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Tourism Challenges in the Baltic States Since EU Enlargement

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TOURISM CHALLENGES IN THE BALTIC STATES SINCE EU ENLARGEMENT

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Abstract

The paper gives explanation of changes in the tourism processes in the three Baltic States since 1st May, 2004. The number of tourists has increased in the all three Baltic States during EU enlargement.

It does not mean that the benefits from tourism and travel industry have increased by the same figures at the same time; is due to the fact that many tourists are spending a small amount of money or they are not spending at all.

The main issue is to provide sustainable tourism products for foreign markets, not separate activities. At the same time it is necessary to develop new sustainable tourism attractions in cities and in rural areas by local initiative if Baltic States want to increase income from tourism and travel industry.

Introduction

The term ‘Baltic States’, or ‘The Baltics’ nowadays describes 3 states in the North of Europe, along the Eastern coast of the Baltic sea, Estonia, Latvia, and Lithuania. Regarding the territory and the population the biggest of the three states is Lithuania, with 3.4mn inhabitants. However in total all the Baltic States are inhabited by 7.1mn, which is 1.5 per cent of the total European population. This is approximately the same number as in Switzerland or Honduras, and 1.5 times less than in Greece. The area of the Baltic States covers 175 thsd. square kilometres, or 4.4 per cent of the EU territory. This is similar to the area of Uruguay, or 1.3 times bigger than Greece. (*Statistics Lithuania, 2006; Statistical Office of Estonia, 2006; Central Statistical Bureau of Latvia, 2005a*).

Historically the Baltic States were independent since 1918, but from 1940 and after the Second War from 1944 until 1991 the countries were incorporated into the USSR. In this period the development of tourism mainly was focused on development of local tourism. The Baltic States was very popular destination for inhabitants of the USSR in the 1970ies and 1980ies, beach resorts with recreation tourism are offered by Jurmala City in Latvia, Palanga in Lithuania, the capital cities are examples of European lifestyle and culture: Tallinn in Estonia, Riga in Latvia and Vilnius in Lithuania, natural resources: the Gauja National Park in Latvia, Kursu lagoon in Lithuania and Lahemaa National Park in Estonia, as examples. After regaining independence in 1991 every country manages its tourism industry independently, but making together different marketing activities, as common tourism information centre in Berlin, Germany. Since 2004 all the three Baltic States are members of the European Union.

In Europe and worldwide the Baltic States have limited recognition, the Baltics is identified as the Balkans or is understood as part of Russia. Those who have heard about the Baltic States anyway mix them up. Nevertheless all the three nations, in a way similar in history differ very much in terms of culture and especially language. The Latvian and Lithuanian languages belong to the Baltic language group of the Indo- European language family, but these languages are not so close for people to understand each other. The

Estonian language and the language of the almost extinct Latvian minority Livs are in the Baltic Finn language group of the Finno-Ugric language family, therefore the Estonian culture and mentality are closer to the Finnish culture promoting tourism flows in both ways. On the other hand, for the Latvians and Lithuanians their folk songs are of same importance as sagas for Iceland. All the three Baltic States have unique open-air Folksong festivals with participants of more than 35 thousands singers, dancers and musicians. UNESCO declared the Latvian Song and Dance festival together with the Lithuanian and Estonia Song festivals as ‘Masterpieces of Intangible Culture Heritage’ in 2003 (*Ministry of Culture of the Republic of Latvia, 2003*). The Lithuanians almost in total numbers are catholic in belief. Latvians and Estonians traditionally are Lutherans, excluding the Eastern part of Latvia, Latgale, which is Catholic. Latvia and Estonia have an exit to the Baltic Sea and both countries has long traditions and strong importance in the fields of shipping and fishing, while Lithuania historically has been more oriented to agriculture.

Possibly in trade Lithuania is more oriented to Poland and Central Europe, while Estonia and Latvia to Scandinavia and Germany, plus Estonia has always had close contacts with Finland.

The Baltic States – „European Tiger Economies”

At present (2004-2006) Baltic States show most rapid growth of economy in the European Union and this growth is a good basis for balanced development in the future. In the spheres of economists Baltic States have been related to as the “European tiger economies” (see Table 1). In both 2004 and 2005 Latvia has shown the biggest increase of GDP among the 25 member states of the EU. The structure of GDP of the Baltic States is practically equal, with Latvia showing the most rapid growth in service sector, but having lower figures in production industry than the neighbouring two countries. The International Money Fund report of April, 2006, states that Latvian GDP in 2006 could be increased by 9% which then would be the most rapid growth in the EU and the 9th most rapid worldwide. According to this prognosis of IMF GDP of Estonia would increase by 7.9 %, being 14th rapidest in the world, but Lithuanian economy would growth by 6.5% (*IMF, 2006*).

