8 Three Decades of Tourism Development in Independent Ukraine: From the Collapse of the USSR to the Conflict in the Donbas

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Introduction

In 2021 Ukraine celebrated three decades of national independence. This is an occasion that prompts a consideration of the determinants of, and direction in, tourism development in this young, post-Soviet country, which is the main goal of the study reported in this chapter. Existing studies focus on the influence of singular factors on tourism in Ukraine (Riashchenko *et al.*, 2015; Ivanov *et al.*, 2016, 2017; Webster *et al.*, 2017; Sass, 2020; Smyrnov and Liubitseva, 2020) and specific time periods (Rutynskyi, 2004; Liubitseva, 2014; Kolosinska *et al.*, 2018; Lozynskyy and Kushniruk, 2020; Mykhnenko, 2020; Tomczewska-Popowycz and Quirini-Popławski, 2021). Few studies provide a comprehensive overview of the issue (Doan and Kiptenko, 2017; Kiptenko *et al.*, 2017). The current study is designed to fill the gap in research in the area of comprehensive analysis of tourism development since the collapse of the Soviet Union three decades ago with the use of canonical correlation analysis. Changes in the tourism sector in post-communist countries were examined in a number of studies in the 1990s (Hall, 1992; Mazaraki and Voronova, 1994; Baláž, 1995; Jaakson, 1996; Bachvarov, 1997; Light and Dumbrăveanu, 1999). Our study helps contribute to the empirical research available on emerging post-communist tourist destinations.

Using secondary data collected from the Worldwide Governance Indicators (WGI) project, the State Statistics Service of Ukraine (STTU) and the State Border Guard Service of Ukraine (SBGAU), the chapter examines the impact of major events such as the Orange Revolution (2004), the financial crisis (2008–2009), the European Football Championships (2012), Euromaidan political protests (2013–2014), the annexation of Crimea, the war in the Donbas region (2014) and the COVID-19 pandemic (2020) on:

- inbound tourist traffic;
- share of foreign tourists in the total number of tourists;

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- tourism revenues in US dollars (USD) and Ukrainian hryvnas (UAH); and
- the impact of multiple elements of political instability on tourism.

The chapter begins with a literature review which consists of two parts: an overview of tourism in Ukraine and an overview of political stability versus tourism. It then discusses the materials and research methods used in the study. The results are provided next and this is followed by discussion, implications, conclusions and limitations of the present study.

8.1 An Overview of Tourism in Ukraine

Ukraine is located in Eastern Europe and is one of the largest countries in Europe with an area of 605,000 km^2. Most of the country consists of lowlands and uplands covered by steppe. Its main mountain areas are located in the west in the Carpathian Mountains and in the south in the Crimean Mountains. About 6% of the country is officially protected by environmental law as environmental area reserves (Kiptenko *et al*., 2017). Leading tourist attractions in Ukraine include sites on the United Nations Educational, Scientific and Cultural Organization (UNESCO) world heritage list such as Saint Sophia Cathedral and Pechersk Lavra in Kyiv; Old Town, Saint Yuri's Cathedral Complex, High Castle and Pidzamche District in Lviv; Bukovina and the Dalmatian Bishops' Residence in Chernivtsi, along with the ancient city of Tauric Chersonese and its Chora in Sevastopol (situated on territory occupied by the Russian Federation since 2014); Struve Geodetic Arc (original measurement points), primeval beech forests found in the Eastern Carpathians in the country's Transcarpathian Oblast; as well as unique, wooden churches called *tserkvas* in the Carpathian region of western Ukraine.

Another 17 sites in Ukraine are located on UNESCO's tentative list. The main tourist regions in Ukraine include the Azov Sea and Black Sea coastlines as well as the southern part of the Crimean Peninsula – currently occupied by the Russian Federation. Other prominent tourist regions include the Carpathian Mountains and the central section of the Dnipro River Valley. Large cities are also primary tourist destinations and these include Kyiv, Lviv and the key port city of Odesa (Hudman and Jackson, 2003; Boniface *et al*., 2016; Kiptenko *et al*., 2017). The coastline of the Black Sea with the Crimean Peninsula is one of Ukraine's unique tourist regions, now situated on territory occupied by the Russian Federation since 2014. This region includes more than 1000 km of coastline and features a fairly long tourist season reaching 180 days along with a rich natural environment, an extensive array of historical sites and many archaeological sites. In addition, Ukraine is home to 130 towns with the official status of 'health resort town'. This status is based on the natural medicinal qualities of health-related attractions in each of these towns and their environmental surroundings, and generates an entire class of tourism known as health resort tourism.

The tourist region of Europe is a world leader in terms of international tourist arrivals (744 million in 2019) and international tourism receipts (576 billion USD). Central and Eastern Europe, on the other hand, was visited by 152.8 million tourists, with receipts at 68.7 billion USD. In this context, Ukraine appears to be not very popular, with only 14.2 million foreign tourists and receipts at 1.62 billion USD (World Tourism Organization (UNWTO), 2021).

