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THE DEVELOPMENT OF INTERNATIONAL TOURISM IN TALLINN, ESTONIA

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The nature of tourism exports of Tallinn, the capital city of Estonia, has changed considerably since the collapse of the Soviet Union. This paper explores the impact of that change on the city's tourism image. Tourism, an industry that has complex impact on a travel destination, is investigated as a tool for regional development. The qualitative analysis outlines the major characteristics of the present and the future tourism image of Tallinn.
International tourism has been promoted in Tallinn for its economic benefits since the late 1980s. Tourism helps the city to combat the problems, stemming from the changing economy of the former Soviet Union. Research shows that Tallinn's geographical and geopolitical location on a crossroad of international travel and trade is the key to tourism development in this city. The local tourism infrastructure and the economic stability of the Baltic region are also important in shaping Tallinn's tourism image. The long-term impact of international travel on Tallinn, both positive and negative, depends largely on the city's planning and marketing efforts. This paper indicates the importance of a careful consideration of Estonia's cultural heritage in planning tourism in order to ensure a locally beneficial, sustainable growth of tourism in Tallinn.

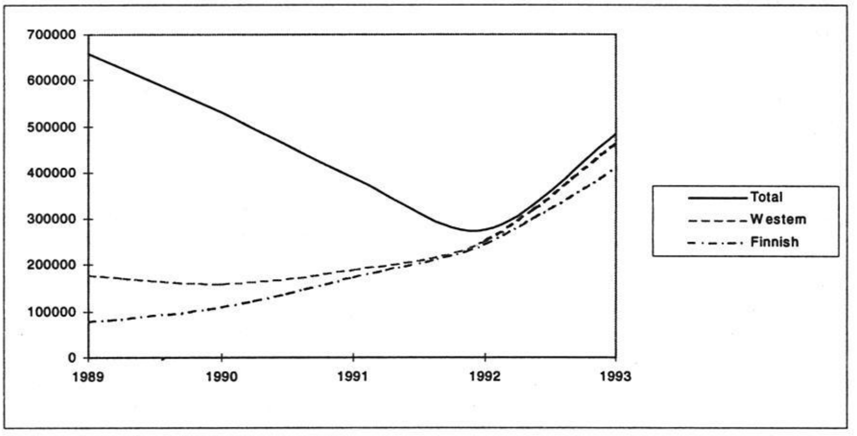
Introduction

International tourism[1] has been a rapidly growing sector of the global economy since the Second World War. The increasing promotion of tourism in cities particularly since the 1980s is a consequence of two factors. First, the de-industrialisation process and a loss of jobs in manufacturing encouraged cities to seek replacement industries that would create employment and re-use empty areas and buildings in the former industrial inner cities. Second: tourism was perceived world-wide as a growth industry. As a result, cities started promoting tourism services in order to generate income and employment and ease the restructuring of the economy (PEARCE and BUTLER 1993: 73).

The aim of this paper is to provide a qualitative analysis of the prospects and problems of tourism exports in Tallinn, the capital city of Estonia. The paper reviews the recent growth of international tourism in Tallinn and outlines the key factors that will influence the development of tourism in the city until the end of the decade. Finally, the analysis indicates the main opportunities and problems for the city of Tallinn stemming from the growth of tourism.

Tourist flows to Tallinn (471,000 residents in January 1992) have been increasing rapidly since the re-establishment of Estonian independence (see Figure 1). Tallinn is trying to increase its share of the large Nordic travel market[2]. Novelty has been the primary basis for the city's marketing strategies by far. The promotional slogan "Discover the New Estonia with its Old World Charm" is a good example of the image that Tallinn has been creating since the late 1980s.

Figure 1 Foreign Visitors Served by the Estonian Tourism Firms 1989-1993



Source: Estonian Tourist Board 1994

However, the growth of western visitor[3] arrivals by 2.5 times between 1989 and 1993 has not ensured a stable influx of tourism revenues for the local economy. The increase of tourism receipts has not risen with the increase of visitor arrivals since an increasing percentage of visitors do not stay overnight in Tallinn. The city is catering mainly for short-term mass tourists[4] who visit Tallinn to enjoy relatively lower prices than in other North-European cities. Visitor arrivals however decreased by twenty percent in the first half of 1994 in comparison with the first half of 1993, due mainly to the absence of two cruise lines. This implies that novelty may be losing its attraction four years after the establishment of the "New Estonia". The Tallinn Old Town[5] which is the only medieval town complex in North-Europe that has been preserved to such a great extent in its original appearance, has the potential to attract more wealthy tourists. Tallinn needs therefore to create a more permanent tourism image and to utilise its tourism potential as a stable source of income.