Table 1. Number of population of Baltic States and GDP

			Estonia			Latvia			Lithuania		
Population 2005			1.35mn			2.31mn			3.43mn		
Increase of GDP %											
2003	2004	2005	6.7	7.8	9.8	7.5	8.3	10.2	9.3	6.7	7.3
GDP per capita (2004) €			6704			5358			5218		
GDP per capita (1925-1934; average per year) USA \$			214			221			140		

Source: National Statistics Offices (Department of Statistics to the Government of the Republic of Lithuania (Statistics Lithuania) 2006; Statistical Office of Estonia 2006; Kaldma, 2006; Central Statistical Bureau of Latvia, 2006a; Blūma, 2006, LRSCP, 2002)

The EU is only offering opportunities for faster growth of economy while the countries have to be able to use the new possibilities. The enlargement of EU historically had had

both positive and negative examples. For example, in Spain before joining the EU it was 1.8 per cent in average, but 10 years after – 2.9 per cent annually. On the contrary, Greece had a different experience – GDP after joining the EU developed slower (*Saeimas ES informācijas centrs, 2003*).

The Baltic States before the Second World War were the most economically developed countries at that time in Europe. Latvia was ranking 12th, Estonia 13th, Lithuania 20th place in Europe according to the average GDP per capita in the period 1925-1934 (by International standards, USA\$). The highest national income level was in UK (502), Switzerland (493), Sweden (366), Netherlands (343) and Germany (320) among Europe countries (*LR SCB, 2002*). These data indicate that Baltic States are trying to gain back their good reputation of the pre-soviet period and we can only guess about the situation of the Baltics today, if the Baltic States were not occupied by the Soviet power for 50 years.

Dynamic Development of Tourism Industry

Tourism, especially incoming tourism in the Baltic States, is already a significant economic sector, the importance of which is growing each year. In 2004, revenues from incoming tourism in the Baltic States amounted to € 1763 M, corresponding to 4.7 % of the Baltic States combined GDP. While the Baltic economies overall grew at a nominal 10 %, incoming tourism revenues grew at 16 % or 1.6 times faster than the combined Baltic economies.

Economic contribution of incoming tourism in 2004:

- Estonia –€ 891 million or 10 % of Estonia's GDP (as measured by foreign visitors expenditures and their payments to transport companies);
- Latvia – € 214 million or 2 % of Latvia's GDP (excluding travel expenses, expenses incurred on instruction of the employer as well as capital investments);
- Lithuania –€ 658 million or 3.6 % of Lithuania's GDP (*Consumetric, 2005*).

Main Motivating Forces of Increase:

Baltic States are entered as a **new, unexplored destination** for Europeans after 50 years long period of Soviet occupation and 15 years after independence period, including as the new Eastern boundary of the EU with Russia; over a period of two years it was found that three-quarters of all EU citizens did not travel outside the Union borders (*European Commission, 2003*). The results of the Latvia survey show that in 2005 37% of the overnight foreign visitors had arrived in Latvia for the first time (*Central Statistical Bureau of Latvia, 2006b*).

- **Baltic States joined the EU** as member states in 2004. Attention was paid to the Baltic States by mass media. The Baltic States define it as a free international advertisement campaign, and it created the image of the Baltics as a safe and beneficial destination. The Baltic States are a comparatively cheap, with a relatively high quality, comfortable and not overcrowded destination. Lower price levels compared to Western Europe and Scandinavia serve as additional incentive for visiting the Baltic States; this applies especially well to the large number of Scandinavian visitors (esp. Finnish, Swedish). Short trips to the Baltic states are up to 70 percent cheaper compared to well established tourist destinations for German tourists (*Hübschen, 2004*);
- **Nature, culture and historical heritage of the Baltic States** (medieval cities, mostly former members of the Hanseatic League), attract tourists from countries with whom there have been historical linkages (e.g., Germany, Sweden) or who perceive the Baltic

region as uniquely different from their own (e.g., Southern Europeans). The capitals of all three Baltic States are **Tallinn, Riga, Vilnius**, they are similar, but at the same time essentially different, each of them has its own particular charm.