Tourist traffic in Ukraine has flowed and ebbed over the last three decades in part due to political change. Shortly after Ukraine's independence, the tourism sector developed relatively slowly due to a lack of regulation of the country's tourism market and various infrastructure development problems. Since the introduction of the national currency in the mid-1990s, foreign tourist traffic had gradually increased in Ukraine, reaching 6.4 million visitors in 2000 and as many as 25 million visitors in 2008. This growth trend was not affected during this period of time by the 9/11 attacks in the USA or the so-called Orange Revolution in Ukraine in 2004. (The latter were pro-Western protests by Ukrainian society that lasted several months and were triggered by the falsification of presidential election results. The protests began on 22 November 2004 and lasted for several months. The stability of the state declined in the course of these events.) One factor that did

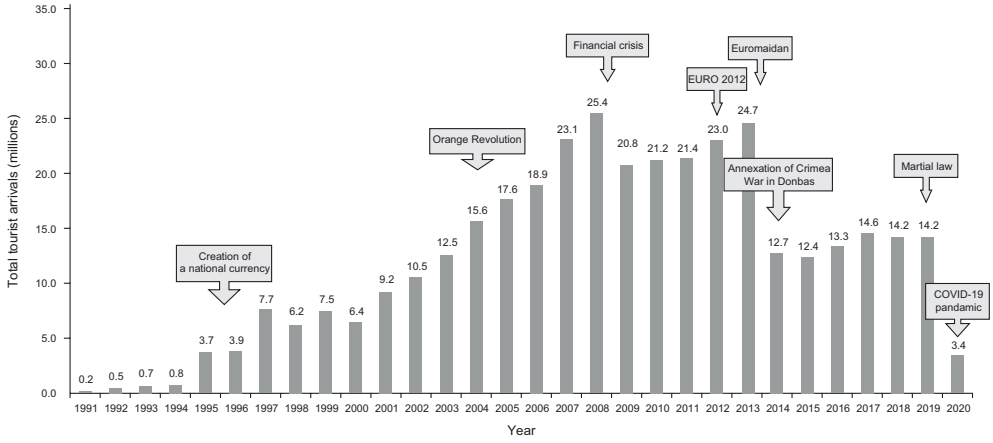

Fig. 8.1. Relationship between selected events and tourist arrivals in Ukraine in the years 1991–2020. (Source: authors' own elaboration based on data from SBGAU, 2021; STTU, 2021.)

produce a meaningful decline in tourism in Ukraine was the global financial crisis beginning in 2008 when the number of tourists in the country decreased by one-fifth in the years 2008–2009 (Fig. 8.1). Subsequent years were characterized by stabilized tourist influx and even growth in 2012 due to Ukraine's hosting of the European Football Championships, when border entry procedures were greatly simplified for foreign visitors. The organization of this event in conjunction with Poland was Ukraine's way of showing its pro-Western leanings.

The illegal annexation of the Crimean Peninsula by the Russian Federation and outbreak of armed conflict in the Lugansk and Donetsk provinces of Ukraine in 2014 led to a significanct decline in the number of tourists. These events were preceded by several months of political protests in late 2013 and early 2014, which were called Euromaidan or Ukrainian Spring. The protests erupted when Ukraine's president chose to delay the date of Ukraine's signing of an association agreement with the European Union (Bachmann and Gunneriusson, 2015). Similar large declines were noted by Kiptenko *et al*. (2017) in terms of the number of hotels and hotel beds available. The significance of the Crimea in Ukraine's tourism industry is shown via tourist traffic metrics for the first years after 2014, which stabilized at half the value for the period prior to the annexation of the Crimea (excluded from Ukraine's statistical reports). In addition, data collected in Lugansk and Donetsk provinces, both partly occupied by the Russian Federation, remain incomplete.

Six years of armed conflict and the continued Russian occupation of the Crimea are keeping the influx of foreign tourists at a relatively low level. However, Ukraine's government has made an effort to promote the country abroad in order to help reverse this negative trend of recent years. Government actions here included the creation of the State Agency for Tourism Development of Ukraine (SATD) in 2019 that was designed to help coordinate tourism development efforts. In addition, a promotional Internet portal was created in multiple languages (http://www.ukraine.ua, accessed 12 August 2021) along with the promotional campaign 'Visit Ukraine NOW'. The latter was supported by Ukraine's diplomatic missions in other countries. Furthermore, low-cost airlines such as Ryanair and Wizzair increased the number of flights to cities in Ukraine such as Kyiv, Odessa, Kharkov and Lviv from various destinations in places like Germany, Poland, Italy, Spain and Great Britain. Finally, Ukraine did sign the so-called Association Agreement mentioned above. The agreement was signed in 2017 and Ukrainian citizens can today travel without a visa to countries part of the European Union's Schengen Zone. In 2020 a new external factor appeared on the scene – the COVID-19 pandemic – which led to a dramatic reduction

in tourist traffic in Ukraine and across the world (Åslund, 2020; Folinas and Metaxas, 2020; Gössling *et al.*, 2020; Hall *et al.*, 2020; Hoque *et al.*, 2020; Rutynskyi and Kushniruk, 2020; Smyrnov and Liubitseva, 2020).

