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Tourism Development and Sustainability in the Greek Archipelagos

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Introduction: Sustainability in Tourism

Over the last few years there have been ongoing discussions concerning the ability of tourist destinations, particularly islands, to adopt more sustainable-orientated practices. Increasingly, both the industry and planners realize that environmental sustainability is closely linked to profitability. This is especially the case in tourism where consumers appreciate natural resources and are willing to pay higher prices for superior environments. Sustainability in tourism has been widely discussed as people attempt to define the term and develop suitable tools that will enable them to maintain and perhaps enhance resources for future generations (Butler, 1996, 1997; Hall and Lew, 1998; Mowforth and Munt, 1998; Westlake and Diamantis, 1998).

Adopting sustainability in the context of tourism often creates 'tourism-centric' situations, where most of the approaches become partially divorced from the main principles of the sustainability concept (Hunter, 1995a, 1995b, 1997). In this case, decision-makers concentrate on tourism development as a short-term strategy, tending to neglect sustainability issues and the long-term prosperity of regions. This situation arises from the interpretation of sustainability. To some practitioners sustainability is expressed only with reference to products and/or segments, while to others it is a process of development, and to still others it is a principle which should be adopted by all tourism development and activities (Godfrey, 1996). The application of sustainability in tourism takes the form of either a tool used for the sector's long-term survival or for the maintenance of resources in order to generate more tourism demand (Fyall and Garrod, 1997). In both cases, it is recognized that sustainability is critical for the success of tourism destinations and enterprises, not only in terms of profitability but also to determine long-term competitiveness (Buhalis and Fletcher, 1995).

The challenge facing many islands and other destinations, which are heavily dependent on tourism (Colombo *et al.*, 1997), is to advance strategic planning and adopt new techniques embodied within sustainable development principles (Cooper, 1996, 1997; Butler, 1997; Buhalis, 1999b). This chapter concentrates on sustainable practices on insular Greece. Tourism development on the Greek islands is at a crossroads, as years of mass tourism development combined with inadequate and often irrational planning have resulted in unsuitable facilities and poor sustainability practices, jeopardizing the competitiveness of Greek tourism and the prosperity of the region in general. This chapter initially presents tourism practices in Greece and it provides an overview of the Aegean and Ionian archipelagos. The analysis aims to illustrate the policies of both the public and private sectors and their implications for the industry. The chapter also discusses environmental practices in Greece and illustrates their impact in the context of islands. It examines briefly the needs of small and medium-sized tourism enterprises (SMTEs) as they dominate the tourist industry and play an extremely important role in the sustainability of local resources. Finally, the chapter demonstrates the challenges facing the islands, and illustrates that sustainable tourism development should prevail in order to maximize the competitiveness of the destination and to ensure the conservation of its resources.

Tourism in Greece

Greece, including its island region, has a long tradition of tourism mainly due to its history and ancient civilization (Chiotis and Coccossis, 1992; EIU, 1995). Few regions globally can demonstrate a comparable concentration of heritage, cultural, natural and climatic resources. Warm Greek hospitality has been renowned over the centuries as *xenos* (foreign) was considered sacred and was protected by Zeus the father of the mythological Olympian Gods. Although the region is endowed with many resources, deficient public and private tourism-sector management and marketing constantly discount the benefits of tourist activities. This is reflected by the weak profitability of private enterprises and the negative impacts on destinations, all of which jeopardize the sustainability of local resources in the long term (Buhalis, 1998, 1999a).

Greece experienced a dramatic increase in tourist flows in the late 1970s and 1980s. This growth was facilitated by the maturity of competing destinations; the availability of natural, sociocultural and environmental resources; the existing airport infrastructure in major islands; and the lower cost of living in comparison with most of Europe (Buhalis, 1998; EIU, 1986, 1990; Leontidou, 1991). From a global perspective, in 1997 Greece was the 17th most popular destination worldwide with around 10.6 million tourism

Table 8.1 Greek tourism: international arrivals, bednights, capacity and exchange earned

Year	*Number of arrivals (m)*	*Number of bednights by foreigners (m)*	*Bed capacity (000)*	*Receipts exchange (m $)*
1950	0.03	NA	NA	4.7
1960	0.4	3	57	49.2
1970	1.6	7.7	118.9	193.6
1980	5.3	27.2	278	1,733.5
1985	7.0	35.8	333.8	1428
1990	9.3	36.3	438.4	2575
1991	8.3	28.9	459.3	2,566.1
1992	9.8	36.3	475.8	3,268.4
1993	9.9	36.5	499.6	3,335.2
1994	11.2	40.7	908.4	3,904.9
1995	10.7	38.7	535.8	4106
1996	9.8	35.5	548.7	3660
1997	10.6	38.2	561.4	3800
1998*	10.9	NA	NA	6744
1999*	11.6	NA	NA	8309
2000*	12.2	NA	NA	9181
2001*	12.8	NA	NA	1,0115
2002*	13.3	NA	NA	1,1032
2003*	13.7	NA	NA	1,1939
2004*	14.1	NA	NA	1,2901
2005*	14.5	NA	NA	1,3919

Sources: GNTO (1998); HCG (1998); WTO (1998a)
Note: * Forecasts

arrivals, as illustrated in Table 8.1. Although there has been fairly consistent annual growth, just like other European destinations, Greece has experienced a decline in its market share to long-haul destinations.

Tourism remains a major export of the Greek economy and an important contributor to the Gross Domestic Product (GDP) and balance of payments. For instance, in 1993 it generated $3.3 billion, provided 4.4 per cent of the GDP and covered 26 per cent of the country's merchandise trade deficit. In 1998, it was estimated that tourism generated around 18.7 per cent of the total export of goods, an indication of its positive direct impact (HCG, 1998). However, the true contribution of tourism to the Greek economy is substantially greater, as the official figures ignore the 'para-economy' (black or informal economy), estimated to be as high as 28–50 per cent of the official GDP (Buhalis, 1998).

