

Obstacles to the Growth of Alternative Tourism in Greece

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Abstract

In the midst of the recent economic melt-down in Greece, economists are discussing the potential of tourism to pull the country out of its current woes. More than 16 million tourists visit the country annually whereas the sector contributes 15% to the nation's Gross Domestic Product and offers employment to 16% of the work force (Hellenic Statistical Authority, 2010). Concurrently, mass tourism has also caused a rise in pollution, a depletion of water supplies, desertification, rural emigration to urban centers, erosion of coastal areas and a drop in hygienic standards, all of which have had serious economic costs and caused residents to protest the industry's mode of expansion. To that purpose, alternative types of tourism such as agrotourism and ecotourism have been defined as overarching objectives that complement the strategy for growth and employment. However, a closer look at the spots mostly known for alternative tourism activities shows the parallel emergence of other socio-economic developments that have slowly eroded Greek rural life and intensified the economic disparities between the local social classes. A closer evaluation of the damaging side effects casts doubt on the potential of alternative tourism as practiced today to inject growth into a stagnating economy.

Key words: alternative, tourism, Greece, agro-tourism, ecotourism.

INTRODUCTION

Greece's debt crisis became apparent in the end of 2009 leading to an initial bailout loan of 110 billion Euros from the European Union and International Monetary Fund. The purpose of the bailout was to buy time for the government to adopt austerity measures without having to tap the public debt markets. However, a year and a half later, the country has fallen short of its budget targets and structural changes whereas the austerity measures resulted in lower tax receipts and ever-higher deficits. As a result, a second bail-out package was approved in early June 2011 requiring stricter structural adjustments (Task, 2011). The recent intergovernmental turmoil has worsened the economic outlook. The situation

is not unsalvageable if one considers the strength of the tourism and maritime industry in the country. Tourism may produce higher profits even without an increase in the number of tourists if the people manage to lower its socioeconomic costs stemming from environmental degradation and abuse, abandonment of agricultural production and rural emigration to the cities.

THE COSTS OF MASS TOURISM

The extent of the socioeconomic effects of mass tourism in Greece has been debated in the fields of economics, business and social sciences. According to the report "The changing faces of Europe's coastal areas" (European Environmental Agency, 2006), the

impact on many coastal areas is significant. Included in the above-mentioned report was the example of the Greek island Patmos where water demand increased sevenfold during the tourist season. Private citizens expropriated land to develop tourism-related businesses, (Lialios & Georgiopolou, 2007), tourists exerted pressure on resources and waste facilities, and hotel expansion resulted in the destruction of wetlands and sand dunes. Destruction of forests and land abandonment in Lesvos were reported by Kosmas (2004) and the effects of environmental degradation in the Mediterranean were assessed by Hickman (2006) and McCarthy (2001). Kerin (1999) and Katsantonis (2007) reported on the effects of mass tourism on hygienic conditions in the affected areas and the physical environment in general. Efforts for promoting sustainable development have been undertaken by non-governmental organizations such as SOS-Mediterranean.

The significance of the problem has been accentuated by the sector's impact on rural life as well. Major hotel developments are located along the coastline and have attracted workers from nearby and inland rural areas. The population changes and economic decline of rural areas have been worrisome. Stamboglis (2007) reported on the dwindling rural population and the dim economic prospects as rural production of goods and services tends to be replaced by domestic imports. Stamboglis also warned of an impending decline in production of rural products because of the gradual reduction in EU-funded subsidies for agriculture. Furthermore, Kallergis (2010) reported that state-funded subsidies for the development of the periphery decreased by 19.7% during the period 2004-2009 as compared to the period 2001-2003. Rural emigration is a significant problem that seems to be worsening. Georgiopolou (2007) quoted the chairman of the Union of Young Farmers, Giorgos Kefalas, as saying that of the 15,000 young farmers who participated in EU-funded Third Community Support Framework (CSF III) programs, over half were either facing serious business problems or abandoned jobs or profession. Furthermore, the fires of late August 2007 destroyed half the agricultural production of the areas affected in Peloponnese and Attica while 4% of the total olive oil production will probably be lost in these regions (Becatoros, 2007). The loss in olive oil production could cause further rural emigration to urban areas in search of employment. Finally, Varouhakis (2003)

reported that the village of Agios Pavlos in Southwestern Crete was deserted and the buildings collapsed. Moreover, the agricultural sector in the EU is characterized by aging farmers, more farmers working off-farm jobs and fewer farmers ("Rural Development in the European Union," 2005). Policy-makers from the European Union and the Greek Ministry of Agriculture have been discussing ways to halt rural emigration to urban areas.