8.2 Instability and Tourism

Tourism is a sector of the economy that is sensitive to political factors (Page and Connell, 2020). Boniface *et al.* (2016) note that political factors including general tourism policy, member status in political unions and other organizations, political climate related to deregulation and privatization, and general political instability affect the sector. Political instability is defined as ethnic and religious conflict, revolution, war, civil unrest and terrorist acts (Boniface *et al.*, 2016). Likewise Sönmez (1998) notes that political instability is manifested in a state where the government has been abolished or is run by a single political entity following a coup or when the foundations of social order are not stable and remain disrupted over a period of time. According to Helmy (2014), this type of situation yields uncertainty that may be identified with political instability.

Tourism is dependent on political stability and overall security (Al-Hamarneh and Steiner, 2004; Perles-Ribes *et al.*, 2019). Changes in tourists' travel plans are triggered not only by the occurrence of terrorist acts, perceptible human rights violations, sudden protests, civil war and social unrest, but also by the very possibility that any of the above may occur. Hall and O'Sullivan (1996) underscore that one's perception of political instability and travel safety represent the initial condition for one's travel plans. Countries affected by high levels of political risk in most cases experience significant declines in tourist volume and tourism-related revenue. The research literature provides a number of examples of the negative impact of political instability on the tourism industry, especially in developing countries such as Ukraine and when it lasts for extended periods of time (see the following studies: Mansfeld and Pizam, 2006; Araña and León, 2008; Llorca-Vivero, 2008; Causevic and Lynch, 2013; Yap and Saha, 2013). On the other hand, Korstanje and Clayton (2012) and Morakabati (2013) argue that despite the occurrence of political instability or acts of terror, the number of tourists increases over the long term. Liu and Pratt (2017) examine a sample of close to 100 countries to demonstrate that the impact of terrorism on global tourism is minimal over the long term.

The negative impacts of political factors such as revolutions, conflicts, generally unstable situations and assassinations on tourism have been studied extensively for many regions of the world. Relevant papers in this area include Gunasekar *et al.* (2018) and Barbhuiya and Chatterjee (2020) for India; Akadiri *et al.* (2020) for Turkey; Lagat *et al.* (2014) and Masinde and Buigut (2018) for Kenya; Avraham (2015) and Hanon and Wang (2020) for selected Arab countries; Ivanov and Stavrinoudis (2018) and Samitas *et al.* (2018) for Greece; Yousaf (2021) and Kumail *et al.* (2021) for Pakistan and Bangladesh; Buigut *et al.* (2021) for Malaysia; and Ferreira and Perks (2016) for the Republic of South Africa.

8.3 Materials and Research Methods

The present study examines selected indices that illustrate political determinants in relation to basic tourism sector metrics calculated for Ukraine (i.e. international tourist volume, tourism revenue). The data used in the chapter on independent variables as integral parts of the political stability indicator come from the WGI project (WGI, 2021). It is important to note that data on the number of domestic tourists in Ukraine are not readily available for comparative purposes for the entire study period. In order to calculate the share of foreign tourists in overall tourist volumes another approach was used – the number of visitors staying at hotels and other group accommodation facilities. The present study uses data on key dependent variables such as the number of tourists obtained from the SBGAU as well as tourism revenues obtained from the STTU. These data are publicly available and were collected in August and September of 2021. The study period was from 1991 to 2020.

The WGI is a research project in existence since 1996 that covers several hundred variables

obtained from 31 different sources of data. The WGI was created to illustrate the multidimensional nature of governance in more than 200 countries around the world. The resulting database allows for broad-based comparative studies yielding highly valuable results, although there are certain limitations (Kaufmann *et al.*, 2007, 2011; Apaza, 2009; Langbein and Knack, 2010; Thomas, 2010; Versteeg and Ginsburg, 2017). Six indicators were established as part of this project:

1. Political Stability and Absence of Violence/Terrorism (PV) – measures the likelihood of the occurrence of the perception of an outbreak of instability and violence due to political reasons including terrorism.
2. Voice and Accountability (VA) – reflects the extent to which the citizens of a given country can participate in the selection of government representatives, and this includes freedom of speech and free media.
3. Government Effectiveness (GE) – includes the perception of the quality of public services, quality of the civil service and its degree of independence from poltical pressure.
4. Regulatory Quality (RQ) – reflects the perception of the government's ability to formulate and implement appropriate policies and regulations that enable and promote the development of the private sector.
5. Rule of Law (RL) – illustrates public respect for the law.
6. Control of Corruption (CC) – reflects the extent to which the government uses its power for private gains as well as for the purpose of control of the state apparatus by elites and private stakeholders.

