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A Pathmaking Journal



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THE ECONOMIC NATURE OF INTERNATIONAL TOURISM

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ABSTRACT

Specialized literature does not provide a unanimously accepted definition of the term “tourism”. Regardless of the differences of approach and definition techniques, all definitions are generally based on the need for recreation and achievement of physical and emotional comfort, which are the driving forces for development and execution of various activities to meet those needs. Another approach used to clarify the essence of the term “tourism” allows not only for its social role, but also the economic logic for the development and the management of tourism as an economic activity. This approach, clarifying the essence of the term “tourism” from an economic point of view, allows for the creation of a number of hierarchically related concepts.

KEYWORDS

Tourism phenomenon; tourism business; leisure industry; tourism superstructure.

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P400; Q580; R110

1. INTRODUCTION

Studying tourism as a social phenomenon and as an economic category is a serious challenge due to the fact that it is distinguished for different aspects in each separate manifestation. Depending on the concrete task of each separate study adequate approaches are applied, and the content put in the category brings its

precise characteristics to the foreground. This, on one hand, makes it necessary to put a framework to the concrete study, but, on the other hand, it makes the analysis more precise. The aim of the present study is to make a thorough analysis of the categories and notions in the sphere of tourism by outlining the characteristics and specifics of each one, which is to give grounds for clarifying the economic interpretation of tourism in its manifestation as international business. At the same time we define modern tourist business as an object of the current theoretical analysis. In this sense the topic of economic nature of international tourism has mainly informative value and serves as a foundation in building scientific instrumentarium for researching it as a form of international business, from which the countries which develop it prioritarily get good profits and realize effects for their economies as a whole. It is not by accident that when researching the topic of international tourism the attention is directed to the process of internationalization. It is realized on the basis of increasing mutual commitment of the particular national economies and of the particular economic subjects and allows opening the advantages and obtaining additional profits arising from the formation of dimensions different from the physically limited abilities of the national ones guaranteeing higher effectiveness and profitability. The internationalization is in direct relation with the opening of the national economies and opens ways for building them in a uniform economic system.

2. TOURISM – DIFFERENT APPROACHES TO RESEARCH

Specialized literature does not provide a unanimously accepted definition of the term “tourism”. Regardless of the differences of approach and definition techniques, all definitions are generally based on the **need for recreation** and achievement of physical and emotional comfort, which are the driving forces for development and execution of various **activities to meet those needs** (WTO, Categories, 2000). The need and motivation for recreation of persons travelling to, and staying in, places outside their usual environment defines tourists’ behaviour and the **economic, social and cultural interaction** between them and the service providers, which complements the definition of the term “tourism” (Eurostat, Community methodology on tourism statistics, 2009).

The multi-faceted nature of tourism allows for the application of various research approaches depending on the aspects and objectives of the research. The approach that clarifies the essence of tourism in broadest terms defines it as a **social phenomenon**. As such, tourism is closely related to the term “leisure time culture” and depends on the individual social status. Viewed as a need for recreation, tourism is related to the means of leisure time rationalization, where the restoration of the working capacity through recreation and/or participation in various activities is of primary importance. The **conceptual framework** of tourism, as a social phenomenon, includes three main areas - natural, social and market (Matheson and Wall, 1995). The intersection of these areas creates a core, as is shown in Figure 1. Part of which is physically related to the resources, the infrastructure and the existing intangible assets at a given geographical location denominated as tourist destination. Another part of this core is related to the interaction between the host country and its business entities and individuals and the incoming tourists with their specific tastes, habits interests and culture.

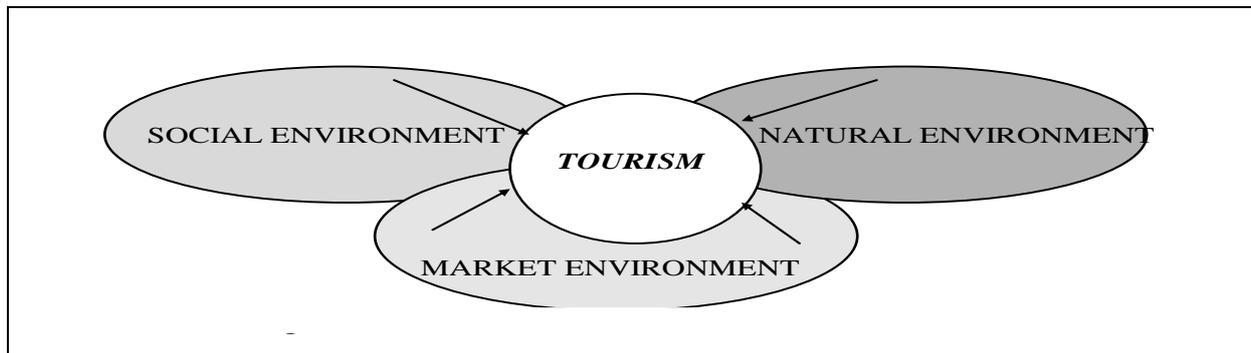


Figure 1: Interaction between tourism and its environment. Own elaboration.

The second approach used to clarify the essence of the term “tourism” allows not only for its social role, but also but also the economic logic for the development and the management of tourism as an economic activity. The combination of the need for recreation and the desire to rationalize leisure time creates **public needs** that are satisfied by the execution of various, but inter-related, activities for the **production of goods and services** that are offered **on a commercial basis** to those customers that can be defined as “tourists”. As a combination of the above described relations, factors and resources, **tourism in its essence** is viewed as **an economic activity** (Athiyaman, 1997; Dritsakis and Athanasiadis, 2000). Moreover, tourism functions as

a relatively independent economic system, operating within the limits of the given national economy as a **part of the service sector**.

This approach, clarifying the essence of the term “tourism” from an economic point of view, allows for the creation of a number of hierarchically related concepts, such as the ‘leisure industry’, “hospitality industry”, the combination of both and the concept of the “tourism industry”. The broadest concept is the “hospitality and leisure industry” (<http://www.bls.gov/iag/tgs/iag71.htm>), which is sometimes considered the same as the “tourism industry”.

The leisure industry is considered a product of mass culture (Horkheimer and Adorno, 1976). This type of industry originated as a result of a number of socio-economical factors of social development after the end of the Second World War, which led to material welfare improvement and a higher standard of living in the developed countries, to a reduction in working hours and the labour law enforcement of annual paid leave. As a result, a great number of people of working age have more free time (Рибов, 2005). The specifics of the demographic situation and the general socio-economic direct the growing number of “free time customers” to leisure industry products.

