

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**



**Diploma Thesis**

**Comparison of incoming tourism peculiarities in Turkey and  
the Czech Republic**

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# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## DIPLOMA THESIS ASSIGNMENT

Bc. Aigerim Jambulova

Economics and Management

Thesis title

**Comparison of incoming tourism peculiarities in Turkey and the Czech Republic**

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### Objectives of thesis

The main aim of this master thesis is to identify key characteristics and trends, to find out through theoretical and practical parts and describe main differences of developing tourism industry in the Czech Republic and Turkey, compare this industry in selected countries and to analyze the tourisms' statistics in both countries.

### Methodology

The methodology of this thesis includes theoretical and practical parts. Theoretical part is concentrated on introduction and analyzes of specialized literature and available official documentations posted within last 5 years (from 2012 till 2016). Through these analyzes it becomes possible to find out the key factors of popularization of the Turkey and Czech Republic as tourists' main destination, identify the role of tourism in the development of the economies of selected countries. In the practical part, based on the tables and outcomes from the theoretical part, presented the impact of tourism on economy of selected countries. The comparative analyses of the differences of incoming tourism was presented through the identifying strengths, weaknesses, opportunities, threats of selected countries. Also, was made a PEST analysis, which includes political, economic, social and technological factors influencing the tourism industries in Turkey and Czech Republic. Moreover, based on the theoretical part there were investigated main features and impact of Russian consumers onto tourism industries in chosen countries

**The proposed extent of the thesis**

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**Keywords**

Tourism, GDP, historical sites, Czech Republic, Europe, Turkey, spas and health resorts, Marmara, Mediterranean, Black, Aegean seas, Turkish Lira, Czech Koruna, World Tourism Organization (UNWTO)

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**Recommended information sources**

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### **Declaration**

I declare that I have worked on my diploma thesis titled "Comparison of incoming tourism peculiarities in Turkey and the Czech Republic" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 29.03.2018

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Jambulova Aigerim

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# Srovnání zvládnosti příjezdového cestovního ruchu v Turecku a v České republice

**Souhrn:** Tato diplomová práce se zaměřuje na informace o průmyslu cestovního ruchu ve vybraných zemích. Hlavním cílem této diplomové práce je identifikovat a porovnat zvládnosti příchozího cestovního ruchu v České republice a Turecku.

První část představuje teoretický pohled, který zahrnuje definici, historii a rozvoj cestovního ruchu.

Druhá část poskytuje identifikaci a srovnání primárních zvládností příchozího cestovního ruchu v Turecku a České republice; analyzovan dopad cestovního ruchu na různé hospodářské oblasti. Na příkladu českého trhu cestovního ruchu regresní analýza identifikuje ekonomické ukazatele, které ovlivňují cestovní ruch. Nakonec byly zjištěny silné stránky, slabiny, příležitosti a hrozby odvětví cestovního ruchu v obou zemích.

**Klíčová slova:** Cestovní ruch, HDP, historické památky, Česká Republika, Evropa, Turecko, lázně a zdravotní střediska, Marmarské, Středozevní moře, Černé, Egejské moře, turecká Lira, česká Koruna, Světové Organizace cestovního Ruchu (UNWTO).

# **Comparison of incoming tourism peculiarities in Turkey and the Czech Republic**

**Summary:** This diploma thesis focuses on information about tourism industries in selected countries. The main aim of this diploma thesis is to identify and compare the peculiarities of incoming tourism in the Czech Republic and Turkey.

The first part presents the theoretical view, which includes the definition, history, and development of tourism.

The second part provides identification and comparison of primary peculiarities of incoming tourism in Turkey and the Czech Republic; analyzed the impact of tourism on different economic fields. On the example of Czech tourism market, the regression analysis identifies the economic indicators which influence the tourism industry. Finally, strengths, weaknesses, opportunities, and threats of the tourism industries in both countries have been identified.

**Keywords:** Tourism, GDP, historical sites, Czech Republic, Europe, Turkey, spas and health resorts, Marmara, Mediterranean, Black, Aegean seas, Turkish Lira, Czech Crown, World Tourism Organization (UNWTO).

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## 1. Introduction

Tourism - one of the most dynamically developing sectors of the world economy, which is directly affected by a large number of factors. There is a direct connection between the trends in the development of the tourism industry and the economic, technical and social achievements, a political and economic situation in the region, its natural-geographical and cultural-historical potential and many other components. By studying and analyzing these points, it is possible to make a forecast of the further development of tourism in the region.

The 70th United Nations General Assembly declared the year 2017 "International year of sustainable tourism for development. The UN declaration of the International Year of Tourism means that world leaders recognized tourism as a powerful tool for transforming the world to address the main economic, strategic and social tasks, the all-round development and environmental sustainability of the world on the planet. This step emphasizes the relevance of tourism, its importance to supporting friendly relations between nations, as well as enriching the knowledge of different civilizations.

The World Tourism Organization (UNWTO), a specialized intergovernmental agency of the UN system, uniting 156-member countries, is committed to promoting tourism as a tool for achieving the goals of sustainable development of the world.

This work is devoted to the analysis of inbound tourism in Turkey and the Czech Republic.

Turkey has become one of the leading countries regarding tourist arrivals in the world (39.2 million in 2015) and, in particular, is one of the most visited by the citizens of the Russian Federation countries. The income from tourism makes up almost a quarter of the volume of Turkish exports. At the same time, Turkey continues to develop new types of tourism, involving all new resources and territories in tourism development. In recent years, tourism is the most successful sector of the Turkish economy and contributes to the country's integration into the world economy.

The Czech Republic has the wealthiest natural, historical, recreational resources that contribute to the development of tourism in the country. Also, this country has significant growth potential. The tourist market of Europe is developing at a rapid pace, for this, there are all the necessary prerequisites: tourist attraction (historical and natural potential), developed infrastructure, the availability of people wishing to travel around Europe.

## 2. Objectives and Methodology

### 2.1. Objectives

The main aim of this master thesis is to identify key characteristics and trends, to find out through theoretical and practical parts and describe main differences of developing tourism industry in the Czech Republic and Turkey, compare this industry in selected countries and to analyze the tourists' statistics in both countries. The analyzed period is from 2012 till 2017, including quarterly and yearly data. To achieve the aim was studied forecasts of development of international tourism, analyzed prospects of restoration and development of international tourism, considered tourism and globalization.

### 2.2. Methodology

The methodology of this thesis includes theoretical and practical parts. Theoretical part is concentrated on introduction and analyzes of specialized literature and available official documentations posted within last 5 years (from 2012 till 2016). Through these analyzes it becomes possible to find out the key factors of popularization of the Turkey and Czech Republic as tourists' main destination, identify the role of tourism in the development of the economies of selected countries. In the practical part, based on the tables and outcomes from the theoretical part, presented the impact of tourism on economy of selected countries. The comparative analyses of the differences of incoming tourism was presented through the identifying strengths, weaknesses, opportunities, threats of selected countries. Also, was made a PEST analysis, which includes political, economic, social and technological factors influencing the tourist industries in Turkey and Czech Republic. Moreover, based on the theoretical part there were investigated main features and impact of Russian consumers onto tourism industries in chosen countries.

### 3. Literature Review

#### 3.1. Definition of tourism

Modern tourism – it is a young phenomenon, since the main stage of its formation considered to be the period after the Second World War. At the present stage of development - traveling to other countries have acquired the form of tourism, recreation and entertainment. (Beaver, 2002)

Now, tourism is the movement of certain segments of the population across countries with the purpose of rest, seeking new impressions and broadening their horizons. It worth to mention that the term "tourism" could not be found in any language of the world until the middle of the XIX century. But the word "tour" already was well known and most often was associated with the trips, and gradually the meaning of this word changed to “temporary absence of a person in his home because of business or other purposes”. Thus, a modern interpretation of the word "tourism" was gradually developed. (Wall, Mathieson, 2006)

Webster's dictionary explains the word "tourist" as "someone traveling for pleasure or out of interest"; Another 19th century dictionary contains more interesting meanings: "people who travel for pleasure, out of curiosity and because they have nothing to do" and "For the pleasure of showing off afterwards.

One of the initial and most accurate definitions of tourism was given by the professors of Bern University Hunziker and Krapf, which was later adopted by the International Association of Scientific Tourism Experts. Initially, these scientists were of the same opinion - that tourism can be defined as a series of phenomena and relationships that arise as a result of people's travels, as long as this do not lead to a permanent stay outside of their homeland and is not associated with any profit-making activity. This definition does not apply to excursions, business trips related to making a profit, even when profits are not received in the host country.

The aspiration of some countries to increase inflow of foreign currency from tourism and the creation of an entire branch of industry, the tourism industry, also played an important role in the development of international tourism. Under the tourist industry is used to be understood the complex of production, transport and trade enterprises which produces and sells services and goods demanded by tourists. This includes hotels and other accommodation facilities, transportation means, public catering establishments, enterprises

producing souvenirs and others. According to the data of World Tourism Organization more than 214 million people are employed in the tourism industry around the world. (Beaver, 2002)

Touristic terminology undergoes significant changes in accordance with the rapid pace of development and formation, both public relations and tourism. Interpretation of touristic terms is the subject of fierce discussions of the developers of the theory of tourism. In order to determine the importance of tourism and more fully describe the scope of its activities, first of all it is necessary to identify actors that interact in tourism industry:

1. Tourists. These are people who experience different mental and physical needs, the nature of which determines the direction and types of participation of these people in tourism activities as consumers.
2. Organizations that supplies tourists with goods and services. These are entrepreneurs who see the opportunity to make a profit in tourism industry by supplying tourists with demanded goods and services.
3. Local authorities. They are considering tourism as the important factor of their economy, which creates opportunity to make profit for citizens and positively influence local budget.
4. The host country. The local population, perceiving tourism, as a factor of employment of the local population. (Voskresenskij, 2012)

Thus, tourism can be defined as a set of phenomena and relationships that arise in the interaction of tourists, suppliers, local authorities and local people.

Traveling and tourism – it is a number of businesses interacting in one industry. The closest to tourism profession is tours distributor, in other words it is travel agencies. As was mentioned before transport organizations, public catering establishments and accommodation facilities are directly involved into tourism industry. But moreover, financial organizations that finance the development of infrastructure, services and goods are also involved into tourism. (Borisov, 2016)

The study of tourism has recently attracted the attention of scientists from other fields. In connection with this fact, there was need to develop precise and consistent definitions and terms. This problem is dealt by various organizations, including the United Nations, the World Tourism Organization, the Organization for Economic Cooperation and Development.

International organizations are constantly turning to the theme of touristic terminology, mainly with a view to harmonizing the principles of international statistics. Thus, in 1937 the definition of "international tourist" was given at the Conference of Experts on Statistics of the League of Nations. In 1950, the International Union of Official Travel Organization (IUOTO), transformed in 1975 into the World Tourism Organization (WTO), clarified the definition of "tourist", introducing new concepts: "sightseer" and "transit traveler". Not only the definition, but also the contrast between these terms were introduced. (Hudman, Lloyd and Jackson, 2003)

Here is the classical definition of tourism given by V.A. Kwartalniy: "Tourism is the temporary movement of people from their place of permanent residence to another country or territory within their own country in their spare time for the purpose of enjoyment and recreation, guest, cognitive or professional business purposes, but without engaging in paid employment in visited place." (Manakov, 2011)

The second most popular tourist destination will be the United States (102.4 million arrivals), followed by France (93.3 million), Spain (71.0 million) and Hong Kong (59.3 million). Great Britain will be in seventh place (52.8 million arrivals).

In total, by 2020, the number of international arrivals will be 1.6 billion. The daily expenses of tourists, except funds for air transportation, will increase to \$ 5 million per day.

According to the forecast of the WTO, the rapid development of outbound tourism is expected. The largest countries-suppliers of tourist flows will be Germany, Japan, the USA, China, Great Britain. Russia, whose population received the opportunity of mass travel abroad only in 1990, will supply 30 million tourists to the international market by 2020.

Significant changes in the most massive markets are expected in the structure of outbound tourism. The share of interregional long-distance trips increased from 15% in 1995 to 25% in 2011 and continues to grow. The growth trend is explained by the fact that people will travel more, they will cease to arrange traditional directions, they will give preference to the "new." Also, there is a trend towards a further and somewhat rapid decrease in the cost of long-distance trips, especially with the advent of new high-speed transport.

According to the WTO, the number of foreign tourist trips in 2011 reached 964 million (in 1995 - 535 million), but further growth will occur much more slowly. Major changes in demand are expected in many leading markets - suppliers of tourists. (Papirian, 2000)

Thus, the trends in the development of international tourism are positive. The growing interest of tourists in a different culture, the abundance of advertising, the availability of information contributes to increasing the opportunities for communication between peoples, which allows people to better understand each other.

### 3.2. The history of international tourism

The periodization of the tourism on the territory of Western Europe was described in detail by V.B. Saprunova. Her work based on the mainly based on the technical, economic and social prerequisites. According to it, there are four fundamental stages in the history of the development of tourism:

1. before the beginning of the XIX century - the prehistory of tourism;
2. the XIX century - elite tourism; the appearance of enterprises specialized in the production of goods and services for tourists;
3. the beginning of the XX century - the beginning of the formation of social tourism;
4. After the Second World War till modern stage - mass tourism; the establishment of the tourist industry, as an intersectional complex for the production of goods and services for tourism. During this last stage, tourism becomes undoubtedly massive, and from the luxury item, it becomes a necessity for the majority of the population in highly developed industrial countries. To a certain extent, it appeared as a result of the reduction of working time, and, correspondingly, the growth of free time. And at the same time, as the primary outcome, a strong recreation industry with its products, production cycles, methods of organization and management is formed. (Saprunova, 1997)

In this way at a particular stage in the development of the economy, when the need for travel has sharply increased, appeared a lot of companies providing connected services. That led to the formation of the new type of product - tourism. Thus, tourism became a commodity that can be bought and sold on the consumer market and which supplied in the form of material and non-material goods. A peculiar advantage of tourist services, as a commodity, is that a significant part of these services is made with minimal costs on the spot and, as a rule, without the use of foreign currency.

But it needs to be mentioned that tourism is not a commodity of the first vital necessity; therefore, it becomes an actual human need only at a certain level of its income and a certain level of wealth of society.



### 3.3. Types of international tourism

It is hard to define differences between business travels and those that are made for entertainment purposes since most trips are a combination of these two types of travel.

Over time, the basic concept of tourism has expanded to include various types of business travel that do not lead to a permanent stay in the country and do not imply profit.

International tourism can be outbound and entry. Outbound tourism is the travel of people permanently residing in a given territory to another country. Entry tourism is a journey within a given state of persons who do not live permanently in the territory of that country. (Kharris and Kats, 2000).

By the specifics of the reflection of financial results, two kinds of tourism are singled out in the country's budget: active and passive.

The arrival of foreign tourists is active tourism. Active tourism serves as a factor in the import of money - currency into a given country. The departure of tourists from the country to other states is passive tourism. Passive tourism is a factor in the export of money - currency from a given country.

Depending on the purpose the following types of tourism are distinguished: recreation, cognitive, scientific and business.

Recreational tourism is tourism for rest, healing, and treatment. But it should be noticed that the stay of citizens in special sanatoria does not apply to tourism since in this case, the sanatorium is a kind of hospital.