The use of a regression model and factor analysis made it possible to identify the impacts of selected events on Ukraine's tourism sector as well as to examine trends and cycles. The chapter employs canonical correlation analysis (CCA) to examine key relationships (Borowiec *et al.*, 2009). This is a generalization of multiple regression analysis based on two groups of variables and makes it possible to examine the relationship between them (Sánchez-Rivero *et al.*, 2013). In addition, the strength and significance of the relationship between key variables were determined using Spearman's correlation at the level of significance $P < 0.05$. The significance of canonical roots was determined based on the chi-square test with the identification of values for the lambda calculus (Churski, 2011). This was done in order to determine which factors produced the most significant impact on the rate of tourist traffic and to show which aspects of tourist traffic are most susceptible to the effects of political change. The above method was employed to determine the values of canonical weights for dependent and independent variables used in the study. This made it possible to assign significance (i.e. weights) to each variable used in the creation of the change model for the canonical roots in the study (Uysal and O'Leary, 1986).

8.4 Results

The number of tourists per year has increased since Ukraine's independence in 1991, and this trend remained in place until 2008. A decline in the number of tourists occurred later due to a natural gas conflict with Russia and the worldwide financial crisis that began around 2008. Tourist traffic around the world declined at around the same time (Wisła and Nowosad, 2020). Interestingly enough, the Orange Revolution of 2004 did not trigger a decline in tourist traffic in Ukraine. An increase in tourist traffic in Ukraine was observed around the EURO 2012 football championships. This increase continued to hold steady even a year later. However, the armed conflict with the Russian Federation in 2014 led to an abrupt decline in the number of tourists in Ukraine. Given the current state of (geo)political instability the number of foreign tourists in Ukraine remains low, and the COVID-19 pandemic only made things worse in terms of foreign tourist traffic in 2020 (Fig. 8.2).

The share of foreign tourists in the total number of tourists staying at Ukrainian hotels and other group accommodation facilities follows a somewhat different pattern. The share of foreign tourists increased starting in the late 1990s, with some fluctuations in the early 2000s. An abrupt increase occurred in 2012 and 2013 due to Ukraine's hosting of the EURO 2012 football championships. However, a sudden decline occurred in 2014 due to new (geo)political

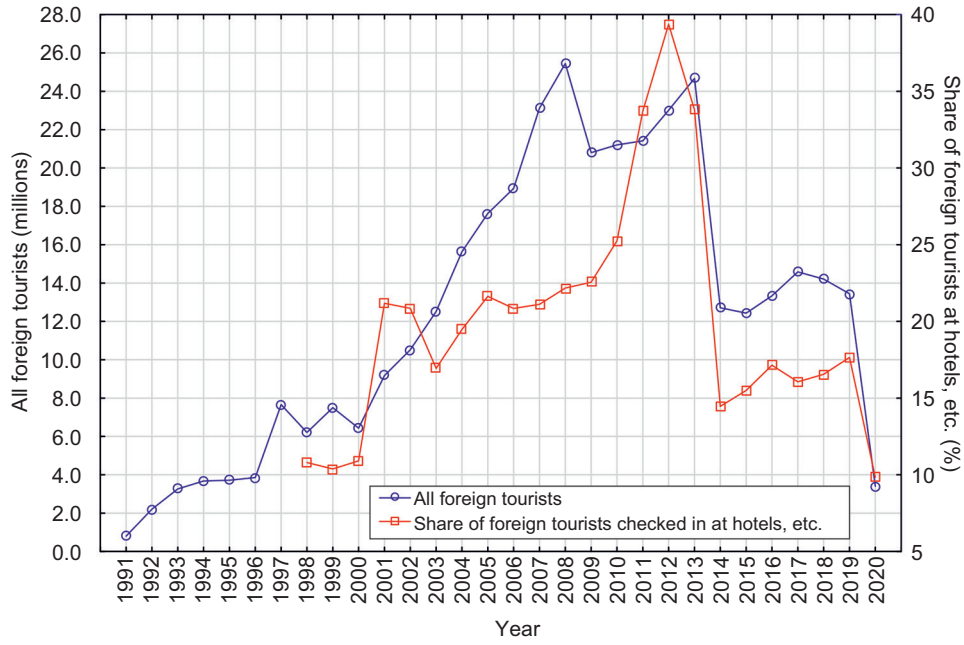

Fig. 8.2. Number of foreign tourists and share of foreign tourists in total tourist volume at hotels and other group accommodation facilities in Ukraine in the years 1991–2020. (Source: authors' own elaboration based on data from SBGAU, 2021; STTU, 2021.)

instability in the region – an instability that persists today. Restrictions related to the pandemic in 2020 severely limited the number of foreign tourists in Ukraine (Vasilyeva *et al.*, 2020).

Tourism-related revenues have followed a declining pattern over the last three decades (Fig. 8.3). This can be mostly explained by significant fluctuations in the US dollar to Ukrainian hryvna currency exchange rate. Revenues increased in the first half of the 1990s with an increasing number of tourists in Ukraine. In the years 1996–1998 Ukraine experienced a domestic political crisis that also coincided with a rapid rate of inflation – an almost threefold loss of value of the country's currency. Subsequent years were characterized by low tourism revenues until the outbreak of the Orange Revolution in 2004. The election of President Victor Yuschenko produced an array of economic changes in Ukraine that helped to reduce the number of entities doing business without paying taxes. This helped improve Ukraine's reputation around the world, leading to a peak in tourist traffic and tourist revenues in 2008.