The core of the leisure industry are entertainment and recreation products of artistic and informative value, offered in simple and popular forms and matter intended for the general public. They rationalize free time, offering a wide range of cultural, art, sports, and travel alternatives (Witkin, 2003). It is not surprising, that recreation and travel are included in the definition of the World Tourism Organization as one of the most preferred leisure time activities. In this light, we can consider tourism as a part of the leisure industry, the supply of standardized tourist products being fully within the range and the nature of this modern socio-economic phenomenon. To highlight the dependence and the common philosophical principle of the contemporary forms of tourism and mass culture, we use the term “hospitality and leisure industry” (Steinert, 2003).

The **system approach** is preferred and widely used to study the phenomenon and the processes in tourism, since it integrates study of both structure and its components and the interaction between them. From a management perspective, the system approach views processes as interaction between the system and the environment in which the system is located and operates, distinguishing its

components as objects and subjects of management. The approach to define tourism as an **economic system** focuses on the cycles of the tourism products and services production process, targeted at achieving specific economic results – to generate income, to make profit, to create jobs, to increase assets, to maintain positive financial result, to transfer investments and other. This gives ground to claim that tourism is a business that produces and offers products/services that satisfy the needs of travellers during their travel or stay outside their usual residence.

Along with the view of tourism as an economic system, other approaches are also used to clarify the concept such as the production approach, that reveals the **technology inter-relatedness** of many **diverse activities**, related to the creation, placement and consumption of tourist services. This approach gives rise to the consideration of tourism as a production and technological system. According to it the components of the system, which define tourism as an economic activity, form a certain structure, as presented in Figure 2. The interaction between the system and the environment is implemented through the resources, which are marked at the entrance of the system, and through the results of the operation at the exit of the system. As presented in the figure, the input **resources** of the system of tourism are the first basic components. They are distinguished into three groups – natural, anthropogenic and economic.

Within the range of the system they become subject to management. Their role within the framework of the system depends on their quality, uniqueness and attractiveness.

Therefore their restoration, preservation and maintenance becomes essential in the formation of a given tourist destination. The system of tourism includes **entities** whose activity generates interaction and dependence relations. Two groups of entities are distinguished within the system – from the **public** and from the **private** sector. The state, public and local authorities are referred to the public sector, while the companies belong to the group of private sector entities.

In order to disclose the reasons for the inclusion of these two groups of entities in tourist business, it is important to reveal their nature and driving forces. The companies – local and external to the region – target tourism as a business field driven by commercial motives. They look for a well functioning economic activity to make profit by investing capital and organizing “production activity”.

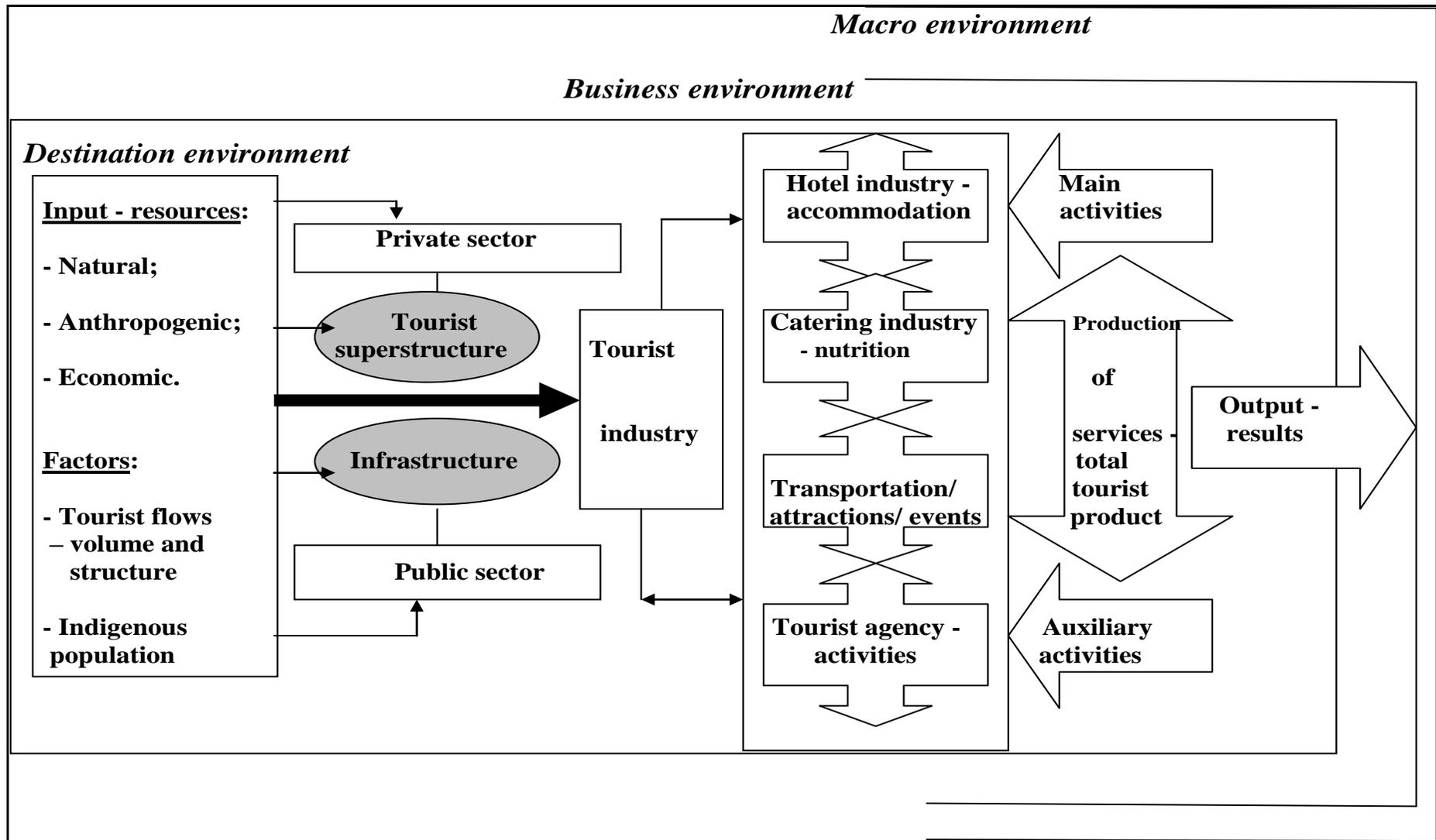


Figure 2: Tourism as an economic system. Own elaboration.

Thus they protect specific company interests related to those of the investors, the employees and management staff. Assigned to a given geographic locality with its specific resources, cultural characteristics and business environment, the described characteristics of the system refer to the concept of a tourist destination.