The above-cited well-publicized problems have created the basis of support for the development of alternative types of tourism, such as agro-tourism and ecotourism (Heinrichs, 2007). The former refers to travel to rural areas where the tourism-related businessmen exhibit in organized manner local habits, customs and traditions (Greek National Tourism Organization, n.d.). The latter refers to travel to natural areas where the tourism-related businessmen conserve the environment and help improve the well-being of local people (Global Development Research Center, n.d.). Poutetsi (2007) has considered agro-tourism as the means for an alternative development of the countryside that would also reduce rural emigration, boost the production of local products, upgrade the position of women, and revive local customs and traditions. Brass (2007) and Svoronou and Halden (2005) have also emphasized the benefits of agro-tourism and ecotourism.

OBSTACLES TO GROWTH

As the current economic problems are urging Greece to boost the tourism industry in search of extra income, one needs to assess whether the current form of development may indeed help the situation or whether it looms the potential for further losses. The author traveled in May 2011 to islands of Aegean Sea, Ionian Sea, Epirus and Crete where agro-tourism and ecotourism are being advertised and discussed the current forms of development with local residents and officials. She has identified the following obstacles to growth that impose significant direct and indirect costs on the economy.

- Private alternative tourism enterprises are still subsidized by the state, a process that encourages sluggishness and corruption.
- Certain agro-tourism spots have adopted the name but

not the essence of alternative tourism, as the definition of the term is murky and may include mass tourism activities. Furthermore the agro-tourism activities they offer are limited and do not educate the tourist on rural life. Thus, these units impose stress on the environment and encourage rural flight instead of preventing it.

- Certain ecotourism spots depend on mass tourism facilities for housing the guests.
- Agro-tourism and ecotourism spots have attracted foreign residents who have purchased land and homes thus driving the real estate values to a limit unreachable by the local populations, who are driven to either rural flight or local poverty.
- The current crisis has encouraged some city residents to go back to rural areas. The return of the urbanites has accentuated local hostilities and weakened social cohesion, necessary for successful sustainable tourism expansion.
- Foreign residents often rent out their houses through the internet without declaring the income to neither their home country nor Greece, thus promoting tax evasion.

The first obstacle to healthy sustainable growth is a side effect of the European Union's policy of subsidizing tourism at both national and local levels through structural funds. These funds are a financial device for improving local economies in less-developed regions. Both public administrations and private enterprises can benefit by receiving aid for infrastructure, training and promotion of developments (Financial Support ..., 2010). It is important to remember that these funds are grants and not loans. They do not have to be repaid.

According to Katsaitis (2010), the effects of structural funds on economic growth present a mixed picture whereas the importance of the

institutional leadership in the efficacy of the funds application is emphasized. The author used panel data for the EU-15 countries to evaluate the relationship between structural funds and rise in productivity growth. He found that the existence of extensive corruption hindered the positive impact of structural funds on factor productivity and improved competitiveness. Similarly, Badea (2011) has discussed the dramatic rise of mismanaged structural funds in the Mediterranean states and the crippling effect of corruption on the national economies. Also, the European Anti-Fraud Office has investigated the mismanagement of twenty cases for the period 1989-2006 of total impact of €142 million (OLAF Activities..., 2010). Indeed in small towns in Epirus and Crete, the author discussed the situation with local officials who verified the extent of the problem. Specifically, prospective hotel developers receive a certain amount of funds for building while they are obliged to provide receipts for the work done. However due to endemic corruption, local providers agree to giving them receipts for money not spent and thus the recipients expropriate the difference. The immediate cost is that funds aimed for development are stolen and a culture of corruption is strengthened directly damaging the healthy parts of the economy.