Tourism, as a strategy of urban planning and urban marketing, requires specific planning efforts in order to ensure a stable flow of tourist income for the travel destination (INSKEEP 1992; PEARCE 1988, 1989; PEARCE and BUTLER 1993; SMITH 1989; SMITH and EADINGTON 1993). In terms of the tourist industry's contribution to regional development, the critical considerations are the per capita spending levels of tourists and the activities in which they participate (WILLIAMS and SHAW 1990: 5). Increased tourism in terms of more visitors, more restaurants, and so on does not automatically mean greater well-being for the host community. Planners of tourism need to decide whether to market a destination for mass tourists in order to benefit from economies of scale, or to attempt to attract fewer visitors with higher per capita spending power. Where tourism develops gradually over a number of years, there is usually a longer period for social and environmental adjustment, and the needs of tourists are satisfied primarily by local resources. Where rapid development occurs, there may be greater immediate financial returns but the host community is less likely to be able to provide all that is needed for the industry's growth (PEARCE 1989: 193). Regional tourism may, as a result, develop a dependence on foreign-owned infrastructure and on imported goods. For example, small Pacific and Caribbean islands lose up to half of gross foreign exchange earnings from tourism due to imported goods and payments to overseas companies (PEARCE 1989: 197).

The impacts of international tourism cannot be measured only in economic terms. Among the most important benefits from tourism is that it may assist regions in creating a favourable image and thus in attracting investment (MCINTOSH and GOELDNER 1986: 304). On the other hand, tourism may cause environmental and cultural damage in a tourist region.

The historical heritage of an area is a major resource for the urban tourism industry. As traditional industrial activities decline, the importance of tourism and heritage emerge as economic counterweights (KNOX and SUGDEN 1992: 584). Tourism increases both public and private interest in urban renewal and potentially provides income for historic conservation. ASHWORTH notes:

> "Selling the past, in various forms, to the present has become one of the largest and most profitable parts of the tourism industry world-wide." (ASHWORTH and GOODALL 1990: 138).

However, promoting historical and cultural heritage on a large scale evokes questions about the commercialisation of history, and the loss of historical authenticity in tourist cities. (MCCANNELL 1989; ASHWORTH and TUNBRIDGE 1990; BOYER 1992). Mass tourism may erode the uniqueness of geographic places, the resource that the travel industry depends on.

Recent Trends of Inbound Tourism in Tallinn

The tourism boom in Tallinn started in the late 1980s. Before that, Estonia was practically closed to western tourists. The local tourism infrastructure was governed by the all-Soviet "Intourist" agency. As a result, ninety percent of tourism revenues went to Moscow and only ten percent were left to circulate in the local economy (KARING 1986: 166). In the late 1980s, however, tourism was among the first sectors of the Estonian economy to attract domestic and foreign investment. Today, tourism revenues (without passenger transport) make up 4.2% of the export of goods and services and 14.5% of the exports of services in Estonia (Eesti Pank 1994). The importance of tourism is even greater in Tallinn since about eighty percent of foreign visitors spend most of their time in Tallinn. Nevertheless, the potential role of tourism in the Estonian economy could be greater. For comparison, tourism accounts for seven percent of the North-European[6] exports of goods and services and twenty-four percent of the export of services (WTO 1994: 100).

The collapse of the Soviet Union has changed the political and economic background of Tallinn's tourism exports considerably. Estonia is in a stage of transition from a centrally planned to a market oriented economy. Tallinn is re-orienting its economic contacts from the East to the West and redefining its image from a former Soviet city to a North-European city, a Hanseatic city and the capital of the independent Estonia. The machine industry which used to serve the Soviet market mostly (particularly the military complex) is in decline. Industry and industrial port activities have vacated land in the central part of Tallinn[7], opening attractive opportunities to redesign the city centre to a service- and leisure-oriented area.