Economic crisis taking the form of further losses of value for Ukraine's currency hryvna in relation to the US dollar led to reduced revenues for the country's tourism sector. In 2012 the situation improved with Ukraine's hosting of the EURO 2012 footbal championships and Ukraine's international effort to market itself in conjunction with this event. However, tourist revenues remained below their pre-crisis levels. Both tourist volumes and associated revenues strongly declined due to the effects of Russian aggression in 2014. Some stabilization both in terms of tourist volumes and revenues was observed after the year 2014. This pattern held until the outbreak of the COVID-19 pandemic in 2020. Figure 8.4 shows the significance of selected events on tourism-related revenues per tourist in Ukraine. Both the Orange Revolution and the annexation of Crimea by Russia are deemed to be highly significant. Increased revenues in the Ukrainian currency hryvna

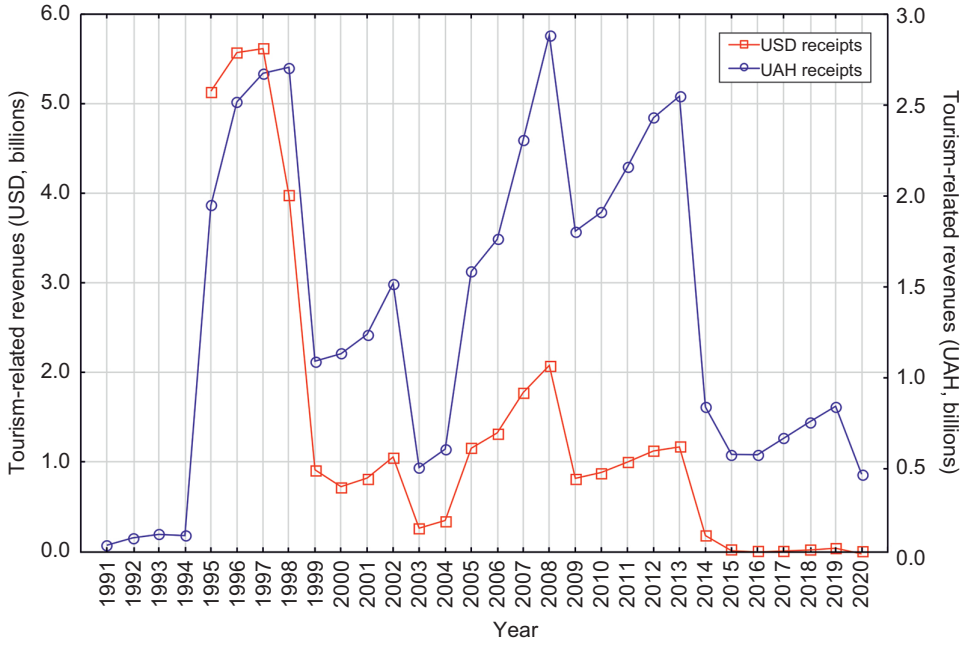

Fig. 8.3. Tourism-related revenues in billion USD and billion UAH standardized via the average annual exchange rate for the hryvna in the years 1991–2020. (Source: authors' own elaboration based on data from STTU, 2021.)

during the EURO 2012 football championships and one year later were due to fluctuations in the exchange rate, and not due to factually higher tourist revenues.

Canonical correlation analysis was used to examine relationships between selected political factors and economic variables (Sánchez-Rivero *et al.*, 2013). Variables reflecting the tourist traffic (i.e. dependent variable) and key political and economic factors (i.e. independent variable) observed in the study area were selected for the analysis (Table 8.1). Dependent variables consisted of the number of foreign tourists, their share in overall tourist traffic, revenues from tourism in hryvnas and dollars, and revenues per tourist in hryvnas and dollars.

A closer look at the two investigated groups of variables reveals significant agreement between the analysed groups in terms of canonical correlation: $R = 0.97$ ($P = 0.0000139$). The P-value indicates high statistical significance, which implies a strong impact of political issues on the volume of foreign tourist traffic over the last three decades. Spearman's correlations were calculated for all variables in order to assess which of the studied variables are most strongly related to one another. The choice of Spearman's correlation was due to the small number of variables used ($n = 21$) (Popescu, 2016) (Table 8.2). The correlation analysis of the selected variables showed strong relationships, except for the Voice and Accountability (VA) indicator. This means that this indicator is not correlated with changes in tourist traffic volumes. On the other hand, the strongest impact on tourist traffic was noted for Political Stability and Absence of Violence/Terrorism (PV) ($r = 0.79$, $P < 0.0001$). The PV indicator is most strongly correlated with revenue in hryvnas, which means that this situation impacts not only foreign tourists, but also domestic tourists. At the same time, the impact on revenues is larger than the impact on the number of tourists. In addition, the unstable political situation is impacting Ukraine's currency, which is further linked with the influx of tourists. Another variable exhibiting a significant relationship with

