

**THE TOURISM INDUSTRY AS A WAY TO GROWING THE ECONOMY OF THE COUNTRY  
(GEORGIA, CROATIA, UKRAINE)****Dugienko N. A., Bondarenko A. G.***Zaporizhzhia National University  
Ukraine, 69600, Zaporizhzhia, Zhukovsky str., 66*

dugienkonata@ukr.net, anastazii007@gmail.com

ORCID 0000-0002-4551-5548, 0000-0003-4018-0539

**Key words:**

GDP, number of visitors, tourism revenue, tourism expenditures, tourism industry, Ease of Doing Business Index, military conflicts.

The article examines the state of GDP of, Georgia and Croatia for the period 1997-2019, analyzes the development of the tourism industry of these countries from 1997 to 2018 considers trends and problems of development of this industry in the context of development. It is noted that Croatia took the vector of economic development to join the EU and carried out the relevant reforms, Georgia - created favorable investment conditions for economic development, without having an opportunity quickly carry out European integration, Ukraine since the beginning of obtaining independence could not make a choice between the European Union and the post-Soviet countries, slowing down the process of introducing the necessary reforms to the country. Emphasis is placed on the state of the economy after the necessary reforms to the country. The article reveals the importance of tourism revenue in the composition of gross domestic product (GDP). Research is conducted on the number of tourists, GDP growth and tourism revenue based on statistical analysis. The problems of tourism development in Ukraine are considered: unfulfilled reforms, unfavorable investment climate of the country, restrictions on the freedom to conduct business, the solutions of which can have a positive impact on the further development of the industry and economy. The economic conditions in which the tourism industry of the above countries exists based on the Ease of Doing Business Index.

**ТУРИСТИЧНА ГАЛУЗЬ ЯК ШЛЯХ ДО ЗРОСТАННЯ ЕКОНОМІКИ КРАЇНИ  
(ГРУЗІЯ, ХОРВАТІЯ, УКРАЇНА)****Дугієнко Н. О., Бондаренко А. Г.***Запорізький національний університет  
Україна, 69600, м. Запоріжжя, вул. Жуковського, 66***Ключові слова:**

ВВП, кількість відвідувачів, частка туристичної сфери, доходи від туризму, туристична галузь, індекс свободи ведення бізнесу, воєнні конфлікти.

У статті досліджено стан ВВП України, Грузії та Хорватії за 1997-2019 рр., проаналізовано розвиток туристичної галузі цих країн з 1997 по 2018 рік, розглянуто тенденції та проблеми розвитку цієї галузі в контексті шляхів розвитку країн. Зазначається, що Хорватія взяла вектор розвитку економіки на вступ до ЄС та провела відповідні реформи, Грузія – створила сприятливі інвестиційні умови для розвитку економіки, не маючи можливості швидко провести євроінтеграцію. Україна з початку отримання незалежності не могла зробити вибір між євроспільнотою та пострадянськими країнами, гальмуючи процес проведення потрібних країн реформ. Акцентовано увагу на стані економіки після отримання країнами незалежності та на наявності воєнних конфліктів. Розкрито вагомість доходів від туризму в складі внутрішнього валового продукту (ВВП). Проведено дослідження щодо кількості туристів, зростання ВВП та доходів від туристичної галузі на основі аналізу статистичних даних. Розглянуто такі проблеми розвитку туризму в Україні: непроведені реформи, несприятливий інвестиційний клімат країни, обмеження свободи ведення бізнесу. Їх вирішення може позитивно вплинути на подальший розвиток галузі та економіки. На основі індексу свободи ведення бізнесу (Ease of Doing Business Index) досліджено економічні умови, у яких розвивається туристична галузь зазначених країн.

**Statement of the problem**

Especially this direction actively takes root in the countries that are limited in natural resources that can be sold as raw materials, and in those countries that have favorable conditions for the development of tourism. Ukraine isn't an exception in this matter, because our country already needs to move away from the direction of development of the state as a raw material, developing other branches of the economy. Today the most important

problem for our country is stimulation of GDP growth and stabilization of economic processes. One of the possible ways to improve the economy can be the tourism industry as a business card of the country, as Ukraine has all the opportunities for the development in this area of the economy. The economic development of Georgia as a post-Soviet country and Croatia as an Eastern European country that was influenced by the USSR until the 1990s can be examples for Ukraine in considering the impact of

the tourism industry on GDP and economic development. One of the indicators of successful business in the above countries is the ranking among the countries of the world on the Easy of Doing Business Index.