Cognitive, or cultural, tourism is a journey to get acquainted with historical and cultural sights and unique natural objects according to a defined program.

In scientific tourism, visits to congresses, symposiums, etc. predominate, usually with subsequent excursions.

Business tourism - trips of entrepreneurs with business purposes, represents the most dynamic and profitable kind of tourism.

By the nature of the organization of travel, tourism can be individual, group, organized and amateur (unorganized), stationary and mobile tourism.

The intensity of tourist vouchers distinguishes between constant and seasonal tourism. An all-the-year-round and relatively even visit the tourist regions is called permanent

tourism. It is typical, first of all, for the most famous centers of civilization, culture, health: famous cities of the world, resorts, places that have unique mineral waters and mud.

Some regions attract tourists mainly at certain seasons of the year. Such tourism is seasonal. Tourist regions that are visited only at certain times of the year (for example, in summer or winter) characterized as single-season tourist regions. Regions visited at any time of the year (both in summer and in winter) are called two-season ones. Seasons, depending on the degree of intensity of visits by tourists to this tourist region divided into: peak (i.e., the most loaded), quiet (with an average degree of loading) and dead (unloaded, almost not visited by tourists) seasons.

By the length of stay of tourists on the journey, it can be divided into short-term and long-term tourism. Short-term tourism is tourism when the duration of the trip does not exceed three days. Long-term tourism is tourism, with a travel time of more than three days.

Depending on the vehicles used for traveling, tourism distinguished two types with the use of the private transport of a tourist and public transportation, i.e., transport owned or leased by the touristic company. These types of tourism include caravanning, caravan cruise, sea and river cruises, etc.

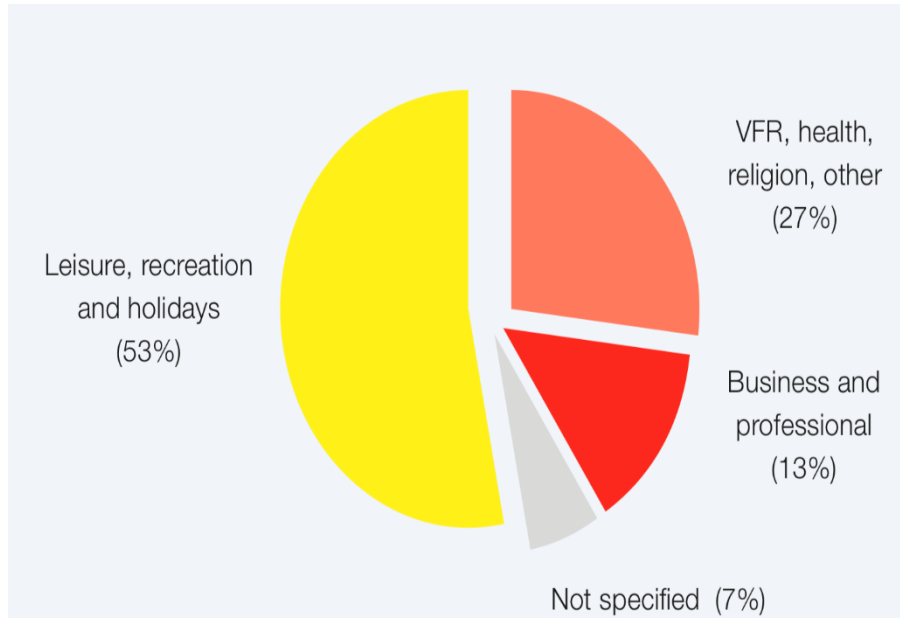
Also, the tourist can be provided with either certain types of services of his choice or a range of services. A full package of services can be supplied by selling so-called inclusive-tours (package tour) or package tours.

Inclusive tour most often used for air transportation, and the cost of transporting the tourist to and from the destination determined by specially developed inclusive tariffs, which are sometimes half lower than usual. It also includes the cost of accommodation of a tourist in a hotel, meals (full or partial) and other services provided for a certain number of days of a tourist's stay in the country of destination. The general price level of the inclusive-tour should not be lower than the usual tariff (i.e., the cost of transportation) to this country. The client informed of the full price of the inclusive-tour without breaking it into separate types of services. Inclusive tours are supposed to be used both for a group and individual tourist trips. A package tour also involves providing the client with a full range of services, which, however, may not include transportation costs. Typically, package tours organized according to the specific pre-advertised program. (Burkrat and Medlik, 1974)

There is no fundamental difference between these concepts. In Western European countries the term "inclusive-tour" is more common, in the USA - "package tour."

The structure of these tours differs greatly depending on the country, the composition of tourists, their purchasing power, the nature, range and quality of the services offered.

*Figure 1: Inbound tourism by purpose of visit, 2016 (share)*



Source: World Tourism Organization (UNWTO).

Travel for holidays, recreation and other forms of leisure accounted for just over half of all international tourist arrivals in 2016 (53% or 657 million). Some 13% of all international tourists reported traveling for business and professional purposes, and another 27% traveled for other reasons such as visiting friends and relatives (VFR), religious reasons and pilgrimages, health treatment, etc. The purpose of visit for the remaining 7% of arrivals was not specified. (Manakov, 2011)

### 3.4. World tourism and crisis

According to the preliminary release of the Barometer of International Tourism of the World Tourism Organization, in 2010 there were high rates of restoration of international tourism. The number of international tourist arrivals after a 4% decrease in 2009, during which the impact of the global economic crisis was most acute, increased by almost 7% to 935 million. The vast majority of destinations in the world have achieved positive results, sufficient to compensate for recent losses or bring them closer to achieving this goal. At the same time, the pace of recovery was not the same everywhere, and the leading positions in this process belong, first, to the growing economies.

On the background of the economic situation in the world, international tourism is recovering faster than expected after the global financial crisis and the economic recession of the end of 2008-2009. International tourist arrivals increased by 6.7% compared to 2009, with positive growth rates registered in all regions of the world. Thus the number of tourist arrivals in the world reached 935 million, which is by 58 million more than in 2009 and by 22 million overcame - the pre-crisis peak level of 2008 (913 million). (Chudnovskiy, Zhukova, Senin, 2006)

Although the growth of international tourist arrivals recorded in all regions, the primary drivers of this recovery process are the growing economies. Such rapid recovery rates, which were less sharp in developed economies (+ 5%), and higher in emerging economies (+ 8%), reflect a broader perspective of the global economic situation and will prevail in 2011, and for the foreseeable future.

"Restoring the growth of international tourism is good news, especially for those developing countries that depend on this sector to generate the income and job creation they need," said General Secretary of UNWTO - Taleb Rifai. "The problem today is to keep this positive growth in subsequent years in the face of the still unstable global economic environment."

Asia was the first region in which the recovery occurred and which developed at the fastest pace in 2010 (+ 13%). In 2011, the number of international tourist arrivals in Asia reached a new record level of 204 million, compared to 181 million in 2009.

Africa is the only region with growth in 2009 (+ 6%, 49 million) and retained in 2010, thanks to the growing dynamism of the economy and the holding of events such as the FIFA World Cup in South Africa. The results, expressed in double digits, were recorded in the Middle East (+ 14%, 60 million), where the growth rate of all destinations was 10% or more.

In Europe (+3%, 471 million), the rate of recovery was slower than in other regions due to air traffic disruption caused by the eruption of the volcano and economic uncertainty in the euro area. However, since the second half of the year, some countries have achieved results that far exceed the average regional indicators, but this was not enough to cover the losses of 2009. (Chudnovskiy, Zhukova, Senin, 2006)

The Americas region (+ 8%, 151 million) recovered from the recession in 2009 caused by economic difficulties in North America and the outbreak of influenza A (H1N1). Improvement of the region's results facilitated by the recovery of positive growth rates in

the US economy, integration in Central and South America and the revitalization of Latin American economies. The highest growth rates observed in South America (+ 10%).

Subregional results as well indicate such a rapid recovery. Several regions, such as North Africa, Sub-Saharan Africa, and South-East Asia, were not affected by the global crisis and during 2009-2010 had growth rates. In the subregions affected by the crisis - Northeast and South Asia, North, South America, and Western Europe in 2010 the growth of arrivals was compensated for previous losses and exceeded the pre-crisis peak levels. The countries of the Caribbean and Central America returned to the levels of 2008, while the growth rates of Central, Eastern, Southern and Mediterranean Europe were insufficient to compensate for the lost tourist flows in 2009. In comparison, in Northern Europe in 2010, positive growth rates were not restored.

The growth rate of revenues from international tourism continued to lag slightly behind the pace of growth in arrivals in 2010, which is typical for recovery periods. Among the leading outbound tourism markets according to the value of funds spent by tourists abroad, the growing economies are still the leading ones: China (+ 17%), the Russian Federation (+ 26%), Saudi Arabia (+ 28%) and Brazil (+ 52%). The situation in traditional guiding markets: Australia (+ 9%), Canada (+ 8%), Japan (+ 7%) and France (+ 4%) straightened, although the US, Germany, and Italy have a more modest 2%. On the opposite pole is the United Kingdom, whose tourists spent 2010 abroad 4% less.

During 2010, the demand for international tourism remained at an appropriate level. Even taking into account the continuing economic uncertainty in some major markets, natural disasters in several countries, political and social unrest in others, dangerous air-traffic violations as a result of the volcanic eruption in Iceland in April 2009 and problematic weather conditions in some areas of Europe and the US in December.

"Tourism has proved to be a sector with high resistance. Nevertheless, we must work more cohesively and better to strengthen integration and cooperation among all participants in the chain of value addition in tourism to improve our competitiveness and respond more effectively to challenges such as the one that resulted from the closure of European airspace last April ", Said Mr. Rifai.

In 2010, the importance of mega-events also increased - sports, culture, exhibitions - in terms of their extraordinary ability to attract visitors and to make host countries attractive for tourists. The most striking examples are the Winter Olympic Games in Canada, Expo in

Shanghai, China, the FIFA World Cup in South Africa and the Commonwealth Games in India. (Chudnovskiy, Zhukova, Senin, 2006)

Confirming these trends, over 300 experts from all over the world who are members of the UNWTO Expert Group assessed the overall results for 2010 as very positive and far exceeding their expectations.

### 3.5. Development of international tourism

International tourism in the world is uneven, which is due to different levels of socio-economic development of countries and regions. The significant development of international tourism was in Western European countries. The share of Western Europe in the world tourist market is 60% and about 50% of world's foreign exchange earnings; Asia-Pacific region - over 18% of the world tourist market and 20% of foreign exchange earnings. America - less than 17% of the market and 24% of foreign exchange earnings; and about 8% of the market and 5% of foreign exchange earnings to Africa and the Middle East combined (Wall, Mathieson, 2006).

International tourism, for many countries, has become a significant source of increased incomes and the growth of the national economy. For example, the share of income from foreign tourism in the total amount of proceeds from the export of goods and services is: in Spain - 18.3%, Austria - 11.8%, Greece - 33.6%, Portugal - 14.9%, Cyprus - 53%. Such highly developed countries as Switzerland, Austria, France, a significant share of their wealth built on income from tourism. In most developing countries, foreign tourism accounts for 10-15% of revenues from exports of goods and services (India, Egypt, Peru, Paraguay, and Costa Rica).

#### 3.5.1. Prognosis of development of international tourism

A person's awareness that he is a citizen not only of his country but the world leads to the expansion of the market for tourist trips, especially targeted ones.

According to the forecast of the WTO, a tourist boom expected in the 21st century: the number of travelers in the world by 2020 will approach 1.6 billion (in 1997, 612 million people traveled).

The largest British travel agency Travel & Tourism Intelligence (TTI), part of the Economist Intelligence Unit, published studies containing long-term forecasts for the

development of international tourism. The analysis of the data of the 30 largest outbound markets representing 90% of the world tourism volume was carried out, and a forecast made regarding the number of trips abroad for tourists, the number of overnight stays and money for foreign trips. According to the estimates, the growth rates of international tourism will decrease. (Elliot, 1997)

To assess the prospects of growth in tourist flows, it is customary to use the following indicators: low, below average, medium, high and above average.

Europe as a source and consumer of tourist flows has an average indicator in the long term, which reveals possible options for the development of regional tourism. For example, the prospects for outbound tourism from Europe to America, East, and South Asia, the countries of the Pacific basin are estimated to be above average, and to the Middle East - below average, due to economic difficulties and low attractiveness of the countries located in it.

According to the forecast of "Travel & Tourism Intelligence" (TTI), Europe as a region of outbound tourism has a good growth base in all directions, except for South Asia. However, the growth of outbound tourism from Europe and the Mediterranean will slow down noticeably, while the rate of increase in the number of trips abroad in Southeast Asian countries will remain quite high, despite recent economic difficulties in the region. In 1989, tourism from Europe accounted for 69% of the total outbound tourism market, by 1995 its volume fell to 58%, and the forecast for 2011 gives a figure of 49%. The tendency to Europeans influences the state of the European tourism market to prefer to travel to Europe.

America has a lower than average indicator for both the growth prospects of intraregional tourism and tourist flows to South Asia and the countries of the Middle East. The dominant role of North America on the continent and the high proportion of recorded tourist flows within the border exchange between the US and Canada give a low assessment of the prospects for the development of intraregional tourism.

South Asia experienced political instability in the 1990s, which caused a decline in outbound and inbound tourism. The new industrial policy of India and the reduction standardization and licensing of the exchange of the currency creates great conditions for investments and economic development. The perspectives for outbound tourism from India estimated as average. The leading regions for receiving outbound tourism from South Asia will be East Asia and the countries of the Pacific basin. The outlook for inbound tourism to

South Asia is estimated to be above average, despite the political instability in the region that is unsafe for tourists, the disruptions in the air, from the main countries-suppliers of tourist flows, and the lack of funds for the development of the tourist product and its sale abroad.

The Middle East has an enhanced economic growth in the future, which creates conditions for the growth of outbound tourism and assessed as above average. The assessment of the inbound tourism is problematic: on the other hand, the attractiveness of the region is unclear, and the process of studying and exploring this situation is still not finished. The growth of inbound tourism to the Middle East will be held in the framework of the development of intra-regional tourism, but not at the expense of Europe and America.

Africa as a region consists of many sub-regions with its specifics in development. The problems inherent in this continent limits the potential growth of the regional tourism, so the estimates relate and opportunities for growth in the prospects of both outbound and inbound tourism estimated as average. The average of the rate of inbound tourism to Africa will be from Europe, America, and the Middle East.