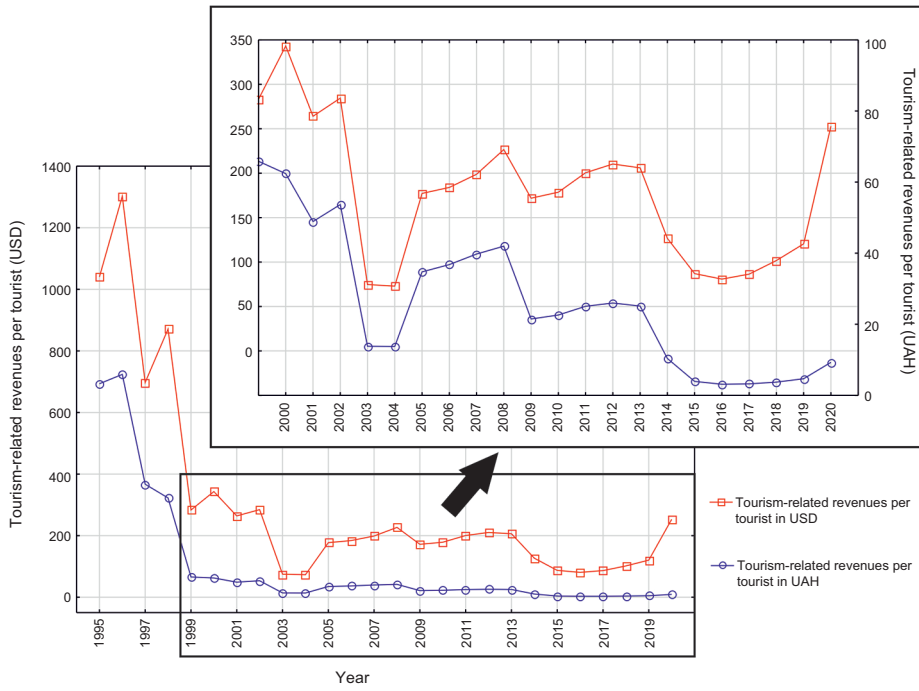

Fig. 8.4. Tourism-related revenues in USD and UAH per tourist standardized via the average annual exchange rate for the hryvna in the years 1995–2020. (Source: authors' own elaboration based on data from STTU, 2021.)

Table 8.1. Canonical variables selected to examine impacts on tourist traffic in Ukraine. (Source: authors' own elaboration.)

Dependent variable	Independent variable
• Total number of foreign tourists	• Voice and Accountability (VA)
• Share of foreign tourists in the total number of guests staying at Ukrainian hotels and other group accommodation facilties	• Political Stability and Absence of Violence/Terrorism (PV)
• Tourism receipts (in USD)	• Government Effectiveness (GE)
• Tourism receipts (in UAH)	• Regulatory Quality (RQ)
• Revenues per tourist (in USD)	• Rule of Law (RL)
• Revenues per tourist standardized (in UAH)	• Control of Corruption (CC)
	• USD to UAH exchange rate

all the other investigated variables of tourist traffic is Government Effectiveness (GE). This correlation is negative. The Rule of Law (RL) and Control of Corruption (CC) are negatively correlated with revenues per tourist. An important factor affecting tourism-related revenues is the dollar to hryvna exchange rate. This factor is negatively correlated with tourism-related revenue.

Canonical weights were then calculated in order to keep track of the significance of each examined variable in the weighted total of the canonical correlation. The canonical weights describe the contribution of each variable to the resulting correlation. The higher the absolute value of the weight, the larger the contribution of the variable to the canonical variable. The chi-square test was used to show

Table 8.2. Spearman's correlation coefficients for selected political and tourist traffic variables. (Source: authors' own elaboration based on data from SBGAU, 2021; STTU, 2021; WGI, 2021).

	Spearman's correlation coefficients					
	Prob. > |*r*| with H_0: $\rho = 0$					
	total_tourists	share_foreign	receipts_USD	receipts_UAH	rec_tour_UAH	rec_tour_USD
VA	0.29531	–0.00130	0.03331	–0.15641	–0.30322	–0.06381
P-value	0.1821	0.9955	0.8830	0.4870	0.1701	0.7779
PV	0.46245	0.58701	0.71429	0.79673	0.73235	0.51327
P-value	0.0302	0.0051	0.0002	<0.0001	0.0001	0.0146
GE	–0.27950	–0.45584	–0.70073	–0.66573	–0.66460	–0.47713
P-value	0.2078	0.0378	0.0003	0.0007	0.0007	0.0247
RQ	–0.15189	–0.23247	–0.42631	–0.39469	–0.36872	–0.26934
P-value	0.4998	0.3106	0.0479	0.0691	0.0913	0.2255
RL	0.27047	–0.04156	–0.32242	–0.39018	–0.52456	–0.42970
P-value	0.2234	0.8580	0.1434	0.0726	0.0122	0.0459
CC	0.14173	–0.13896	–0.45229	–0.37211	–0.49633	–0.52795
P-value	0.5293	0.5480	0.0346	0.0881	0.0188	0.0116
exch. rate	0.24893	–0.09210	–0.54819	–0.83034	–0.87485	–0.59271
P-value	0.2201	0.6760	0.0037	<0.0001	<0.0001	0.0014

