

## EU INTEGRATION AND TOURISM DESTINATION MANAGEMENT: THE CASE OF PORTUGAL

(Integrarea în UE și managementul destinațiilor turistice: cazul Portugaliei)

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### Abstract

The EU membership has brought many benefits to Portugal by improving the access to the European policies and funds. The tourism sector is one of the fast growing industries in the country (accounting for approximately 11% of GDP) and it has strongly benefited from the EU integration, making Portugal one of the top destinations in the world. However, the recent economic slowdown, coupled with phenomena of worldwide proportions (the 11<sup>th</sup> September and the 4<sup>th</sup> March terrorist attacks, the SARS outbreak and, most recently, the avian flu threat) have made tourism professionals question about how destinations should be managed in a more innovative, responsible and profitable way. This paper attempts to provide, on one hand, some theoretical and empirical findings on Portuguese tourism evolution during the two-decade period of EU membership, with reference to some European support schemes and their impact on Portugal as a tourist destination. On the other hand, it aims to point out critical issues that are essential to depict future trends in destination management, which can be useful to emerging tourist destinations, such as many countries in Eastern Europe. Since Romania is a fast growing country in terms of international tourist arrivals and a candidate country in the next EU enlargement process, the Portuguese experience could be an interesting case to learn from.

### Keywords:

EU Integration; Tourism; Portugal.

### Rezumat

Apartenența la UE a adus Portugaliei numeroase beneficii manifestate prin înlesnirea accesului la politici și fonduri europene. Turismul reprezintă una din industriile ce au cunoscut o ascensiune rapidă (pondera sa în PIB fiind de aproximativ 11%) și a avut multe de câștigat de pe urma integrării în UE, acest lucru făcând din Portugalia una din cele mai căutate destinații ale lumii. Totuși, recenta stagnare economică, în combinație cu fenomenele de proporție la scară mondială (atacurile de pe 11 septembrie și 4 martie, declanșarea Sindromului Acut Respirator, și cel mai recent, amenințarea gripei aviare) i-au determinat pe profesioniștii în turism să se întrebe cum este posibil ca destinațiile turistice să fie administrate într-un mod mai inovator, responsabil și profitabil. Această lucrare încearcă să furnizeze, pe de o parte, câteva cercetări teoretice și empirice despre evoluția turismului din Portugalia de-a lungul celor 2 decenii de apartenență la UE, cu referire la câteva scheme europene și impactul lor asupra Portugaliei în calitate de destinație turistică. Pe de altă parte, încearcă să sublinieze probleme grave care sunt esențiale pentru a înfățișa viitoarele tendințe în ceea ce privește administrarea destinațiilor turistice, ce pot fi folosite de noile destinații, printre care numeroase țări est-europene. Din moment ce România este o țară angajată într-un rapid proces de dezvoltare din punct de vedere al destinațiilor turistice, dar și o candidată pentru noul proces de extindere al UE, experiența Portugaliei poate fi un caz interesant din care se poate învăța.

### Cuvinte cheie:

Integrare în UE; Turism; Portugalia

## 1. Introduction

This paper aims to provide, on one hand, some theoretical and empirical findings on Portuguese tourism evolution during the two-decade period of EU membership, with reference to some European support schemes and their impact on Portugal as a tourist destination. On the other hand, it aims to point out critical issues that are essential to depict future trends in destination management, which can be useful to emerging tourist destinations. The findings are based on research using the methods of document search; secondary data and literature review were used in order to assess the tourism development process in Portugal over the last decade.

The article is divided in five main sections. First, it briefly outlines the Portuguese European integration process, and proceeds on examining the implications of the European integration in the tourism sector. The third part gives a brief overview of the Portuguese tourism sector during the last decade, and the fourth section highlights some of the European schemes that support the tourism sector in Portugal, particularly focusing in the case of Porto Capital of Culture 2001. Finally, it points out some critical issues on destination management, which constitutes a hot issue in today's agenda, particularly because of new worldwide trends (consumer-related and safety and security-induced), that are shaping a new map of global tourism.