**Analysis of recent studies and publications**

The development of the tourism industry is quite widespread subject among researches. Countries such as Georgia, Croatia and Ukraine are interesting in terms of development and the impact of tourism to the economy. For example, Y. Denisyuk, V. Matvienko and N. Matvienko studied the features of the tourism sector in Croatia and the dynamics of its visits by residents of the European Union during 2006-2011, as well as prospects for further development of the tourism sector and the government’s interest in this process [1; 2]. In the study V. Matvienko and I. Okolovich cover issues related to Ukraine's opportunities to develop the tourism industry by the example of Croatia [3] Other researchers have also paid attention to the development of tourism in Ukraine and Georgia. N. Pohuda and O. Rozmetova analyzed the current state of the tourist market of Ukraine, based on forecasting revenues from this industry [4], N. Kotsan and O. Kurilo considered the peculiarities of tourism development in Georgia and the implementation of tourism flows in the country [5].

**Objectives of the article**

The article proposes to study the state of the tourism industry, the economies of Georgia, Croatia and Ukraine, which in the history of the struggle for their independence had military conflicts. The problems of reforms in Ukraine, which were effectively solved in Georgia and Croatia, are covered.

The purpose of the article is to study the development of the tourism industry of countries after independence, overcoming the problems associated with military conflicts; analysis of the ways of development of countries and the total indicator of ease of doing business as opportunities for positive impact of the tourism industry to the GDP of the three countries.

**The main material of the research**

Ukraine and Georgia are post-Soviet countries. Croatia, as well as Ukraine and Georgia, gained independence in 1991, having previously been part of Yugoslavia under Soviet influence. These countries have a favorable geopolitical location and climatic conditions for tourism development. In the post-Soviet space and in Eastern Europe, countries have always enjoyed the attention of tourists, and since independence, it has become possible to provide tourism services for tourists from around the world.

Let's analyze the data on the GDP of Ukraine, Georgia and Croatia from 1997 to 2019 (Fig. 1, 2, 3).