Tourism is also a major source of employment, accounting for somewhere between 8 to 11 per cent of the total workforce (GNTO, 1998). Overall, the importance of tourism to the Greek economy is expected to increase in the following years, with estimates placing arrivals at 14.5 million and earnings at around $13.9 billion by the year 2005 (Table 8.1). This forecast inevitably affects the insular regions in Greece, as their economies are far more dependent upon this sector than the mainland due to their inability to attract successful industrial development. High transportation costs and a shortage of financial and human capital have prevented the growth of industrial sectors and forced the islanders to concentrate on agriculture and services. The seasonal nature of these activities enables them to combine and complement each other.

The Tourism Industry in the Greek Islands

Greece is blessed with about 15,000 mostly uninhabited islands (Figure 8.1). There are three main island regions: the Aegean and Ionian complexes as well as the island of Crete. The Aegean archipelago is the largest island complex in Europe, accommodating 4.5 per cent of the Greek population living on 95 of the 2,000 islands (Eurostat, 1993). The area is divided into two administrative peripheries: the North Aegean Periphery and the South Aegean Periphery. In the Ionian region, there are 15 inhabited islands, accommodating 1.8 per cent of the Greek population. The island of Crete, which is the largest island region of Greece, accommodates 5.3 per cent of the Greek population and is the fifth largest island in the Mediterranean. Due to their insularity, a great nautical industry and tradition were established hundreds of years ago on these islands. Apart from agriculture and an extensive fishing industry, the regional economy depends heavily on tourism. Insularity, poor infrastructure and the lack of qualified professionals have deprived the Greek islands of the ability to develop a competitive advantage in other economic activities (EIU, 1995; Papadopoulos and Kouzelis, 1998).

Naturally, the structure of local economies varies greatly from region to region, according to the resources and economic structure of each island. In most cases, the service sector (mainly tourism) generates over 50 per cent of their Gross Regional Product, although the multiplier effect magnifies the impact of tourism and stimulates the entire economy regionally and nationally. For instance, the South Aegean region has a surplus on its international trade and contributes to the reduction of the national balance of payments deficit (Finas, 1991). In terms of employment, the insular communities are mainly engaged in the tertiary sector, as demonstrated in Table 8.2. Nearly half the persons employed in the tertiary sector are employed in tourism, especially in the vast array of SMTEs.

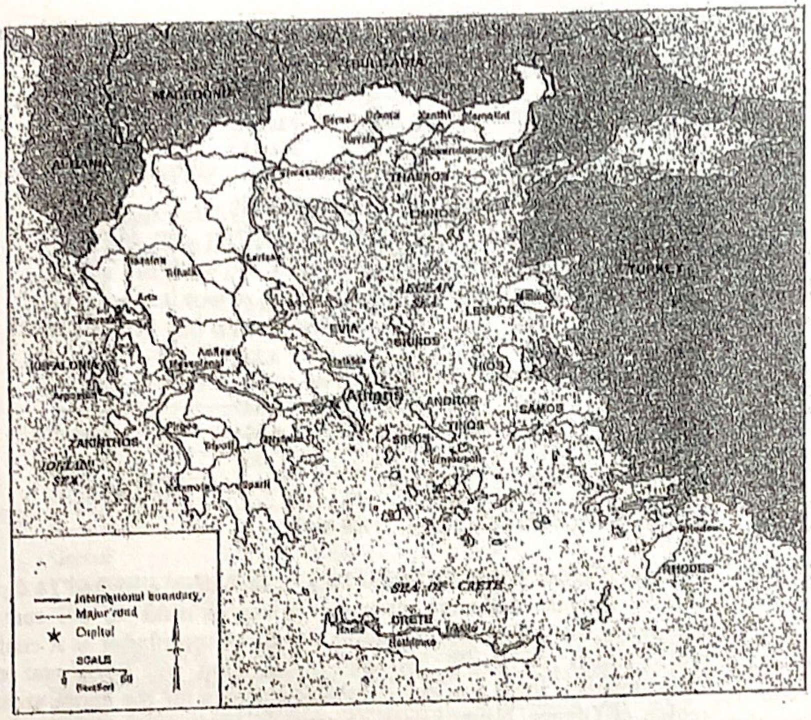

Figure 8.1 Greece
Note: Greek spellings of placenames have been used.

Table 8.2 Employment data in the Aegean and Ionian islands, 1991

Sectors	*North Aegean*	*(%)*	*South Aegean*	*(%)*	*Ionian*	*(%)*	*Greece*	*(%)*
Primary	13,926	25.3	11,315	12.7	19,778	28.6	698,738	19.6
Secondary	12,100	21.9	23,123	25.9	12,851	18.6	907,474	25.4
Tertiary	29,097	52.8	54,882	61.4	36,528	52.8	1,965,745	55.0
Total	55,123	100.0	89,320	100.0	69,157	100.0	3,571,957	100.0

Source: Papadopoulos and Kouzelis (1998)

Tourism demand

These regions attract more than a quarter of the national total of tourists, around 2.6 million visitors. A concentration in the summer months can be observed, as in the past ten years 37.5 per cent of the average arrivals were in

Table 8.3 Tourism arrivals on the South Aegean islands

Islands	*1994*	*1995*	*1996*	*1997*	*1997 %*
Rhodes	1,021,570	985,234	925,529	1,018,439	67.02
Kos	402,520	392,529	384,557	434,110	28.57
Kalimnos	15,734	15,735	11,806	11,411	0.75
Leros	3,382	3,301	3,426	2,656	0.17
Patmos	12,470	14,488	11,650	13,907	0.92
Karpathos	12,856	20,618	25,180	25,716	1.69
Kasos	175	174	20	185	0.01
Simi	2,715	4,954	5,859	6,301	0.41
Tilos	509	567	633	827	0.05
Nisiros	1,019	2,117	2,121	2,491	0.16
Megisti	583	533	577	533	0.04
Astipalea	421	1,299	1,147	1,128	0.07
Lipsi	NA	471	1,298	1,258	0.08
Halki	NA	NA	669	637	0.04
Total	1,473,954	1,442,020	1,374,652	1,519,599	100.00

Source: GNTO (1998); HCG (1996a, 1996b, 1997).

July and August, while the period May to September attracted 74.0 per cent of total arrivals. Although international tourists make 75 per cent of the bednights, domestic tourism is also a significant contributor as it enables the redistribution of wealth between metropolitan and peripheral regions. Unfortunately, there is a lack of reliable statistics for the entire archipelago region of Greece. Nevertheless, an example of tourist arrivals in the South Aegean Periphery is illustrated in Table 8.3.