State, public and local authorities, considered as operating entities within the tourist system, represent collective public, as well as national, interests. Binding components between the two groups of entities are the **tourist superstructure** and the respective **tourist infrastructure** of the particular area. These terms are used to denote the facilities and the technical equipment needed to carry out the tourist activities for meeting, accommodation, catering, transportation and organizing the appropriate leisure activities. The unique combination of tourist resources and comfortable, functional facilities constitutes the core of the total tourist product that distinguishes the tourist destination. The very existence of rare and important resources for the development of tourism is not itself sufficient for the development of a tourist destination, if no roads, communications, electricity, water and sewage facilities are not constructed to make the location of the resources accessible and attractive to stay.

The tourist industry is defined as a combination of production service units such as accommodation and food facilities for providing goods and services to satisfy the needs of the tourists (UN-WTO, 2003). Emphasis in the definition of the tourist industry is placed on the great number of various “production activities”, that are technologically, organizationally and structurally bound and sequential in nature. In this sense, the term the “tourist industry” is associated primarily with a production and technological dimension, making it closer to the interpretation of tourism as an economic activity in its form of a large-scale model of the “production” of services. At the same time, the term “tourist industry” is introduced, to take into account the organizational and the institutional division of tourist activities. It is also defined as a group of businesses that offer goods and services to tourists thus distinguishing different types of profit and non-profit organizations that develop and supply core, support and auxiliary services.

Considering the tourist industry as a **set of different economic activities** bound in a **single technological cycle**, we have to highlight that accommodation, catering, transportation; entertainment and tourist service are of equal importance both for the

development of the tourist product and for the achievement of general satisfaction of tourists. The undertaking of the above economic activities to service tourists is, on the one hand, connected with rendering services that directly satisfy the needs of the tourists (main activities), and, on the other, it is related with the execution of a number of administrative, commercial, management and other functions that make the total economic activity profitable (support activities). The **output** of the system is measured in two ways, as the logical result of the technologically bound in sequence tourist activities is the set of services and goods, offered on the tourist market in the form of a tourist product. On the other hand the output results for the companies and the organizational units involved in tourist business are measured by the revenue and the size of the profit that is the basis of the expanded reproductive cycle. Based on the above stated, we can conclude that tourism as an economic activity should be considered conditioned both by production and technology and by the market.

This definition of the essence of tourism allows the application of the market approach in its study, in which the production of tourist services is defined as an independent economic activity based on market exchange. From this viewpoint tourism is based on a specialization and it gains ground as a successfully functioning part of the national economic complex on the principle of market competition. Both the services included in the tourist product and the tourist destination, characterized by the nature and the quality of the resources and the specifics and the level of tourist superstructure and infrastructure, are subject to competition. Every tourist destination is characterized by the tourist products it offers, which explains the motivation of a customer to buy a given product related to a specific destination. This specificity makes it necessary to include in the product only these services which are of the first importance for the travel and the stay of the respective tourist. This makes it an important prerequisite for success in the process of the technological “composition” of the tourist product and its marketing. In this context usefulness or ability to meet certain recreational needs become crucial when choosing one or another tourist product. Therefore the secret of successful marketing in tourism is to create a product that is wanted by a great number of tourists. The tourist product itself is a specific combination of tangible components and the intangible nature of services. It is viewed as a package of services and is promoted by the provider as a “promise’ to achieve a given effect, while on the demand side it is viewed as a way to

satisfy specific physiology and spiritual needs, according to Almeida Santos and Buzinde (2007). Therefore, the quality control of the services, included in the tourist product guarantees satisfactory level in terms of established standards, but the market evaluation of its quality is the ultimate satisfaction of the customers.

The tourist destination itself is also described as a system and becomes subject to management to achieve:

- Efficiency of system performance.
- Balance of interests of the entities involved from the private and the public sector.
- Sustainability and the opportunity to develop and improve the system with efficient and reasonable use of resources.

The use of the system approach allows tracking of the functioning of the system and management of the processes within it, following not only the interaction between the various components of the system, but also the interaction of the system and its environment. The performance of a system, functioning as a tourist destination is determined by the interaction of the entities of the system and those operating in the business environment, namely competitors, consumers, suppliers, administrative bodies – external to the system. The macro environment also affects the functioning of the system of the tourist destination, forming political, economic, demographic, ecological and technological factors.

In this context we believe, that it is methodologically important for the needs of the present analysis to outline the following basic **theoretical definitions**, which help us distinguish the essential features of the key concepts:

- **Tourism** is to be considered a many-faceted phenomenon which focuses its study on its real manifestations in practice.
- **The tourist business** is defined as a set of *activities for commercial purposes*, bound in the value chain.
- As a business, it generates income, creates jobs, “produces” and offers services on commercial basis, thus satisfying certain public needs. As an independent business it is in constant interaction with the market, natural and socio-cultural environment, which affect it in a complex way. The results of this are not unambiguous and very often difficult to measure, but of interest for this study will be

the ones of stimulating and hindering influence on the internationalization processes in this business.

Having analyzed the concept of “tourism” we find **diversity in the approaches** for clarifying its essence **and differences in its interpretation which reveals** a wealth of nuances in defining its main characteristics. This makes it possible to outline the common characteristics and differences in the internationalization processes that run as objective laws both in the material and in the service sector, both in production and in the process of circulation.

3.THE IMPORTANCE AND SPECIFIC FEATURES OF INTERNATIONALIZATION IN TOURISM

3.1. THE CHARACTERISTICS AND PLACE OF TOURISM IN INTERNATIONAL BUSINESS

Tourism is one of the most dynamically changing and rapidly developing forms of international business in recent decades. It embodies the basic characteristics and contradictions of the global economic system. The spheres of international production, international cooperation, international trade, international capital transfer, international research and development activity (International R&D activity) interweave in it in an organic whole, as is shown in Figure 3. Every sphere of international business is a result of the increasing division of labour, as a consequence of the scientific, technical and social progress. Tourism – an independent type of business – integrates in the global economic system as a part of production and trade with goods and services.