- **Changes in transportation market** in the Baltic States. Growing number of transport connections to the Baltic's, especially the market entry of **low fare airlines, joining in cruise tourism in the Baltic Sea**, is making the Baltics accessible and affordable to more travellers. The international airport Riga (airport code RIX) is the busiest air transport junction in the Baltic states (carried 1.9 mil passengers in 2005 which more of 77 % as in the 2004, comparatively in Tallinn airport 1.4 mil., in Vilnius 1.3 mil. passengers in 2005 (*Riga Airport, 2005*)). The biggest passenger harbour is Tallinn in Baltic States which operates cruise ships too. The number of passengers is 7mn in 2005, which is 4% more compared to 2004 (*Port of Tallinn, 2006*). Tallinn and the capital of Finland, Helsinki, are connected by waterway with high speed catamarans (100 minutes) and by air traffic with helicopters (20 minutes). A possibility of high-speed railway Rail Baltic will be discussed on the route Tallinn-Riga-Kaunas-Warsaw-Berlin in future.
- Tourism management and **administration – institutional capacity strengthening**: tourism policy planning, preparing tourism policy documents, participation in various international organizations (UNWTO: Lithuania since 2003, Latvia since 2005, Estonia is not a member), optimization of tourism administration, increase of budget for tourism industry (tourism budget has increased in Estonia by 71.5% in 2005 compared to 2004, the biggest increase in budget for tourism in Latvia was in 2004 by 127 % or 2.3 times compared to 2003), all this promotes co-ordinated and sustainable tourism development (*Enterprise Estonia, 2005; LR Ministry of Economics, 2004*).

Positive Effect of the EU Enlargement on the Baltic States Tourism Industry

The tourism branch definitely profits most from the EU enlargement. The enlargement was "a gift" for the Baltic States, said Anda Silde from the Baltic Tourist Centre in Berlin (*Hübschen, 2004*). We can agree to the previous conclusion because there are more positive effects and advantages from EU enlargements than negative aspects in tourism. We will analyse a few of the main indicators that describe the positive changes in tourism industry.

1. Increasing numbers of travellers

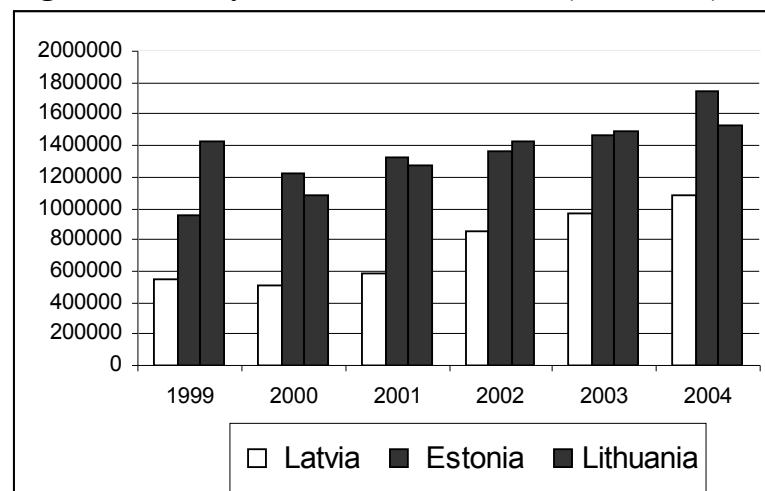
According to the World Tourism Organization, 2005 Latvia became the European leader by growth of international tourism. The average growth of tourism in Europe was 4 per cent. Central and Eastern Europe showed 2 and 4 per cent growth, while the numbers in the Baltic countries were considerably different. International tourism in Latvia grew by 20 per cent, in Lithuania – by 15 per cent, and in Estonia – by 7 per cent. (*UN WTO, 2006*).

Besides we have to mention that methodology of counting travellers is different in each country: Latvia counts all entrants as travellers therefore in reports of Central Statistical Bureau the number of travellers is very high, for example, in 2005 foreign travellers departing from Latvia crossed its border 3774 thsd times (it gives misleading information on incoming tourism in Latvia). Certainly, the number of entrants is increasing every year, it is provided by international statistics reports: UN WTO data show that international tourism has increased by 20 % in 2005 compared to 2004, but according to the Central Statistical Bureau of Latvia it is 24.4% (*Central Statistical Bureau of Latvia, 2006b*).