Emerging destinations in Asia and in Eastern Europe are becoming important players in the tourism scene, thus forcing traditional and mature destinations to rethink on their tourism strategies.

## 2. The portuguese european integration process

The European integration process started on 1958, January 1<sup>st</sup>, with the Treaty of Rome, signed by France, Germany, Italy, Luxembourg, the Netherlands and Belgium. The general aims of the European Union (EU), at this time called European Economic Community (EEC), were to promote unity between the member-states, by improving living and working conditions for European citizens, and to preserve peace and freedom. At that time, the fascist authoritarianism under Antonio Oliveira Salazar (1932-1968), and later under Marcelo Caetano (1968-1974), has kept Portugal away from the European integration, a process open only to democracies. The institutionalization of democracy on 1974, April 25<sup>th</sup>, and the collapse of the African colonial empire drove the EEC to open the formal negotiation with Portugal. In 1981, Portugal signed the pre-accession agreement, which provided economic assistance to help it modernise and to facilitate its integration. Five years after, the country has joined the EU. In 1999, by fulfilling the Maastricht convergence criteria, Portugal has also integrated the European Economic and Monetary Union (EMU) as an original founder.

The process of integration into Europe has brought many benefits to Portugal: trade with member-states has increased dramatically and foreign investment has flooded in; at the socio-cultural level and generally speaking, integration was also beneficial. As Royo (2004) states, "it would not be an exaggeration to say that the Portuguese have become mainstream Europeans, and that many of the cultural differences that separated Portugal from its European counterparts have dwindled as a consequence of the integration process".

However, the implementation of the necessary reforms associated with EU membership has brought also losses and fears “exacerbated by issues such size, culture and nationalism” (Royo, 2004).

Overall, membership in the European Union contributed to stable economic growth, largely through increased trade ties and an inflow of funds to improve the country's infrastructure. In order to qualify for the EMU, Portugal agreed to cut its fiscal deficit and undertake structural reforms, resulting in exchange rate stability, falling inflation and falling interest rates. Portugal has also made significant progress in raising its standard of living.

### 3. Implications of the european integration on tourism

The word “tourism” did not appear in the Treaty of Rome, and it was not until Article 3 of the Maastricht Treaty that the word was finally mentioned, albeit under a legally limited form that does not give any statutory authority to the European Union in this area (WTO, 2004). This means that any decision on tourism matters must be adopted unanimously by the countries of the EU. Nevertheless, regarding the issue of European integration from the point of view of tourism is possible to highlight six aspects:

- Economic and Monetary Union (EMU) – it is more than just a free-zone, it entails the existence of a certain set of rules, not only to allow the free movement of goods, services and financial flows, but also to ensure that such movements take place transparently.

- Complementary policies – liberalisation of internal trade, harmonisation of competition rules, elimination of so-called non-tariff

barriers, information and consumer protection, as well as food safety issues, have a direct effect on the tourism activity (in particular the directives on package travel, on air transport booking, security obligations in hotels, or regulations on timeshare).

- Initiatives in areas where the European Union does not exercise leadership but where it can put forward proposals, for example, regarding education, culture, research, environment and new technologies. There is a whole range of initiatives that affect tourism in different ways. For instance, information and communication technologies are vital for the development of the tourism sector. Everything that happens in the telecommunications field is equally important for tourism enterprises and destinations. Programmes along the lines of Natura 2000 or other environmental programmes have an impact on ecotourism and rural tourism.

- Sectoral policies and structural actions – sectoral policies in fields like agriculture, have a vital importance for rural tourism; also the liberalisation and harmonisation of the regulations on land/air/coach transport have a dramatic influence on the tourist flows. Concerning the structural funds, tourism is not mentioned as such, but if we consider the funding for zones that are lagging behind in development (for instance, the "5b Programme" for rural areas) or that for the conversion of old industrial areas, it is noticeable that the EU has put a great financial support into projects/programmes that concern the tourism activity. For example, in the southern regions of Portugal, Spain, Italy, or Greece, monuments are being renovated, infrastructure being built, and programmes being carried out to upgrade cultural assets, all of them with an immediate, direct and positive impact on the tourism industry.