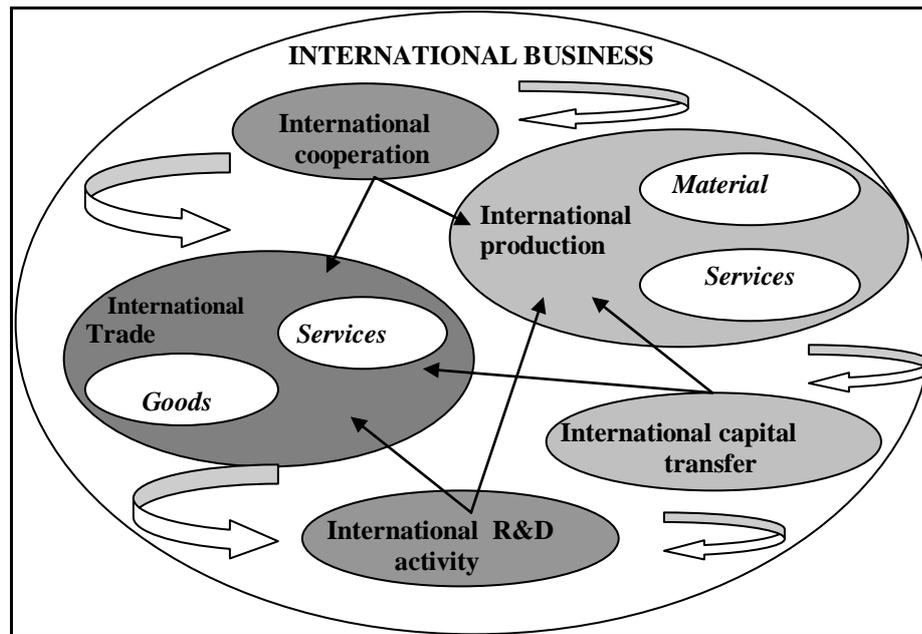


Figure 3. System of international business. Own elaboration.

The modern development of this form of international business can be described using the following main characteristics. The first one is related to the fact that tourism is a profitable economic activity – for example, in the recent years the USA have made about 84 billion USD annually, France – 31 billion USD, Italy – 27 billion USD and Spain – about 33 billion USD from rendering tourist services to foreign guests. Bulgaria has all chances, offering trade products and services on the international market, to earn well and to prosper in its economic development. The top management of our state administration estimates the importance of tourism as “export branch number one of Bulgaria”, providing both directly or indirectly for over 400 thousand jobs (Hadjinikolov, 2003). In recent years the share of tourism in the GDP of the Republic of Bulgaria is averagely 8%. In comparison with other European countries, close to ours, the share of tourism in the GDP of Greece is 24% and of Croatia – 19%. The average annual per capita income from tourism for the period 2005-2010 is 397 USD for our country, 985 USD for Croatia, 1048 USD for Greece and 273 USD for Turkey (<http://www.world-tourism.org/mkt/menu.html>). Obviously our country has the potential for successful participation in this type of international business, strengthening its international character.

The second characteristic is associated with the rapid rates of development. Over the past decade tourism has been a leading “export” industry worldwide. The aggregate income of the countries that develop international tourism amounts to

9,7% of the world export and the share of tourism in the total volume of the produced in the world product exceeds 11% (<http://www.wttc.org/2010tsa/frameset2a.html>). Tourist industry employs one in seven people in the world the proportion of the employed in this industry being 8.6% of total employment worldwide (<http://www.world-tourism.org/mkt/menu.html>). These facts show that this business generates positive effects for the national economies that develop it.

The third characteristic outlines the development of this business as uneven. This is determined by the different level of the socio-economic development of the different countries and regions that give priority to tourist business. In the developed industrial countries the mass model showed its economic and social advantages in full steam. Over time and with the expansion of business scale, along with the advantages, this business showed a number of disadvantages that cause anomalies in the social and economic development, both of the recipient and of the emitting countries. This backs the importance of the issue with evidence and provokes contemporary researchers of tourism to further research.

The fourth characteristic defines the tourist business as a specific industry, a part of the service sector which includes activities of diverse nature. Effects related both with the well-being of the population and with the structural profile of the entire economic complex are generated for the countries that specialize in this type of production activity. The development of tourism in the last fifteen years have been determined by a number of foreign economic factors because of the open nature of our national economy, but also by the nature and the progress of the transitional economic reforms. So the development of this business in our country is related to the main correlations in tourism worldwide. As a relatively independent economic system, tourism is characterized by a certain relation between it and the other branches and industries of the national economy.

As part of the national economic complex tourism generates a number of effects for the national economy as all other export businesses, as is shown in Figure 4, but at the same time it is directly dependent on the international situation. As shown in the figure, tourism, as part of the national service sector, is affected both by factors of the national environment and by international factors. Consumers of the offered tourist products are both local and foreign customers because of the international movement of people and the openness of the national economy. Sources of

production factors are both the home and the international markets due to the open nature of business, which allows investment transfer.

Given the outlined **characteristics of the contemporary tourist business** we have to highlight its specific features (Dmitriev, Zabaeva and Maligina, 2010), which acquire **a methodological significance in revealing the processes of internationalization** in this area and namely:

a) *Multi-functionality of tourism.* On the basis of the conceptual framework within which tourism has been analysed in the preceding paragraph and in view of its essence as a social phenomenon, we find out that it performs not only economic, but also social and political functions. If social functions are related to the right of every person to rest and recreation, they are in direct interaction with the ways to meet the emerging needs resulting from that right, by using economic ways and means. Thus generated interaction “unlocks” the need to regulate relations and to balance the interests of the different groups in using tourist resources and construction of appropriate facilities for implementing the right to rest and recreate.

This in turn requires the development of comprehensive policies and institutions to coordinate this interaction. In this sense, carrying out tourism as an economic activity internationally is related to the political, economic and social stability of the country that accommodates foreign guests. It establishes itself as an international tourist destination not only due to the richness and uniqueness of the resources and the quality of service, but also due to the safety it offers to foreign tourists. The stability in these three aspects builds up the image of a tourist destination and makes it attractive for the end user of the offered tourist products.