Since 2004 Lithuania and Estonia do not collect statistics on border crossings of citizens of EU, EEU and Switzerland. The number of travellers is collected from accommodation places, practically they are comparing and analysing the indicator of overnight visitors. The authors consider that this indicator gives a more precise description of tourism development and importance. (see Graph 1).

Faster border crossing procedures, simplified requirements for car insurance after the EU enlargement. It increased the number of travellers arriving by private car.

Graph 1. Overnights visitors dynamics in Baltic States (1999-2004).



Sources: Enterprise Estonia/Estonian Tourism Board, 2005; Central Statistical Bureau of Latvia, 2005a; Lithuania State Department of Tourism, 2005.

The three Baltic States differ in the composition of incoming tourist by countries of origin. It is linked with geographical nearness, transportation and culture/language factors. Germany and United Kingdom are top tourism generation countries in EU 25 (see Table 2).

Table 2. Tourist countries of origin, 2003 (%)

	1 st Market		2 nd Market		3 rd Market		4 th Market		Share of the top four markets
	country	%	country	%	country	%	country	%	
EU25	DE	23.5	UK	18.9	US	7.2	FR	5.0	54.5
EE	FI	64.1	SE	6.0	DE	5.2	UK	3.2	78.5
LV	DE	12.9	FI	12.4	UK	5.6	SE	5.2	36.1
LT	DE	16.4	PL	11.6	UK	5.8	FI	5.3	39.1

Note: data based on the number of nights spent of non-residents in hotels and similar establishments
Source: Eurostat, 2005

The most valuable markets for the overall Baltic region today appear to be Finland, Germany, Russia, Belarus, Sweden, Poland and United Kingdom if we are analyzing the Baltic region as a whole. Majority of the growth has come from the EU countries, but the number of Russian travellers could increase in the future, for example, Lithuania offers favourable regulations for obtaining visas for travellers from Russia and Belarus since April, 2006. Russia is one of the fastest growing sources of travellers in the world, with increases of 22% in 2004 and 11% in 2005 (*Koumelis, 2006*). Significant numbers of these travellers are going to near neighbour countries, such as Finland, China, Poland and the Baltic States. A considerable number of Russian travellers visit the Baltic States to meet relatives and friends (Particularly 26% of Russian travellers arrived in Latvia according

to this motive in 2004 (*Central Statistical Bureau of Latvia, 2005a*). It is explained by the ethnicity peculiarities of Baltic States, for example, in 1935 the basic population of Latvia were Latvians 77%, Russians 8.8%, but in 1989 the Latvians are 52%, the Russians are 34% (a consequence from soviet time occupation and mass migration), in 2005 the Latvians are 58.8%, the Russians are 28.6% (*Central Statistical Bureau of Latvia, 2005b*). Interest is also growing in leisure tourism offers from the Russian tourists, for example, the number of tourists from Russia increased by 31% in SPA hotels in Estonia in 2004/2005. (*Enterprise Estonia/Estonian Tourism Board, 2005*).

Each Baltic state has defined their priority markets in state tourism planning documents. Priority is given to neighbouring tourism markets (Russia, Scandinavian countries, Germany, Poland). Perspective tourism markets are the United Kingdom, Western Europe (France, Spain, and Italy), Benelux countries and distant tourism markets of China, Japan, USA and Canada. Lithuania plans to open a national tourism information centre in China already in near future. According to suggestions by marketing experts, the Baltic States as a destination in the world context are perceived as a common destination, but not as three separate countries. Therefore it would be more useful from the perception of financial resources to make covenants of establishing and creating common tourism offices in the world as it is working in Berlin, in Germany now.

2. Increasing numbers of foreigner overnights

In 2004, 4.36 million foreigner overnights were recorded by Baltic accommodation establishments. Of this, 1.75 million (40 %) were spent in Estonia, 1.08 million (25 %) in Latvia and 1.53 million (35 %) in Lithuania.

