

## TOURISM POLICY IN ROMANIA: A NECESSARY CHANGE OF DIRECTION

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### Abstract

*In modern economies services are dominant. As the role of services is increasing, the difference between goods and services is vanishing, but most of our economics and business knowledge is developed from a manufacturing perspective which is no more satisfactory in the new service economy conditions. One important aspect is that the ability of a country to participate effectively to the growing international trade in services depends more and more on its attractiveness as a visitors' destination. Although there is a well developed understanding of the role of tourism to the general economic and social development, it is less understood the effect of economic and social living conditions as visitor attractiveness factors.*

*Reviewing recent studies, assessments and reports regarding the travel & tourism economy of Romania, authors found out that achieving the economic potential of tourism faces serious challenges due, primarily, to the discrepancy between the conditions visitors are increasingly looking for and the conditions provided by Romanian destinations. In order to accept the challenges with chances of success the tourism policy making should radically change direction. The authors identify three main priorities: focus on general development, put policy in the service of visitors first, improve communication and branding.*

**Keywords:** *Romanian tourism, tourism policy, trade in services, local and regional development; travel & tourism industry, travel & tourism competitiveness index, visitors' economy.*

**JEL classification:** *O11, O14, R10*

### 1. BACKGROUND

The present paper emerged from a larger research effort dedicated to better understanding Romania's competitive potential in the field of services, as well as to identify the possibilities to fully exploit it. That research project, financed by the Romanian government, involved more than 20 researchers from several institutes. Despite its holistic approach, the project team decided to give a priori attention to tourism, because of the belief spread in our society that tourism is, or might be, one of the most important engines for economic development. Important contributions to the study of tourism as a vector of competitiveness for the Romanian economy were made by Rodica Minciu and Maria Ionciță from the Academy of Economic Studies of Bucharest, Dalina Marina Andrei from the Economic Forecasting Institute, Cosmin Ivan from the National Association of Tourism Agencies and several other researchers. Their work was very important in documenting and inspiring our thoughts included here.

In 1966, in a very influential work, William J. Baumol and William G. Bowen (Baumol, Bowen, 1966) have shown that services progressively get preponderance in people's expenditure. Theorized as Baumol's disease, the consequences of the productivity lag might be also favorable to the progress of the society, as lately stated by Baumol (Baumol, 1996). James Heilburn expressed his view as follows: "This does not mean that productivity lag causes no problems, but only that rising living standards work to mitigate them. Perhaps an analogy

is in order. Because of productivity lag in the business of high-quality food preparation, the price of a meal in a gourmet restaurant has risen sharply in recent years. That probably causes a good deal of anguish to both customers and owners, but it has not prevented the gourmet restaurant business from growing" (Heilburn, 2003). Because of their natural inability to achieve productivity gains over the time, service activities in health, education or culture will become relatively more valuable as compared to manufacturing or personal services, for instance. In other terms, for an hour of work, a medical doctor, a university professor or an artist will get more tangible goods or certain categories of low skilled labour services. The new knowledge economy illustrates in a convincing manner this evolution. How it will influence tourism and tourism role in the economy, it is a question that has not an easy answer. On one hand, we may expect a relative decrease in the cost of transportation, food and even accommodation; this will make travel accessible for more people and, together with the reduction of the working time, will probably incite an overall increase in tourism flows. On another hand, we may expect a diversification of travel motives, a sophistication of the demand, and an increase of competition between tourist destinations and tourist service providers. What appears to be most probable is that with an economy dominated by knowledge intensive services, the economic role of tourism will increase very much. This is because the ability of a country to competitively sell its services will increasingly depend on its attractiveness as a tourism destination.