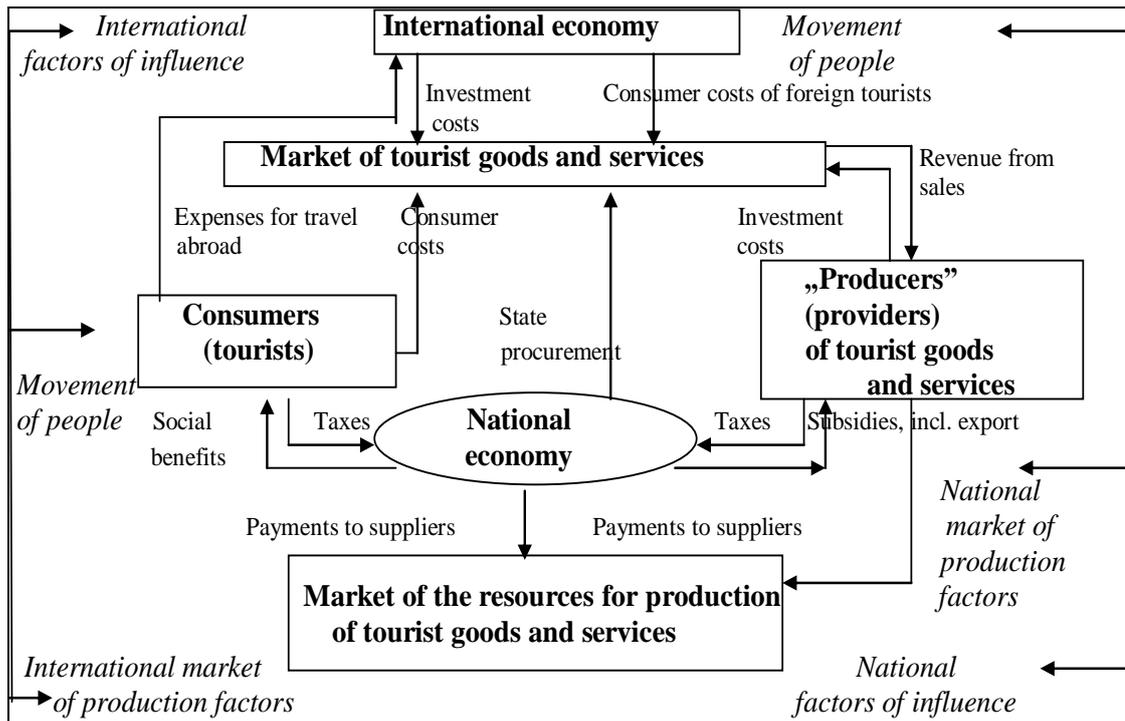


Figure 4. Tourism– interaction between the national and the international business environment
Reference: A.J. Alexandrova, 2002.

b) *Specific features of the technology of production and marketing in tourism.*

The specific features of tourism as an economic activity are based on the value chain, which allows to “highlight the contribution” of every provider of services (incl. accommodation, and/or catering, and/or entertainment, transportation, tour operator and/or agency activities). It takes into consideration the technological sequence of the activities and their contribution for the value of the end product, accounting for their specifics and weight.

Highlighted are the following (Neshkov, 2009):

- Tourist services are “produced” at a high level of integration between their supply and demand due to the intangible nature of the product and the dependence of its production on the existing production facilities.
- The production function of the tourist business units is of dual nature. It is expressed in that the “produced” services can be combined into package products of total price, but they can also be offered and provided independently.
- Division of labour in tourism does not follow the pattern of the material sector in which there is an expressed distinction between trade and production. The producer of the services in tourism can be both a provider and a distributor,

which has recently been considerably enhanced by the contemporary level of e-trade and e-business technology.

c) *Specific features of the tourist product.* The tourist product has specific features that distinguish it from other types of goods and services. For example, as a result of the relative autonomy of the production, placement and consumption processes, the consumer first “buys” the tourist product and after that (on arrival at the location of “production” of the tourist services) he or she has the opportunity to “consume” the tourist product. So the location of the production and location of “purchase of the product” are different, and this determines one of the characteristic features of the tourist product, and namely that as a set of services it is associated with a specific destination. The tourist product is consistent with the culture, habits and requirements of the consumers, without seeking parity with the local culture, habits and traditions of the tourist destination. In this sense, conflicts may arise between the visiting foreign tourists and the local residents of the host country. We should not forget that the tourist product is of intangible nature and its image is “made up” in the public space through mass media, with the possible participation of the providers of the services, and it is “composed” as a complete set of services related to different activities by the tour operator. The tour operator may be a foreign economic entity that “provides for” tourists for the respective destination. At the same time, the tourist product is invariably associated with a specific location. Thus the relation between the product and the destination is logically determined, because tourism as an economic activity is geographically fixed and is performed with the use of tourist resources under the influence of the socio-economic and cultural factors of the recipient country.

d) *Specific features of foreign economic activities.* In its international dimension tourist business includes diverse foreign economic activities where export oriented transactions are of leading importance, because of direct revenues. Experts highlight that in this type of transactions instead of exporting goods and services, there is an “import of tourists” who consume local goods and services, leaving a part of their income in the tourist destination. This results in specific relations of organization, trade and payments between the local and the foreign partners, which fall outside the set export patterns for exchange of goods. For example, negotiations related to “packaging” tourist services are held long before promoting the complex tourist

services on the market, and the campaign for registration for and preparation of the trips precedes their sale. This influences the technology of foreign economic operations and their execution. In this context, the international tourist exchanges where the leading providers of tourist services and the leading wholesalers meet, are focal points for the international trade with tourist products.

e) *Multiplicativity*. This specific feature of tourism is related to its ability to generate economic growth and through this positive impetus to develop entire economy. Internationally, tourist flows are formed that are relatively evenly distributed in the countries of developed economy, infrastructure, large urban areas, surrounded by busy passenger terminals (seaports, airports, railway junctions, car and bus centres). These countries are characterized by developed economic potential, which contributes to the diversification of the effect of concentration of tourist flows since all activities within the scope of tourist service such as accommodation, catering, transportation, tourist service and entertainment as well as some activities, which seem to be side to tourist service such as banking, currency exchange, telecommunications, shopping and other, generate revenue.

The countries that specialize in tourism based mainly on natural resources, and are included in the group of the developing countries, develop tourism of enclave nature. The effects in these cases are very restricted. This gives grounds to argue that the benefits for many developing countries from international forms of tourism have been highly exaggerated, since they generate effects of local, not of national importance. For example, investors (mostly big foreign and transnational companies) benefit from attracting and retaining big tourist flows only to resort enclaves. There is a positive effect for the local population from the region due to the created jobs and income. But the profits are usually repatriated and the amounts of the currency revenue for recipient country are usually minimal, because a most developing countries are trying to maintain low tax rates to attract foreign capital.

It is obvious that tourism generates both positive and negative consequences for the countries that specialize in this industry. The negative consequences, however, are more easily overcome by countries of higher potential, which allows faster diversification and product innovation. In this sense in the less developed regions or countries the mass organized tourism has devastating effect, resulting in

depersonalization of the authentic environment of the recipient country by imposed forms of mass culture and mass consumption, popular in the developed countries.

f) *Involvement of specific resources and construction of special infrastructure*

As an economic activity business develops on the basis of tourist resources which are classified as natural and anthropogenic. Part of the anthropogenic resources is intangible; such are customs, rituals, folklore, which belong to the cultural heritage of every nation. To become attractive every destination relies not only on tourist superstructure and infrastructure, which undoubtedly contribute to the comfort of the stay and the quality of tourist service, but also on unique renewable natural resources and rich authentic anthropogenic resources. The increase in the international tourist demand stimulates development of tourism and is in the basis of the combination of extensive and intensive growth in this area. That is why larger territories and more destinations are included, which is related to greater commercialization of resources that serve as basis for the supply of tourist services. In this connection there seems to be a problem, both for the non-renewable resources (natural and anthropogenic) and for the renewable ones, which problem can be solved through synchronization of market proportions of demand and supply of tourist products. The problem is defined as “reasonable limits of growth” (Gorcheva, 2009). They are set in accordance with the sustainability concept, in which there is no erosion of the environment and the resources, but the implementation of tourist business as a best practice is guaranteed (Gilbert and Joshi, 1992; Gechev, 2005). This type of growth does not affect the balance of the interaction between the social, natural and business environment. At the same time it meets the expectations and needs of tourists in terms of the offered tourist product in the destination they have chosen, thus the development of tourism does not contradict the concept of sustainability, but requires the maintenance of balance, which internationally is achieved under cooperative effort by both the recipients and by the emitting agents within the scope of joint projects.