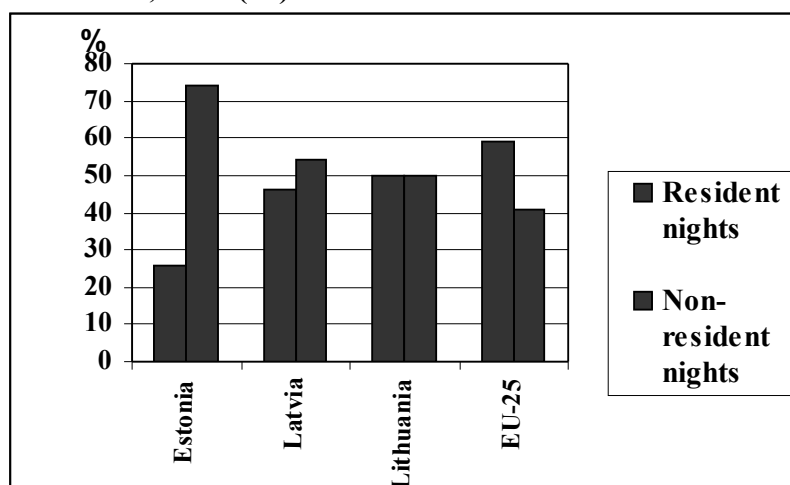
The fastest growth in foreigner overnights from 2002 till 2004 was in Estonia (annual average 36 %), followed by Latvia (17 %) and Lithuania (16 %) whereas in Lithuania the growth mainly was in 2004 after a stagnating year of 2003. (*Enterprise Estonia/Estonian Tourism Board, 2005; Lithuania State Department of Tourism, 2005; Central Statistical Bureau of Latvia, 2005a*).

The number of foreigner overnights is different in the Baltics while average foreigner overnight staying in tourism accommodations is relatively similar: Estonia 2.0 days, Latvia 2.2 days, Lithuania 2.6 days in 2004. (*Enterprise Estonia/Estonian Tourism Board, 2005; Lithuania State Department of Tourism, 2005; Central Statistical Bureau of Latvia, 2005a*).

The longest stay in accommodations is in Lithuania because the territory of Lithuania is the biggest of all the Baltic States and it has a greater geographic dispersion of key tourist attractions (Vilnius, Klaipeda, Kaunas, Augštaitijos National Park).

The inbound market (non-residents) makes up two thirds of all nights spent in collective tourist accommodation 2003 in seven EU25 countries (see graph 1). Including Estonia in these top 7 countries, foreigners were responsible for 73 % (2004) of all nights spent in Estonian accommodation establishments (majority 61 % Finnish tourists). High dominance of one country does not exist in Latvia and Lithuania regarding overnights: Germany and Finland remain the leading countries of origin, with 15 % and 10% in Latvia, respectively, Germany -19 %, Poland 15 %, Russia – 9 % (2004) in Lithuania. (*Enterprise Estonia/Estonian Tourism Board, 2005; Lithuania State Department of Tourism, 2005; Central Statistical Bureau of Latvia, 2005a*).

Graph 1. The proportion of nights spent by residents and non-residents average in EU-25 and Baltic States, 2003 (%)



Source: Eurostat 2005.

One more peculiarity describing inbound tourism in the Baltic States: high capacity of tourism attractions and accommodations in the capital cities. Almost 57 % of foreigner overnights were in the capitals of Baltic States in 2004, the highest rate was in Riga:

- Share of Latvian foreigner overnights in Riga -73 %
- Share of Estonian foreigner overnights in Tallinn -56 %
- Share of Lithuanian foreigner overnights in Vilnius -46 % (*Consumetric, 2005*).

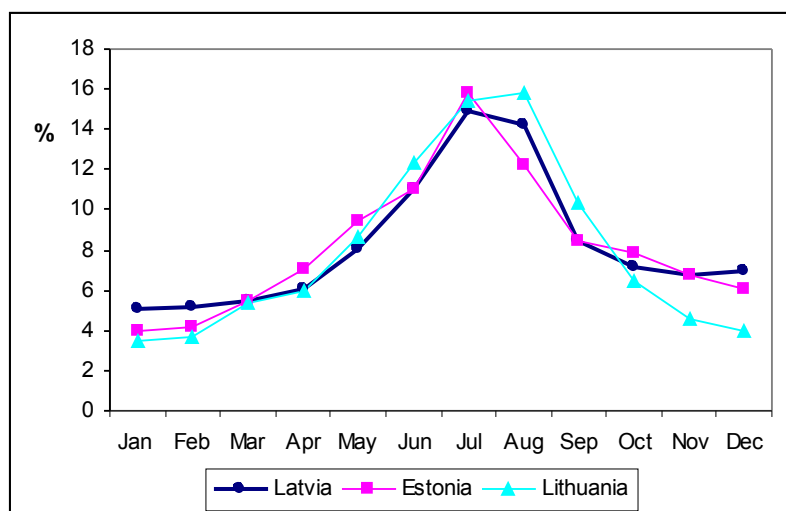
The capitals are one of the primary tourism attractions to attract foreigners; historical centres of all three capitals are included in the UNESCO World Heritage List therefore this trend will not change rapidly in the near future.