Tourism is essential to nations' competitiveness, and so tourism rank high among European Union preoccupations. Europe is struggling to keep its world leading position as a tourist destination and to ensure that tourism will play an important and sustainable role in the attainment of the goals of stronger growth and better jobs of the Lisbon strategy, as it was reformulated in 2005. The European Commission and tourism stakeholders have recognized the important role that tourism plays in the development of European regions, against industrial and rural decline, or supporting urban regeneration, as well as the need to turn toward more sustainable and friendly practices and policies (European Commission, 2006). The effort that should be made is considerable, taking into account that the last decade European tourism grew at lower rate compared with the world average, Europe having to face sharp competition from other destinations (especially in Asia) new and innovative products and services proposed by rival regions. In these conditions, it is important to encourage the exploitation of the tourism potential of new member states and it is a responsibility for each member state – including Romania – to design and to put in practice effective policies in this respect. Despite the fact that analysis carried on by our colleagues mentioned above, in accordance with analysis published at EU level, present a less optimistic assessment of Romania's potential for tourism development, we believe that it must be a strong focus on tourism in economic policies at national, regional and local levels.

Another preliminary point, to be discussed, is the definition of tourism. Despite the interest for the economics of tourism, there is no proper definition of such an economic activity. Eurostat understand by tourism "the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes." Basically, the activity of tourism is done by tourists (is like saying "eating industry" for the food industry, or so) while there is very vague correspondence established with the classification of economic activities. Rudiger Leidner (Leidner, 2004) is highlighting the difficulty to measure the economic contribution of tourism, but he is also providing a model for correlating tourism with tourism related economic activities: "Depending on the definition of the tourism sector, its contribution to the GDP of the European Union varies between 4 (tourism industry) and about 11 % (tourism economy). Correspondingly, the number of people employed ranges from 7.3 to 20.6 million, respectively representing about 4 and 12 % of total employment." Leidner use the term "tourism industry" with respect to the segments that belong to tourism in a narrow sense (e.g. accommodation establishments, restaurants, cafes, bars and canteens as well as travel agencies and tour operators according to the NACE classification) and the term "tourism economy" in a

broader sense including related sectors such as transport and branches that are dependent on the tourism industry. Official statistics makes ongoing efforts to implement the Eurostat manual on Tourism Satellite Accounts (TSAs) (Eurostat, 2001), but probably more sophisticated considerations regarding the economic impact of tourism will still be related to occasional researches.

Taking into account the policy making perspective and the relationship we discussed above with the competitiveness of the service economy we choose to see tourism more as a vector for economic and social development – in the broadest sense - than a direct source of GDP or job creation. Dwyer and Forsyth show that, when speaking about yield from tourism governments will have a different perspective from the one of an individual company: "Governments, however, must endeavour to take a broader perspective by examining the impact of tourism on all facets of society. In this context, the impact of tourist activity should include environmental and social impacts." (Dwyer, Forsyth, 1997). They are citing Tisdell (1993) who provides a framework for tourism policy formulation that we also consider to be a good illustration of the complexity of the interaction between tourism and development. Tisdell has indicated several target variables of possible importance to governments in formulating policy in regard of foreign tourism:

- foreign exchange earnings (gross or net);
- net national economic benefits from foreign tourists as measured by changes in economic surpluses;
- employment generation;
- cultural and sociological impact on the host population;
- conservational or environmental impact (including sustainability);
- promotion of international understanding and co-operation;
- income distribution consequences.

Apart from the first variable, we think that Tisdell framework can be extended without any problems to domestic tourism, as well. A recent Report by Deloitte (Deloitte, 2008), very supportive to the views expressed here by the authors, explain the wider contribution of the so called "Visitor Economy" by its links to other industries and its contribution to the socio-economic policy agenda "including regeneration, social and economic inclusion, up skilling, employment, enterprise and investment heritage".