- The existence of subregional groupings, like the countries belonging to the Schengen Agreement, with a common external border, a joint visa policy, and free movement within the zone.

- The common presence or, at least, the initial attempts at coordinated representation of the EU vis-à-vis the rest of the world. A number of countries of the Caribbean, Africa, and the Indian Ocean receive multilateral assistance from groups of countries, or bilateral assistance from the European Union precisely in the area of tourism.

Programmes undertaken for the benefit of non-EU European countries, such as PHARE and TACIS, also contain significant "tourism" elements.

- Since the 1980's that the EU started specific actions in the tourist field to strengthen cohesion. However, even if a whole series of initiatives and policies, both general and sectoral (see Table 1), have an impact on tourism, the conclusion, according to the WTO, is that currently there is no central strategic vision of tourism policy at the European Union level

**Table no. 1 - Some European Community Measures Affecting Tourism**

<ul style="list-style-type: none"> <li>▪ Economic policies</li> <li>▪ Enterprise policy towards tourism businesses</li> <li>▪ Competition issues and mergers</li> <li>▪ State aid for tourism (e.g. subsidies)</li> <li>▪ The internal market and tourism</li> <li>▪ Fiscal policies and tourism (e.g. taxation)</li> <li>▪ Employment and social policy (e.g. the minimum wage)</li> <li>▪ Enhancing Europe's potential for tourism</li> </ul>	<ul style="list-style-type: none"> <li>▪ Tourism and employment</li> <li>▪ Exchange and dissemination of information</li> <li>▪ Training, skills and the workforce</li> <li>▪ Education and vocational training</li> <li>▪ Safety n tourism installations, food safety and health</li> <li>▪ Natural and cultural heritage</li> <li>▪ The environment and sustainable development</li> </ul>
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Source: adapted from Page (2005)

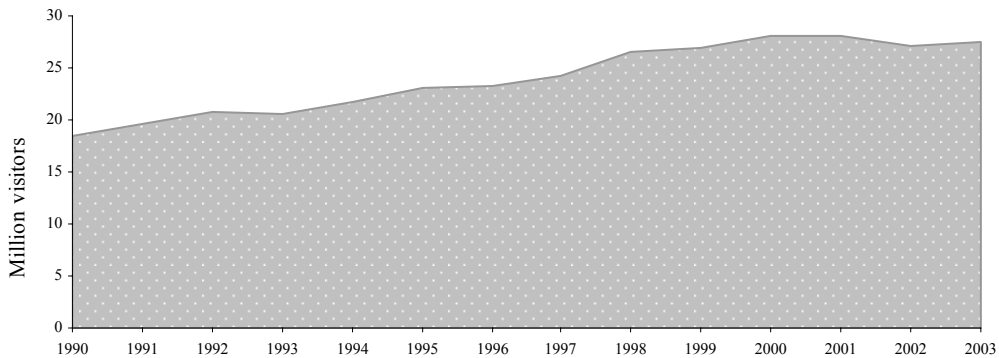
EU also seeks to develop measures to improve the quality of tourism member states, although tourism policy remains the remit of individual governments.

This is important all the more governments need to know the contribution which tourism makes to the economy in terms of income, generation, employment, balance of payment and investment. Moreover, governments need to compare their tourism with other countries, at the same time they define their strategies to attract tourist to the country (Cardoso and Ferreira, 2000).