These processes have promoted the search for development strategies, alternative to the Soviet market oriented centrally planned industry. International trade, transport and tourism have been proposed as the strategic priorities for Tallinn. "Opening to the sea" and "Gateway Tallinn" are the key ideas of this concept. Indeed, the "discovery" of Tallinn's potential to serve the transit East-West transit trade and travel flows is probably the most important aspect of the process of economic restructuring.

The Estonian tourism industry has relied on western markets during recent years (see Figure 1). Western visitors made up twenty seven percent of all foreigners served by the local tourist firms in 1989 while the share of westerners was ninety-five percent in 1993. Ninety-one percent of visitors are day visitors and do not spend a night in Tallinn. Cruise tourists account for 74.8% of all visitors, remarkably more than the global average of 1.4%. Finland is overwhelmingly the most important market, accounting for eighty-eight percent of all foreign travellers to Tallinn. The tourist industry in Tallinn is therefore very vulnerable to the market situation in Finland.

The government of Estonia declared tourism a priority branch of economic development in November 1992. However, the concept of tourist growth has not been worked out yet at either the state or the municipal government level. The absence of a clearly defined concept has resulted in rather chaotic development. There are few funds and little experience to enable an examination of the impact of single investment projects on the tourist image of Tallinn[8]. Furthermore, various social and economic reforms such as the ownership reform are bringing about profound changes in Estonian society. The accompanying legislative uncertainty inhibits investment in the national economy. Under these circumstances, the long-term benefits of tourism to the local community become problematical.

Forecasts suggest that the annual volumes of inbound tourism in Tallinn will be between three and four and a half million at the end of the century. The volume of tourism will thus double at least within the next six years (Eesti Vabariigi Riiklik Turismiamet 1992, Government of Estonia and the Commission of the European Communities 1994). However, reliance on low-value mass tourism and the short stay of visitors makes the same growth in terms of income questionable.

Factors that Shape the Tourism Image of Tallinn

The provision of tourist services affects many sectors of the economy. The perception that (potential) tourists have of Tallinn is associated with numerous aspects of the socio-economic development of the city and the whole Baltic region. The factors that shape the tourist image of Tallinn, can nevertheless be grouped in five broad categories:

1. Geographical location enables Tallinn as a gateway to market itself for investment and trade flows between western Europe and the territories of the former Soviet Union. Today, transit trade makes up about 90-95% of the turnover of Estonian ports (The Estonian Institute of Future Studies 1994). The proximity to St. Petersburg (300km), the second largest Russian city with about five million residents enables Tallinn to market itself as a stopover on the route to and from St. Petersburg and the whole of Northern Russia.

Tallinn is located on one end of the Via Baltica international highway which traverses the three Baltic states, connecting Finland and Scandinavia with eastern and central Europe. This may enable Tallinn to become a travel stopover on the North-South tourist routes, perhaps even to become the northern terminus of Via Baltica. About six million tourists travel to Scandinavia by car every year, about two million of them visit Finland (The Estonian Institute of Future Studies 1994). Most of these travellers go through Denmark and the alternative route of the Via Baltica is today largely unused. However, the estimated income from the 200km long Estonian section of Via Baltica will amount to $30 million annually by the end of the decade (Estonian Road Administration 1993). This is about one third of Estonia's current annual income from tourism (Estonian Tourist Board 1994).

2. Economic and political instability and under-development of the local infrastructure are closely inter-related since investment in the tourism infrastructure of Tallinn depends on the stability of the Estonian economy. Furthermore, its nearness to Russia associates Tallinn's economy and tourist image closely with that country. As a result, the transit of goods services and information through Estonia depends too on Russia's economic and political development. Today, cumbersome border formalities between the Baltic States as well as between Estonia and Russia, together with high crime rates depress potential tourism considerably[9].

The provision of tourist services does not meet the demand. For example, Helsinki has about twice the population of Tallinn, but the number of hotel rooms in Helsinki is three times larger than in Tallinn. Therefore, the tourist infrastructure of Tallinn needs considerable improvement. The success of the modernisation efforts is tied largely to the course of the ownership reform. Less than ten percent of the real estate in the central part of Tallinn has as yet been privatised. Land ownership is further complicated by questions relating restitution. Until basic terms of ownership are settled, the city cannot implement land-use or historic conservation regulations.