## 2. TOURISM SECTOR IN ROMANIA: CURRENT SITUATION AND PROSPECTS

**Table 1 - Tourism (Hotels and Restaurants) Gross Value Added against GDP 1990-2005**

	GDP, current prices <sup>1</sup>	GDP, percentage growth against previous year	Hotels and restaurants, GVA – current prices <sup>1</sup>	Hotels and restaurants, GVA – percentage of GDP	Hotels and restaurants, percentage growth against previous year
1990	857,9	94,4	11,5	1,3	131,3
1991	2203,9	87,1	42,1	1,9	74,1
1992	6029,2	91,2	130,8	2,2	92,8
1993	20035,7	101,5	362,6	1,8	79,2
1994	49773,2	103,9	690,0	1,4	79,9
1995	72135,5	107,1	1327,7	1,8	136,1
1996	108919,6	103,9	2749,7	2,5	137,4
1997	252925,7	93,9	5978,3	2,4	83,5
1998	373798,2	95,2	9501,1	2,5	90,7
1999	545730,2	98,8	13685,6	2,5	96,6
2000	80377,3	102,1	1904,2	2,4	97,5
2001	116768,7	105,7	2459,0	2,1	101,0
2002	151475,1	105,1	3233,8	2,1	107,5
2003	197564,8	105,2	3735,6	1,9	102,0
2004	246468,8	108,5	4469,0	1,8	108,2
2005	288176,1	104,2	6028,4	2,1	110,8

Source of data: *The Romanian Statistical Yearbook*

<sup>1</sup> Billion ROL for years 1990-1999, Million RON for years 2000-2005

In this section, we undertake a brief analysis of the level and dynamics of tourism activity in Romania, we present our country's profile within the European Union and we discuss the competitiveness of the sector and its prospects.

### *Level and dynamics of tourism economic activity*

Due to the scope of this paper, the analysis will be done on values, and not on usual physical indicators used specifically to measure tourism demand and offer and tourist circulation. In order to assess tourism activity we can use data from the national accounts and data from the national balance of payments.

To date, for Romania, there is no available cross study of the economic output correlated with physical tourist incomings and outgoings or the accommodation capacity figures. The interest for such a study should not be underestimated, but for what we

intend to discuss here there is no need of a more sophisticated approach.

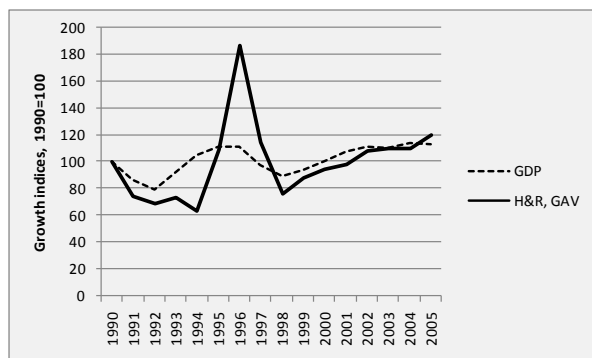
On another hand, we approximate the output of tourism sector – considered by its narrow definition – with the output of Hotels and Restaurants (Accommodation and food service activities, NACE rev. 2) group of activities, abbreviated as H&R. This is a suboptimal solution imposed by the lack of sufficiently detailed statistics.

A comprehensive study on Romania was done under coordination of World Travel&Tourism Council in 2006, including a simulation of tourism satellite account for Romania. According to this simulation the overall impact of the travel and tourism economy on the GDP can be of about 4,8% and it is possible to raise to 5,7% in ten years to come. Due to the special conditions in which the TSA was prepared and its lack of continuity, we preferred to use regular statistical publications.

As one may see from Table 1 the contribution of tourism to the GDP, varied during the period considered from a minimum of 1,3% to a maximum of 2,5% which is quite a low figure, but a high amplitude of variation. While the amplitude of variation can be related to a tormented transition, the fluctuation itself has not an easily readable pattern. Apparently, the weight of the tourism sector (H&R) decreases in periods of economic growth. This counterintuitive phenomenon is related, in our opinion, to the relaunch of manufacturing industries that suffered the highest contraction in the beginning of the economic transition period. Looking to the years when tourism accounted for its maximum share in GDP, we also consider a possible influence of the optimism induced by the confidence in the stability of the democratic establishment and by several years of economic upturn.

Figure 1 illustrates better the relationship between the dynamics of GDP and the dynamics of the tourism sector. It may be seen that, apart from the spectacular peak reached by the tourism sector in 1996, after 15 years of very fluctuating growth, there is almost no modification from the values recorded in 1990.