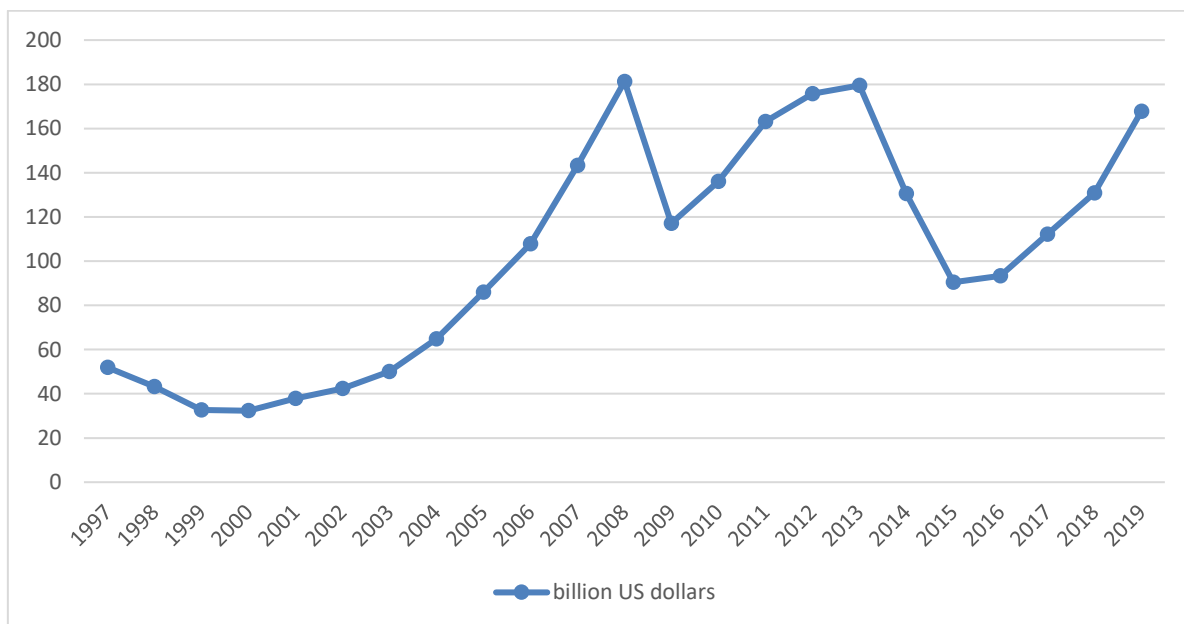


Fig. 1. GDP of Ukraine, 1997-2019  
Note: Created by the authors, based on the data [6], [11].

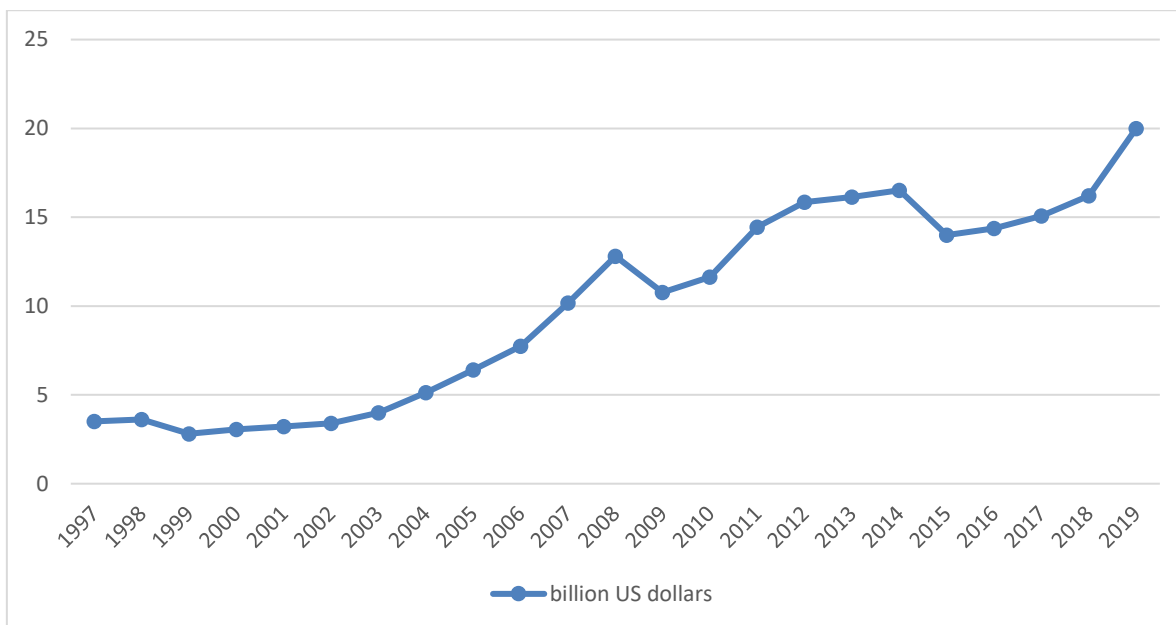


Fig. 2. GDP of Georgia, 1997-2019  
Note: Created by the authors, based on the data [7], [12].