Countries in East Asia and the Pacific assessed in the future as an indicator of higher than average for both outbound and inbound tourism. The most accepted destinations for outbound tourism from the countries of East Asia and the Pacific are the sub regions of the Latin American continent, as well as the countries of East Asia, the Pacific (intraregional tourism) and South Asia. This trend will continue to grow in countries such as South Korea, Taiwan, Indonesia, Malaysia, Thailand, and because China will expand its visits to neighboring countries. According to the forecast of the WTO, China by 2020 will become the leading tourist destination in the world, ahead of the top five - France, the USA, Spain, Italy and the UK, while China is in on sixth place. It is assumed that with the annual increase of 8%, the number of tourist arrivals in China will reach 137.1 million by 2020. (Elliot, 1997)

### 3.6. Tourism and globalization

Tourism is called the "phenomenon" of the 21st century. It is because of several factors: the intensity of development; the global coverage of the countries participating in this industry; changes in the perception of the world; the formation of new economic relations both on the world market and between individual countries and regions. (Saprunova, 1997)



The globalization processes taking place in the world have also affected tourism. Globalization observed as a process of worldwide economic, political and cultural integration and unification. (Manakov, 2011)

In tourism, globalization appears in the development of mass types of recreation, in the unification of services, in the concentration of capital by transnational companies and development of information technologies. At the same time, globalization also has a negative impact on the development of tourism, as it loses its national, cultural and territorial identity. Due to this global influence, awareness of regional interests is growing, which manifested in the opposite to globalization process – regionalization. (Saprunova, 1997)

The migration of process began in ancient times. Over the years, it has become increasingly massive. In the past, migration was associated with wars, seizure of foreign territories and trade. But since the significant geographical discoveries, people have moved to other continents in search of better living conditions. And finally, the interests of some sections of the population to gain new knowledge and new impressions prevailed over different goals, and this marked the beginning for hundreds and thousands of researchers to start to travel into other countries to learn about their conditions of life, their history, traditions, and culture. This direction has received significant development in the twentieth century.

Nowadays, tourism takes a crucial role in solving social problems, stimulating the creation of additional jobs, improving the living standards of the population, which is primarily critical during the economic crisis. According to the UN experts, tourism business in during crisis is rapidly adapting in comparison with other areas of the economy. Moreover, the materials of the Federal Agency for Tourism emphasize that tourism has own resources and can become a donor for other sectors of the economy in times of crisis. (Garrod, 2012)

The share of tourism in world GDP in different years is not the same. In 2007 this share was 3.6%, in 2008 it decreased to 2.8%, in 2009 it increased to 3.2%, and in 2010 it again fell to 3.0%. Currently, almost 250 million people work in the tourism sector. On a global scale, revenues coming from tourism reaches 4 trillion USD. The export revenues from international tourism in 2009 reached 852 billion US dollars, and the number of tourist arrivals in 2010 increased to 935 million people.

The regionalization of the world economy in terms of tourism became a feature of globalization. The characteristic of the global economy is the division into regions. For

example, in the area of international trade in tourism services, there are three regions: Europe, Asia, and Oceania, US. According to experts, these regions will continue to be leaders in the future in the number of tourist arrivals.

One of the characteristic features of globalization is the concentration of capital in the hands of giant transnational monopolies. In tourism, this process finds expression in the activity of multinational tourist companies (TNCs).

Also, there is a tendency to include world tourism into the economy of the host country by attracting local labor, by using local materials, and multiplying the effect of tourism development. In this case, world tourism increases the GNP of the recipient country, contributing to its economic growth.

The processes of globalization lead to the erasure of national differences, the loss of individuality and identity, ethnic identification, which particularly negatively affects the development of certain types of recreation and tourism. Preservation of the diversity of destinations, local specifics, and other factors works as the opposite of globalization process – regionalization.

Regionalization is characterized as the development, strengthening of economic, political and other relations between regions or states belonging to one area; and as a result, the emergence of regional associations of countries. Regionalism defined as an approach to the consideration and resolution of economic, social, political and other problems from the point of the interests and needs of a particular region.

Equivalence of the global and regional vectors of modern international tourism makes it a unique and remarkable factor of economic development at different hierarchical levels. By using two main trends of the development of world economy, global tourism demonstrates the advantages of applying a regional approach in the context of globalization, in which the cultural identity of local societies and the uniqueness of regions become a specific and simultaneously attractive tourist product. (Voskresenskij, 2012)

Globalization reviewed as one of the reasons for the development of the current economic crisis. The financial crisis of 2008-2009 had a negative impact on tourist flows around the world. The number of tourist arrivals in 2009 decreased by 4.3% compared to 2008 and amounted to 880 million people. The fall affected all regions, except for Africa, where growth was 3%. Most of all tourists (10%) lost Europe. The markets of Central and South America have fallen by about 5%, mainly due to a drop-in demand in the US.

They are two main reasons for the decrease in the number of tourist arrivals in 2009: the economic crisis and the epidemic of influenza A (H1N1). Among other negative factors, the weakening of currencies of some APR states, as well as political instability in Thailand, one of the most popular tourist centers in the region.

To resist the consequences of the economic crisis, UNWTO established a committee to restore tourism. The purpose of the committee's work is to analyze the impact of the crisis on the tourism industry, as well as to develop recommendations for restoring the world tourism sector. (Cooper, Fletcher and Gilbert, 1998).

In 2010, compared to other industries and areas of activity, tourism had shown the ability of quickly recover. Inbound tourism in the world in 2010 increased by 6.7% (by 58 million people) compared with 2009 and amounted to 935 million people. The tendency to increase the flow of tourists affected all regions without exception, but mostly it impacted all developing countries (8% more than in 2009). In Europe, which had seriously suffered in the spring of 2010 from the eruption of the Icelandic volcano, this figure was 471 million people it is by 3% more than in the previous year.

## 4. Practical Part

### 4.1. Analysis of tourism in Turkey

#### 4.1.1. General information about country

Turkey officially The Republic of Turkey is a state located mainly in South-West Asia and partly (about 3% of the territory, 20% of the population) in Southern Europe. The population of the country is 79.4 million people according to the statistics of 2016. The area is 783 562 km<sup>2</sup> (it occupies the 18th place in the world regarding population and 36th in the territory). The official language is Turkish.

It borders with Georgia, Armenia, Azerbaijan, a 15-kilometer stretch of the border with the Nakhichevan Autonomous Republic and Iran in the east; in the south - with Iraq and Syria; in the west - with Greece and Bulgaria. Four seas wash the country: Black, Mediterranean, Aegean and Marble. (Azar and Tumanov, 2014)

Modern Turkey was formed in 1923 because of the partition of the Ottoman Empire after its defeat in the First World War and the subsequent national liberation war of the Turkish

people, the abolition of the monarchy and the transformation of the territory with the predominance of the Turkish ethnos into the Turkish national state. Before becoming the center of the Ottoman Empire, this region throughout history was a significant part of the ancient states: Persia, Armenia, Rome, and Byzantium. (Burkart and Medlik, 1974)

An industrial country with a dynamically developing economy. The volume of GDP at purchasing power parity (PPP) per capita is 19 610 dollars. In 2014, Turkey's GDP at par value was \$ 806 billion; GDP on PPP - \$ 1508 billion; the volume of GDP at par value per capita is \$ 10,482 per year.

In Turkey, a lot of winter and summer resorts areas are developed. Turkey is famous for its rich history and culture, and of course nature. It is here that you can swim in the Mediterranean Sea and go skiing in Polandoken.

The capital city is Ankara (since 1923 to this day). It is a modern center of the administrative, political, social, economic life of the republic. Also, the city lives an active cultural life: many historical sights, theaters, museums, galleries, monuments, cultural events of national and international significance held there.

In addition to Ankara, there is one more popular among tourists city - Istanbul. Istanbul is the former capital of Turkey. It is located at the crossroads of the most important trade and pilgrim routes; the town still retains its strategic importance as a significant communication center. Istanbul has a unique geographical, historical and cultural position, thus attracting a large number of tourists.

#### 4.1.2. Main tourist destinations in Turkey

Mainly tourists come to Turkey with the purpose of resting on the sea; the main resorts are Antalya, Belek, Kemer, Side, Bodrum, Alanya, Marmaris, Kusadasi, Izmir.

In addition to the sea and sandy beaches, Antalya has historical monuments and green alleys. Antalya has excellent opportunities for rafting, golf, swimming and other kinds of water sports. Belek is famous for its pine forests, historical and architectural sights. Also, there is the National Golf Club, one of the largest in the world.

Kemer is famous for its walls of the ancient fortress, ruins of the amphitheater, Roman baths, aqueduct, and agora. Kemer is one of the most important yacht centers of the country.

Side - a city with a rich past, there you can see the walls of historic city buildings, the first water supply, fountains, statues of Apollo, Atina and Dionysus, Roman baths, two

agora, amphitheater and a lot of other historical and cultural attractions. Side is a favorable place for practicing such sports as surfing, archery, tennis and equestrian sport.

Among the attractions of Bodrum once that should be noted are the fortress in the vicinity of Bodrum and the Bodrum Museum.

Alanya is famous for its caves, among them the Lovers Cave, Maiden and the fantastic Damlatas Cave; its curative air heals asthma.

Marmaris is famous for its ancient fortress, recreation areas "Gannudjek" and "Kumlubuk," "Turung" beach, caves and Sedir Island where, according to legend, Cleopatra met with her lover.

Kusadasi is attracting people with the ancient Caravansarai, the White minaret on the shore and its location (located on a small peninsula).

Izmir is a large commercial port, an important economic, cultural and tourist center. Here you can get acquainted with the monuments of culture and architecture of the Roman, Byzantine and Ottoman empires. In the vicinity of Izmir, there are underground healing springs.

Izmir is known for its International Exhibition, organized every year, which attracts businesspeople from many countries of the world.

Fethiye is a young port city, surrounded by mountains covered with pine and cedar forests. This city is popular with its nightclubs, discos, casinos, and yacht trips, jeeps on mountain roads, excursions to ancient cities, windsurfing, parachuting and other activities that attract a younger generation.

#### 4.1.3. Description of the development of the tourism industry

One of the strongest aspects of Turkey, determining its successes in the tourism industry is its climatic and natural features, favorable for the development of various types of tourism; the main type of tourism in Turkey - bathing, beach holidays, and skiing, treatment and wellness.

Another important advantage of Turkey in the tourist industry is richest cultural and historical heritage of the country. The crossroads of European and Asian civilizations, a country with a centuries-old history and ancient traditions, relics and monuments of different epochs, sacred places of Christianity and Islam, have a good foundation for the development of cultural, educational and religious tourism. On the territory of Turkey, there are 11

UNESCO World Heritage sites (mainly on cultural criteria), and 41 more objects are included in the list of candidates (Azar and Tumanov, 2014). Not only cultural factors attract people, but also cuisine, traditions, and hospitality of locals.

Undoubtedly, the system called - "all inclusive" plays a positive role in the development of tourism in Turkey. In many respects, it was thanks to this system that a tourist boom began in Turkey in the early 90s of XX century. According to the Federation of Hoteliers of Turkey, at present, the system "all inclusive" offers up to 80% of the country's hotels (Crouch and Ritchie, 1995).

But the success of Turkey in the market of international tourist services is also due to the support of the state and active advertising campaigns. The state policy in the sphere of tourism aimed at the full support and stimulation of the development of entrepreneurial activity through the establishment of preferences, budget subsidies, tax holidays, concessional lending to the tourism industry. For example, in 2016 the Ministry of Culture and Tourism of Turkey allocated about \$ 45 million for the advertising campaign of Turkish resorts. (NEWS TURK, 2018)

Another strong factor is the lack of the need for issuing preliminary visas, which gives Turkey advantages over many tourist destinations.

However, in the development of the Turkish tourism business, there are weaknesses. First of all, this is still an uneven development and instability of economy and society, largely determined by the situation in the global economy as a whole (Crouch and Ritchie, 1995)

The internal political life of Turkey is "under the sign" of the Kurdish problem, which also represents a vulnerable factor for the development of tourism. However, Turkey's political problems not limited by Kurdistan's separatism. In 2013, numerous opposition protests were organized in Istanbul and other cities. The fact of the sudden emergence and development of mass protests indicates that everything is not all right in Turkish society.

Also, the weak point of Turkey is the not high quality of the services provided, which is related not only to the insufficient qualification of staff in tourist enterprises but also to the safety of tourists, which is one of the most important priorities in tourism.

According to the OECD, 59% of the adult population in Turkey (aged 26 to 64) have no more than four years of education, which corresponds to the primary school by Turkish standards. 11% of Turkish citizens graduated only from high school, 18% lyceum and only 12% have higher education, including vocational education (Allen, 2011).

In connection with this situation, the government has set the task of improving the qualification of workers in the tourism industry, which requires transformations in the system of training of the personnel in the tourism industry.

To improve the safety of tourists on the territory of the Turkish authorities take many certain measures, for example, the creation of tourist police, opening of a 24-hour tourist assistance center. More over the president of republic set up aims for the industry, to compensate decreased number of tourists and overcome it by the end of 2018.

#### 4.1.4. The role of tourism in Turkish economy

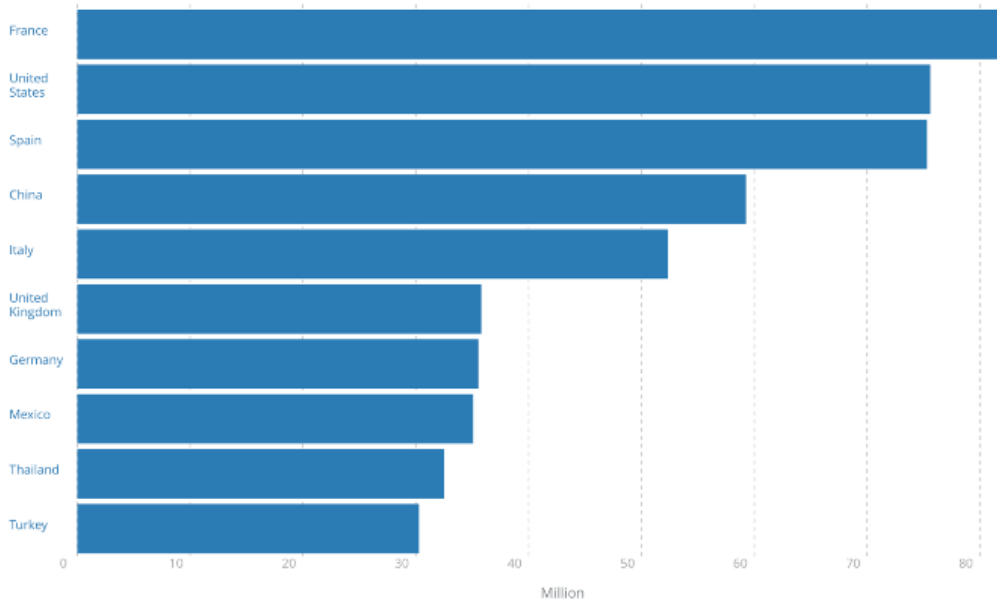
Economy and tourism are closely interact with each other. There are impacts of tourism on the economy and the impact of the economy on tourism. Since we are interested in the economic aspects of tourism, therefore we consider only the impact of tourism on the economy.

##### *4.1.4.1. Incoming tourism in Turkey*

Creation of income in tourism helps to increase the national income. The science of economics refers to this effect in the case where it is understood that income received in the same industry, contributes to the emergence of a new income from another business entity (Birzhakov, 2007). The effect of the increase in national income in tourism is primarily regional importance. A significant increase in income occurs when the primary revenues of the tourism industry goes to regional trade, industry and agriculture.

According to figure 2, Turkey in 2016 is among the top ten leading host countries. The leader in the number of accepted tourists - France, in 2016 about 82,570,000 people have visited this country, while just 30,289,000 people visited Turkey in the same year.