**4. Tourism in Portugal: a brief overview during the last decade**

The tourism sector is one of the fast growing industries in the country (accounting for approximately 11% of GDP) and it has strongly benefited from the EU integration, making Portugal one of the top destinations in the world. In 2004, it ranked 16<sup>th</sup> in the world. Annual growth rates for Portuguese tourism – both in terms of arrivals and receipts – have fluctuated quite sharply over the past ten years, with arrivals almost always outpacing receipt volume. In terms of earnings from tourism, in 2004

Portugal was ranked 21<sup>st</sup>, dropping from 20<sup>th</sup> in 2003. This fact suggests that Portugal is a relatively inexpensive destination, or it may suggest that Portugal is attracting the lower-end of the global tourism market. (Figure no. 1)



**Figure no. 1 - International Arrivals in Portugal, 1990-2003**

Source: National Tourism Board

Statistics suggest that Portugal has a long way to go in terms of both tourism earnings and revenue per tourist. The fact that the average daily spending by a tourist visiting Portugal decreased (in constant prices) reveals that the Portuguese tourism market has been mostly attracting the lower-end of the global tourism visitors. (Figure no. 2)



**Figure no. 2 - Average Daily Visitor Spending in Portugal (in Euro), 1992-2003**

Source: National Tourism Board

It is also important to underscore the high dependency of Portuguese tourism on a few European countries and the decrease in terms of average length of stay. (Figure no. 3)

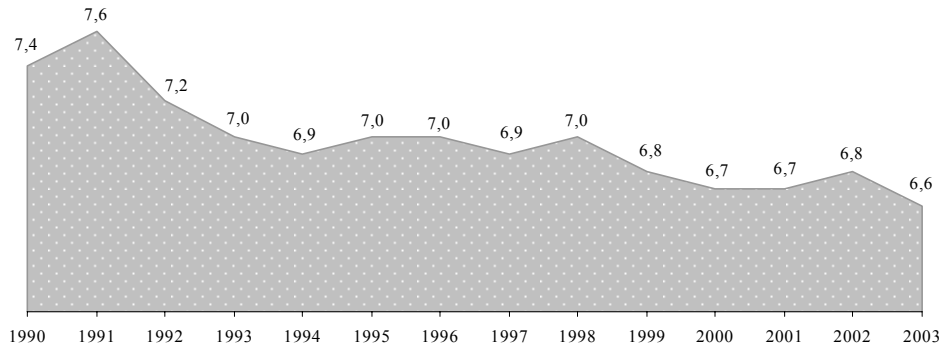


Figure no. 3 - Average Length of Stay, 1990-2003

Source: National Tourism Board

Figure 4 shows that there are three main tourist destinations in Portugal: Algarve, Madeira and the Lisbon area. Solely they are responsible for 77 percent of the total bed nights in the country, in part because of the concentration of tourist facilities in these three areas. Through the years, tourists to Portugal have made the Algarve the major Portuguese tourism destination. The significance of the Algarve in terms of nights spent has decreased through the years though.



Figure no. 4 - Bed nights by region, 2003

Source: National Tourism Board

In the European context, Portugal is no longer a mere sun and sand destination. Portugal is trying to develop products other than sun and sea tourism, namely cultural and rural tourism, in order to attract more affluent tourists. The hinterland has an exceptional potential for tourism development.

### **5. European support schemes in tourism: the case of porto capital of culture 2001**

The development of the European integration of Portugal has certainly had significant impacts of various dimensions on the tourism sector. For example, the actual framework (2000-2006) for the tourism sector, supported by the EU Regulation No. 1260/99 and the Portuguese Ministry Council Resolution No. 101/2003, which includes the Incentive Programme for the Modernization of Economic Activities (PRIME), integrates a set of medium term economic policy instruments. According to the Portuguese Ministry of Economy, those instruments were designed for industry, energy, building industry, transport, tourism, and trade and services sectors. For instance, for the tourism sector, the following goals have been stated: to promote and reinforce the tourism industry's competitiveness; to support new ideas and new businesses in order to develop new products in the tourism sector; to act on critical factors in the tourism sector (qualification of professionals, improvement of the productivity, consolidation of the existing offer, promotion of Portugal as an international tourism destination) and to support the internationalization of the economic agents in the tourism sector.