The second obstacle is the mislabeling of agro-tourism spots. According to the Greek National Tourism Organization, agro-tourism refers to travel to rural areas where the tourism-related businessmen exhibit in organized manner local habits, customs and traditions. Such activities should contribute to a rise in income, halting of rural emigration, preservation of local identity and culture, growth of local products and protection of the environment (Aravossis, 2004; Bramwell, 2004). However, there have been a number of cases in which the label does not match reality, without any state intervention to remedy the situation. Specifically, in one of the most famous "agro-tourism" destination in Crete, the town of Vamos, one finds local guest houses whose managers provided occasional cooking lessons and hiking opportunities but not in an organized manner. The town is bustling with bars, cafeterias and noise while modern hotels are springing up on the nearby coast. Concurrently the foreign and local residents are building modern looking villas that have distorted the agro-look of the village. The noise and environmental pressure of the new hotels and villas are destroying

nature while the fast rising value in real estate has driven the local population away and into urban areas in search of employment. The same observation was made in Konitsa, Epirus, where the lone agro-tourism hotel lacked an aesthetic tie to the agro-environment and offered a yard where animals were kept as the sole agro-tourism activity. Similar contradictions were recorded by Kizos and Iosifides (2007) after examining three spots in Lesbos, Magnesia and Lefkada.

The third obstacle is that ecotourism spots have often accommodated mass tourism facilities that simply organize outdoor sports and thus mislabel themselves as ecotourism destinations. This mislabeling violates the core essence of ecotourism which entails travel to natural areas where the tourism-related businessmen conserve the environment and help improve the well-being of local people (Global Development Research Center, n.d.). Such cases were recorded by the author in Rethimno, where one sees villas with swimming pools being advertised as "ecotourism" destinations, as well as in Iraklio, Chania, Ithaca, Lefkada, and along the coast of Epirus. The owners of these villas are often residents of urban centers or other countries and thus their profits are not reinvested in the local area but elsewhere. Furthermore the environment was not protected but abused. On the island of Corfu there are large mass tourism hotels that advertise themselves under ecotourism sites for the simple reason they have a sea or mountain view. Similarly along the coast of Epirus one sees large hotels with pools advertised as eco-hotels because they organize sea sports including jet-ski rentals. The cost of the mislabeling is negative advertising abroad and a drop in the number of eco or agro-tourists who will opt for more genuine spots in Southern Italy or Southern France.

The fourth obstacle is the galloping rise in the value of local real estate. The mayor of Vamos explained that more than 200 British nationals, attracted by the mild climate and the Cretan diet, purchased homes which they also rent out to other foreigners. The profits are significant and more foreigners are encouraged to buy local properties for the purpose of renting them out. The process however has seriously damaged the local economy because of the tax evasion resulting from the practice. Home owners do not declare rental income to neither country. The mayor also specified that since 1992 the rise

in property values exceeded 800%, which has made purchase of existing houses difficult for locals. A local taxi driver told the author that those who sold to the British, now have become their servants and gardeners in order to survive, expressing a widely felt hostility towards the foreign residents and visitors alike. Further hostility was observed among residents who gave examples of prompt services delivered by the water company and the telephone company to the British but not the Greeks. Unable to afford the new land prices, some locals opt to build illegally on agricultural lands. The latter is a dangerous practice as it is based on corruption, perpetuates corruption, destroys valuable farm land, exhausts natural water supplies used for farming and distorts the local agricultural environment. The illegal construction has acquired dramatic dimensions and new zoning is necessary to accommodate the problem. However, new zoning needs new infrastructure projects in transportation and utilities. But as the money cannot be raised locally, the projects depend on EU-funds which are difficult to be approved if the reason is to fix the consequences of illegal activities. In Corfu and the Epirus coast in general one has observed similar hikes in land values that have exacerbated the locals, created hostility towards foreign owners and encouraged rural flight.