This evolution makes Dalina Marina Andrei consider that we should think more carefully to the presence of some genuine limits to tourism development in Romania (Andrei, 2006). This is a very valuable suggestion, and we believe, it must be taken into account especially when estimating the return of future investments in accommodation, food service and other tourism related activities, both at business level and as an aggregate indicator.



**Figure 1 - Growth of tourism Gross Added Value against growth of GDP in Romania, 1990-2005**

The international trade in tourism of Romania can also be characterized as a low intensity one, representing less than 1/5 of the country's trade in

services and only 2%-3% of the annual current account (Table 2).

Looking to the annual growth indices, we find the same fluctuations as discussed above. Four out of eight years considered, international trade in tourism of Romania recorded decrease, but there is a general tendency of slowly growing over the entire period, especially due to the leap of 2005. Actually, the most significant evolution is the balancing of imports by exports, with some fluctuations also. This characteristic follows the general pattern of Romania's international trade in services.

Due to the low basis and considering the economic development required by the catching up process, experts consider that Romania may be among the countries with the highest grow rate of travel and tourism, both industry and economy.

**Table 2 - Travel & Tourism international trade as reflected by the Current Account of the Balance of Payments**

	2000	2001	2002	2003	2004	2005	2006	2007
<b>Travel &amp; tourism (T&amp;T)</b>								
- Credit (mil. EUR)	389,0	404,0	352,0	396,0	406,0	852,0	1034,0	1171,0
- Debit (mil. EUR)	460,0	501,0	416,0	423,0	434,0	750,0	1035,0	1119,0
- Net (mil. EUR)	-71,0	-97,0	-64,0	-27,0	-28,0	102,0	1,0	52,0
<b>T&amp;T as % of Current Account</b>								
- Credit (%)	2,9	2,6	1,8	1,9	1,6	2,7	2,7	2,5
- Debit (%)	3,1	2,9	2,0	1,8	1,4	1,9	2,1	1,8
- Net (%)	5,2	4,2	3,9	0,9	0,5	-1,5	0,0	-0,3
<b>T&amp;T as % of Services</b>								
- Credit (%)	22,0	20,3	14,3	14,8	14,0	20,8	18,5	16,9
- Debit (%)	22,8	22,7	16,9	16,2	13,7	16,9	18,5	17,3
- Net (%)	28,0	46,4	-1280,0	-43,5	13,1	-29,2	25,0	10,9
<b>Growth indices against preceding year<sup>1)</sup></b>								
- Credit (%)	-	98,6	84,6	109,4	95,8	167,3	106,9	94,9
- Debit (%)	-	103,4	80,6	98,9	95,8	137,8	121,6	90,6

Source: computed by authors based on data from the National Bank of Romania and Eurostat

<sup>1)</sup>Indices computed with GDP deflators calculated by authors

### Country profile within the EU

According to the World Travel & Tourism Council (WTTC, 2006), Romania "is one of the world least intensive tourism countries, ranking 162 out of 174 countries in terms of contribution to GDP." Among the Member States of the European Union – region considered as being still the most attractive area for tourism, and also the source of most tourists – Romania has the worst position. With about 2% share of the number of hotels and of the number of beds in EU-27, Romania recorded in 2006 a share of only 0.8 in the number of tourist nights. The result was a gross

annual occupancy rate of only 21.9%, comparable only with Bulgaria, which, in turn recorded an average annual growth rate of the number of tourist nights of 12.5% between 2000 and 2006, far higher than Romania's 1.2%.

**Table 3 - Romania in EU: main tourism indicators**

Indicators	2000	2006
Share of international nights in Romania as a proportion of total international nights in the EU-27	0.2%	0.3%
Share of international tourism receipts in Romania as a proportion of total international receipts in the EU-27	0.2%	0.4%
Share of nights spent by EU residents as a proportion of total international nights in Romania	56.0	67.8
Proportion of international tourism nights as a proportion of total tourism nights	12.2%	17.1%
Proportion of international tourism receipts in GDP	1.0%	1.1%
Ratio of international tourism receipts to expenditure	0.84	1.00

Source: Eurostat

In a recent panorama of European tourism published by Eurostat (Eurostat, 2008) the situation of Romanian tourism is summarized as follows: "Tourism in Romania is not yet well developed and depends heavily on domestic demand. International tourism flows in the country are still low, and mainly for business purposes." It is also mentioned the "very low contribution of tourism to the local economy" as well as the discrepancy between the spending propensity of Romanian tourists and the much higher one, specific to business travelers, of foreigners in Romania; this is considered to be the main explanation of the balanced international trade (Table 3).