total_tourists = total number of foreign tourists; share_foreign = share of foreign tourists in the total number of guests staying at Ukrainian hotels and other group accommodation facilties; receipts_USD = tourism receipts in USD; receipts_UAH = tourism receipts in UAH standardized via the average annual exchange rate for the hryvna; rec_tour_UAH = tourism-related revenues per tourist in UAH standardized via the average annual exchange rate for the hryvna; rec_tour_USD = tourism-related revenues per tourist in USD; exch. rate = USD to UAH exchange rate.

which variables are statistically significant. In the study the significance level for the lambda calculus was assumed to be $P < 0.05$. The *P*-value used in the lambda calculus is Wilk's lambda, which is used as a significance test for the square of the canonical correlation. The two values of the lambda calculus shown in Table 8.3 below are statistically significant at the 0.05 level; hence it may be assumed that only two canonical variables are statistically significant. This is also why only two roots were deemed to be relevant in the studied case. It is also why the analysis of canonical weights was limited to just two roots – both of which are statistically significant.

The strongest effects, as indicated by the values of the canonical weights of the studied independent variables, were noted for Control of Corruption (CC), Rule of Law (RL) and the dollar to hryvna exchange rate, which subsequently affect tourism-related revenues (Table 8.3). The second canonical variable expressed in terms of Regulatory Quality (RQ), Voice and Accountability (VA) and the dollar to hryvna exchange rate affects both foreign tourist revenues and foreign tourist traffic. Considering the dependent variables used in the study, it may be concluded that the dollar to hryvna exchange rate, in conjunction with other indicators, yields the greatest impact on foreign tourist revenues and foreign tourist traffic.

The indicators selected to assess the impacts of different variables on the tourism sector yield impact first and foremost on tourism-related revenues, while tourist volumes are more intensely impacted by larger international events and threats to tourist safety. Tourist traffic is affected largely by the political situation at hand. The political volatility indicator (PV) impacts tourist traffic flows, but affects tourism-related revenues largelty via the dollar to hryvna exchange rate.

Table 8.3. Values of canonical weights (independent and dependent variables). (Source: authors' own elaboration based on data from SBGAU, 2021; STTU, 2021; WGI, 2021.)

	Canonical weights, right set (independent variables)	
Variable	Root 1	Root 2
VA	0.170081	–1.33871
PV	0.124664	1.23274
GE	–0.174874	0.51386
RQ	–0.018728	–1.38236
RL	0.341908	0.24472
CC	0.546932	0.82675
exch. rate	–0.870943	1.76226
Variable	Canonical weights, left set (dependent variables)	
	Root 1	Root 2
total tourists	0.99458	–3.78477
share_foreign	0.29465	1.69242
receipts_USD	–3.12852	0.60525
receipts_UAH	4.57095	2.89113
rec_tour_UAH	–3.81645	0.42445
rec_tour_USD	1.79990	–4.29841

8.5 Discussion

The research results illustrate changes in Ukraine's tourism market, as triggered by various factors such as changes in domestic politics, the Orange Revolution, the 2008 global financial crisis, Russian annexation of Crimea and the war along Ukraine's eastern border. In addition, the tourism sector in Ukraine and across the world is suffering due to the COVID-19 pandemic. The study employs the canonical correlation analysis to examine relationships based on variables which illustrate tourist traffic flows (dependent variables) as well as political and economic issues in Ukraine (independent variables). The following are the most important findings from this study:

- political factors produce a great impact upon foreign tourist traffic flows in Ukraine;
- the events that affect tourism in Ukraine are external events;
- the strongest impact on foreign tourist traffic and especially on tourism-related revenues in US dollars was generated by the Political Stability and Absence of Violence/Terrorism (PV) indicator;
- tourism-related revenue in Ukraine is strongly dependent on the number of foreign tourists;
- the dollar to hryvna exchange rate strongly affects tourist traffic – it is negatively correlated with the share of foreign tourists in Ukraine and with tourism-related revenues;
- not all events produced a negative impact on the number of foreign tourists in Ukraine – one such event without negative consequences was the country's Orange Revolution; and
- the share of foreign tourists decreases proportionally to the perceived threat to safety – for example, unstable economic, political or epidemiological situation.