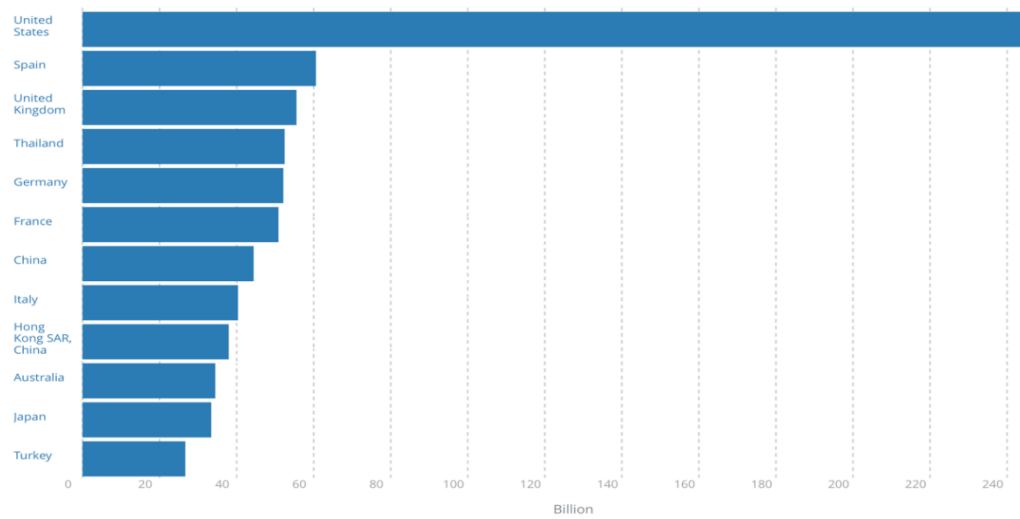
**Figure 2: Countries hosting the largest number of tourists, 2016, in millions**



Source: Data.worldbank.org, 2018

According to figure 3, which is shown below, it can be seen that Turkey is the twelfth in the list of countries for tourism income. The income from tourism in Turkey in 2016 was 26,695,000 dollars. These indicators play an important role in the development of tourism in the country.

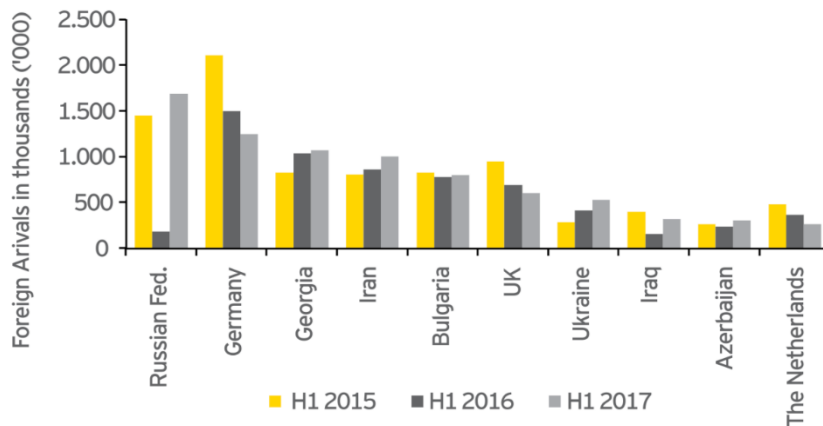
**Figure 3: The countries received the highest income from the tourist in the world, 2016, in billions**



Source: Data.worldbank.org, 2018



*Figure 4: Top 10 arrivals by country of origin to Turkey, 2015-2017*



Source: Turkish Statistical Institute (Turkstat), Culture and Tourism Ministry

The most promising tourism market in Turkey for more than a year remains the EU and CIS countries. Of all the EU countries holding the palm Germany and from CIS countries - Russia.

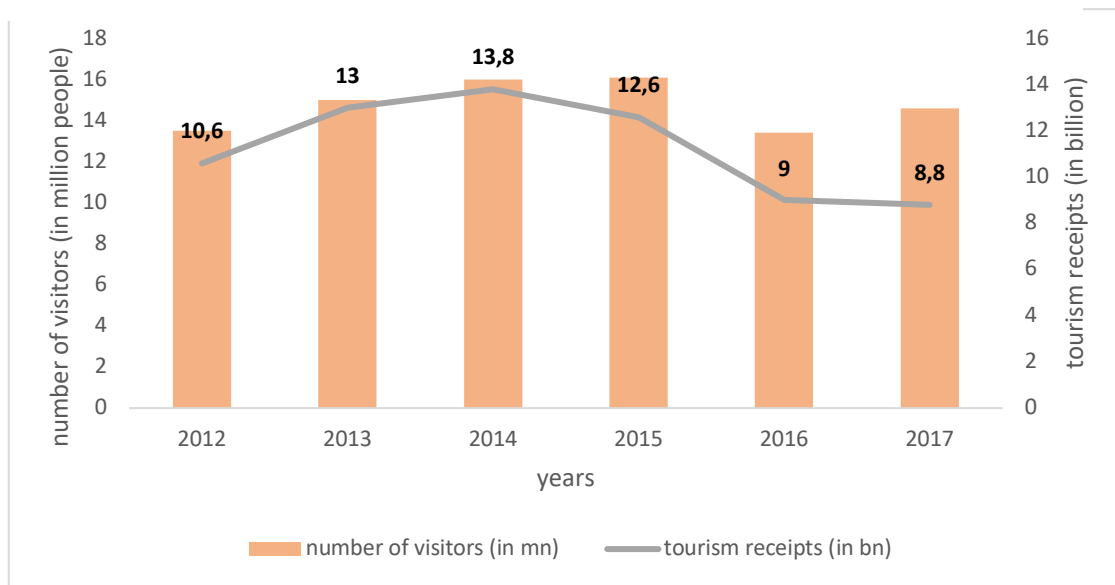
After the improvement of the relationship between Russian Federation and Turkey, the number of visitors from Russia increased to 820% (1,7 million) and became a leader in a list. However, the number of tourists from Germany to Turkey reduced by 17,05% in first half of 2017, Germany is still the second in the list (1,25 million people), after it is coming by Georgia and Iran with 1,07 million and 1,00 million tourists.

#### *4.1.4.2. Price effect on number of incoming tourists*

One of the factors affecting travel is the value of the currency of the country-hosting tourists. From this point of view, especially for countries with underdeveloped and developing economies, the tourism sector stimulates the growth of the country's economy, as it ensures the inflow of currency and from several aspects positively influences the development of the country's economy. The first half of the 2000s, Turkey began a period of rapid economic growth. Recep Tayyip Erdogan, who was at that time the newly elected Justice and Development Party, introduced new reforms that changed the economy of Turkey. Sharp growth of production volume, infrastructure development, the inflow of foreign investments, including investment property in Turkey and tourism began. This growth in the economy was the main reason why the country quickly emerged from the 2008 crisis, which affected the economy of every country in the world. (Allen, 2011)

Figure 5: Number of total visitors and total receipts in Turkey, 2012-2017

In



Source: The Ministry of culture and tourism of Turkey ([kultur.gov.tr](http://kultur.gov.tr)) own figure data processing

However, in recent years, reforms have ceased. In the wake of the popularity of previous successes, Erdogan neglected several relevant factors, including the norm of domestic savings, stagnation of productivity, rising unemployment, and increased labor costs. All this influences the rate of the Turkish lira and calls for long-overdue structural reforms.

Recently, the decision of the Federal Reserve System to increase the interest rate, as well as the results of the presidential elections in the United States, have affected the emerging markets and caused the growth of the exchange rate in Turkey. This growth has also changed the tourism sector. The growth of currencies in relation to the Turkish lira may serve to increase the demand for Turkey as a destination of recreation for foreign tourists. The growth of exchange rates has increased the purchasing power of the inhabitants of continental Europe, and this can affect the increase in the flow of tourists from these countries. In the medium term, the growth in the number of tourists will contribute to a greater inflow of currency and may affect the depreciation of currencies.

The dollar exchange rate in Turkey has increased by 19% since 2015. The Central Bank of Turkey unsuccessfully tries to stop the fall of the national currency and a sharp increase in the yield of government bonds. At the same time, the Turkish money is cheaper for the fifth consecutive year. The media note that Turkish President Recep Tayyip Erdogan said that the Central Bank had chosen the wrong way, and high-interest rates are the reason for the increase in inflation in Turkey. Another reason for the sharp drop in currency the media

calls Erdogan himself - because of his tense relations with the West and a series of threats against NATO.

Tourists around the world recognize Turkey as one of the fascinating destinations in current years because of affordable prices and variety of choices available for tourists. In addition to traditional sun & sea holidays, Turkey attracts visitors for cultural and historical visits as well as for meetings, conferences, and exhibitions.

Investments in cities such as Istanbul and Izmir in the current years were consistent with the goal of developing the tourism industry. (Kozyreva, 2001)

Turkey stays as one of the significant global tourism markets and is regenerating slowly from the downfall of the tourism area in 2016. The market is facing a challenging outlook: the diplomatic and national political problems, geopolitical tensions and terrorist attacks.

The number of travelers visiting Turkey raised by 10%, from 13,4 million in the first half of 2016 to 14,6 million in first half 2017.

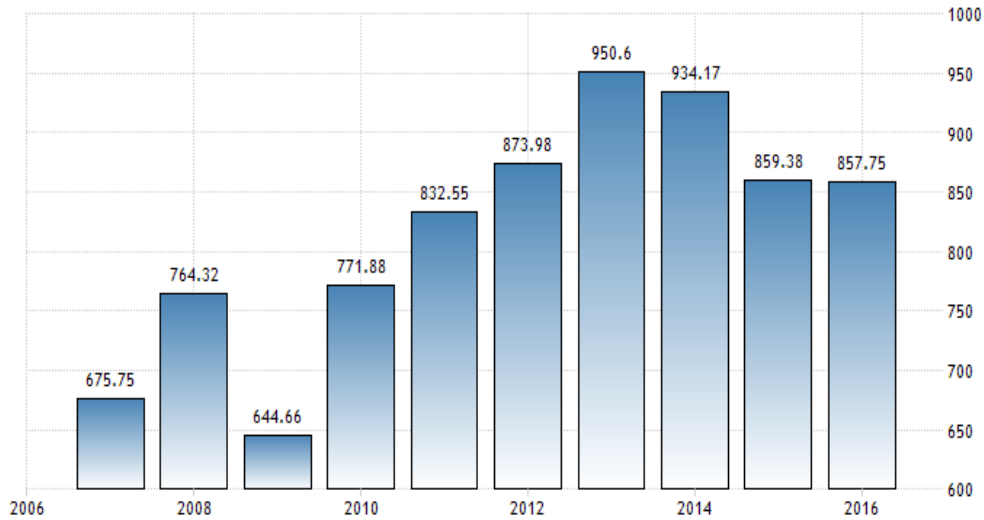
According to Turkstat, Turkey's total tourism earnings in 2017 was 8,8 billion USD, expressing a decrease of 2,7% in relating to the tourism income in 2016, which was US\$ 9,0 bn. Total tourism income for 2016 was reported as 22,1bn USD.

Respectively, average tourism payment of visitors per capita has declined from 718 USD to 641 USD, respectively.

#### *4.1.4.3. Gross Domestic Product and unemployment in Turkey*

Turkey's GDP makes it possible to define it as a country with an emerging market. That is how the IMF characterizes this state. Turkey is also referred to a group of newly industrialized countries. The CIA's World Directory puts it in line with the twenty most developed countries.

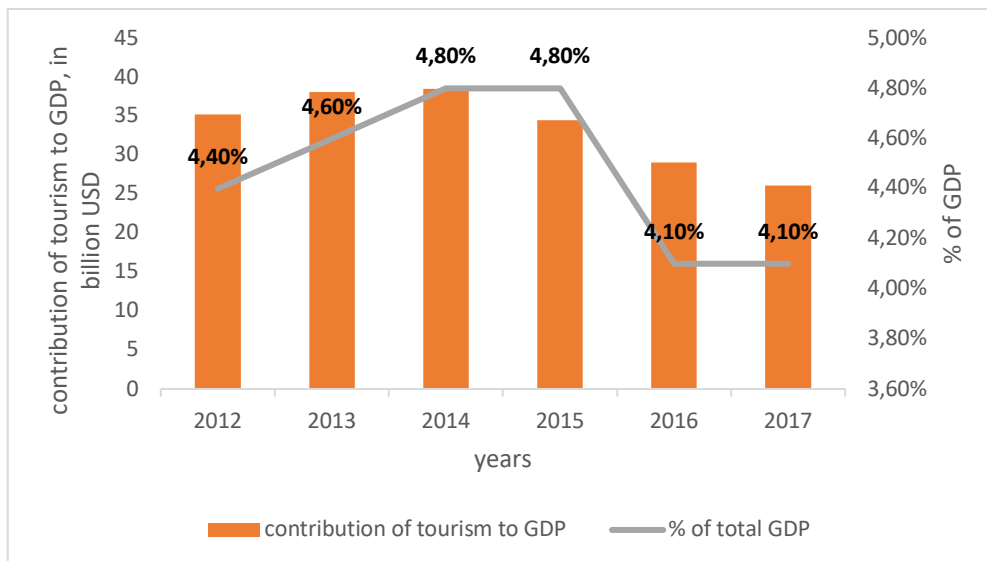
**Figure 6: Turkey's GDP dynamics, 2006-2016 (in billion dollars)**



Source: Data.worldbank.org, 2018

Nominal GDP of Turkey is the eighteenth in the global ranking, the seventeenth - at purchasing power parity. The country is in leading position among producers of agricultural products, textiles, vehicles, building materials, household electrical appliances. The share of Turkey's GDP from tourism is more than 10%. In this sector employs about 8% of the entire working population.

**Figure 7: Tourism industry contribution to GDP of Turkey, 2012-2017**



Source: The Ministry of culture and tourism of Turkey (kultur.gov.tr) own figure data processing

The direct contribution of the Turkish tourism industry to GDP amounted to 4,1% with 26.1 billion USD in 2017, according to WTTC data Gateway.

In 2016, the direct contribution of the industry to the GDP was also 4,1% and has produced 29,1 billion USD.