European structural funds support a wide range of activities that help improve the performance of enterprises. Improving the quality of hotel and guest

accommodation, joint marketing initiatives for local products, joint tourism promotion activities, training courses to improve staff skills, development of new products are all just examples of activities that are entitled to benefit from these funds. As tourist enterprises are often small and lack financial capacity, these funds are crucial for their success. It is the case of the structural funds aimed at reducing regional socio-economic imbalances, mainly targeting traditional activities in rural areas, thus favoring the development of rural tourism, particularly noticeable in the North of Portugal. Employment related to rural tourism, direct, indirect and induced, is already an important source of income in these areas. In particular, tourism provides part-time jobs for many people who would otherwise have difficulties finding suitable employment, and it links the natural, environmental and cultural amenities offered by the region. In the period 1994-99, the EU spent 12% of the Objective 5b support budget in the assistance on rural tourism.

In addition to direct support for businesses in the tourist sector, the EU also finances (semi) public bodies such as municipalities, representative organizations or tourist offices. The investments are aimed at making regions more attractive for visitors, and certain measures have a great positive impact on attractions. It is the case of the European Capital of Culture (ECOC) programme, which has given a boost to cultural tourism in the designated cities. The initial scheme named European City of Culture was launched at an intergovernmental level in 1985, and it has been amended and altered several times. In 1992, a new event of European Cultural Month and a further resolution concerned the choice of future cities were established. In 1999, the European

Capital of Culture was given the status of a Community Action and new selection procedures and evaluation criteria were outlined. The main motivations behind the nomination for the ECOC title, the key mission and major objectives vary from city to city. However, since 1985 there has been a continuing annual rivalry between “culturally profiled” cities seeking the status of City of Culture or Cultural Capital of Europe (Peltonen, 2005).

Porto was Portugal’s second Capital of Culture, after Lisbon in 1994. The city was designated a UNESCO heritage site in 1996 and wanted to develop its cultural infrastructure. The main motivation behind the city bidding to become Capital of Culture in 2001 was the need to raise the international profile of Porto and capitalize on the event to regenerate and develop the city. The main objectives of Porto 2001 were divided into four sub-groups (Palmer/Rae Associates, 2004):

- Cultural program – to consolidate a new cultural dynamic, increase the diversity of cultural expression, develop initiatives that would live beyond 2001 and create new cultural habits among the population.

- Cultural infrastructure development – to construct a new space for music, the Casa da Musica, and renovate and transform other buildings.

- Urban and environmental renewal – to regenerate the downtown area of Porto, including the development of roads, squares, transport and develop parks and other green spaces in the town.

- Economic and housing development – to revitalize the economy of the downtown area by improving its image, strengthening commerce, attracting a new, young and diverse population.

Economic development was thus one of the main objectives of Porto 2001 and the most significant economic

outcomes are due to the huge program of infrastructural developments and improvements throughout the city. A total expenditure of 227 million Euros was invested and 37% of the total budget went towards cultural infrastructure projects. The most visible legacies of Porto 2001 are clearly the infrastructural developments that have taken place: the number of renovated buildings that now house important cultural institutions, the development of urban space and parks. However, the city also benefited from other non physical aspects, such as new networks and increased collaboration in the cultural sector and developed European cultural cooperation.

Tourism was also an element of the strategy to accomplish economic benefits. One specific aim was to attract visitors from Portugal and abroad and redefine the image of Porto as a cultural city. ECOC cultural programs are unique due to their scale, duration, scope and the range of stakeholders and partners. Statistics on visitor impacts were often cited as evidence for the success of an ECOC since they are more readily measurable than many other impacts. A total number of nearly 1,3 million people was estimated to attend events in the program. In 2001 the total number of overnight stays was 662.593, and in 2002 it amounted 647.133. The impact of the ECOC seemed to result in higher visitor flows in the year of the event, experiencing a decline in the following year. Research undertaken by the Association for Tourism and Leisure Education (ATLAS) (Richards, et al., 2002) found that the average visitor spending was 110 Euro per person per day excluding transport. However, visitors traveling to the city specifically for the Capital of Culture event spent on average 237 Euros per day. The ATLAS study also reported that the average length of stay in Porto was 4,2 nights



although visitors staying in the city tended to have shorter stays. The average visitor visited four attractions in Porto during their stay. Foreign visitors had a relatively positive image of the city.