The majority of tourists arrived on the two main islands, Rhodes and Kos, which accounted for almost 95 per cent of the total arrivals in this region. Similarly, most of the tourist arrivals in the Ionian region were concentrated in Corfu and Zakynthos (Zante), while in the North Aegean Lesbos and Samos received most arrivals (GNTO, 1998). The majority of foreign arrivals were Europeans, especially British, Germans, Swedish, Finnish, Dutch and Austrian. As a result, these nationalities are important markets providing more than three-quarters of the total demand for the region. Although the islands have unique heritage and environmental resources, their marketing and planning deficiencies mean they depend heavily upon mass tourism for their clientele. Demand is often undifferentiated and consumers frequently fail to appreciate the unique character of the destination. This is also a result of the practices of major mass tour operators who deliberately portray destinations as commodities, rather than regions of unique importance, in order to be able to shift demand to destinations that satisfy their commercial interests (Buhalis, 1999a, 2000). Similar practices are evident not only in the Mediterranean tourist industry but also in several destinations around the world (Britton, 1989; Roekaerts and Savat, 1989; Bote and Sinclair, 1991; Valenzuela, 1991; Sinclair *et al.*, 1992; Josephides 1993, 1994; Shaw and Williams, 1994; Sheldon, 1994).

Tourism supply

The Ionian and Aegean regions offer a great number of tourist facilities and resources. The EIU suggests that 'each island resort has a different market profile and there is a very wide variety from island to island in the type and geographical source of clientele' (1990: 61). Table 8.4 indicates the number of hotel units and their total capacity.

Table 8.4 Hotel capacity on the South Aegean and Ionian islands, 1997

Regions	*Units*	*(%)*	*Beds*	*(%)*
South Aegean	998	12.6	105,105	18.4
North Aegean	370	4.7	17,416	3.0
Ionian islands	641	8.1	55,613	9.7
Greece	7,916	100	571,656	100

Source: HCG (1998)

Furthermore, in 1997 total bednights spent on the Aegean and Ionian islands accounted for almost 40 per cent of the total bednights in Greece. The South Aegean Periphery dominated, accounting for 27.4 per cent of bednights, as illustrated in Table 8.5. Occupancy rates on the islands ranged between 54 per cent and 75 per cent, with the North Aegean demonstrating the lowest and the South Aegean indicating the highest rates (Table 8.6). This is due to better climatic conditions in the South, which have stimulated a higher degree of tourism development and demand.

Accessibility is one of the most critical factors in tourism development, especially for insular and peripheral destinations. The Aegean and Ionian islands have a fairly well developed transportation system linking them with the outside world. This incorporates at least one major port on each island and 21 airports across the islands, of which most are capable of receiving charter flights directly from Europe.

There are numerous flights both by private and public-owned airlines between the mainland of Greece and the islands, as well as between the islands themselves. The islands are also connected by ferry services, with the ports of Piraeus in Athens and Patras in the Peloponnese, as well as with smaller ports on the mainland (Cooper and Buhalis, 1992).

Both the demand and supply characteristics of tourism influence the planning and management functions of the industry and hence its ability to adopt sustainability practices. A number of other factors also determine

Table 8.5 Total bednights spent by foreign and domestic visitors (in millions)

Municipalities	*1995*	*1996*	*1997*	*1997 (%)*
Lesbos	544,272	586,946	588,575	1.10
Chios	172,569	177,775	178,290	0.33
Samos	921,485	885,556	977,906	1.83
North Aegean Periphery	1,638,326	1,650,277	1,744,771	3.27
Cyclades	1,306,503	1,330,767	1,470,332	2.76
Dodecanese	12,905,847	11,918,673	13,137,626	24.62
South Aegean Periphery	14,212,350	13,249,440	14,607,958	27.37
Corfu	3,535,969	2,943,619	3,250,964	6.09
Lefkada	268,436	129,175	223,163	0.42
Kefallonia	310,762	331,066	330,891	0.62
Zakynthos	595,221	542,129	754,519	1.41
Ionian Periphery	4,710,388	3,945,989	4,559,537	8.54
Greece	51,294,196	47,945,506	53,364,507	100.00

Source: GNTO (1998)

Table 8.6 Occupancy levels in accommodation establishments on the Aegean and Ionian islands (%)

Municipalities	*1995*	*1996*	*1997*
Lesbos	47.53	44.45	45.45
Chios	44.60	45.82	46.18
Samos	66.53	61.81	63.68
North Aegean Periphery	56.09	52.54	54.24
Cyclades	46.48	48.92	52.33
Dodecanese	74.96	70.76	79.00
South Aegean Periphery	70.97	67.73	75.15
Corfu	71.80	62.27	69.21
Lefkada	58.41	47.11	61.60
Kefallonia	57.22	49.46	45.49
Zakynthos	67.71	61.29	68.23
Ionian Periphery	69.20	60.20	66.15
Greece	56.62	54.37	58.37

Source: GNTO (1998)

sustainability practices, notably the policies and practices of the public and private sectors as well as environmental regulations and initiatives. In the following sections, an overview of these factors illustrates the sustainability of the tourist industry on the Aegean and Ionian islands. An analysis of the public and private sectors also illustrates their influence on sustainability issues.

Greek Tourism Policy and Development: Public Sector

The Greek National Tourism Organization (GNTO) and the Ministry of Development oversee most of the planning, development and promotion of tourism for the islands from their headquarters in Athens. The GNTO adopts the guidelines of the Ministry of Development and is the most important public body for tourism development in the Aegean and Ionian regions. It also operates several hotels, casinos, organized beaches, and the Athens festival. The GNTO is financed by the central government, and most of its budget is spent on marketing-related activities (WTO, 1995). Although there are three directorates of the GNTO on the islands, two on the Aegean and one on the Ionian, the central office is still responsible for nearly all decisions about tourism in the regions.