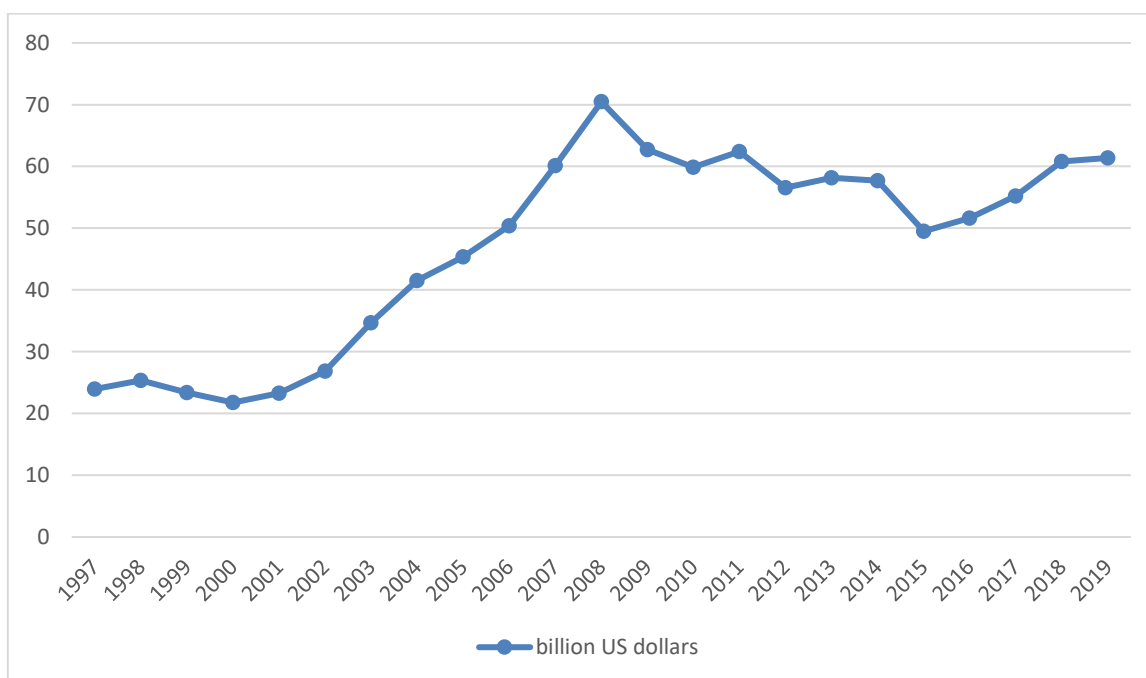


Fig. 3. GDP of Croatia, 1997-2019  
Note: Created by the authors, based on the data [8], [12].

As we know, all countries have had military conflicts, but as of 2020, the conflicts in Georgia and Ukraine have the status of unresolved. If we look at the GDP of the countries during the active hostilities, you can see that the decline in Georgia's GDP in 2009, compared to 2008, was 15.9%, while in Ukraine in 2015, compared to 2014, GDP fell at 30.7%. In Croatia, there was a slight increase in GDP in the period from 1997 to 1998 by 5.4%. Then we see the fall of the runway from 1998 to 2000 by 14.1% until the territorial issues were resolved and the country set a course for European integration. Georgia and Croatia could cope quickly with problems which were caused by the war,

develop and implement reforms. The implemented reforms have affected economic growth and allowed countries to get out of their predicament. With the development of reforms, the tourism industry began to progress, which attracted the attention of foreign investors who invested in the development of countries. For example, in Georgia, investors were offered significant discounts and favorable conditions for buying real estate on the coast, which led to a sharp increase in building, increased the quantity of jobs. Discounts on tourism trips attracted many tourists, which was the impetus for the active development of tourism and infrastructure of the

country. All this was initiated by the government leadership and the implementation of existing development programs. Croatia has offered Chinese investors to invest in its economy and tourism industry, who see the country's development as a way to Western European markets. Thanks to these funds, bridges, roads and infrastructure are being built in the country, which in turn improves the establishment and development of tourism flows [10].

On the other hand, Ukraine, having lost Crimea and part of Donbass, has so far made virtually no reforms that would allow the economy to recover. In Ukraine, there are no government programs for the development of the tourism industry on the coast as an alternative to the lost resort. With the strong support of many countries around the world, it would be possible to make tax, judicial,

pension and health care reforms that would improve both the welfare of the population and attract investors to the country. During the six years of unresolved conflict, Ukraine has not overcome corruption in any sector of the economy, which has not improved the investment climate in the country and caused the crisis of 2014-2015 large outflow of capital from the country. Due to all these problems, the investments coming to Ukraine are insignificant to stimulate the economy to active development and growth. Attracting active investors would develop a tourism industry that could open the country to the world and give impetus to economic development as a whole.

Let's consider the trend of tourists visiting countries for the period from 1997 to 2018 (Table 1).