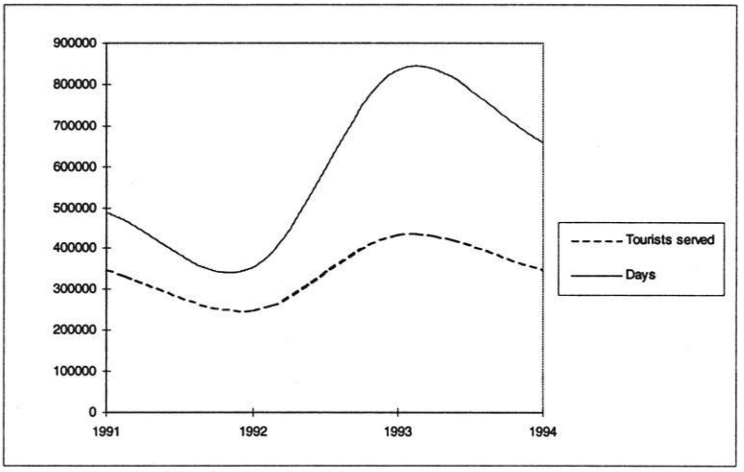
3. The Tallinn Old Town: This part of Tallinn covers less than one percent of the city's territorial area, but its image promotes the tourist attractivity of Tallinn and largely the whole of Estonia. The processes of economic transition and restructuring have impacted on the Old Town strongly. The cost of space rental and the price of real estate are increasing steadily. More offices and shops are locating in the Old Town while as a result permanent residents are moving out. In fact, the permanent population of the Old Town has decreased by twenty-six percent during the past one and a half years. Privatisation processes complicate the planning of the Old Town considerably. At present, nearly ninety percent of the Old Town is in State or municipal ownership. Most of it will return to private ownership over the next few years, but no widely accepted mechanism for regulating the use of privately owned houses in the Old Town has yet been worked out. Presently, restoration and renovation in the Old Town are strictly regulated in order to protect the historical character of the Old Town. This increases the costs of renovation and discourages private investment in this part of the city. The need to encourage private investment in the Old Town and to restore the valuable but decaying buildings puts a pressure on city planners to ease restrictions for renovation and construction work in the Old Town. Tallinn cannot effectively promote quality tourism unless the Old Town receives major renovation. On the other hand, there is the danger that the Old Town may lose its historical authenticity as a result of the simplification of the conservation regulations.

4. Cooperation and competition between the North- and East-European tourist destinations: At present, Tallinn is marketing itself primarily on the Nordic travel markets. Therefore, the city's future as a tourist attraction depends primarily for its success on co-operating and competing with Helsinki, Riga, St. Petersburg and Stockholm. On the other hand, Tallinn might take part in the tourist routes of East-Europe, attracting the tourists formerly bound for the Soviet Union. The relative importance of those two marketing strategies needs to be investigated thoroughly.

Possibilities of co-operation between Helsinki and Tallinn have attracted considerable attention[10]. The distance between the two capitals is seventy kilometres. This creates opportunities for joint marketing campaigns and for increasing tourism for both cities. Helsinki is also Tallinn's primary rival in attracting St. Petersburg-bound trade and tourism. The question is whether the two capitals will play relatively equal roles as gateway cities between West-Europe and Russia or will Tallinn remain the satellite of Helsinki in this respect.

5. Price levels: Lower prices for goods and services in comparison with Finland and Sweden are very important in ensuring tourist arrivals in Tallinn. According to estimates by the Estonian Tourist Board and the preliminary results of a border survey, about half of Finnish visitors (forty per cent of the total number) are shopping tourists. However, the boom of shopping tourism is likely to remain a phenomenon for only next few years since the price-differences will decrease with the increase of labour costs in Estonia. The present patterns cannot be therefore be the basis of long-term marketing strategies.

Figure 2 Patterns of International Tourism in Tallinn 1991-1994



Source: Estonian Tourist Board 1994

Recommendations

The analysis emphasises the close interdependence between the growth of tourism and general socio-economic development in Tallinn. The factors, pointed out above, indicate only the major opportunities and problems that need to be addressed in planning the tourism industry in Tallinn.