To summarize the foregoing we can conclude that the internationalization processes give chance to those countries that enjoy comparative advantages in tourism, to develop it in scales beyond the limits of consumer potential of the national market. The internationalization process is particularly significant for the small and middle-sized economies, including Bulgaria, against the European market space.

However, the opening of the economies and their international interrelations provide for the opportunity for effective functioning of business by optimization of resource flows (goods, services, labour and capital resources). It can be seen from the above stated that when a country develops tourism as an export oriented business it has to take into consideration the interaction between the national and the international business environment. This requires applying a policy which will enable national business to benefit from internationalization, but also to mitigate the negative influence in its entering the international market.

3.2. THE NATURE AND IMPORTANCE OF TOURISM FOR THE NATIONAL ECONOMY

The nature of tourism as a business activity is defined by its specific characteristics and importance for the development and viability of the national economy. Being an integral part of the services sector, tourism has some universal as well as some specific functions. Its universal functions are:

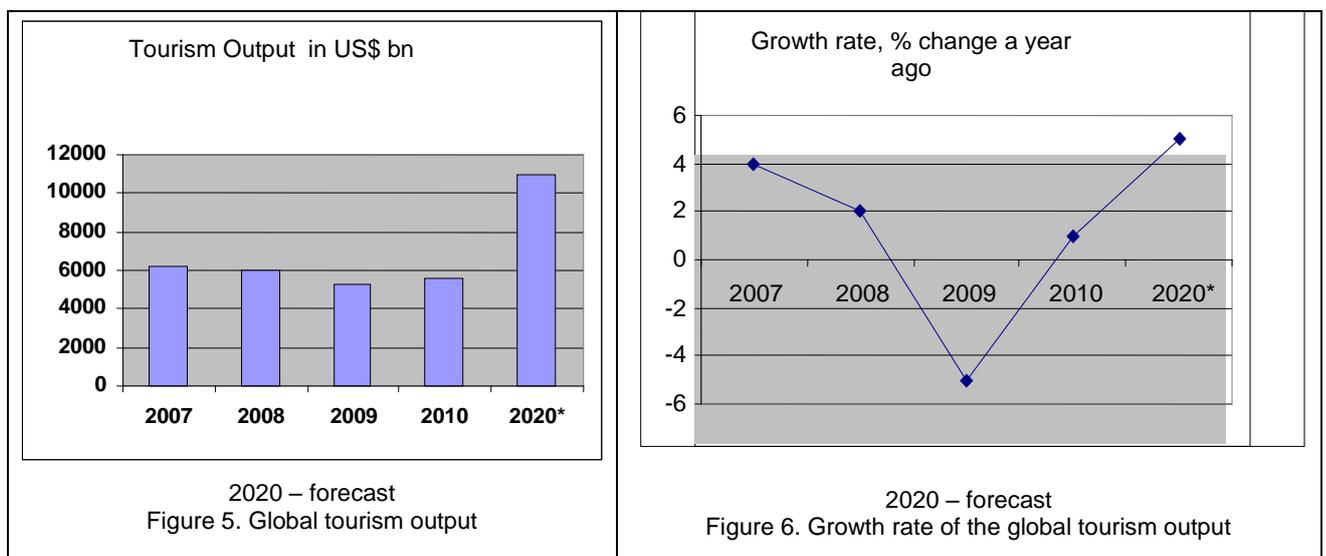
- Production of goods and services.
- Creation of jobs.
- Income generation.
- Maintenance of the balance of payments.
- Control over the development of the administrative regions in the country.

Being an integral part of the services sector, tourism has all main characteristics of the “**production activities**” of this sector in its **industrial dimension** (Hentze, 1998; Heskett, 1999). It has some characteristics of the material goods production, e.g. the production of scale leading to economy of scale. But it also has characteristics of the services sector as well - e.g. its “production-consumption” relation is direct unlike the same relation in the material goods production. The production activities in the sector of tourism directly depend on the technical and technological level and the available infrastructure and thus the “production-technology” relationship is revealed in terms of association of a certain type of service with a specific destination for the creation of unique package products. The package product itself consists of various main and auxiliary services, the “providers” of which are linked along the chain of creation of added value. Specialized literature uses the term “synchronous contact” (Cooper and Fletcher, 1993) to describe the coordination of the common “responsibility” (of the

hotel owner, the tour operator, the tourist agent and the carrier) to meet the needs of the tourists at the direct contact of consumption. The terms of production and distribution of tourist services are settled between the hotel owner and the tour operator in an agreement (Dahles and Boissevain, 1996). It provides for the reimbursement of the resources and costs of the tangible assets and staff qualification of the former as well as the return on investments in advertising, infrastructure and staff training of the latter. From the point of view of the consumers, who critically assess the destination offered, the purchase and use of package services is seen as the best option for organization of their leisure time, i.e. tourist travels. The importance of this type of production within the framework of the national economy is defined in terms of its share for the nation's gross domestic product.

According to the data published by the World Travel and Tourism Council (WTTC), the total volume of the global tourism sector in 2010 was US\$ 5 847 bn and its decrease from the period of economic and financial crisis has already been overcome, as is shown in Figure 5 and in Figure 6. According to the forecast made by the same organization in 2020 the total output of the tourism sector will almost double.

The second universal function of tourism used to determine its importance for the national economy is the direct contribution of tourism to **employment**. Although the contribution of tourism to the national economy can be determined in various ways, its direct effect is usually determined in terms of its contribution to GDP and the number of people employed in this sector.



Source: <http://www.wttc.org>

As a non-material production sector, tourism in general is related to personal services and thus requires high a high level of labour consumption. In the process of providing tourist services, the economic agents along the chain of creation of added value rely on certain key competences. On one hand, they generate competitive advantages in term of costs related to each activity along the chain. On the other hand, they correspond to the quality and unique character of the product, which is also a factor for acquisition of competitive advantages. Taking into account this specific feature of tourism, we may define the key importance of the “production-qualification” relation.

The total contribution of tourism to the national economy is measured in terms of the number of people employed in jobs supported directly or indirectly by the industry and the share of the output from all tourism-related sectors since tourism is supported by many other sectors such as building construction, agriculture, food-processing, etc. which are affected by the its development.