The primary aim of the National Tourism Policy is to upgrade the quality of the tourism product, in an attempt to enhance its competitiveness in the international tourism market. In this respect, Development Laws 1261/1982, 1892/90, 2234/94, 2601/98 were formulated to encourage tourism development in Greece. The first law concentrated on providing incentives for small hotel construction, resulting in the establishment of a vast number of enterprises. The second, third, and fourth laws aimed at improving the tourism infrastructure by encouraging development in the broader sense, not only of hotels but also of marinas, spas, ski resorts, as well as the restoration of traditional and historical buildings. However, none of these laws advocated environmental awareness or provided any strict legislation or substantial incentive for sustainable development. Instead they concentrated on developing facilities and infrastructure in order to enable the islands to attract more visitors.

Despite several attempts, there is still no comprehensive policy or a Master Plan for Greek tourism. Policies are often based on mid-term, unsubstantiated statements published by the GNTO, often as pre-general election pledges. Based on the assumption that tourism arrivals to Greece will increase indefinitely, tourism policy focuses invariably on several generic and unquantifiable tasks, as demonstrated in Figure 8.2.

Inconsistent political intervention has been the largest obstacle in developing a competitive and professional tourist industry in Greece. Unfortunately, tourism has extensively been utilized as a political vehicle, where each government uses it to gratify political needs and allies. In addition, research is often limited, and in cases where it does exist, it tends to be contradictory. Consequently, policy follows conventional wisdom and concentrates on attracting a larger volume of tourists, ignoring scientific methods for tourism development and management and failing to assess the economic, social and environmental impacts of each market segment (Buhalis, 1998). Therefore, a 'depoliticization of Greek tourism', towards a professionally managed public sector, guided through a strategic master

- Increase arrivals and foreign exchange income.
- Increase competitiveness of tourism products.
- Improvement of services in the industry.
- Reduction of seasonality and expansion of the tourism season.
- Attraction of high spenders and alternative types of tourism.
- Construction of facilities appealing to the upper-end of the market, such as luxury hotels, golf courses, congress centres, casinos and marinas.
- Development of tourism infrastructure, with emphasis on transportation.
- Support of social tourism for low-income domestic tourists.
- Geographical redistribution of tourism demand and supply to achieve an even spread.
- Training of tourism employees.

Figure 8.2 Generic policy objectives for Greek tourism
Source: Buhalis (1995)

plan is urgently required (Josephides, 1995: 11). Empowerment of the regional tourism offices and close interaction between all stakeholders could enable officials to assess resources and develop strategies with the local communities to maximize the sector's benefits.

Environmental Policies in Greece and the Peripheral Islands

As far as environmental policies in Greece and in the Aegean and Ionian islands are concerned, different ministries as well as different municipalities share planning and legislation responsibilities. Although the origins of environmental legislation can be traced back to 1912, it was not until the late 1980s that sound policies came to light. The overall objective of Greek environmental law is tailored to two sectors: agriculture and tourism. The law aims to battle against the decline in agriculture and to manage that sector's activities in coastal areas, where industry and urban habitation are concentrated. In addition, the law aims to minimize air pollution in large urban areas as well as to protect the 800 unique species of Greek vegetation and wildlife, the ecosystems and the marine environment (ECG, 1994).

As a member state of the European Union (EU), Greece has also adopted most of the legislative and environmental frameworks, such as the Treaty of Maastricht, the 5th Environmental Action Programme, and Directives for Environmental Impact Assessment (EIA). According to the EIA legislation, all major investments should be supported by a comprehensive evaluation of their environmental impacts before they are approved by planners and also before gaining financial support from the government. Nevertheless, there are practical inconsistencies, resting largely on delays in implementing EU directives. There have been numerous attempts to implement environmental-related policies at certain Aegean and Ionian destinations. Most of these

Programmes and Sub-programmes	*Areas*
Integrated Mediterranean Programmes	Related to the improvement of infrastructure Construction of biological waste plants Restoration of monuments
Regional Operational Programmes	Improvement of the quality of life Development of research and technology Establishment of data bank on tourism economic performance
ENVIREG	Protection of the environment Construction of biological waste plants Coastal area studies
LEADER I	Enhancement of cultural heritage Seminars on agrotourism Promotion of agrotourism
Integrated Programme for Tourism and Culture	Promotion of new forms of tourism Inter-regional cooperation between islands on tourism and cultural projects Enhancement of biotopes Studies on management of small islands

Figure 8.3 European Community programmes on the Aegean and Ionian islands
Source: Anagnostopoulou *et al.* (1996)

projects are supported mainly by the EU's Structural Funds and other leading bodies such as the United Nations Environmental Program (UNEP), UNESCO, and the World Bank. Some of the programmes, which were applied to the Aegean and Ionian islands, as illustrated in Figure 8.3, aimed to encourage sustainable economic development. Officials recognized that in order to achieve sustainable practices both micro and macro economic practices should ensure the prosperity of local communities, while European programmes should be adopted aimed at enhancing environmentally sound policies and providing implementable solutions for preserving scarce resources.

The islands rely heavily on these types of projects not only in order to achieve tourism development and growth, but also to sustain their resources (Chiotis and Coccossis, 1992; Nijkamp and Verdonkshot, 1995; Anagnostoloupou *et al.*, 1996). Significant changes are therefore required at both micro and macro levels in order to set appropriate targets and criteria for sustainable development. Policies and regulations should address a wide range of issues and problems, as illustrated in Figure 8.4.

Greece and the Aegean and Ionian islands have consistently failed to implement sound sustainable development policies. Encouragingly, however, over the last few years there has been an increasing awareness among Greek stakeholders and acknowledgement of these challenges. This has generated several projects and several realistic proposals have been put forward. As a

- Market failure of self-regulating and sustainable practices.
- Inefficiencies between national and peripheral administration and municipalities.
- Lack of funding for ecotourism and environmental assessment projects.
- Negligence with regards to the meaning of ecotourism and alternative forms of tourism.
- Lack of implementation of published environmental policies.
- Inadequate consultation of all the different tourism-related stakeholders.
- Lack of mechanisms to ensure that tourism-environmental conservation programmes are not threatened by tourism development.

Figure 8.4 Issues and problems that should be addressed by legislation

result, a number of actions have been taken at the local level, especially associated with Environmental Agenda 21.