Events that threaten public security such as the annexation of Crimea and the armed conflict in eastern Ukraine as well as the current pandemic yield negative impacts on tourist flows from foreign countries. Global economic problems also negatively affect foreign tourist inflows. These conclusions are consistent with findings by both Neumayer (2004) and Yap and Saha (2013) whereby political events produce more severe impacts on tourism than single incidents. This research has demonstrated that the Crimean Peninsula is an especially valuable tourist region in Ukraine. It was visited by five to six million people prior to 2014 or about 25% of the tourist traffic in all of Ukraine. Earlier research has shown (Quirini-Popławski *et al*., 2021) that after 2014 tourism in Ukraine not only declined in the areas affected by military conflict, but also in areas of Ukraine bordering Russia – the country that invaded Ukraine. This clearly shows a relationship between tourism and geopolitics. On the other hand, Ukraine's Orange Revolution, being a domestic event, did not produce a major impact on the safety of tourists and thus did not negatively affect foreign tourist inflows. This finding for Ukraine is not consistent with results obtained by Fletcher and Morakabati (2008) for Kenya and Fiji, where the authors demonstrate the immense significance of internal factors. Generally, the present

research has confirmed the results of previous studies that identify (geo)political instability as the leading cause of negative impacts on Ukraine's tourism sector (Tekin, 2015; Ivanov *et al.*, 2017; Liu and Pratt, 2017; Webster *et al.*, 2017; Sass, 2020; Tomczewska-Popowycz and Quirini-Popławski, 2021). In addition, the unstable situation in Ukraine has persisted for seven years already, thus making it a rather permanent element of the tourism scene in the country.

Resilience in tourism represents an important characteristic of the reconstruction of the tourist economy following the occurrence of negative events (Guo, 2012; Buultjens *et al.*, 2016; Lin *et al.*, 2018; Sheller, 2021). Ukraine has high potential for tourism, but promotional and media tools need to be developed that would provide a sense of safety for foreign tourists and this is the key to further development in the tourism sector in the country (Kovalchuk *et al.*, 2020; Illiashenko *et al.*, 2021). Research has shown that the return of the tourism market to its pre-crisis state requires more time in the case of foreign tourists (Barbhuiya and Chatterjee, 2020). This explains why the domestic tourism market is so significant in cases such as Ukraine.

Concluding Remarks

Over the last decade or so we have witnessed an increase in the number of cases of political instability and terrorism around the world, which produce a meaningful impact on the global flow of tourists. According to Santana Gallego and Li (2017), this situation requires a major re-evaluation of a variety of issues in tourism-related policy. This chapter argues that an analysis of past and current trends helps to understand the various main characteristics of factors impacting the tourist industry, which may be useful in the planning and management of policy in this particular sector in order to manage different crisis situations and help predict likely scenarios.

The findings may help lead to an improved understanding of the characteristics of political and economic instability, which may be useful in the formulation of better tourism policy. In line with the findings of Gössling *et al.* (2020), Niewiadomski (2020) and Prideaux *et al.* (2020), the immense disruption caused by the coronavirus pandemic should provide a learning opportunity for decision makers open to new models of tourism that utilize the principles of the sustainable model of tourism development in place of focusing on traditional models of economic growth and a return to business as usual from the pre-pandemic era. The research presented here may be used to help enhance the decision-making process in the tourism sector, especially in light of the fact that the effects of the pandemic and a return to normalcy may last and take many years. This is a good moment for change and the implementation of new solutions, both by policy makers and practitioners. Decisive action is likely to help not only the tourism sector in Ukraine, but also other sectors that are economically linked to it. The chapter authors agree with Zenker and Kock (2020) that tourism needs to be increasingly understood in an economic and political context in a globalized world.

Ukraine suffers from an international image crisis as well as from inadequate development in its tourism sector at a number of tourist destinations in the country. Unstable tourism demand further complicates the picture. Thus despite the significant tourism potential of Ukraine, the country's political situation remains an important factor determining the volume of tourist traffic. The government of Ukraine should take action to increase the trust level among foreign tourists as it relates to Ukraine. Foreign tourists should not be afraid to visit destinations in Ukraine. In a situation characterized by (geo) political instability it is key to provide a diversified tourism offering for tourists from a variety of different countries. Any neglect in this area may lead to a stabilization of the low level of foreign tourism in Ukraine. In addition, any increase in the level of instability may further scare foreign tourists away. A study by Quirini-Popławski *et al.* (2021) showed that areas located away from conflict zones tend to benefit from conflict in other areas – at least in terms of tourist traffic – and that areas that remain less well known may be promoted as alternatives to well-known conflict zones.

One limitation in the present study is the quality of the available data for Ukraine's tourism sector, which makes objective analyses difficult.

In addition, the set of Worldwide Governance Indicators is an imperfect collection of key metrics that cover some issues and exclude others (Skaaning, 2010; Thomas, 2010). Thus the research results presented in this chapter need to be interpreted with care. The analysis is not based on adequately long data series on a regional level. It is obvious that the distribution of tourists within Ukraine will vary from one geographic area to another (Rutyns'kyj and Pantylej, 2009; Quirini-Popławski *et al*., 2021). Future studies should include research on differences in the country of origin of tourists. Combinations of econometric models could also be used in such research work. The current pandemic may change the threat level linked with (geo)political issues, as suggested by Gozgor *et al*. (2021). Thus it would be worthwhile to monitor the effects of the pandemic on Ukraine's tourism sector and compare it with that in other countries in Central and Eastern Europe.

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