Within the EU the labour-related impact of tourism may be measured with the following figures:

- International tourism generate estimated revenue of 209.9 billion euro for the EU economy, representing 6.6% of all EU export;
- the total GDP contribution of all tourism-related sectors amounts to 10.8%;
- the travel and tourism sector provides jobs for 6.8 million people, which is 4.2% of total employment, while the broader impact of travel and tourism accounts for 11.9 % of total employment in the EU;
- in the EU, the total tourism core business is conducted by over two million enterprises, mostly of small and medium size (<http://www.etaq-euro.org/facts.asp>).

On a global scale the total contribution of tourism to employment amounts to 235 mln. jobs, which means that one of every 12 jobs is related to tourism. During the first decade of the 21st century the number of tourism-related jobs was growing at the rate of 8% pa. and according to the forecasts during the second decade it will grow at a rate of 9% pa (<http://www.wttc.org/bin/pdf/>).

The third universal function of tourism used to measure its contribution is its capacity to generate incomes. This capacity is interesting not only for the investors

but also for the people employed in the sector. Incomes from tourism are also derived by entrepreneurs who invest their own as well as attracted capitals in the attractive business along the chain of creation of added value in the tourism industry and in every attractive tourist destination. The success of these businesses generates state budget revenue as well as incomes for the local people in terms of profits from trade, services, rents, etc. since the tourists purchase goods, souvenirs and services offered at the tourist destinations.

On a global scale the incomes from tourism in 2009 amounted to US\$ 852 bln. (EUR 611 bln.), which is an increase of 5.7% compared to 2008. The incomes from export of tourist services including transportation in 2009 exceeded US\$ 1 bln. (<http://www.unwto.org/facts/eng/pdf/>).

The fourth universal function of tourism defining its importance for the national economy is its effect on the balance of payments. Such effect is characteristic for all export-oriented businesses. The forms of tourism are divided into domestic tourism and international tourism. The costs and incomes associated with the latter are reflected in the national balance of payments since it involves international travel. The outbound travels of the citizens of a given country are defined as passive tourism, and the inbound travels of foreign visitors to the country are defined as active tourism. Therefore the distinction between these two forms of international tourism is important for defining of its impact on the national balance of payments. The visiting tourists purchase goods and services during their stay in the country. Thus they generate incomes for the host country and improve its balance of payments. This is why this type of tourism is defined as an “invisible export” of the host country. Unlike the active form, the passive tourism takes money out of the national economy.

The international payments for tourist activities affect the liabilities part of the national current account. The share of tourism export corresponds to 30% of the total global export of commercial services and 6% of the global export of goods and services (<http://www.unwto.org/facts/eng/pdf/>). According to UNWTO, in the last decade the international tourist travels have become more attractive, as is shown in Figure 7. For example the number of inbound international tourists in 2009 was almost double compared to 1990 with a corresponding increase of the earnings from international travels.

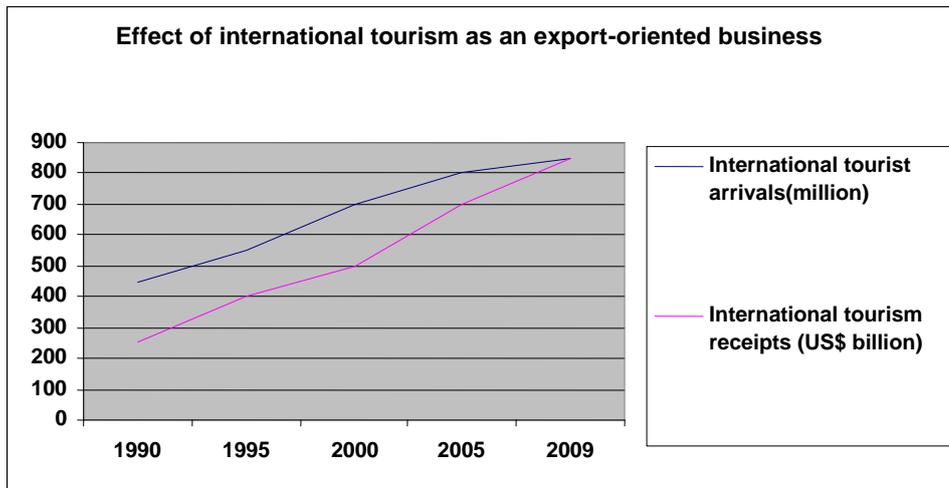


Figure 7. Effect of international tourism as an export-oriented business
 Source: http://www.unwto.org/facts/eng/pdf/highlights/UNWTO_Highlights10_en_HR.pdf

The fifth universal function of tourism defining its importance for the national economy is its effect on the development of the separate regions of the country. As an economic activity tourism contributes to the economic development of the regions and especially of the ones with less developed economy and preserved natural environment providing resources for development of recreation activities. Tourism provides sustenance for the people in the less developed and agricultural regions and thus prevents the migration of people to the industrially well-developed regions. In order to attract sufficiently large and constant tourist flows, local governments make their best to develop adequate infrastructure. Visiting tourists raise the standard of living of the local population by purchasing regional goods and services and this increased demand creates new jobs and lowers the level of unemployment. This is why the countries that rely on tourism to support the economic growth of some of their regions and their economies as whole consider their tourism development policies in close relation with their territorial development policies. They synchronize the activities of the state administration with the activities of the local authorities supported by non-government organizations working in the fields of economic development and environment (<http://www.oecd.org/dataoecd/10/32/1902552.pdf>).

Taking into account the stimulating role of tourism for the regional development, a growing number of countries worldwide, and especially developing economies, specialize in the provision of tourist services. Some of these economies rely to a great extent on the “export of tourist services” on the international market. Most of

these countries have less-developed economies. According to the data provided by the UNWTO, between 1996 and 2006, international tourism in developing countries expanded by 6% as a whole, and by 9% for the least developed countries specializing in tourism. Some of them are strongly dependent on the development of their tourism industries since almost 70% of their export is generated by tourist services. This is why the sustainable development of tourism in such countries has become a key issue (<http://www.unwto.org/media/news/en/>).

The growing importance of tourism as a drive for the economic development of the less developed countries resulted in the development of various integration initiatives and strategies. For example in the EU (<http://www.aer.eu/main-issues/tourism.html>), the Assembly of European Regions (AER) has created and is implementing a strategy for development of sustainable tourism based on cooperation and cultural exchange among the member countries.

The specific functions of tourism are related to meeting the social demand for health and stamina recovery by creating opportunities for pleasant and useful organization of the leisure time. Tourism contributes to the formation of behaviour and consumption models of and shapes consumers' tastes and interests. Thus it goes beyond its purely economic nature and becomes a cultural phenomenon because it facilitates the cultural exchange, the communications, and the better understanding of the other cultures and nations. This is why the social and the cultural and communication functions of tourism are defined as specific functions of this industry. The needs described above may be satisfied using entirely market-based mechanisms and in such case tourism is purely commercial, but they may also be satisfied by adopting and implementing adequate social and cultural policies. In terms of its specific functions, the international tourism is affected by the following factors:

-Stable and secure incomes of the main consumers.