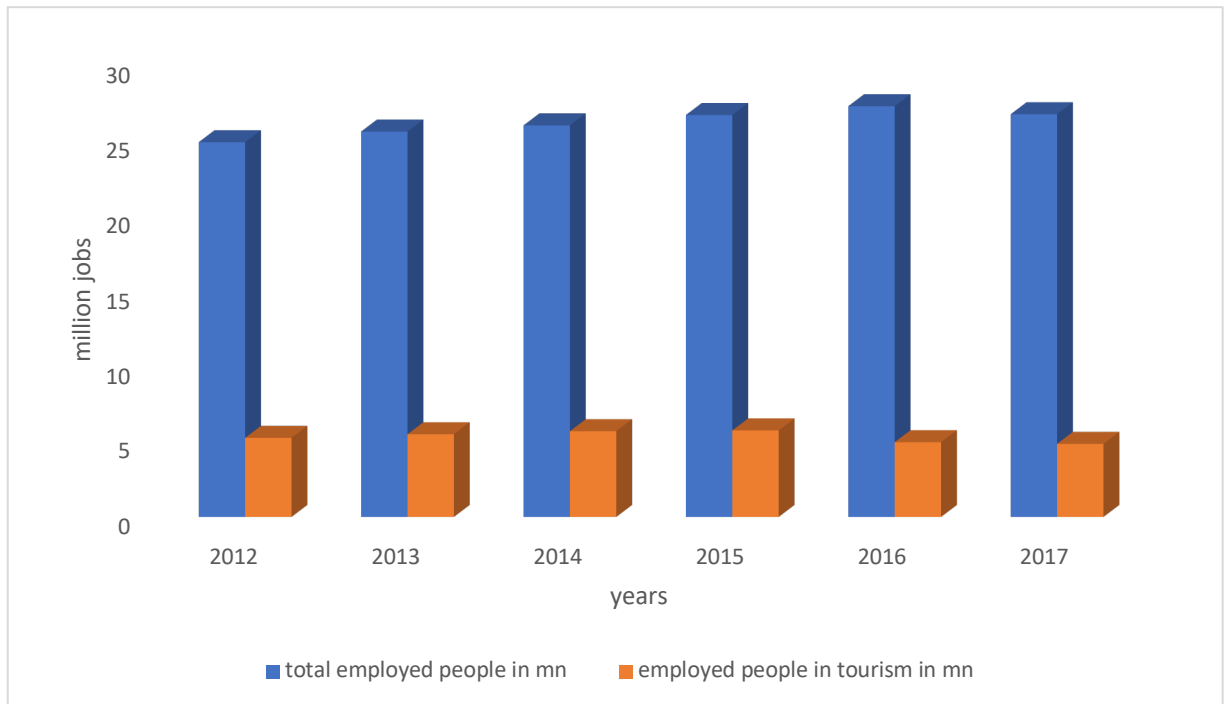
Turkey shows results above the average for public activity and below the average for income and well-being, health, social relations, education and skills, work and wages, subjective well-being, environmental quality, the balance of work and leisure and housing conditions. In Turkey, the annual net family adjusted income after paying taxes per capita is on average below the OECD average - \$ 29,016 per year.

The tourism sector does not need much investment, but it provides a large number of jobs. In the world, every eleventh person is directly or indirectly engaged in tourism. Therefore, it should be noted the importance of tourism in developing countries in terms of reducing unemployment. Another advantage of tourism is the contribution to the economy of developing countries through the attraction of foreign currency. The inflow of foreign currency has an impact on the growth of the country's capital and causes a drop in interest rates, and therefore, reduces investment costs. That is why many developing countries pay particular attention to the tourism sector and stimulate new investments in it. (Sarath and Gail, 2011)

About employment in Turkey, 50% of the population aged 15 to 64 have paid work, which is below the OECD average (66%) and is the lowest among the OECD countries. Among men, paid work is about 70%, and among women - 30%. Over 39% of workers work overtime in Turkey, which is significantly higher than the OECD average (13%) and is the highest among the OECD countries.

As can be seen from the figure 8, the number of jobs in the tourism industry remained virtually unchanged, apart from the moment of the conflict between Turkey and Russia. In 2016, the percentage of the population working in tourism fell by 7.46%, which mirrored in the increase of unemployment rate by 6.11% from 2015 to 2016. In 2017, the situation in the country begins to stabilize, but unemployment continues to rise, and from 2016 increases by 2.93%.

*Figure 8: Number of total employed people and number of employed people in tourism industry of Turkey, 2012-2017*



*Source: The Ministry of culture and tourism of Turkey (kultur.gov.tr) own figure data processing*

#### *4.1.4.4. The Russian-Turkish conflict*

Turkey is the only country that is part of NATO, with which Russia does not have a visa regime. It became one of the first countries where former citizens of the Soviet Union could leave without restraint. Excellent service, affordability, resorts for all tastes still attract a vast flow of Russian tourists to the Turkish coast. In recent years, Russian tourists have appeared in the ski resorts of Turkey. Thus, Turkey became a year-round tourist paradise for tourists from the CIS.

In 2015 (and subsequent 2016), the situation in Turkey's tourism sector has radically changed after the Turkish F-16 fighter shot down the Russian Su-24 in Syria and the Russian-Turkish relations that deteriorated after that. The decline in Turkey's popularity as a tourist destination was also affected by more frequent terrorist attacks.

November 24, 2015, there was an incident with the destruction of the Russian Su-24 in Syria by a Turkish fighter. This caused a backlash. Thus, tour operators stopped selling

tourist tours for Russian citizens to Turkey, and from January 1, 2016, the visa-free regime and charter flights between Russia and Turkey were abolished.

From the end of November 2015 until August 28, 2016, air communication between Russia and Turkey was limited: the airlines of the two countries carried out only regular flights, while charter flights were banned. This is one of the sanctions measures taken by the Russian Federation after the incident.

On June 27, 2016, a month before the unsuccessful attempt at a military coup in the country, Turkish President Erdogan sent a letter of apology for the Russian SU-24 fighter shot down by the Turkish side. After a phone call between V. Putin and R. Erdogan, Russia resumed the sale of tours to Turkey, while the demand exceeded the supply several times. On September 2, charters from Russia, due to the warming of relations, were resumed. (Burd, 2006)

Earlier, the Association of Tour Operators of Russia reported that Turkey came in first place among foreign destinations in terms of the number of bookings for the summer of 2017 from Russian tourists.

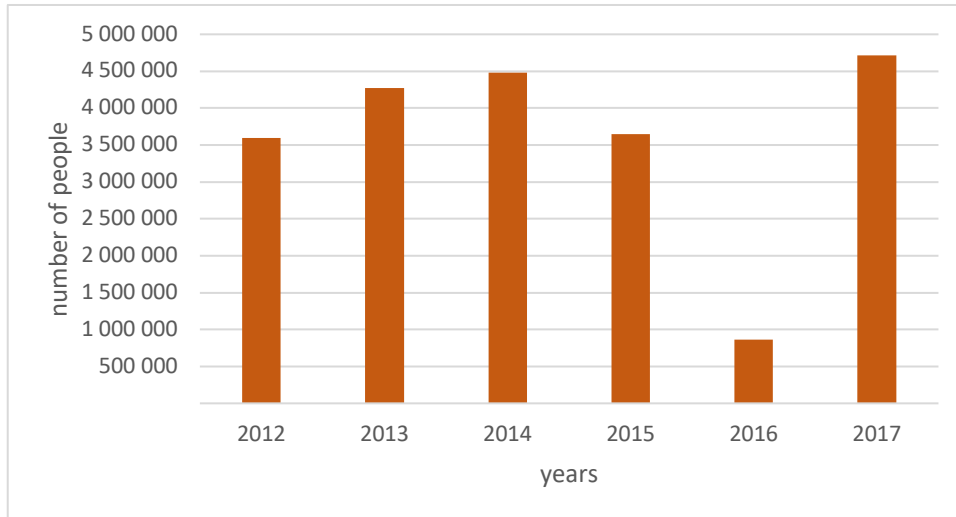
#### *4.1.4.5. Effect of conflict on tourism industry in Turkey*

Turkey faced the most massive outflow of foreign tourists in 17 years (since 1999). Thus, the number of Russian tourists in Antalya in four months of 2016 decreased by 90% compared to the same period last year. From Germany for four months fell by 30%, from Great Britain - by 36%, from Denmark - by 15%; at the same time, the flow of tourists from Israel increased by 73%, and the number of tourists from Ukraine increased. The number of foreign tourists who visited Turkey in August fell by 38% (according to the Financial Times, this was due to an unsuccessful attempt at a military coup in the country). In total, in 2016, only 25 million foreign tourists (31% less than in 2015) visited Turkey. As a result of the year, Turkey, according to various sources, lost about \$ 15 billion due to the outflow of foreigners, because they began to spend a few times less money in Turkey. (Burd, 2006)

For the first nine months after the conflict, 3.3 million Russians visited Turkey, according to its Ministry of Tourism - it is already 20% less than in the same period in 2014. Over the past year, the tourist flow to Turkey from Russia amounted to almost 4.5 million people (an increase by nearly 5%). As a result, Turkey's income from tourism business this year fell.

For Turkey, Russia is the second country after Germany on the incoming tourist flow (in 2014, 5.4 million Germans visited Germany and 4.4 million in January-September 2015).

*Figure 9: Number of incoming Russian tourist to Turkey, 2012-2017*



*Source: The Ministry of culture and tourism of Turkey (kultur.gov.tr) own figure data processing*

In February 2016, it was clear that the absence of Russian tourists and a significant decrease in the number of tourists from Europe, who are afraid to go to the country because of the terrorist attacks, forced the owners of hotels in Turkey to put up for sale about 1300 hotels. Their total cost is close to 10 billion euros. Small family-run boarding houses and huge luxury hotels are also sold. In the spring of 2016 prices for accommodation in hotels collapsed.

## 4.2. Analysis of tourism in the Czech Republic

### 4.2.1. General information about country

The region of the Czech Republic is a state in Central Europe with an area of 78,866 square kilometers. Upland and mountains prevail. The western district of the country is occupied by mountains (Czech Forest, Šumava, Ore Mountains), the middle part - the Czech-Moravian Upland, the north - the Sudeten Mountains. The climate is temperate, transitional from marine to continental. About 35% of the territory is covered with forests. The most important rivers are Elba (Laba), Vltava. The Czech lands are historically divided into three



regions: the Czech Republic, Moravia, and Silesia with the regional centers of Prague, Brno, and Ostrava respectively.

The state structure: the republic, the Czech state was formed in the IX on the lands that used to be part of the Great Moravian state of the Czech principality. In the XII century became an independent kingdom within the Holy Roman Empire of the German nation. In the 16th-17th centuries gradually losing its independence and from 1526 it is a part of the Austrian Empire of the Habsburgs, later - of Austria-Hungary. After the collapse of Austria-Hungary in 1918 became the nucleus of independent Czechoslovakia, it was one of the most developed European states. After the Second World War was conducted a policy of building socialism, and since the late 1980s - a market economy. The modern state was formed as a result of the "velvet divorce" of the Czech Republic and Slovakia on January 1, 1993.

The Czech Republic is located in the center of Europe. The country borders on Germany, Poland, Slovakia, and Austria.

The Czech Republic stands out for its advanced engineering. This industry accounts for about half of all exports, in engineering are engaged one-third of all industrial workers in the country. In the international trade in machinery and equipment of the Czech Republic belongs one of the first places. The industrial "face" of the Czech Republic is also determined by the coal industry (especially mining of coking coal).

The only official language in the Czech Republic is Czech, spoken by 96% of the country's population.

The Czech Republic is extremely rich in historical places, monuments of architecture, and most of them are very well saved. Therefore, Pilsen, Ceske Budejovice, Hradec Kralove, which are the centers of national reserves, were founded in the 13th century and preserved a large number of historical monuments. Prague, Kutná Hora, Cesky Krumlov, Telč and the castle complex Lednice-Valtice, the church of St. John of Nepomuk on Green Mount are recognized as monuments of international importance (protected by UNESCO). One of the most important sights of the Czech Republic is its well known in Europe resorts, such as Karlovy Vary, Mariánské Lázně, Františkovy Lázně and others. (Schumpeter, 2004)

Attracted by many healing wellsprings, beautiful nature, here rested such famous writers, composers and politicians as Schiller and Gogol, Beethoven and Bach, Marx and Bismarck. The traditional area of Czech tourism is water. Already in the middle Ages knew the healing properties of many local mineral and thermal springs.

The capital city of Czech Republic is Prague, in which five historic quarters in the city center have been inscribed on the UNESCO World Heritage List.

Czech spas - Karlovy Vary, is considered the main city in the "golden" Czech spa triangle, with low houses, hotels, and sanatoria in the gorge. Cesky Krumlov - Church of St. Jost, St. John of Nepomuk chapel, St. Vitus church, Townhall (middle of the 16th c.), The house of the Golden Crown, Jesuit college with the museum of local lore, Krumlov castle complex with a round tower of huge dimensions. Trebon - the crypt of Schwarzenberg, the brewery, which produces beer "Regent," Bargain bath - sanatorium for the treatment of diseases of the musculoskeletal system, fort, gates, and bastions of the XVI century, the church of St. Elijah, the Augustinian monastery, the church of St. Anne. Zwicky - Fortress, the Gliston Tower, the royal residence and the chapel, the fortifications with the Tower of Glasco, the chapel of St. Wenceslas, the wall painting in the Marriage Hall, the altar of the Worship of the Three Kings. Poděbrady - artesian alkaline earth mineral acid water, castle, Glaska tower. The Polabsky Museum, the Temple of the Elevation of the Holy Cross and the Annunciation Church on the bank of the River Laba.

Since 2004, the Czech Republic is a member of the European Union. For EU citizens, there are different rules than for citizens of other states.

Citizens of the European Union for entry to the Czech Republic need to have a passport or other similar document proving their identity. The same applies to citizens of Switzerland, Norway, Iceland, and Liechtenstein, who have free movement within the European Economic Area (EEA). Citizens of other states need to have a valid passport and in some cases a visa.

#### 4.2.2. Main tourist destinations in Czech Republic

At the first stage of market development, outbound tours were mainly developed. The long-term deficit of outbound tourism during the times of Soviet influence, or full control, formed an increased demand for an external tourist product. Some countries have introduced some measures to attract Czech tourists: visa-free entry to the countries of the former socialist community (Ukraine, Russia, Poland, Hungary, Bulgaria, etc.), simplification of visa formalities in Germany, Italy, Spain; economic tours for Czech tourists to some countries (France, Spain).

In great demand was shopping tours, educational tours, holidays in Turkey, Italy, Greece, the UAE, entertainment and youth tourism, educational and business tours, ski tourism, treatment and recreation, sea cruises. (1)

The traveling nature of Czech tourism was due to the following reasons:

- The novelty of the foreign product for the Czech consumer
- simplifying of departure
- extension of external business contacts
- increase in the number of enterprises and individual citizens who had foreign currency funds
- accessibility of prices for outbound tours
- greater competitiveness of the international tourist product (better living conditions and hotel service in general, comfortable transportation). (Schumpeter, 2004)

Many firms switched to product development for domestic and outbound tourism. It made possible to suspend the process of the bankruptcy of tourist firms and partially redistribute segments to domestic and outbound travel.

The country can be divided into four touristic regions: northern, western, central and southern.

The basis of the northern region is the mountainous region Krkonoshe. Here is the highest mountain in the Czech Republic - Snezhka. The main centers of tourism are Spindleruv Mlyn, Pez under Sněžky and Harrachov with a springboard for ski jumping. In this region, the best conditions for winter sports are created, and the well-developed infrastructure allows using the natural resources of the Northern region not only for the preparation of athletes but also for active recreation for a wide range of lovers of ski and other winter sports.