However, it should be recognized that it is often the private sector and in particular SMTEs who dominate the industry and, in fact, are often responsible for the implementation of sustainable legislation and practices. This is more important in the context of the Greek islands, where the public sector is clearly unable to implement and control rational tourism development and, thus, often relies on the good will and intention of entrepreneurs to follow sustainable practices.

Tourism Planning and the Private Sector: Small and Medium-sized Tourism Enterprises

Family-run SMTEs dominate the private sector in the Aegean and Ionian regions. SMTEs account for over one third of the total 55,000 Aegean and Ionian firms. These enterprises facilitate the interaction between visitors and locals as well as increase the infusion of tourism earnings into the peripheral regions and local community. However, SMTEs suffer a wide range of strategic disadvantages, preventing them from developing a healthy industry. Furthermore, SMTEs are unable to increase their prices in line with inflation, mainly due to pressure from distribution channel partners and low occupancy levels (Buhalis, 1995, 2000). The over-supply of tourism services, both in Greece and worldwide, also contributes to fierce global competition for a less rapidly increasing demand (Josephides, 1993). In Greece, the average annual increase of the official hotel bed supply between 1983 and 1992 was 4.7 per cent, while the annual average increase in international tourist bednights was 2.7 per cent (Epilogi, 1994). Seasonality forces most of the resorts to operate between four and eight months, effectively reducing the period when SMTEs can be profitable (Cooper and Buhalis, 1992; Buhalis and Cooper, 1998).

The investment incentive Laws 1262/82 and 1982/90 boosted this over-supply as they promoted small, and unfeasible family-run accommodation units unable to offer a high quality of services, while they exaggerated the concentration of tourist units in under-supplied resorts. A large portion of the capacity growth during the past 20 years has been in the small unofficial and sometimes illegal accommodation establishments ('parahoteleria'), which provide low quality and low-priced accommodation and, therefore, appeal to the clientele of mass tour operators. This situation has not only increased unfair competition *vis-à-vis* the official hotels, but it has also reduced both tax revenues and employment at the macro level. As SMTEs are unable to undertake a comprehensive marketing approach, they are often over-dependent on European tour operators for their clientele. The competition experienced in main European markets forces SMTEs to reduce their prices to unrealistic levels. This is often at the expense of the quality of their products and the sustainability of local resources. Such practices not only reduce the profitability of SMTEs and reduce the economic benefits at both micro and macro levels, but they also jeopardize the long-term competitiveness of the destination (Buhalis, 1994, 1999a, 2000). In addition, inadequate profitability means that SMTEs are unable to reinvest for the refurbishment of their facilities and the regeneration of resources.

The combination of marketing and management weaknesses, with the pressure experienced by mass tour operators, has meant that newly established SMTEs have been unable to pay back their mortgages and bank loans. Therefore, these enterprises have experienced an increase in their interest rates from an expected 14–18 per cent, to penalty rates of up to 42 per cent. This situation has severe impacts on the ability of these accommodation establishments to survive and as a consequence, it is estimated that 1,250 newly established small and medium Greek hotels (almost 20 per cent) are already in receivership (HCG, 1996a, 1996b). The economic pressures experienced often force SMTEs to adopt unsustainable commercial practices and pursue short-term profit or minimization of costs. The pressure to develop mass tourism in order to take advantage of economies of scale is also fundamentally against sustainability practices. As a result, SMTEs are often pressured by commercial practices and needs to ignore legislation and effectively to 'cut corners' in order to be able to survive the competition both locally and internationally. For example, a small hotel that cannot operate economically due to high fixed and labour costs would possibly try to expand illegally by adding a few more rooms in order to reduce its costs and take advantage of economies of scale.

Nevertheless, it is evident that under the oligopsonistic situation in the marketplace, the private sector is almost unable to operate without subsidies from the public sector. Therefore, to a large extent, both the development of the Greek private sector and tourism demand are subsidised by the government, reducing the macro-economic benefits of tourism on the destination.

Tourism Impacts and Sustainability on the Aegean and Ionian Islands

As described in the previous paragraphs, the economic realities of the private sector as well as the strategic weaknesses of the public sector effectively jeopardize the sustainability of local resources, the competitiveness of the destination, and the tourist industry in general. Although environmental resources have become vital for the destinations' competitiveness, many regions continue to experience severe exploitation. As is the case in many islands around the world, because of a weak planning system, the Aegean and the Ionian regions have witnessed uncontrolled development of tourist facilities and their built environment in general. This rapid growth has resulted in deficient infrastructure as well as environmental impacts like water shortages and sewage problems (Table 8.7) (Diamantis and Westlake, 1997). The operational and strategic practices on the islands are highly dependent upon mass tourism, resulting in a myriad of negative economic, environmental and sociocultural impacts. Moreover, the insular regions seem to pursue tourism as a single regional development option, at the expense of

Table 8.7 Tourism impacts and improvement targets at the macro level for the Aegean and Ionian islands, 1994–99

Regions	*Problems*	*Targets*
North Aegean	Inadequate tourism infrastructure	Development of spa tourism, ecotourism and archaeological tourism Improvement of three ports Construction of road networks Construction of three marinas Development of three new airports
South Aegean	Uncontrolled tourism development Inadequate tourism services Negative environmental impacts	Development of cruise tourism Development of nautical tourism Development of new marinas The creation/improvement of tourist boat facilities
Ionian Islands	Uncontrolled tourism development Negative environmental impacts Sewage problems Population problems Impacts on endemic species and turtle population	Development of quality tourism Development of alternative forms of tourism Development of conference centres Construction of marinas and boat facilities Increase in average length of stay Increase tourism employment

Source: Papadopoulos and Kouzelis (1998)