From another perspective, Romanian travel and tourism industry has an accentuated dependence of the other EU Member States as a source of incoming tourists. More than two thirds of incoming tourists are EU residents, of which about 16 percentage points are Germans and 13 percentage points from Italy. It is interesting to mention that from these two countries come most of the foreign direct investors in Romania. Actually, there are more Italian small investments all over Romania than German, but in turn German investments are a bit higher. The correlation between the rank of countries as origin of tourist and their rank as origin of investors is striking (Table 4). This is not only supporting the assessment of Eurostat experts cited above, but is also a strong point for demonstrating the changing nature of the travel and tourism and the need to reconsider some of policy makers stereotypes.

Foreign investment is also an indicator of the prospects of Romania as a tourist destination, as they are perceived by businesspeople. Accommodation and food service activities ranked last among the main economic sectors in attracting foreign direct investment (FDI): 249 million Euro at the end of 2007

or 0.6% of the total FDI stock, according to the Romanian Agency for Foreign Investment. Looking at capital investment in general, when compared with neighboring and competing countries, Romania's ranking is still modest. With Travel & Tourism estimated at 7.2 per cent of total investment, Romania ranks 138<sup>th</sup> in the world listing, behind Bosnia and Herzegovina (WTTC, 2006). Under such circumstances, and having in mind that the entrance into the game of Western Balkans will raise very much the competition for international funding – and not in favor of Romania – policy makers should assess thoroughly the optimum balance between public and private investment in the development of Romanian tourism.

**Table 4 - Main countries of origin of international tourists and foreign investors incoming to Romania**

Country	Rank as origin of foreign tourists in Romania <sup>1)</sup>		Rank as origin of foreign investors in Romania <sup>2)</sup>	
	Rank	Percentage of total foreign tourist nights	Rank	Number of enterprises with foreign capital
Germany	1	15,60%	2	16664
Italy	2	12,50%	1	26984
France	3	7,80%	6	5873
United States	4	5,80%	7	5755
Hungary	5	5,50%	5	9402
United Kingdom	6	5,00%	14	3940
Turkey	...	...	3	10833
Israel	...	...	8	5752
China	...	...	4	9432

Surce: Computed by authors based on data published by Eurostat and by the National Trade Register Office

<sup>1)</sup> 2006, <sup>2)</sup> 2008

#### **Romanian tourism competitiveness**

It is really difficult to discuss about a competitive advantage of Romania in the travel and tourism industry, bearing in mind the deceiving stage of this industry. Nevertheless, we should acknowledge a number of conditions and resources which represent favorable factors for tourism development:

- Nice temperate climate;
- Variety and equilibrium of forms of geographic relief;
- Diversity of fauna and flora, including rare species of animals and plants;
- Natural resources for balneal treatment;
- Rich history;
- Interesting culture.

According to Rodica Minciu (Minciu, 2006), the tourism industry outcome and output do not reflect fully the potential of Romania. Among other convincing points about the said potential one may note that Romania has the highest density of large carnivores in Europe, including half of the continents population of bears, and one third of the populations of wolfs and lynxes, one third of the balneal resources of Europe (and, not to forget, an internationally recognized school of balneology), 1/7 of the sites of world cultural heritage, 12500 caves, a large number

of protected areas, representing 1/7 of the country territory and including 3 biosphere reserves and 6 national parks.

According to 2004 Travel & Tourism Competitiveness methodology the competitiveness of Romania compared with main rival countries is summarized in below. As one may easily see, the overall competitiveness index places Romania last among neighboring member state, with a very narrow advantage only compared to Ukraine.