## 6. Critical issues/key trends on tourism destination management

As mentioned before, the tourism industry plays a crucial role in national, European and global economies. According to (WTO, 2004), within the EU, tourism accounts for 6% of GDP, is responsible for the creation of 2 million enterprises and 20 million jobs, with new 100.000 jobs per year (3% growth). It is therefore undoubtedly a major industry which will become even larger in the future. Europe is the number one destination in the world, receiving almost 55% of worldwide international tourists. This high share is partially due to the close proximity of the many relatively small European countries, which stimulates intra-European travel. There were over 416,4 million international tourist arrivals in Europe in 2004, and these are expected to increase to 717 million by 2020 (WTO, 2005). The main winners in terms of tourism growth in 2004 were emerging destinations in Central and Eastern Europe – and notably Estonia, Lithuania, Bulgaria, the Czech Republic, Romania and Slovenia. The WTO envisages a boom over the next twenty years which will lead to worldwide tourism more than doubling. The UK and Spain are currently forecast to achieve the best GDP growth among west European markets over the next couple of years, but their rates of growth will be well below those of key Central and East European markets. Global Insight (ETC, 2005) estimates that Eastern Europe will be the second fastest growing outbound travel market between 2004 and 2009, behind Asia. By 2009,

Global Insight estimates that the new EU members' share of total EU outbound travel expenditure will be 5,4% – up from just 4% in 2000.

At the same time, tourism is a vulnerable sector, subject to external influences such as the consequences of global economy and safety. Phenomena of epic proportions from September and March 11th, to SARS and most recently to the Avian Flu threat are still fresh in everybody's memory. The conflict in the Middle East is another external influence which is having a profound effect on tourism to countries in the Mediterranean. All these phenomena are leading to an ever-changing competitive scenario with the constant development of new destinations. In fact, destinations represent the real competitive factors within the tourist industry, and maybe that is why destination management has to be a dynamic activity; it must be developed to guarantee the quality of the visit, the competition on the market and the residents' quality of life. Managing a destination is about to achieve the strategic goals, but acting as a facilitator. This implies consensus, co-operation and synergy among destination actors in terms of joint definition and development strategies, objectives and actions (Murphy, 1988). Many challenges should be undertaken in terms of innovation, profitability, efficiency and effectiveness of marketing, planning and development of tourism; meanwhile, one seems to gain our special attention in alerting for the consensus that a tourism destination needs: private and public sectors working more closely.

At a quick glance, it can be seen that a 'new' Europe is upcoming. Not only physically with the EU enlargement; but new forces are shaping and changing the economic environment, posing new strategic and operating

challenges for all businesses, as they face more dynamic markets with rapidly changing economics, namely in Asia.

## 7. Conclusion

The process of integration into Europe has brought many benefits to Portugal. Overall, membership in the European Union contributed to stable economic growth, largely through increased trade ties and an inflow of funds to improve the country's infrastructure. Tourism is one of the sectors that greatly benefited from the EU accession, though the injection of structural funds. Statistics show a great increase of international arrivals in the country, however receipts have not grew in the same proportion. Portugal is thus trying to diversify its tourist product base, in order to attract more affluent tourists. European support schemes have been an important instrument to develop other products, like rural and cultural tourism. The Porto Capital of Culture

2001 is a good example of an EU programme which helped to attract more visitors and with a higher spending pattern, and to redefine the image of Porto as a cultural city. Since Romania is a fast growing country in terms of international tourist arrivals and a candidate country in the next EU enlargement process, the Portuguese experience could be an interesting case to learn from. The city of Sibiu in Romania was designated to be the European Capital of Culture in 2007. This will help to boost the country's image and consolidate it as a tourist destination. In fact, in the last few years, many Central and Eastern European countries surged as emerging destinations and are posing new challenges to traditional destinations in Europe. Mature destinations have thus to be managed in a more innovative, responsible and profitable way in order to endure in a more competitive and shifting environment.

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