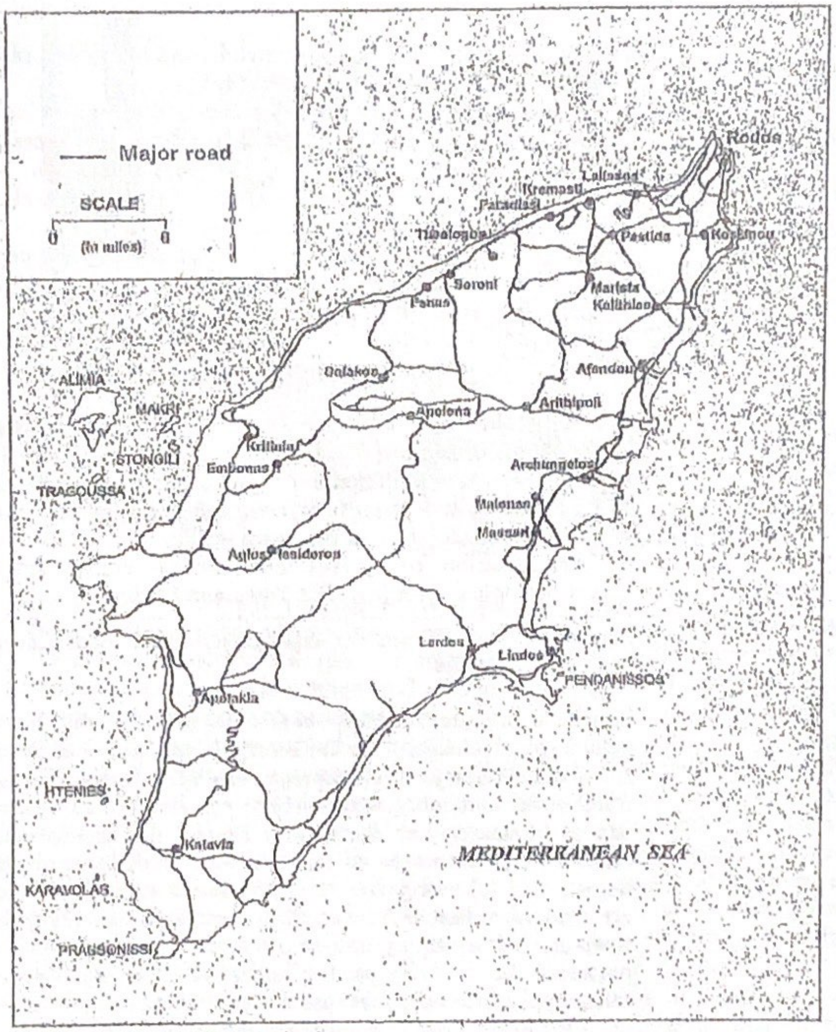

Figure 8.5 The island of Rhodes
Note: Greek placenames have been used.

other sectors such as manufacturing or agriculture (Chiotis and Coccossis, 1992; Nijkamp and Verdonkshot, 1995; HCG, 1997; PAP, 1997; Buhalis, 1998).

For example, the island of Rhodes (Figure 8.5), perhaps the most developed island in Greece, is highly dependent on the mass tourism market, while environmental resources are stretched to accommodate the industry's

- Lack of regional planning frameworks and integrated planning processes.
- Planning law is not enforced effectively.
- Land use planning centrally administered and poorly enforced.
- Resource management aim is the maximization of economic growth.
- Over-dependence of the economy on coastal tourism.
- Geographical concentration of tourism development along the northern and eastern coasts.
- High seasonality over-exploits resources during peak periods.
- Polarization of development along the north/south divide.
- Neglect of ecological and cultural resources.
- Weak enforcement of planning and environmental controls.
- Recurrent marine pollution in certain areas such as in Kolymbia (east coast).
- Over-exploitation of ground water on northern coast (e.g. Triada).
- Seawater intrusion in Rhodes city and in the south east (e.g. Kalathos).
- Litter and noise pollution in popular resorts (e.g. Faliraki).
- Hooliganism and conflicts between tourists and tourists and locals.
- Gradual deterioration of the beach quality (e.g. Rhodes town and Ixia).
- Transformation of villages into souvenir shops and exploitation of archaeological sites (e.g. Old Town and Lindos).

Figure 8.6 Problems and challenges for sustainable tourism development on Rhodes

needs. Several sustainability weaknesses (as illustrated in Figure 8.6) have significant implications for the economic structure and development of the island and its long-term prosperity. The lack of powerful regional planning frameworks and integrated planning processes often encourages a certain degree of anarchy at destinations like Rhodes where entrepreneurs take advantage of resources to improve their short-term profitability. To the degree that planning law is not enforced effectively and is guided by economic development criteria, it is inevitable that the industry is moving towards an over-supply of local products that consume more environmental resources. In fact, this process initiates a downward vicious spiral where over-supply intensifies the use of resources, reduces customer satisfaction and their willingness to pay and consequently decreases prices and quality of services. As a result, the economic benefits of tourism are reduced, while the ability to pay for restoring over-used resources is minimized, leading to the decay of facilities and resources. Thus, tourism development does not generate the benefits that destinations deserve and there are inadequate gains in terms of the resources utilized.

Several additional economic and sociocultural problems affect local people and jeopardize the well-being of Rhodes in the long term. Two resorts epitomize the problems and demonstrate that tourism development has failed

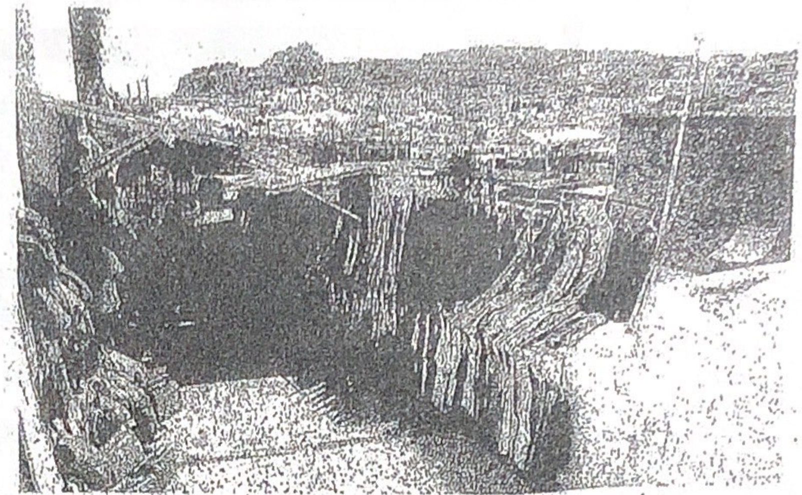

Plate 8.1 Lindos – a village transformed into a 'souvenir' flea market

to generate adequate benefits while jeopardizing the future prosperity of local people. Lindos village, for example, 50 km south of Rhodes Town, has been transformed into a vast souvenir shopping area with local enterprises covering every possible space and selling undifferentiated souvenirs, often made in mainland Greece or even in the Far East (Plate 8.1). Thousands of day-visitors visit the ancient Acropolis and spend a few hours in the village as part of packaged excursions, before heading back to their hotels in the north part of the island. Local men have been reduced to 'donkey-taxi' drivers (Plate 8.2), while local women spend most of their day selling handicrafts on the way to the Acropolis (Plate 8.3). Inadequate planning effectively means that Lindos has lost its character and a wide range of negative tourism impacts can be experienced such as heavy traffic, fumes from cars and coaches, and lack of public toilets. These impacts reduce the benefits of tourism for locals and also the satisfaction of visitors.