**Table 5 - Romania's competitive position against its main rival countries**

Country	Price	Human Tourism Index	Infrastructure	Environment	Technology	Human Resource	Openness	Social	General Index*
Bulgaria	58.46	80.04	64.05	67.86	69.23	71.60	76.42	60.89	68,57
Croatia	68.99	n.a.	n.a.	69.60	87.98	68.62	55.62	57.43	68,04
<b>Romania</b>	<b>66,28</b>	<b>24,61</b>	<b>42,77</b>	<b>71,22</b>	<b>58,8</b>	<b>63,01</b>	<b>72,79</b>	<b>71,79</b>	<b>58,91</b>
Hungary	50,02	92,91	77,26	76,06	92,34	84,7	79,4	74,81	78,44
Slovakia	47,05	38,09	73,28	70,77	78,72	71,6	65,73	57,47	62,84
Czech Rep.	48,71	72,69	n.a.	75,24	94,15	74,68	79,25	76,59	74,47
Poland	49,1	43,47	n.a.	72,03	77,4	88,3	70,82	61,1	66,03
Ukraine	68,25	73,73	n.a.	23,12	41,35	81,23	58,02	52,88	56,94

Source: Minciu (2006)

Being the first Travel & Tourism Competitiveness Index, the 2004 TTCI it is very suggestive in illustrating the most important competitive disadvantages of Romania: Human Tourism Index (which we consider to be an approximation of human development) and Infrastructure (which we consider to be an approximation of economic development). Together with technology and openness these seem to us the measures of modern civilization of a nation.

Later, Travel & Tourism Competitiveness Reports have deepened the analysis by using 13 indicators in 2007 instead of 8, and 14 indicators in 2008 and 2009, grouped into three subindexes: (A) regulatory framework, (B) business environment & infrastructure, and (C) human, cultural and natural resources. One problem outlined by the authors of the index themselves is that the quality of the indicators is uneven: some of them are difficult to measure which make measures uncertain, and others are not entirely capturing the phenomenon to which they are related. Nevertheless by making an inventory of the most important competitive disadvantages of Romania as revealed by 2007-2009 TTCIs we have the confirmation of the fact that the Romanian tourism policy need a change of orientation

**Table 6 - Romania: main competitive disadvantages**

	2007	2008	2009	Competitive disadvantage score <sup>1)</sup> (closer to 3 = worst disadvantage)
Total number of countries included in the report	124	130	133	
Overall rank of Romania	76	69	66	
<b>Five worst performing indicators (rank)</b>				
Quality of roads	111	123	126	2,59
Sustainability of T&T industry development	115	122	121	2,57
Effectiveness of marketing and branding	111	118	119	2,43
Government prioritization of the T&T industry	107	119	121	2,41
Extend and effect of taxation	108	108	109	2,12
Transparency of government policy making	67	126	124	2,10
Access to improved drinking water	103	113	87	1,87
Tourism openness	85	101	118	1,86

Source: The Travel & Tourism Competitiveness Report 2007, 2008, 2009, and authors calculations

<sup>1)</sup>The Competitive disadvantage score was calculated with the following formula, where  $R_i$  is the rank of Romania and  $N_i$  the total number of countries considered in year in year "i"

$$\sum \left( \frac{R_i}{N_i} \right)^2$$

From the information presented in Table 6 it appears clearly that only one of the most important competitive disadvantages of Romania is directly related with the public policy regarding tourism as such, while other 7 such major disadvantages are directly related to other policy areas. For instance the sustainability of T & T industry is depending more on environment policy and territorial planning, and tourism openness depend more on education and general level of living of the population.

### ***Romanian tourism perspectives***

It is estimated that in 2020, in the world, the number of travelers will be three times higher than in 2005 (Conrad and Barreto, 2005). Taking also into consideration its spillover effect, the development of sustainable tourism should be a priority for the majority of developing and transition economies. It is expected that countries with a small initial base will record highest growth rates. The new member states of the European Union, including Romania, are in a position to benefit of the opportunities provided by the internal market.