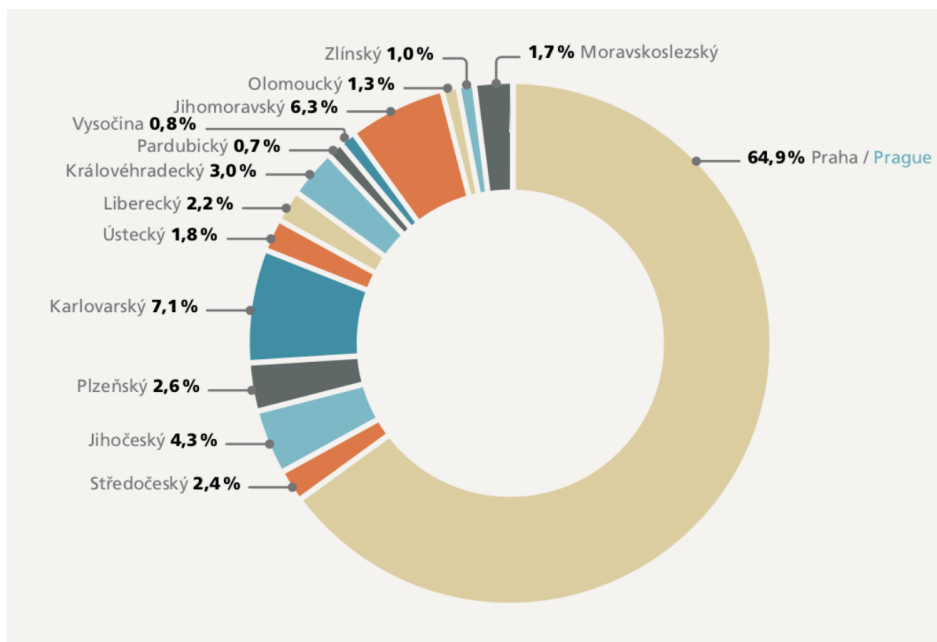
Western region. The basis of the tourist complex of the western region is balneological resources. In particular, the world-famous medicinal waters of Karlovy Vary and Marianske Lazne. Geographically, these resorts are located in Western Bohemia near the border with Germany. Traditionally, the resorts of this region are not only a place for treatment but also a kind of the center of the secular life of the society. Visiting the spa resorts in the western Czech Republic is considered prestigious and is in a sense part of the image of successful representatives of culture, art, business, and political elite.

Central region. The decoration of the central district is the capital of the Czech Republic - Prague. Prague has a centuries-old history, many cultural and architectural monuments;

recently the capital of the Czech Republic overcame difficulties in the development of tourist infrastructure. Now the level of service in Prague hotels, public catering establishments, and consumer services is approaching European standards. Besides, Prague is one of the cheapest (given the cost of living) capitals of Europe, this, among other things, actively attracts customers from the CIS countries in general and Ukraine in particular. In the suburbs of Prague, there are also many impressive historical monuments, medieval castles, churches, etc.

Southern region. Unlike the Northern region, natural and recreational resources primarily determine Southern part, also it famous primarily for its historical monuments, in particular, the historical complexes of the cities of Brno and Krumlov.

*Figure 10: Foreign guests in accommodation establishments by regions of CR*



Source: Data from Mmr.cz, 2018

In general, it can be concluded that the Czech Republic is well endowed with recreational and historical-cultural resources.

#### 4.2.3. Description of the development of the tourism industry

The formation of the Czech tourist market began in 1990. At the same time, at the same time there was three processes:

- the decay of old-type enterprises (excursion bureaus, travel agencies)
- Creation of new enterprises, which later became known as tour operators or travel agents

-modification of old tourist enterprises through restructuring to develop a tourist product that has demand from the Czech consumer.

At the moment, the Czech Republic has a fairly developed tourism market. According to data for 2006, 119.4 million tourists visited the Czech Republic. According to statistics, tourists this year came to the Czech Republic slightly less than in previous years, but they stayed longer here and spent more money. As a result, the inflow of currency into the country is regularly growing. Only in the first quarter of 2006, this growth was 8%. According to experts - the decisive indicator of the industry's prospects is not the number of tourists but the revenues from visitors. Of course, the growth potential is still far from exhausted, although the Czech Republic is ahead of the income from tourism in terms of per capita countries such as Turkey and Germany, in absolute terms in the first places among European countries is still far away. Common reasons for the inadequate attention of foreign tourists are not always the high quality of service and weak propaganda of Czech attractions abroad. Temporary reasons were global economic stagnation, which had a negative impact on the inflow of tourists in 2005. By the way, other countries, geographically close to the conflict zone, complained about similar problems. (Candela and Paolo, 2012)

A significant part of consumers of the services of the Czech tourist market is immigrants from the CIS countries. Thus, in 2006, tourism revenues in the Czech Republic amounted to 225 billion crowns, of which tourists from the CIS countries brought about 14.2 billion crowns.

From now, citizens of Russia, Ukraine, and Belarus should receive the so-called Schengen visa, because after the accession of the Czech Republic to the EU, and later to the zone of the Schengen states, this is a prerequisite for entry into the Czech Republic. It makes some hotel owners think about the possible loss of customers. First, in West Bohemia, the most visited by tourists from the former Soviet republics, already calculate the losses.

Despite particular problems that the Czech government's policy creates in the field of tourism, the Czech Republic has been and remains one of the outstanding centers of European tourism. In the relatively short time that has passed since the beginning of the market reforms in this country, an outstanding tourist infrastructure has been created, many tourist companies have appeared, the largest of which are: Ave a.s., OK-Tours, OTUS Ltd, Praga Magica, Cedok "and others.

The market of accommodation services and hotel infrastructure is developed. The peaceful victory of the "velvet revolution" and the successful economic transformations stimulated great interest in foreign tourists for the revitalized Czech Republic. The volumes of inbound tourism have almost doubled in comparison with Soviet period. All these events caused an urgent need for privatization of the hotel sector, construction of new and radical modernization of old hotels. Most of the hotels were quickly and effectively privatized. Not so far ago, the largest enterprise, which had held about one-fourth of all hotel rooms in the former two-star hotels, was the Suzon enterprise. In 2004, during the coupon privatization, the state enterprise was transformed into a joint stock company, the largest shareholders of which became TCI, Ringier JSC, Shareholder and several others. The best four-five-star hotels are located in Prague. Some Czech hotels are part of the international association "Top International Hotels." These are Interhotel Voronezh (Brno), Excelsior (Marienbad) and Prague's Panorama, Club Hotel Praha, Ambassador.

In the Czech Republic, the following types of tourism can be identified:

1. Recreational - tourism, the goals of which are rest, treatment or sports.
2. Health-improving - spa.
3. Excursion - sightseeing.
4. Cognitive - historical places, castles.
5. Business - holding conferences.
6. Athletic - mountain skiing, equestrian, pedestrian, cycling.
7. Educational - studying in high school;
8. Ecological - visiting nature reserves, beach tourism.
9. Event - weddings, holidays, festivals.
10. Extreme - rafting on rivers.
11. Family tourism

For tourists can be interesting also accommodation in old castles and palaces with reconstructed and attractive well-equipped rooms. For example, the castle Stirzhin, built in the late baroque style in the late 18th century, was first partially reconstructed in 1900, and in the early 90s, after a more radical modernization, the castle was completely transformed into a hotel. Concerts of ancient music are held in the ancient chapel today. In the large English park, guests can play tennis and golf. The castle is equipped with a first-class restaurant. Similar accommodation is offered by castle Svetlov-Boykowice, near Brno.

The hotel is part of an ancient building, renovated in 1984. All rooms are with private facilities. Some are apartments with living room, kitchen, and bedroom. The hotel has tennis courts and a swimming pool.

#### 4.2.4. The role of tourism in Czech economy

##### *4.2.4.1. Incoming tourism in Czech Republic*

The National Tourism Policy 2014-20, which was approved in 2013 by the Government, embraces the Marketing Strategy 2013-20. The strapline is Destination Czech Republic – number one in the heart of Europe with a global objective to increase the competitiveness of the tourism sector at the national and regional levels and maintain its economic performance as a result of achieving a balance between economic, socio-cultural, environmental and regional development.

Specific aims/priorities of the policy are to: enhance the quality of the tourism infrastructure; cultivate the business environment; build a structure of institutions to effectively implement the tourism policy; improve the quality of human resource; improve the marketing and access of service providers to tourism markets; and strengthen the role of tourism in the economic and sectoral policies of the state.

The primary measures for dealing with the key high-priority difficulties are:

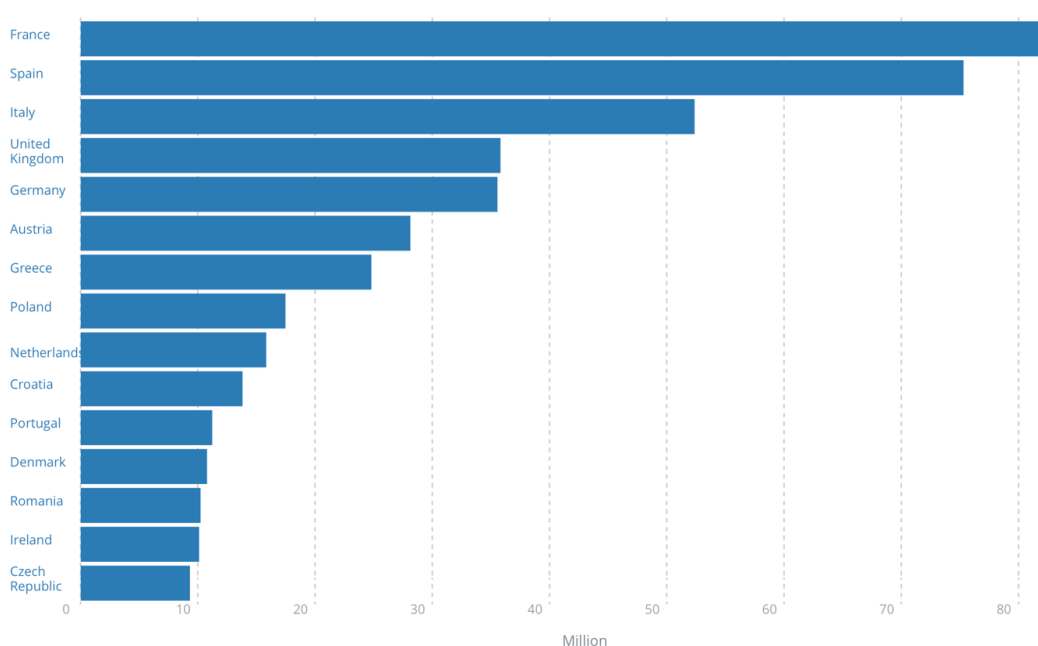
- Service quality. The Ministry, in co-operation with different tourism interested organizations, is performing a project co-financed by European Union Structural funds on service quality. The Czech Service Quality System is based on the Service Qualität Deutschland (Service Quality Germany). This is an innovative method of certification aimed initially been at SMEs active in tourism, stimulating them to develop the quality of their services.

- Enhancing tourism data. The Ministry, in co-operation with the Czech Statistical Office, is realizing some projects on tourism statistics, aimed at improving and developing the statistical information on tourism. These projects include surveys of inbound tourism (TSA demand-side), accommodation establishments, tour operators and travel agencies, the sector of meetings, incentives, conferences, and exhibition; and a survey of food and beverage corporations.

- The National Support Program for Tourism 2010-2015. A program "Tourism for All" was announced in 2010, which also includes the creation of new goods directed to reducing

the seasonality of tourism and the extension of workplaces throughout the year. It concentrates on creating new products for the national tourism sector including marketing support. In 2011, this program was modified with new targets such as building rest places, sanitary facilities for tourists, cyclists and disabled travelers, access to tourist attractions, and improvements to navigation and information systems for hearing and visually impaired tourists. In 2014, more than 50 million Czech crowns were allocated from the state budget for 34 projects. (Candela and Paolo, 2012)

*Figure 11: EU countries hosting the largest number of tourists, 2016, in millions*



Source: *Data.worldbank.org, 2018*

The total amount of tourist arrivals was 27.3 million in 2014, approximately 39% of which were overnight visitors and 61% one-day tourists (including transit-visitors). In 2014, about 8.1 million non-resident guests stayed in collective tourist accommodation facilities, compared with 7.9 million in 2013 (+3.1%). The average annual growth in the number of guests in collective accommodation over the past five years has been 1.9%, despite the impact of the global economic crisis. (Czechinvest.org, 2018)

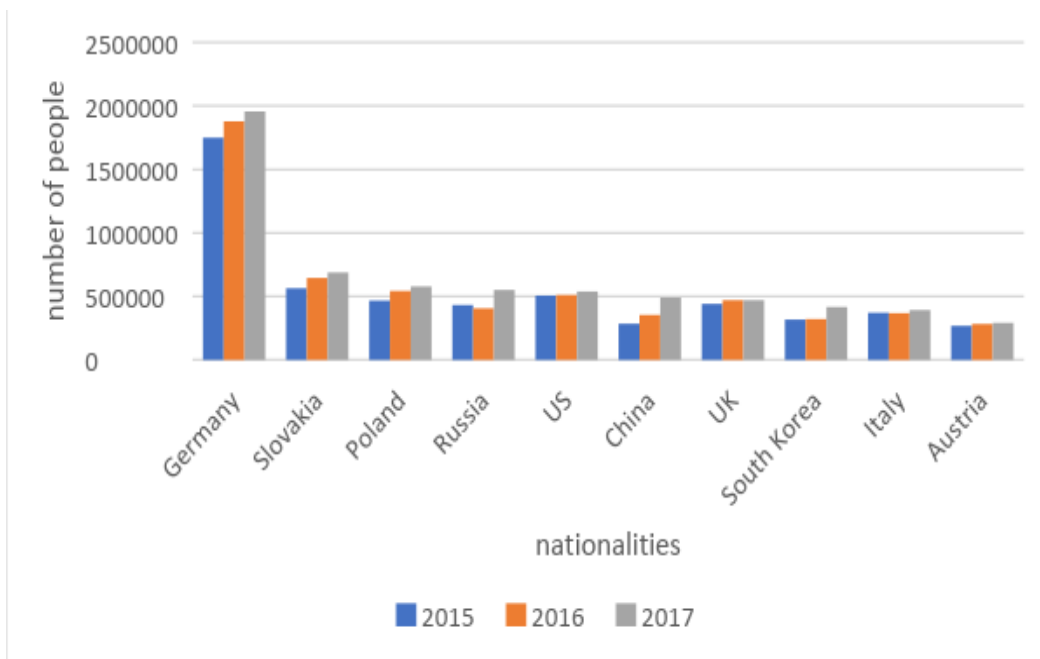
In 2010, 6.3 million tourists visited the Czech Republic, five percent more than a year before, while tourism revenue amounted to 127.4 billion crowns. The highest amount of tourists comes from Germany (405.5 thousand for the third quarter of 2010) and Russia (126 thousand for the III quarter of 2010- on 42% higher compared to 1 quarter of 2010).



In December 2015, there were 7,608 accommodation facilities in the Czech Republic, including 34 five-star hotels and 252 four-star hotels. 215 accommodation facilities offer excellent facilities for congresses, seminars and business meetings.