Closer to Rhodes Town, the holiday village of Faliraki is blessed with 6 km of sandy beach. However, the over-supply of low category and priced properties, particularly at the south end of the beach, has stimulated mass tourism well beyond the resort's carrying capacity. The northern part of the beach is occupied by four and five star hotels, which attract all-inclusive tourists from Germany and northern European countries. The southern part of the beach is dominated by smaller and often illegal properties, which attract a young, party-going clientele, primarily from Britain and Scandinavian countries. Alcohol consumption often starts at breakfast and continues all day long. In addition, several facilities have been introduced

Plate 8.2 'Donkey-taxi' drivers in Lindos

Plate 8.3 Lindos – local ladies sell handicrafts to tourists on the way to the Acropolis

such as two building cranes which are used for 'bungee jumping'. These facilities and the use of pleasure craft such as jet skis destroy the landscape of the resort. The town centre is packed with open bars playing extremely loud music, preventing both locals and visitors from sleeping in the early hours of the morning. Competition forces local bar owners to offer free drinks to tourists passing by, in order to induce them to visit their establishments. Effectively, tourists can and do drink as much as possible for free. As a result, after a certain time the resort is dominated by thousands of drunk people who misbehave, and generally act like hooligans.

Inevitably this situation results in friction among different groups of tourists as well as between locals and tourists. For instance, tourists of higher socio-economic classes who vacation in the northern part of the beach and in other resorts around the island are intimidated and seek alternative options for their holidays. These are the visitors who have a higher disposable income and are targeted by the Greek tourism policy seeking to attract quality tourists. Local residents are also threatened and forced to sell their properties and move to other parts of the island. Lack of serious legislation and enforcement policies have made the resort a dangerous and undesirable place. More importantly, they have destroyed the potential of tourism to generate adequate profits for the private sector and sufficient economic benefit for the destination. There are a few other resorts suffering from similar problems on both the Aegean and Ionian islands.

In order to overcome these problems, UNEP, under the Mediterranean Action Plan scheme, undertook a variety of projects in Rhodes, such as research on carrying capacity, the protection of historic settlements, and monitoring of pollution. Although the projects set up the framework for improving collaboration between different stakeholders, the overall results indicated that the existing legal and institutional frameworks were insufficient (PAP, 1997).

The disturbance of endangered species and their habitats is yet another problem experienced on several islands (Briassoulis, 1993; Van Den Bergh, 1993). For instance, on the island of Zakynthos (Zante) situated in the Ionian periphery, there have been many efforts over the years to conserve the marine turtle, known as *Caretta-Caretta*. Along the 3.5 km Lagana beach are the breeding grounds of the largest turtle population in the Mediterranean. Indeed, nests are found approximately every 1.75 metres. Environmental auditing of the area has indicated several problems, as illustrated in Figure 8.7. This location illustrates the traditional conflict between the push for greater tourism development and a higher number of visitors and efforts to preserve an endangered species. Tour operators driven by commercial motives attempt to bring charter flights during periods that are clearly in conflict with the activities of the turtles. Also, many tourists fail to follow sound environmental practices either because of ignorance or selfishness. Local authorities are threatened by private commercial interests and are

- Disturbance of turtle nests from motorized boats.
- Conflict between activities which use the area, such as scuba diving and turtle boats.
- The use of the beach during nesting periods.
- The large numbers of visitors and tourists in the area to observe the turtles breeding.
- Turtles being disturbed by the lights and noise from cars, hotels, and aircraft landing after hours.

Figure 8.7 Environmental problems at the Lagana beach in Zakynthos

reluctant to undertake action to protect the turtles as they feel that it will damage the economic benefits of tourism (Ottaway, 1992; Prunier *et al.*, 1993).

A number of projects have been undertaken on the Greek islands in order to protect certain endangered species. In particular, two programmes sponsored by the EU's Life Programme look at the conservation of turtles (*Monachus-Monachus*) on the Ionian islands and monk seals in the Aegean. The first project aims to minimize the conflict between tourism development and the protection of turtle nesting beaches by monitoring the movements of individual animals. The second project on the Sporades islands of the Aegean aims to establish a national marine park for the monk seal, as well as a rescue centre for the treatment and rehabilitation of injured seals. In both projects, campaigns were undertaken in the communities to enhance the awareness of the different stakeholders (EU, 1995).

Despite the need to protect economic priorities, environmental awareness is gradually emerging among the owners of tourism enterprises and the islanders. Often, initiatives geared towards safeguarding the natural environment have been pioneered by larger organizations in various destinations and tend to be imitated by their smaller counterparts. One such organization is Grecotel, the largest hotel company in Greece with 22 four and five star hotels. This company is partially owned by TUI, the German tour operator, and managed by the Daskaladonakis family. Most of the company's hotels are situated on the islands. In 1992, Grecotel became the first hotel group in the Mediterranean to form an environmental and cultural department that deals with a number of issues. As indicated in Figure 8.8, these issues not only affect the hotels but also the host communities.