The growth of the Romanian Travel & Tourism economy is estimated by World Travel & Tourism Council (WTTC, 2006) for the period 2006-2016 at an annualized rate of 7.9% in terms of demand, 7.4% in terms of output, 1.7% in terms of employment, 8.5% in terms of exports, 6.2% in terms of capital investment and 1.7% in terms of government expenditure. With these figures Romania do not reach the performers` league, but the forecasts are still very positive. According to WTTC assessment, "Romania`s natural, cultural, and historical resources place the country in a prime position for tourism development".

Among new European democracies there are countries that, in our opinion have higher potential as holiday destinations as Romania, for instance Bulgaria and Croatia. "Romania already lags behind its smaller neighbor Bulgaria, and a new direction and commitment to are needed to ensure that the country`s potential for Travel & Tourism are not held back by bad planning and a lack of supporting infrastructure" (WTTC, 2006). However, in our opinion, on longer term, there is not the holiday motivation which will decide the winning countries in attracting visitors, maximizing the benefits from sustainable travel & tourism and spreading them across the economy and all levels of population.

### **3. TOURISM RELATED SELECTED POLICY MAKING ISSUES**

A very comprehensive model that can be used in order to design policies supporting the raise of country attractiveness as a tourist destination is the Deloitte`s Visitor Economy analysis framework (Deloitte, 2008). Prepared for major tourism industry organizations in United Kingdom, the report "The

economic case for the Visitor Economy" highlights the key factors on which policy should focus first, because of their capacity be influenced through policy measures: infrastructure, skills, access, information provision, quality, choice, placemaking, adaptability and welcome. Many of these factors are related to the issues we intend to bring into discussion. While the contribution of the travel & tourism industry to the economy in general was put in evidence some time ago with the result of the elaboration of the tourism satellite accounts, the contribution of the general economic and civilization level of a certain place to the attractiveness for tourists and travelers of a certain place, is less discussed as such; it only appeared more recently, with the Competitiveness Index. We want to discuss especially the policy making implication regarding tourism not only as a wealth creator but also as a result of the general prosperity of a region.

In our opinion, the clearly needed "change of direction" of the Romanian policy for tourism should take into consideration the following:

- *Switch focus on general development issues* instead of uncoordinated and inconsequent measures directly targeted to the travel and tourism industry. First, because measures directed to the tourism industry in its narrow understanding, is possible to be ineffective in an environment dominated by poverty, bad infrastructure, missing or very low quality public and market services. Second, because investing in travel & tourism related facilities would be anyhow, in many places, actually wherever the case may be, a priority of local and regional development plans. The central government should ensure critical mass interventions in horizontal matters, of great importance for the attractiveness of Romanian tourism destinations: large infrastructures, education, health, enterprise policy including business environment simplification and taxation and SME support programs would be in our opinion the most important directions;

- *Promote a travel and tourism policy oriented in favour of the tourist*, instead of the current priority given to tour operators and - to a lesser extend - to the domestic accommodation industry. Romanian and foreign tourist should be equally regarded as the beneficiaries of the policy promoted by the government and not as "cash cows". With the changing patterns of traveling from spending holidays toward business and professional, event related (like in sports or performing arts), health or education related, etc., visitors (like organizers) are looking less for specific tourist attractions and more for places that offer pleasant living conditions and a variety of pleasant things to do. They are looking for safety, comfort, leisure, opportunity to learn, to procure things, to participate in recreational events or to spend a nice evening at restaurant. In our opinion the tourism policy making authority should struggle to ensure, through coordinated government measures that visitors find destinations in Romania being NICE -

EASY (ACCESSIBLE) – SAFE – GOOD QUALITY – NOT EXPENSIVE. Each of these characteristics needs complex explanations that cannot be provided here. They may refer to nature, weather, accommodation, internet, information and guidance, local transportation, local shops, the manners of public and private services employees, museums, therapeutic procedures, cultural events, food and drinks getting assistance in case of need and so on; virtually everything should be nice-easy-safe-good quality-not expensive. The combination of characteristics should be regarded as relative: cheap and luxurious goods and services can be equally described by it. Getting a limousine can be as easy as using public local transportation and equally inexpensive; in the same way, public transportation should be safe and good quality. Sibiu as a cultural capital of Europe in 2007 succeeded in this apparently not reachable goal in a way that should be taken as an example by all the municipalities of Romania. The fast dissemination of such a good practice is only possible through the central government involvement by spreading information and analysis, providing quality standards and quality assessment and certification procedures, development of public services, encouraging and supporting local initiatives, encouraging “better business” against spoiling of customers and other nasty business practices.