Its geographical location on the cross-roads of the North-South and East-West travel routes and its rich historical heritage are Tallinn's main tourist attractions. The city is likely to become mainly a travel stopover, traversed by the growing West-East and North-South tourist flows. By the end of the decade transit tourists are predicted to make up sixty percent of the total international visitor arrivals in Estonia (Eesti Vabariigi Riiklik Turismiamet 1992). Essentially, the success of Tallinn as a tourist destination depends largely on the role the city will play in facilitating the movements of goods and services between West-Europe and Russia.

Tallinn has not yet established itself as a tourist destination on the European map. The recent tourist boom can be accounted largely for by the city's novelty as a tourist attraction. Tallinn needs to establish a presence and a favourable image within the Scandinavian and European travel markets in order to utilise the existing curiosity and stabilise the flow of inbound tourism. PINDER notes that there is likely to be greater demand for quality tourism, especially from those taking several holidays a year. The European tourist market will consist of more experienced customers who travel more frequently, look for a cleaner environment and be increasingly drawn to the more sophisticated facilities and services in North-Europe (PINDER 1990: 245). Therefore, the specific challenge for Tallinn is to shift from the present low value short-term mass tourism to more diverse and upscale markets.

Contemporary mass tourism is more than a mere quantitative jump in international travel; it is a manifestation of mass consumption (SMITH 1989: 191). However, tourism is based on the uniqueness of geographic places. Travel destinations need to preserve the specific characteristics that attract visitors. PLOG maintains:

> "Destination areas carry with them the potential seeds of their own destruction as they allow themselves to become more commercialised and lose the qualities which originally attracted tourists." (PEARCE 1989: 22).

The case of Tallinn and its Old Town illustrates the conflict between historic conservation and the immediate needs of the expanding tourist industry. The specialisation of the Tallinn tourist industry will depend on the image of the Old Town as a North-European tourist attraction. On the other hand, the image of the Old Town will depend largely on the type of service facilities that will be located there. The type of tourists who come to Tallinn and the type of infrastructure in the Old Town are thus closely inter-related. The optimum solution must yet be found between maximum conservation and maximum commercialisation of the Old Town. Tallinn in the 1990s cannot afford the first strategy; the second one would result in the loss of the historic and cultural value of the Old Town, thereby calling into question the attractivity of Tallinn for quality tourists in the long run.

In summary, the recent development of tourism in Tallinn illustrates the blessings and burdens that may result from a tourism boom in a new tourist destination. Tallinn needs to develope a strategy for the development of tourism in order to maximise the long-term positive effects and minimise the negative effects of the growth of tourism on the local community.[11]

NOTES

1. Travel across international borders for more than twenty-four hours. Includes excursionists and cruise-passengers when used in the Estonian context.
2. The per capita expenditures on international travel were $781 in Sweden, $480 in Finland, $462 in Germany and $343 in the United Kingdom in 1993 (WTO 1994).
3. Visitor from outside the former Soviet Union.
4. "Mass tourist" is a qualitative rather than quantitative term for the type of tourist who is least adventuresome, preferring the familiarity in all that is experienced while travelling (METELKA 1986: 80). "Quality tourist" refers to a traveller with more diverse interests and generally higher per capita expenditures. For a more detailed description of the two type of travellers see PEARCE 1989: 21-22.
5. The Old Town (1184ha) dates back mostly to 13-17th centuries. The complex is under state protection.
6. Includes the Nordic countries and the United Kingdom.
7. Under the Soviet rule the waterfront area at the city centre was a military zone that was off limits for civilian planning. The Soviet military withdrawal that began in the early 1990s has left most of the area in the state of disrepair. Today, there are plans to remove most of the cargo-handling along with the warehouses and industrial enterprises from the city centre to other ports in the vicinity of Tallinn.
8. The present policy is to design new buildings lower than 15m in order to preserve the city's historical skyline of bastions and church spires. For example, a project to build a high-rise hotel on the waterfront was denied permission in 1993 because it did not meet this requirement. However, economic considerations may alter these policies in the future.
9. Border-crossings between the Baltic states are notoriously time-consuming. It is practically impossible to get a tourist visa to Russia in Estonia mainly due to political relations between the two countries.

10. Both cities facilitate the movements of goods, services and information from western Europe to Russia. Overlapping hinterlands have been proposed as the basis for Helsinki and Tallinn to function as twin cities on the economic scene.
11. Acknowledgements:
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