Table 1 – Dynamics of visits by tourists to Ukraine, Georgia and Croatia, 1997-2018

Year	Ukraine		Georgia		Croatia	
	Number of tourists, million people	Fluctuations in the number of tourists, %	Number of tourists, million people	Fluctuations in the number of tourists, %	Number of tourists, million people	Fluctuations in the number of tourists, %
1997	7,558	-	0,31	-	4,178	-
1998	6,208	82,13813	0,32	101,278	4,499	107,6831
1999	4,232	68,1701	0,38	121,1356	3,805	84,57435
2000	6,431	151,9612	0,39	100,7813	5,831	153,2457
2001	9,174	142,6528	0,30	78,03618	6,544	112,2277
2002	10,517	114,6392	0,30	98,6755	6,944	106,1125
2003	12,514	118,9883	0,31	105,0336	7,409	106,6964
2004	15,629	124,8921	0,37	117,5719	7,912	106,789
2005	17,631	112,8095	0,56	152,1739	7,743	97,864
2006	18,936	107,4017	0,98	175,5357	7,988	103,1641
2007	23,122	122,106	1,05	107,0193	8,559	107,1482
2008	25,449	110,064	1,29	122,6236	8,665	101,2385
2009	20,798	81,72423	1,50	116,2791	8,694	100,3347
2010	21,203	101,9473	2,03	135,4667	9,111	104,7964
2011	21,415	100,9999	2,71	133,4646	9,927	108,9562
2012	23,013	107,4621	4,11	151,4012	10,369	104,4525
2013	24,671	107,2046	4,95	120,6527	10,948	105,584
2014	12,712	51,52608	5,00	101,0093	11,623	106,1655
2015	12,428	97,76589	5,26	105,036	12,683	109,1198
2016	13,333	107,2819	5,39	102,6065	13,809	108,878
2017	14,230	106,7277	6,48	120,2114	15,593	112,9191
2018	14,104	99,1145	4,757	73,4105	16,645	106,7466

Note: Created by the authors, based on the data [6], [7], [8].

If we look at the data in the table above, you can see an increase in visits by tourists. But note that due to military conflicts in the countries, there was a decrease in the flow of tourists: Georgia in 2009 by 8%, Ukraine in 2014 - 48.5%, compared to previous years. In Croatia, on the other hand, we see an increase in tourists after the end of territorial problems by 68.7% in 2000 compared to 1999.

And a decrease in tourist flows by 2005 by 55.4% until the removal of barriers to EU accession.

To understand whether the tourism industry is promising for development in these countries, consider the impact of tourism revenues on GDP. To analyze the data, compare the income of countries from tourism for 1997-2018 (table 2)

Table 2 – Dynamics of income of Ukraine, Georgia and Croatia from tourism, 1997-2018

Year	Ukraine		Georgia		Croatia	
	Income, billion US dollars	Fluctuations in income, %	Income, billion US dollars	Fluctuations in income, %	Income, billion US dollars	Fluctuations in income, %
1997	0,477	-	0,075	-	2,5231	-
1998	0,539	112,9979	0,229	305,3333	2,7334	108,335
1999	0,503	93,32096	0,131	57,20524	2,595	94,93671
2000	0,563	111,9284	0,107	81,67939	2,871	110,6358
2001	0,759	134,8135	0,136	127,1028	3,463	120,62
2002	1,001	131,8841	0,144	105,8824	3,952	114,1207
2003	1,204	120,2797	0,172	119,4444	6,513	164,8026
2004	2,931	243,4385	0,209	121,5116	6,945	106,6329
2005	3,542	120,8461	0,287	137,3206	7,625	109,7912
2006	4,018	113,4387	0,361	125,784	8,296	108,8
2007	5,320	132,4042	0,440	121,8837	9,617	115,9233
2008	6,722	126,3534	0,505	114,7727	11,615	120,7757
2009	4,349	64,69801	0,537	106,3366	9,3	80,06888
2010	4,696	107,9788	0,737	137,2439	8,299	89,23656
2011	5,406	115,1193	1,069	145,0475	9,598	115,6525
2012	5,988	110,7658	1,565	146,3985	8,912	92,85268
2013	5,931	99,0481	1,916	122,4281	9,715	109,0103
2014	2,264	38,17231	1,972	102,9228	10,079	103,7468
2015	1,662	73,40989	2,049	103,9047	9,018	89,47316
2016	1,723	103,6703	2,315	112,9819	9,82	108,8933
2017	2,019	117,1793	2,971	128,3369	11,128	113,3198
2018	2,269	112,3824	3,518	118,4113	12,075	108,5101

Note: Created by the authors, based on the data [6], [7], [8].