• *Improve communication effectiveness through smarter branding and advertising.* There are many initiatives and programs aiming at promoting Romania as a destination for tourists. Most of those programs have tourism agents and foreigners as target audience, choice that is understandable from an economic policy point of view. Nevertheless, one has to keep in mind, that many tourists travel alone without any contract with a travel agency and they are sharing the information made available for the local population; it will be preferable to find rich information that is not contradicting the international one.

In general, everybody agree that the efficiency of advertising campaigns aiming to promote Romanian destinations for travel and tourism is very weak. In our opinion, promoting Romania as a brand is not a smart choice. Exception being made of very few people that are buying country tours, nobody is interested of Romania in general; most people travel with specific destinations and specific purposes. Anyhow, the “Romania” brand suffered much from images of homeless children, poverty, lack of infrastructure, arbitrary decisions of local public authorities and so on.

There are also problems with the symbols that are used. The “country of Dracula” may have had some impact on few curious people who will never come back once they have “satisfied” their curiosity about vampires. It was an aggressive selling campaign “à l’américaine”, quite successful for a moment, but which cannot support sustainable travel & tourism in

the meaning we discussed above. Another example is for Bucharest: traditionally the symbol of our capital city was the Ateneul Roman, a symbol of arts, humanism and patriotic solidarity; now, it has been replaced by the House of Parliament, formerly known as People’s House, a symbol of megalomania, dictatorship and abuse.

Sometimes the publicity is done by idealized images that do not reflect plausibly the reality, some other times the message has no connection with some specificity of the destination; we may find a general abuse of stereotypes (Romania = folklore, for instance). A recent domestic campaign under the slogan “a travel is a lesson for life” created an unexpected effect among people revolted because of travel conditions offered by public transportation services.

We agree in part with the analysis of the European Commission, that decentralisation in several old and new Member States led to “somewhat mixed promotion of the country’s image ... which can have the effect of puzzling potential tourists” (Eurostat, 2008). In our opinion promotion of Romania’s image as tourism destination should be more coherent, but this doesn’t require a top-down approach necessarily. There is an urgent need for the tourism authority to avoid being the institution that is doing tourism promotion. It should take the role of a facilitator, encourage and assist the strengthening of public private partnerships at all levels (local, regional and national), empower business associations (representing the travel and tourism industry, but not only them) to take the lead in promoting the Visitors’ Economy in the largest meaning of it. Offering them common resources, the national policy makers should insist that stakeholders ensure a degree of coordination, and the promotion of a coherent image. They need also to make sure that stakeholders are aware that the attractiveness of Romania for visitors is an advantage for all, even if many of them are rivals.

#### 4. CONCLUDING REMARKS

Romania is not a country where tourism may become a leading industry, but it has unique resources and a potential of development that justify forecasting a significant growth of the visitors’ economy in the next decade. On longer term, the relative advantage of some of the neighboring countries in terms of holiday facilities offer will vanish, with the switch in predominance among travelling motivations. Romania has also a number of competitive disadvantages many of which are placing it among the last countries in the world. This is why there is a need of more effective public policies, and of a change in direction of the current policy related to tourism.

We have identified three main changes that in our opinion will result in a radical improvement of the

policy making, in favor of faster and sustainable development of the travel & tourism economy:

- promote measures of general development instead of measures directly targeted to the tourism industry;

- put the policy at the service of the tourist in principal;

- make smarter promotion of Romania as a tourism destination.

Finally, we should not forget that in the near future, in the service economy, the ability of a nation's economy to sell will require developing at its full potential the visitors' economy.

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