- **Riga** (population -732thsd, 32 % percentage) –city on the Daugava River banks with Gothic, Baroque and Classical architecture, Riga still has the largest number of Art Nouveau buildings in Europe and the centre of the Old Town is also listed 1997 as a UNESCO World Heritage site. The old wooden houses in the suburbs of the city are also unique. A cosmopolitan city with nightlife to match. Riga has the most developed air traffic among the Baltic countries, which is very important for business tourists.
- **Vilnius** (population -540thsd, 16 % percentage) a beautiful Baroque Old Town, one of the largest in Europe. It is situated in the southeast corner of the country, near the Belarus border, on the banks of the Neris River. Often referred to as the "Baltic Jerusalem", the city enshrines remnants of ancient Lithuanian, Jewish and Polish cultures which can yet be found in the old town. The Historical Centre was included in the UNESCO World Heritage List in 1994.
- **Tallinn** (population -400 thsd, 30 % percentage) – a well preserved, picturesque medieval Old Town packed with lots of restaurants and bars. Tallinn has been designated a UNESCO world heritage site since 1997, and for a good reason – it has one of the best preserved medieval towns in northern Europe without architectural influences from each of the countries that ruled it through the centuries - Denmark, Sweden, Germany and Russia.

Comparing the number of tourists staying at hotels in Tallinn, Stockholm, Helsinki and Riga, Tallinn takes the first place - 957,000 foreign guests, 2004 hotels in the Swedish capital handled 899,000 foreign visitors, while Helsinki saw 767,000 and Riga 620,000 (*Balandina, 2006; Baltic News Ltd., 2005*).

Incoming tourism in the Baltic States has a **strong seasonality component**: 41 % of fall 2004 overnights in the Baltics took place in the summer months of June, July and August. Between the countries, differences were minimal (see Graph 2).

Graph 2. Seasonality of incoming tourism in the Baltic States (2004)



Source: Consumetric, 2005.

(EE, LT dates based on overnights, LV data on hotel occupancy rates)

3. Increase of foreign traveller expenditures and indicators of tourism balance

Income from tourism is increasing because the numbers of foreign travellers increase in the Baltics. See Table 3, Estonia has the greatest and more persistent income from tourism. All the three Baltic States are ranked at the end of the list of tourism income in the EU countries. Tourism income was 47 times smaller in Estonia in year 2003 compared to the EU leader and 2nd largest tourism income country in the world, Spain, and 5 times smaller than in Poland. (*Eurostat 2005*). Total income from tourism in the Baltic States in 2003 by the authors' calculation was 1529 € mn, which accounts only for 0.7 % from EU25 income from tourism. Expenditures of foreign travellers increase gradually in the Baltic States, for example in Latvia in 2004 the average daily expenditure per traveller was 41€, in 2005 it was 47€ (*Statistical Bureau of Latvia, 2006*).

The tendency is that the amount of expenditures in the Baltic States is increasing. If we are comparing international tourism expenditures data, then the greatest spenders are Lithuanians. The Baltic States are in the lowest places in EU25 rating by spending money. For example, Germans who are the greatest spenders in EU, spent 206 times more than Latvian travellers in 2003, the Poles are spending 7 times more than Estonians (*Eurostat, 2005*).

International tourism flow is reflected in the EU25 net travel account. Sixteen of the EU25 countries 2003 enjoy a surplus travel account in their Balance of Payments (including

Estonia and Lithuania). Latvia has negative tourism payment balance with a falling tendency.