A well-developed industry of accommodation attracts first-class hotel chains - Hilton, Savoy, Four Seasons, Marriott, Holiday Inn, Le Palais and others. At the moment, such giants of the hotel business as the Mandarin Oriental Hotel Group, Rocco Forte, Ritz-Carlton are rebuilding the historic buildings of the Czech Republic in luxury hotels. (Czechtrade.cz, 2018)

*Figure 12: Number of incoming tourists in CR by nationalities, 2015-2017*

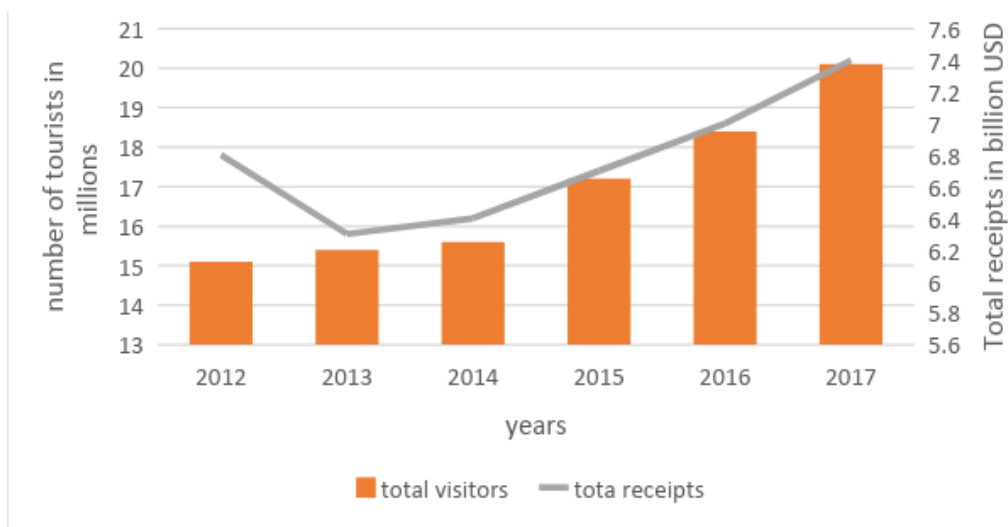


Source: Czo.cz, 2018, own figure data processing

According to the table above, the leaders of the Czech Republic are tourists from Germany. The Schengen zone and neighborhood of countries can be one of the reasons of huge number of tourists. The leader among the post-Soviet countries is Russia. While Russian tourists still have to get Schengen visa to come to Czech Republic, Russia is still one of the top ten countries which visits CR the most.

#### 4.2.4.2. Price effect on number of incoming tourists

Figure 13: Number of visitors and total receipts from tourism in CR, 2012-2017



Source: Czo.cz, 2018, own figure data processing

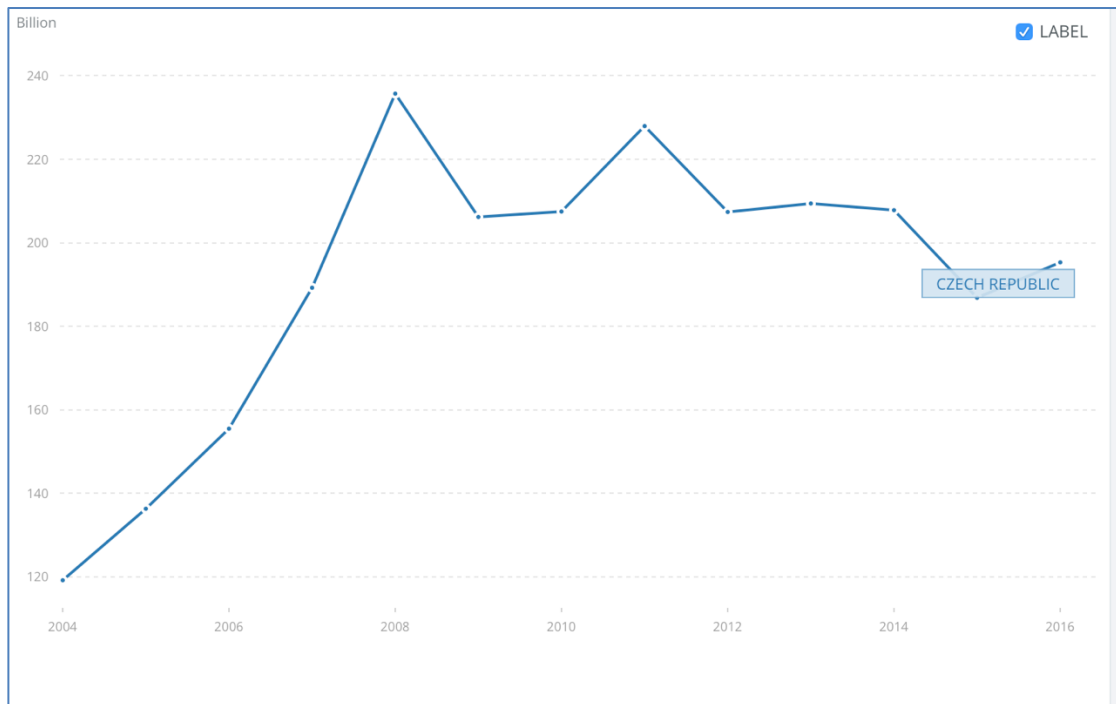
In 2014, revenues from international tourism reached € 5,149 million (-2 %), and the share of travel in total export earnings was 4.0 %. Expenditure on international travel amounted to € 3,876 million (+11,8%), which led to a positive balance on account of travel and tourism in the amount of € 1 273 million (-28,9%) in 2014.

#### 4.2.4.3. Gross Domestic Product and unemployment in Czech Republic

In many countries, tourism plays a significant role in the formation of the gross domestic product, creating additional jobs and providing employment for the population, and enhancing the foreign trade balance. Tourism has a massive impact on key sectors of the economy, such as transport and communications, construction, agriculture, production of consumer goods and others. (Tisdell, 2000).

The graph shows that the positive dynamics of 2004-2007 years was interrupted by the recessions of 2009 and 2012-2013 years, which led to a slowdown in GDP growth (an average from 5.5 to 6% since 2009).

**Figure 14: Dynamics of GDP in Czech Republic, 2004-2016**



Source: Data from Data.worldbank.org, 2018

The decrease of GDP level in 2015 can be explained by the change in the exchange rate to USD.

**Table 1: Exchange rate USD/CZK, 2013-2018**

Year	CZK per 1 USD
2013	19,364
2014	19,906
2015	24,286
2016	24,545
2017	25,54
2018	20,625

Source : Data from Xe.com, 2018

The tourism industry plays an essential role in the economic growth of the Czech Republic and is the dominant direction in the service sector of this country, the confirmation of which can be found in the statistics of the Czech National Bank (CNB). According to the CNB, foreign exchange earnings from tourism reached \$ 4.6 billion in 2015, and it corresponded to 3.8% of the country's GDP. Its share in total exports was 5.9% (Table 2.6). The share of tourism in the earnings coming from the services in 2011-2015 varies between 42-44

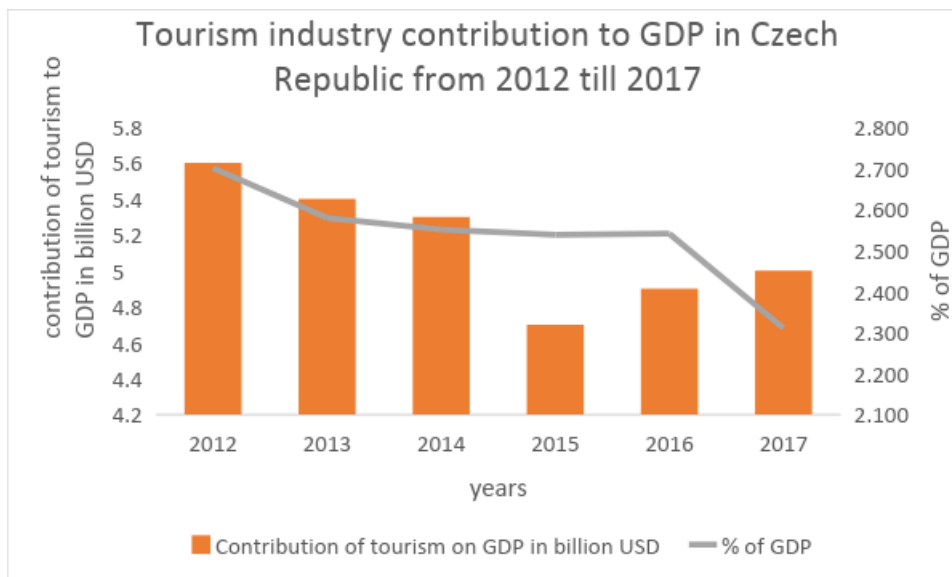
percent. In general, international tourism is one of the most profitable sectors of the Czech economy, and trade in tourism services has a surplus for several years.

**Table 2: The role of tourism in the economy of the CR, 2011-2015**

	2011	2012	2013	2014	2015
Incomes from international tourism (billion dollars)	3,1	2,9	3,6	4,2	4,6
Expenses for international tourism (billion dollars)	1,4	1,6	1,9	2,3	2,4
Balance of international tourism (billion dollars)	1,7	1,3	1,7	1,9	2,2
Share of revenues from international tourism in the country's GDP (%)	5,4	4,2	4,2	3,9	3,8
Share of income from international tourism in the country's exports (%)	9,3	7,7	7,3	6,3	5,9
The share of revenues from international tourism in incomes from the country's services sector (%)	43,8	41,7	45,8	43,1	43

Source: Data from Oecd.org, 2018

**Figure 15: Tourism industry contribution to GDP in the CR, 2012-2017**



Source: Czso.cz, 2018, own figure data processing

International tourism has a powerful impact on employment. The tourism industry is a labor-intensive process; therefore it employs mostly unskilled workers. However, this does not mean that highly skilled workers are not being used in tourism. In this area, new jobs are geographically wider than in other developing sectors of the economy. (Tisdell, 2000).

One of the problems of the Czech Republic is the growth of unemployment. The share of the unemployed population is 8%. The maximum number of unemployed people was reached at the beginning of 2013 and counted 585.8 thousand people. Another problem of the Czech labor market has become Ukrainian migrants, most of whom are employed illegally.

*Figure 16: Contribution of tourism to employment in the CR, 2012-2017*



Source: Czo.cz, 2018, own figure data processing

The number of workers employed in tourism is 231 288 people in 2013. The share of this sector in total employment has remained relatively stable at around 4.5% during the last five years.

#### *4.2.4.4. European Union sanctions against Russia and its effect on tourism industry*

For the last ten years, Russia has become an important contributor to tourism increase in Europe. In 2013, European destinations received nearly 32 million tourists from Russian Federation, becoming Europe's 3rd largest market (6% of Europe and 4% of ETC

destinations' total inbound travel). Russia is also Europe's 3rd fastest growing market (+13% in 2013).

**Figure 17: Total Russian outbound travel, 1990-2014**



\* Europe is defined as ETC members plus France, Netherlands and UK

Source: Data from *Tourismeconomics.com*, 2018

**Figure 18: Number of incoming Russian tourists to CR, 2012-2017**



Source: *Czso.cz*, 2018, own figure data processing

On the graph above it is seen the significant drop in incoming tourism from Russian Federation to the Czech Republic which started in 2014. The main cause for this was the Russian financial crisis, which started in 2014. The decrease in the value of the Russian currency resulted in the reduction of the number of inbound tourists by about 50%, which

an essential amount. The cause of the decline in incoming tourism from Russia is not only the weakness of ruble but also the decrease in all tourism industry in Russia. Russian tourists are very depended on the tour operators; the self-booking is not very popular among Russians who choose international tours. Despite, as tour operators were increasingly suffering from solvency problems, mainly resulted in the business failure. For example, in 2014 one of the biggest Russian tour operators announced bankruptcy, as a result: over 25.000 tourists stayed in Russia. (Burd, 2006)

The initiator of sanctions for international isolation of Russia was the US leadership, under whose pressure, at risk of incurring economic damage, the EU countries joined the sanctions. The G-7 and some other countries that are partners of the United States and the EU also supported the sanctions. According to some experts, sanctions have become one of the causes of the financial crisis in Russia. According to other experts, the problem of the crisis were not sanctions, but a decline in oil prices. The countries of the European Union have felt a negative impact both on their sanctions and on Russia's retaliatory sanctions.

According to the Austrian newspaper Die Presse, due to EU sanctions, Russian tourists began to feel in Europe as unwelcome guests and consequently prefer to have a rest in Russia.

"I have affirmed that the European Union did something stupid when it was announced anti-Russian sanctions. European Union is protesting against US anti-Russian sanctions," said Milos Zeman, President of the Czech Republic on Barrandov TV.

Another important factor is the exchange rate. The negative effect on the Russian outbound tourism was affected by the depreciation of the ruble, falling in the second half of 2014 from 60 crowns for 100 rubles to just 30 crowns. This position was reflected by the fact that the Russian Central Bank raised interest rates. He got to the level of 50 crowns for 100 rubles, but again he started to fall to the present value of about 40 crowns per 100 rubles (November 2015). These fluctuations have a very negative impact on the purchasing power of the Russians abroad, and they depreciate the money that people save for example on holidays. A slight decrease in the value of the ruble against the Czech koruna would not be so noticeable because the Central Bank of Russia had higher inflation targets than the Czech Central Bank, but such a significant fall in the ruble should affect the outbound tourism in the Russian Federation. This is why the number of Russian tourists arriving in the Czech

Republic dropped in 2014, but other countries were able to send more tourists. (Washington, 2015).

*Figure 19: Exchange rate 100 RUB/CZK, 2011-2015*



Source: Data from Xe.com, 2018

#### *4.2.4.5. Complex of problems preventing the flow of tourists to the Czech Republic*

One of the main problems of modern Czech Republic is racial discrimination. Negative attitudes towards the Gypsi population, most of whom are below the poverty line, have developed many centuries ago. It is believed that the Gypsies are the cause of the increase in crime in the country. Gypsies, as a rule, refuse to rent or rent at a double price. Most of the Gypsies children are trained in schools for children lagging behind in development, which leads to their lack of the necessary education. A low level of education leads to the infringement of the interests of the Gypsie population in the labor market. Racial discrimination can lead to increased social unrest.

After the fall of communist power, in the Czech Republic, there is an increase in crime. Today it is not as dangerous as it was in the 1990s, but the crime rate in the country is still high. Organized crime dealing with drug trafficking, prostitution and money laundering remains a serious problem for society.