The fifth obstacle lies on the reversal of the flight from rural to urban areas. Shortly after the economic melt-down many city residents found it impossible to afford the city life described in dire terms by Helena Smith (2011). Signs of austerity are abundant with homeless and hungry who forage through municipal rubbish bins late at night; with impoverished pensioners who pick up rotten vegetables on sale, and with thousands of shops vacant. However the return has not been easy. In the village of Konitsa, the author interviewed a family that recently came back from Thessalonica only to find modest homes selling as expensively as flats in the city, while buying farming land also came expensive. *"We had an idyllic picture of the village as we were occasionally coming here as visitors. Now that we are here to stay, the challenges are many. The bank turned down our application for a loan to buy farm land. Banks are low in cash... what can we do?"* Indeed banks have experienced a massive drainage after the crisis as thousands of Greeks siphoned their deposits to foreign banks. In the town of Xanthi 184 million Euros were withdrawn

during 2010 (Xanthipress, 2011), while in Kalamata the amount rose to 188 million Euros (Tharrosnews, 2011). The immediate effect is that banks find it hard to raise capital for loans and experience a stage of financial hibernation.

The only other means of acquiring capital is to qualify for an EU-structural fund that will finance the purchase of land. However, the delivery of such funds has stalled due to the crisis and the fear of misuse due to corrupt activities. Family members also spoke of a feeling of *"not belonging"* with the locals where everyone: *"thinks and acts differently. Survival will depend on a social cohesion that we cannot see while our survival skills for rural life are low. We are perceived as competitors. Local agencies and local businessmen do not want to help."* In towns like Konitsa where tourism and especially ecotourism is the driving force of the local economy, weakening of the local cohesion can prove disastrous. Eco-tourists are attracted by nature and local cultures and they will stay in a place they perceive as friendly to the environment and whose local culture they respect. The potential for weakening the main industry of the town is currently grave.

Finally the last obstacle appears to be the tax evasion mentality that has stained the property sector. The Secretary General of the Greek Finance Ministry, George Dimitrakopoulos, revealed in a recent TV interview that the IMF officials got a personal taste when they tried to negotiate the rent of an apartment in Athens and the owner accepted to lower the rent by offering a receipt for half price, while he demanded the rest to be paid in cash under the table.

Corruption in Greece is closely associated with tax evasion and the underground economy. The latter is estimated to produce 55 billion Euros, an amount that corresponds to 29% of the GDP. It has been estimated that bribes reach the amount of 400 million Euros annually while the hidden completed works is worth close to 15 billion Euros annually. The underground economy in Greece is estimated to be triple in size than the one in the rest of Europe (Stergiou, 2007). When it comes to tax evasion from real estate rentals, the President of the Union of Greek Economists, Mr. Tiris, stated that the sector constitutes the black hole of the national economy's balance sheet. He has estimated that income from 20% of the country's real estate rentals is not declared.

He also notes the responsibility of the tenants who accept to pay money under the table and agree to false contracts that declare a rent as low as 30 Euros per month (Kontogiannidis, 2009). According to Noti (2010) tax evasion from holiday villas is easy to do. The owners advertise the villa on the web and rent it out for a period of a few days to a few weeks, whereas the rent is directly deposited in a bank account. Given the fact that there is no written contract deposited with the local tax authorities, the money does not show anywhere and the losses to the national economy are significant as some villas have a weekly rent of 10,000 Euros. The author cites a web page that advertises 2,500 such villas with ways to directly contact and negotiate with the owner.

CONCLUSION

Greece is experiencing severe structural adjustments and unprecedented austerity measures. Alternative types of tourism are becoming more popular and attract thousands of new visitors. This potential should be enhanced by strict application of the law in matters of labeling, use of funds, corruption and tax evasion. For a stricter application local people and governmental officials alike need to find a common ground of communication whereas an atmosphere of mutual trust needs to be cultivated. If a healthy alternative tourism sector emerges, local populations will benefit through increased employment, re-investment of profits to the local economy, stronger cohesion among local social groups and re-oxygenation of the financial institutions. Alternative tourism has the potential of attracting millions of visitors and thus may significantly alleviate the current crisis. The crisis is also a challenge that may turn into an opportunity.

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