The main reasons for negative tourism payment balance for Latvia:

- These are results of national policy regarding tourism from 1991 because tourism was not defined as an important sector of national economy. In 2003 National government set out tourism as one of the eight priorities related to national economy.
- The best results and more active tourism enterprises deal with outbound tourism. Latvia had 99 travel companies that served outgoing travellers un 24 travel companies that served incoming visitors in 2004 (*Central Statistical Bureau of Latvia, 2005a*).
- The average length of trips in Latvia of non-resident travellers is reducing every year: 1.7 visitors nights in 2004, 1.5 visitors nights in 2005, 1.9 in 2003, 2.1 in 2002 (*Central Statistical Bureau of Latvia 2006*). It is related to the high number of transit foreign travellers, for example, in year 2005 31% of the foreign travellers arrived in Latvia only in transit.
- The average length of trips by Latvian travellers is not constant, for example, there were 3.6 visitors' nights in 2003, 2.9 visitors nights in 2004, 3.2 visitors nights in 2005, but it is higher than foreigner average length of trips in the Baltics. (*Central Statistical Bureau of Latvia 2005a*).
- Increase in spending of Latvian travellers abroad: average spending per traveller has increased to 41€ a day (in 2003 34 €, 2002 30€) (*Central Statistical Bureau of Latvia, 2005a*). It means that there is economical development in Latvia, free capital for travelling around. At the same time we can make an assumption that the average income per capita is low in Latvia comparing to the EU countries, but there is enough money for spending in travelling (shady economy).

Table 3. International tourism receipts (Rec) and expenditure, (EXp) tourism balance (Net) 2000-2004 in Baltic States.

	Estonia ¹			Latvia ²			Lithuania ³		
	Rec € mn	Exp € mn	Net € mn	Rec € mn	Exp € mn	Net € mn	Rec € mn	Exp € mn	Net € mn
2000	711	274	437	130	259	-129	426	275	151
2001	741	283	458	124	240	-116	429	244	185
2002	775	322	453	160	229	-69	541	360	181
2003	777	357	420	189	277	-88	563	415	148
2004	891	387	504	215	299	-84	658	513	145

Sources: 1. Enterprise Estonia/Estonian Tourism Board 2005, 2. Central Statistical Bureau of Latvia 2005, Authors' recalculation from national currency to Euro. 3. Lithuania State Department of Tourism 2005).

4. Rural tourism development

Demand for non-standard and individual tourism products, by a nature and regionally focused individuality, cognitive products is increasing each year according to UN WTO data and prognosis. Tourism producers are seeking new individualized, unique tourism products in rural areas. The number of rural tourism companies is growing in the world, including the Baltic States, too. At the moment the most frequently required tourism

services in rural areas all the year round are: bath, catering and active leisure, in the summer season it is water nearby on the top place.

Tourism developed in rural areas in the Baltics in the previous two years, mainly by local travellers and travellers from neighbour countries. Support from EU funds and national governments are important for rural tourism development particularly in regions, cross border territories, specially supported areas as a significant involvement in rural accommodation services.

Rural tourism organizations are operating in all three countries, more actively in Latvia (member of European rural tourism federation EUROGITES) and in Estonia (registered 173 accommodations ~for 45% of the total number of Estonian countryside accommodation providers). At the end of 2005 in the database of the Latvian Rural Tourism Association "Lauku ceļotājs" in Latvian countryside and small towns were registered 332 accommodations (actively operating) with 5243 beds. Compared to the year 2004, the number of lodgings has increased by 11%, but the number of beds – by 23%. According to the calculations of the Association, in total the rural tourism and related activities in the territories of Latvian countryside in 2005 may have generated at least 45 million euro yield which demonstrates the significance of this sphere (*Latvian Country Tourism Association 2006, Estonian Rural Tourism, 2006*).

According to the Lithuanian Statistics Bureau, 102,700 guests stayed in rural homesteads in 2004, and of those, only 12 percent were foreigners. In Latvia, meanwhile, 59 percent of all guests in rural lodgings were from within the country

Conclusion

Tourism as an economic sector is developing now in all the three Baltic States. Explicit tourism rapid development is connected with EU enlargement since 2004. According to tourism payment balance, the most successful in tourism development is Estonia especially regarding the nearest neighbours, the Finnish tourists. Latvia has the biggest number of border crossing visitors, but the total tourism payment balance is negative. It means that income from tourism industry in Latvia is less than in Lithuania and Estonia. Tourism attractions and products are mainly produced by the capital cities of all three Baltic States, especially for foreign travellers. Individual and unique tourism products are more offered in rural areas in the Baltic States. The most important for tourism development in the future is to keep tourism sector in a sustainable way, including environment, social and economical aspects.

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