Since January 1, 2011, drugs have been legalized in the Czech Republic. In the Czech Republic, you are allowed to carry up to 15 grams of marijuana, up to four Ecstasy tablets, two grams of amphetamine, one and a half grams of heroin, and one gram of cocaine. This caused different reactions in the society, but at the same time, it increased the flow of tourists aged 20-25 (according to Radio Prague). Experts argue that this can adversely affect the health of citizens, especially for teenagers who use narcotic substances illegally and in large quantities. Nowadays, the Czech government is talking about the repeal of the law. Among social problems, you can also list prostitution, which was legalized in the Czech Republic back in 2008. In the evening, girls who work in this field appear on the busy streets of big cities, as well as in the central squares of small towns. This causes discontent of third-age people throughout the country, periodic disturbances among the citizens, and also negatively affect the flow of tourists. (Czechtrade.cz, 2018)

All this, of course, affects the flow of tourists. Many of them refuse to visit the Czech Republic because of the high level of crime and racial differences in the country. On the other hand, journalists in recent years often compare Prague with Amsterdam

#### 4.3.SWOT analysis of Turkey and the Czech Republic

The application of SWOT analysis enables the entities which are responsible for management of local or regional tourism policies in destinations, to position tourism in the overall and general strategic planning in a methodical and orderly way. The identification of objectives and methods to be employed in the development of tourism, i.e. functional planning, should always be preceded by SWOT strategic positioning as an integrated tool, which can be used to carry out such activities as planning, coordination, monitoring, control and promotion. (Hubbard, Beamish, 2011)

*Table 3: SWOT analysis of tourism industry in Turkey*

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Significant natural, ecological, historical, cultural potential;</li> <li>• The system of ultra-all-inclusive;</li> </ul>	<ul style="list-style-type: none"> <li>• Seasonality of tourism;</li> <li>• Rising cost of production factors;</li> </ul>

<ul style="list-style-type: none"> <li>• Existence of public and commercial organizations that can contribute to the development of tourism;</li> <li>• The events and entertainment business plan (good animation);</li> <li>• Improving the competitiveness of the tourism industry of Turkey by conducting targeted market.</li> </ul>	<ul style="list-style-type: none"> <li>• Unrecorded transactions and tax avoidance among smaller, less organized companies in the industry.</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Geographical position, allowing to attract tourists (due to the large number of tourists from Russia);</li> <li>• Stable socio-economic situation in the country, contributing to the formation of demand for tourist services;</li> <li>• A continuing interest in Turkey.</li> </ul>	<ul style="list-style-type: none"> <li>• Growing competition among tourism regions;</li> <li>• The risk of reduction of tourist flow, due to the possibility of obtaining a comfortable stay in another country;</li> <li>• Terrorist attacks.</li> </ul>

Source: Made by author

**Table 4: SWOT analysis of tourism industry in the CR**

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• High cultural, historical and natural potential. Big number of UNESCO World Heritage Sites</li> <li>• Growing interest to the market from non-European countries (Russia, Ukraine, China, Australia)</li> <li>• Traditions in Czech cuisine, brewing, winemaking</li> </ul>	<ul style="list-style-type: none"> <li>• Lagging behind the dynamic development of tourism in competing destinations (Austria, Germany, etc.)</li> <li>• Stagnation in the volume of domestic and inbound demand</li> <li>• Shortening the length of stay of domestic and foreign tourists</li> <li>• Low quality of tourism services</li> </ul>

<ul style="list-style-type: none"> <li>• Well-marked network of unique hiking trails and tracks</li> <li>• From the geographical point of view the Czech Republic has an ideal place in Central Europe to develop congress tourism</li> <li>• A wide range of traditional cultural and social and sports events on regional and national levels</li> </ul>	<ul style="list-style-type: none"> <li>• Very strong concentration of foreign tourists in Prague</li> <li>• Seasonality of tourism</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• The ability to create and develop innovative tourism products, in accordance with current trends in tourism</li> <li>• A stronger culture of human capital in the field of tourism</li> <li>• Developing of cooperation between the actors in the field of tourism</li> <li>• Appearance such phenomena as golf and SPA</li> <li>• Czech Republic is situated in safe area</li> </ul>	<ul style="list-style-type: none"> <li>• Growth of the tax burden on the population, a significant decrease in the incomes</li> <li>• The deterioration in the foreign policy situation, the introduction of restrictions on the arrivals of foreign visitors</li> <li>• Widening the gap between Prague and the regions of the Czech Republic in number of visitors</li> <li>• Lack of financial capital further development of tourism</li> <li>• Deterioration in the image of the Czech Republic as a tourist destination</li> </ul>

Source: Made by author

#### 4.4. Regression Analyses of factors impacting tourism

In the next part, a regression analysis is carried out, which examines the impact of various economic indicators on the inbound tourism. As an example was chosen the number of tourists from Germany and Russian Federation in the Czech Republic from 2006 until 2016 years. These two countries were selected as leaders of visited tourists in the Czech Republic. The analysis was provided with the help of MS Excel.

For forecasting demand in tourism, it is advisable to use a regression model since this method is based on a probabilistic assessment of the development process by statistical regularities in the future, identified according to the previous period (Archer, 1970).

*Table 5: Data set for the regression analysis*

Country	Average income	CPI (%)	Exchange rate	Number of tourists	Year
Germany	34554,00	1,57743	28,78	1339384,00	2006
	34507,00	2,28834	28,186	1358376,00	2007
	34475,00	2,62838	25,55	1369299,00	2008
	34634,00	0,31274	26,833	1345167,00	2009
	34912,00	1,10381	25,456	1384359,00	2010
	35522,00	1,91722	24,2016	1386976,00	2011
	35905,00	3,28762	25,0964	1521246,00	2012
	36268,00	1,4383	19,364	1484169,00	2013
	36789,00	0,34399	19,906	1553370,00	2014
	37613,00	0,30936	24,286	1776539,00	2015
	40348,00	0,6835	24,545	1881095,00	2016
Russia	4845,6	1,20446	28,78	164036	2006
	6643,2	1,26353	28,186	185705	2007
	7060,8	1,4734	25,55	204000	2008
	7395,6	1,64804	26,833	278943	2009
	8248,8	1,6274	25,456	389000	2010
	8708,4	1,61637	24,2016	414671,00	2011
	10632	1,58304	25,0964	731853,00	2012
	10980	1,5586	19,364	803152,00	2013
	9936	1,6437	19,906	691198,00	2014
	6612	2,46559	24,286	434852,00	2015
	7260	2,94714	24,545	407529,00	2016

Source: Data from Fred.stlouisfed.org, 2018

For the analyzing data was chosen number of incoming tourists as a dependent variable. As variables which might effect on dependent variables (x1, x2, x3) – was chosen: - average

income in estimated counties; consumer price index in percent (CPI); exchange rate of currency in selected countries in the relation to Czech crown.

*Table 6: Estimation of parameters*

SUMMARY OUTPUT

<i>Regression Statistics</i>					
Multiple R					0,987107087
R Square					0,974380401
Adjusted R Square					0,970110467
Standard Error					100240,3581
Observations					22

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	3	6,87882E+12	2,29294E+12	228,1956993	1,6562E-14
Residual	18	1,80866E+11	10048129386		
Total	21	7,05969E+12			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t stat</i>	<i>P-value</i>
Intercept	-357132	119079,8732	-2,99909276	0,007700589
Average income	56,771	6,441061907	8,813925742	6,00436E-08
CPI-X2	3276,9	1033,457093	3,17079148	0,005291349
Exchange rate	-20988	7822,974549	-2,68283427	0,015195196

*Source: Calculated by author in MS EXCEL*

The table 6 presented above shows the estimation of the parameters. All parameters are significant as the probability of the mistake (Sig.) is lower than 0.05 in all cases. R-square is the coefficient of determination. In our example –0,97438 or 97%. It means that the calculated parameters of the model by 97% explain the dependence between the studied parameters. The higher the determination coefficient, the better the model.

The regression model looks like the following equation:

$$Y_{it} = -357132 + 56,771X_{1t} + 3276,9X_{2t} - 20988 X_{3t}.$$

The coefficient -357132 shows what Y will be like if all variables in the model under consideration are equal to zero. That is, the value of the analyzed parameter is influenced by other factors that are not described in the model.

In this regression model, the coefficient for X1 is positive it means that the higher average income will be in the country, the larger number of tourists come from it to the Czech Republic. The bigger average income may lead to the higher standard of life; in this case, more people in the country may afford the journey.

The coefficient for X2 is positive too, as this parameter refers to CPI in estimated countries, it also says that the higher consumer price index of Germany and Russia affects positively on the number of incoming tourists. From the model we can conduct: if CPI in estimated countries will increase by 1, the number of incoming tourists from these countries will increase by 3276,9 people.

The last parameter is with the negative coefficient. X3 represents the exchange rate in selected counties (EUR/CZK and CZK/RUB). The increase in this parameter will decrease the incoming tourism.

In addition to the independent variables presented in the model, other factors influence the country's inbound tourism such as political stability, political relationship with other countries, climate changes, and availability of other recreation destinations.

Statistical verification shows that there is a relationship between the dependent and the independent variables.

#### 4.5. Comparison of peculiarities of tourism industries in Turkey and the Czech Republic

As seen from the table 7, Turkey is a country comfortable for family and beach holidays. The Czech Republic is more interesting for excursion, thematic tours, mainly for young people or corporate tourists.

*Table 7: Comparison of peculiarities of tourism industries in Turkey and CR*

<b>Indicators</b>	<b>Turkey</b>	<b>Czech Republic</b>
Climate	The climate of Turkey is incredibly diverse. Central Turkey is an area of the continental climate with slightly cold snowy winter, on the Western and southern coasts of the country the climate is subtropical-warm and sunny from early spring to late autumn. On the coastline of the Mediterranean Sea, the bathing season begins in April and ends in November.	Czech climate is one of the most favorable for living and recreation. It is here that the marine climate changes to continental. Even, the moderate climate is almost the same throughout the country – minor changes are associated with the difference in relief. In summer there is no exhausting heat – in July, the warmest month, the average temperature ranges from 19 to 21 °C (although in the mountains – from 4 to 8 °C). In winter, the Czech climate also remains mild: in the plains the temperature drops to -4 °C, in the mountains - to -10 °C.
The peculiarity of the tourism	The unique climate	Architectural and historical value.
The most famous tourist city	Antalya	Prague
The predominant number of tourists	Germany and Russia	Germany, Russia, Poland
The most popular tours	Sport tours	Beer and culinary
Price range	From economy to VIP	Average and VIP level
The predominant target audience	Family tours	Youth, business tours
Types of recreation	Beach holiday	Sightseeing holiday

*Source: Made by author*

## 5. Results and Discussion

The results of the thesis make it possible to conclude that tourism in the Czech Republic and Turkey plays a significant social and economic importance, since it is a source of revenue, creates new workplaces, develops all areas related to the production of tourist services, plays major role in the development of peaceful relations among peoples, developing international relationships.

**Regional development:**

One of the main problems of regional development in the Czech Republic is the extreme concentration of foreign tourists in Prague. Other regions are not so popular among tourists even though they have abundant natural potential. For attracting foreign tourists to others areas, Czech Republic should promote them and develop hospitality infrastructure to offer the quality tourism product.

To increase tourism revenues, Turkey is trying not only to connect to its new development of regions but also to promote a different kind of tourism, increasing the variety of services provided. For example, Istanbul, Antalya, and Izmir centers are designed for congresses, conferences, symposia, and seminars. These centers are equipped with modern technology and have the necessary space for receiving a large number of guests. Such small regions as Belek are developing all the time; now it is one of the biggest golf-centers in Turkey.

The number of incoming tourists is depended on different factors, such as CPI of a tourist's country, the exchange rate between home and host countries, average income in the home country. All these factors can decrease or increase the number of tourist's inflow. Even though there are a lot of other causes that can influence the incoming tourism. Political stability in the hosting country, political relationship of hosting country with other countries, climate changes, and availability of other recreation destinations, social infrastructure, availability of necessary transport.

**Price effect:**

Changes in the exchange rates may be a significant factor influencing the choice of destination. A weakness of the Czech crown makes the price of a vacation in the Czech Republic cheaper, and so increase the number of incoming tourists.

However, Turkey's exchange rate is weak too, that is why tourists are attracted, mostly Russians.

**Political stability:**

Russian tourists began to feel unwelcome guests in the Czech Republic after EU exposed sanctions. The Czech Republic didn't lose the huge number of tourists, but the Russians had a large inflow on the tourism industry.

The Russian-Turkish conflict has a significant negative impact on tourism industry: increased number of unemployed people, a lot of hotels went bankrupt. The other unstable situation was during terrorist attacks 2016 and 2017. This situation frightened the tourist.



## 6. Conclusion

According to the World Tourism Organization (WTO), which is the leading intergovernmental organization in the field of travel and tourism, the tourism industry demonstrates the highest growth among the world economic sectors. Over the past 16 years, revenues from international tourism have increased by about 9% annually. In 2000, revenues from it reached 476 billion USD. During the same time, the number of arrivals grew by an average of 4.6% per year and in 2000 reached 698 million.

At the center of the tourist boom that has gripped the whole world in recent decades, there are quite specific economic, social and other reasons. The sphere of tourist services is one of the most dynamically developing sectors of the Turkish economy. Many different reasons facilitate it. Turkey has a unique combination of various natural, historical and cultural values. A lot of different civilizations located on the territory of Anatolia left the historical monuments that have survived to this day. In Turkey, more historical monuments than in Italy and Greece combined, there are two of the seven wonders of the world. The natural wealth of Turkey is diverse. The seas wash the country from 3 sides. The length of the coastline, including the coast of the Marmara Sea, straits, and islands, is 8,333 kilometers, with beaches ideal for recreation. Climatic conditions vary depending on the region. Abundant flora and fauna, rivers, mountains, thermal springs - all this contribute to the development of various types of recreation. Among other factors that attract tourists to Turkey is the richness and diversity of Turkish cuisine, folklore, hospitality of the population, untouched nature in comparison with places of mass tourism along with modern infrastructure. However, in addition to the beautiful nature, favorable climate, rich cultural heritage of tourists in Turkey, attracts a high quality of services provided at relatively low prices. The tourism industry began to attract the attention of Turkish authorities from the second half of the 20th century.

Tourism - the primary sector of the Turkish economy, which brings revenue. That's why it does not lack regular investments. Turkey is a relatively cheap country for recreation.

Recently, the Government of the Republic of Turkey has completed the development of a global economic program to overcome the problematic financial situation. It identifies two sectors that can help the country cope with the crisis - tourism and export growth.

The most significant group of travelers in Turkey - German and Russian tourists. In 2001, tour operators from Iceland, Italy and the Scandinavian countries became interested in the country. Turkey is a constant object of attention of Russian tour operators.

By 2023, the tourism industry in Turkey has set itself the task of entering the top five world leaders regarding the number of tourists and tourism revenues.

The Czech Republic is one of the industrialized countries of Central Europe. It takes 48th place in the world economy, being a member of more than 60 international economic and four financial organizations.

The Czech industry provides about 0.3% of the world's gross output. More than 70% of the large enterprises of the Czech Republic belong wholly or partially to transnational and foreign firms.

In general, the state of the country's economy is mostly determined by the state and development of its foreign economic relations. Traditionally, international markets orient the Czech economy.

Foreign trade in goods and services makes the most relevant contribution to the growth of the Czech economy. The main trading partners of the Czech Republic are the EU countries. The primary trading partner of the Czech Republic is Germany, whose share in the trade reaches 28%, Russia's share in the total foreign trade of the Czech Republic is 4.0%, which is the 10th indicator among the countries of the world.

Concerning foreign direct investment inflow per capita, the Czech Republic is the leader in the region and has one of the highest rates in the world, which is the primary factor of the republic's economic development. The main flow of investment comes from Germany, France, the Netherlands and other developed countries.

The position of the Czech Republic in the international labor migration is determined by the immigration of citizens of Eastern Europe and Asia for higher wages; illegal emigration from these same countries with the aim of further penetration into the EU; programs for the return of ethnic Czechs. Thus, the Czech Republic is a kind of buffer between Western Europe and Eastern Europe and Asia.

In general, the state of the Czech economy can be characterized as stable and favorable.

The number of international tourist arrivals in the Czech Republic is about 6-7 million people per year. With the increase in the number of tourists, the revenues from international tourism, which reach 5-6 billion dollars, also increase. Entrance tourist flow is formed

mainly at the expense of tourists from European countries. According to international tourist arrivals, Germany is leading in the Czech Republic. According to the average length of stay, the leaders are Russia, Israel, Germany, and the Netherlands.

Tourism performs an essential role in the economic development of the Czech Republic and is the dominant direction in the service sector of this country, a confirmation of which can be found in the statistics of the Czech National Bank.

In general, international tourism is one of the most profitable sectors of the Czech economy, and tourism trade has had a positive balance for several years.

Thus, the work can be concluded that both countries are favorable for tourism and are in demand.

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