The higher standard of living people enjoy the more money they spend on travel and tourism. The stable and secure incomes provide security for the consumers of tourist services. For example Bulgarians spend on average only 4% (http://www.nsi.bg/ORPDOCS/HH_2.1.3.xls) of their incomes on leisure, including travel and tourism, while for UK citizens the percentage is 11% (<http://epp.eurostat.ec.europa.eu/>). Almost all of the top 10 ranking countries in terms

of international tourism expenditure are developed countries with the exception of only two - China and Russia - from the group of the fast developing economies, as is shown in Table 1. The majority of the countries which provide outbound tourists are developed economies, although most of them are also specialized in the provision of tourist services on the international market. The developing economies are predominantly host countries receiving international tourists due to the low income levels of their population.

-Re-distribution of incomes in society based on the social security criteria.

The modern tourism industry is based on the concept of spreading commercialisation, which includes tourism itself. At the same time the specific characteristics of the post-war development allowed the developed economies to establish certain social benefits such as the paid annual leave, Vellas, F. and Becherel L., (1995), the social security system and the healthcare system to ensure a wholesome lifestyle for their citizens.

Rank	Annual expenditure (US\$ billion)		Market share (%)	Expenditure per capita (US\$)
	2008	2009		
Germany	91.0	81.2	9.5	989
United States	79.7	73.2	8.6	238
United Kingdom	68.5	50.3	5.9	814
China	36.3	43.7	5.1	33
France	41.4	38.5	4.5	516
Italy	30.8	27.9	3.3	467
Japan	27.9	25.1	3.0	197
Canada	27.2	24.2	2.8	717
Russian Federation	23.8	20.8	2.4	147
Netherlands	21.7	20.7	2.4	1255

Table 1: Top 10 Ranking by International Tourism Spender
Source: UNWTO Facts & Figures 2010.

Recreation and physical recuperation have become part of the social policies of many of these countries. The creation of appropriate conditions for recreation and regeneration of the working capacity has also become a priority for many large companies which invest in their "human capital" and take care for the health of their employees.

The concept of social tourism is based on three major principles (Alexandrova, 2002):

- to provide recreation for each member of the society establishing appropriate conditions for this end;

- to help the low-income population groups maintain good working capacity;
- to subsidize tourism forms which support the small family businesses and contribute to the welfare of the population in the region.

The social tourism forms raise the level of demand for tourist services, facilitate the development of tourism and provide for the social function of tourism.

-Stability of the national currency.

The stable national currency is an indicator for the successful development of the national economy and makes the country an attractive destination for tourist travels and recreation. With respect to the currency exchange rate of the remittent and recipient countries we may witness the following situations:

- the inbound tourists benefit from the depreciation of the recipient country's currency because they are able to purchase more local goods and services during their stay abroad;
- the appreciation of the currency of the recipient country makes the local goods and services less attractive for the inbound tourists.

Taking into account the interrelation between the purchasing power of the local currency and its exchange rate to the foreign currencies, some destinations are more attractive in terms of purchasing of goods and services by the foreign tourists than other destination which do not provides such benefits.

-Market status.

The economic growth and the macroeconomic stability are indicative for the success of the economy in general and the tourism in particular. They provide high employment levels and hence stable incomes for the employed which lead to increased demand for goods and services including those provided by tourism. The economic recession has the opposite effect. In an open-market economy, depending on the degree of its dependence from the other economies, the risk for economic disturbances which may have negative effects on tourism is relatively higher.

4. CONCLUSIONS

The conclusions of the above analysis of the essential characteristics of some major categories and concepts related to the economic nature of the international tourism are:

- The tourism is a complex and multi-layer industry. When it is considered as a complex system we can apply the systemic approach to study the problems related to its internationalization. However, monitoring their manifestation in the field of tourism we should bear in mind that it does not suffice to study the parts in order to understand the whole system, i.e. the description of all its elements, driving mechanisms and organization of the system would not be sufficient to define the positive and negative effects from its internationalization.
- The study of these processes in the field of tourism is rendered even more difficult by the fact that tourism depends on and interacts with its market, natural, social and cultural environments, which requires a multi-aspectual analysis to define the stages of its development.
- In order to encompass all aspects of tourism and derive adequate models for regulation and management of its processes, a complex interdisciplinary approach should be used.

The analysis, related to the specifics of internationalization in the sphere of tourist business gives us grounds to draw the following general conclusions:

1. The internationalization processes give chance to countries enjoying relative advantages in the sphere of tourism to develop it to dimensions surpassing the limited consumer potential of the national market. The internationalization process is particularly important for the small and medium-sized economies, incl. Bulgaria, at the background of the European market space. At the same time, the opening of economies and their international commitment provides an opportunity for effective functioning of businesses through optimizing the resource flows (goods, services, labor and capital resources). Consequently, it becomes clear that when a country develops tourism as an export-oriented business what should be taken into account is the interaction between the national and international business environment. This necessitates the applying of a policy which allows the national businesses to make use of the advantages of the internationalization but also to stop the negative influences of their going on the international market.

2. The analysis of the economic nature of international tourism confirms that “internationalization as a clearly defined variant for changing the business

characteristics” must be studied both in qualitative and quantitative aspect which makes it necessary to work out an adequate system of indicators connected with:

- a) International trade with services, including tourist services;
- b) International capital transfer mainly in the form of foreign direct investments;
- c) International forms of cooperation and inter-firm collaboration.

3. The operating environment factors, external and internal, determine various indications for realizing the tourist business in its international dimension – the external ones contribute to stimulation of competition according to the rules of market mutual commitment, including as a conductor of economic confusions under the conditions of a world crisis, whereas the internal ones are connected with restructuring and improvement complied with the good international practices.

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End Notes:

(*)The concept is introduced to denote the rationalization of the mass model of tourist business under the influence of the development of the techniques and technology of management, applied in tourism.

(**)This statement is based on the theoretical construct regarding the differences between the production and marketing of material goods and the “production” and

provision of services. This principal distinction is made by means of the term “service component”.

(***)The theoretical construct for the specifics of the services sector includes the following main aspects: the process of provision and consumption of services is interactive and is viewed as a direct relation between the provider and the consumer; the quality of the service depends directly on the degree of satisfaction of the consumer; the services are viewed as the specific output from a useful economic activity. In this respect the economic benefit and the specific usefulness turn the service into merchandise. These specific features of the services sector also lead to differences on the strategic management level.

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