Thus, we can note the following sequence of revenue growth in the period from 2000 to 2008 in these three countries. In Ukraine, revenues grew and the share of the tourism industry in the country's GDP increased from 1.74% to 3.7%. In Georgia, the share of tourism in GDP increased from 3.49% to 3.95% over the same period. In Croatia, this figure showed an increase from 13.2% to 16.5%. As of the end of 2018, the share of tourism in the GDP of countries was: in Ukraine - 1.73%, in Georgia - 21.7%, in Croatia - 19.9%. That is, we can see that Ukraine, having a much larger area, is not developing the tourism industry and, on the contrary, it is declining.

While Georgia and Croatia enjoy their advantages in this sector of the economy and receive large amounts of income, increasing GDP.

Georgia, like Croatia, attracts many investors to its economies and in particular to the tourism industry. To understand why they are successful and have a sufficiently large amount of investment, consider the Ease of Doing Business Index (Table 3).

This index is calculated from 10 indicators that are indicators of business activity in the country: business registration, property registration, investor protection, taxation and others [9].

Table 3 – Dynamics of the index of freedom of doing business in Ukraine, Georgia and Croatia for 2006-2019

Year	Ukraine	Georgia	Croatia
2006	124	100	118
2007	128	37	124
2008	139	18	97
2009	145	15	106
2010	142	11	103
2011	145	12	125
2012	149	17	80
2013	137	9	84
2014	112	8	89
2015	96	15	65
2016	83	24	40
2017	80	16	43
2018	76	9	51
2019	71	6	58

Note: Created by the authors, based on the data [9].

In 2006, the difference in ease of doing business index between the three countries was small, but over time the gap has widened. In 2012, in the ranking of countries according to this index, Croatia ranked 80th, Georgia - 17th, and Ukraine only 149. At the end of 2019, Georgia is in 6th place, Croatia in 58th, while Ukraine managed to rise only to 71st. It can be concluded that in order to join the EU, Croatia had to adapt to changes in business conduct, which allowed it to gradually improve this indicator and attract investors. In it example, we see a constant improvement in the conditions for business and, consequently, the investment climate. After joining the EU, Croatia has embarked on a course of sustainable economic development and is consistently implementing the decisions taken by the EU. Georgia, on the other hand, unable to join the EU, decided to reform and change its legislation in such a way as to attract as many investors as possible and develop its economy. This allowed the country to rise to 6th place in terms of ease of doing business and receive funds from around the world. In turn, Ukraine, having the opportunity to stabilize the economy, to date can't make virtually any reforms to improve investment conditions in the country, so there is a place that Croatia had 5 years ago. Note that the figure is improving every year, but to be able to attract business and compete with other countries need to move faster.

## Conclusions

The following conclusions can be drawn from the study. Ukraine needs effective reforms as soon as possible. These can be: tax reform aimed at reducing the burden on business, judicial reform will attract investors' confidence that the invested capital will be protected by law, pension and health care reforms will allow citizens to be confident and in the future they will help develop domestic investment in the country's economy. All these steps will allow the country to become easier in doing business, which will immediately attract the attention of foreign investors.

An example of the efficient use of tourism revenues is Georgia and Croatia, which have a significant share of GDP. Countries that have also had military conflicts have not only been able to restore economic development, but also tend to grow steadily. In the instance of the above-mentioned countries, we can apply the experience in the development of Ukraine. Reducing the tax burden on business and the rule of law can be a help that will stimulate business development. If the country has more transparent business conditions, foreign and domestic investment in tourism will be able to effectively stimulate economic development.

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