to assemble S-curve which illustrates this progression. Furthermore, a destination is an aggregation of many products and different markets segments, each with their own evolution. In addition, a destination does not change smoothly in terms of tourism inflows, as new impulses and crises, either by chance or intent, may lead to ups and downs over time.

Nevertheless, the findings in this paper may have implications relating to TALC. Latvia and Lithuania may be considered as being in Butler's (1980) development and exploration stages, Slovenia and Estonia in the consolidation stage, whereas Malta, Cyprus and Luxembourg may be approaching the stagnation stage. These classifications have obviously to be interpreted with caution. As already stated, new stimuli and hindrances may lead to unpredicted increases or decreases in tourist inflow, leading to departure from the S-Shaped TALC curve.

5. CONCLUSION

Using a quantitative approach, the TSI and the TEI indices have been constructed to measure two major tourism impacts: the socio-spatial and economic impacts in the seven EUSS.

These results suggest at least two implications.

Firstly, Malta and Cyprus, the countries that have the highest TSI also have the highest TEI, suggesting the need for policy makers to balance social discomfort and environmental degradation with economic gains. This could be done by, for example, trying to attract fewer but higher-spending tourists, so that the TSI would decrease while the TEI would remain high, as is the case of Luxembourg.

A second implication is that in the case of Malta and Cyprus the high scores for TSI could be considered as an early warning signal that they may be experiencing or about to experience overtourism. This has happened in many areas including Barcelona, Dubrovnik, Venice and Santorini (Greece) and Amsterdam, resulting in calls by the residents for controlling tourism development. As Briguglio and Avellino suggest, such disputes can be minimised by encouraging democratisation in tourism development, involving the active participation of the residents in the destination, in an attempt to balance the interests of the local community with business and political interests.

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