However, several stakeholders have attempted to implement sustainable tourism policies on the Aegean and Ionian islands. Tour operators are under considerable pressure by consumers to provide environmentally friendly products. At the local level environmentalists also pressurize local authorities to improve the sustainability of resources by reinvesting in their preservation. Examples of initiatives include the development of a sewage treatment plant in Kos, the pedestrianization of the Old Town in Rhodes, and

- Creation of environmental policies (management).
- Encourage Greek suppliers to produce eco-friendly products (purchasing policy).
- Regular environmental audits monitoring and documentation (management).
- Creation of an environmental code of conduct (purchasing policy).
- Successful recycling and energy efficiency activities such as 78 per cent reduction of aluminium usage, 50 per cent reduction of glass consumption, and 30 per cent reduction of water consumption (technical).
- Recreation of local village areas in many hotels (built environment).
- Re-introduction of local plant species in hotel gardens (built environment).
- Inclusion of Grecotel environmental policy in personnel induction manual (communication).
- Co-operation with environmental organizations to protect endangered species and their habitats (natural environment).

Figure 8.8 Environmental and sustainable practices and initiatives by Grecotel

the redevelopment of several parts on islands such as Corfu and Kefalonia. Increasingly, entrepreneurs also realize the synergies between environmental practices and profitability and undertake suitable actions as illustrated in the Grecotel example. However, many of the current practices do not take into consideration the implications of equity issues in a generic geographical context. Most of the sustainable tourism practices are specific to certain islands and focus on local impacts. There is no community or government-led strategic co-ordination and enforcement for the entire region. As the regional economy is 'single-sector tourism motivated', development is extremely tourism-centric, rather than mutually targeted toward sustainability. Finally, there is a 'resources utilization' issue. The general concept of sustainability encourages the stewardship of all natural resources. However, sustainable development on the Greek islands typically protects only resources critical to further tourism exploitation and excludes resources that are not critical to tourism development or survival. Therefore, environmental management techniques (e.g., environmental auditing) should be used by providing incentives to destination authorities to overcome their 'tourism-centric' outlook (Diamantis, 1998, 1999).

Strategic Weaknesses and Challenges for Greek Tourism

Despite its popularity and growth over the past 40 years, the Greek tourist industry has reached a stage where both its potential and competitiveness have become questionable.

> The seemingly unstoppable growth of this market contributed to a degree of complacency that has led to Greece repeating some of the errors made in Spain. Rapid price increases mean the country is no longer perceived by mass

> market clients as cheap in relation to comparable destinations in the Mediterranean, but much of the country's tourism infrastructure, hastily built in response to demand for cheap accommodation, does not meet the needs of a market less sensitive to price and more concerned with quality and value for money. (EIU, 1990: 45)

Unless both the public and private sectors address a number of critical issues immediately, their future can be seriously endangered, resulting in a potential disaster for both the Aegean and Ionian regional economies and the sustainability of their resources. The strategic weaknesses and threats for Greek tourism as well as the challenging factors can be summarized in Figure 8.9.

- Image of Greece as cheap, simple, unsophisticated, undifferentiated, sun and sea destination.
- Gradual deterioration of tourism product and lack of re-investment in improvements.
- Increase in tourism arrivals but decrease in tourism expenditure per capita.
- Inadequacy of the planning process and lack of efficient enforcement mechanism.
- Dependence upon major tour operators for promotion and distribution of the Greek tourism product.
- Plethora of anarchically developing and behaving SMTEs, aiming for short-term profitability.
- Inadequacy of infrastructure to serve the ever-expanding demand.
- Lack of coordination at the destination and disrespect for tourists' needs.
- Lack of professionalism and training in both state and private tourism establishments.
- Inadequate management and marketing abilities and failure to adopt IT.
- Individualistic behaviour by SMTEs and unwillingness to cooperate on a destination basis.
- Unsuccessful and inconsistent programmes of government intervention.
- Almost unregulated environment, with near complete lack of control.
- Development of tourism as a single regional development option.
- Failure of the private sector to invest in long-term projects.
- Deterioration of natural, social and cultural resources.
- SMTEs' inability to resist in global concentration in the tourism industry.
- Failure of both the private and public sectors to learn from internationally gained experience in tourism development and marketing.
- Lack of tourism research to identify the impacts of tourism.
- Negligence with regard to new tourism demand challenges.

Figure 8.9 Strategic weaknesses and challenges for tourism in Greece and the islands

Source: Adapted from Buhalis (1995, 1998)

As a result, Greece in general and the Aegean and Ionian islands in particular fail to attract the desired 'high-quality, high-expenditure' tourists, since they are increasingly unable to satisfy these individuals' requirements. The deterioration of the tourism product and image causes consumers to be less willing to pay, consequently leading to a further drop in quality, as the industry attempts to attract customers with lower prices. This is the vicious spiral which has been destroying the essence of developing tourism in several Mediterranean destinations. Hence, both the private and public sectors require radical measures in product formulation, promotional strategies and distribution channels in order to support the competitiveness of both destinations and SMTEs as well as their future profitability and prosperity. From the viewpoint of the public sector the development and implementation of a dynamic master plan need to safeguard the sustainability of resources and ensure that all stakeholders will gain benefits from tourist activities. Tourism policy should focus on optimizing impacts for the benefits of stakeholders, the satisfaction of consumers and the profitability of the industry. Failure to react by strengthening the competitiveness of the Aegean and Ionian SMTEs would have severe implications for the future of tourism activity in Greece, as the essence of its existence may be jeopardized, and its economic contribution become questionable.

Environmental awareness and sustainability of resources are critical for the quality of a tourism product and will increasingly determine the competitiveness of the industry. However, this relation can also be reversed. Unless the industry maintains its competitiveness and profitability there will be fewer resources available to be invested in environmental and sustainability projects. As a result, sustainability and competitiveness are interrelated and there are plenty of synergies evident. Perhaps both the private and public sectors should realize that sustainability concerns are not contrary to the aims of tourism development. By contrast, they should advocate a long-term tourism development which will enable the region to take advantage of its unique resources and maximize its long-term profitability and prosperity. To the degree that consumers increasingly appreciate high-quality environmental resources, they will be prepared to pay higher prices and increase their visitation to unspoiled regions.

International competition has also forced the industry and authorities to improve local resources and to reinvest in their regeneration. Long-haul destinations, which emerged in the last decade, have missed the mass tourism developments of the 1970s and have often undertaken superior preservation of their resources through legislation and careful planning. Closer to home, competing destinations such as Spain are undertaking serious steps to renovate their capacity and facilities as well as to regenerate their environmental and cultural resources. Initiatives in Calvia, Majorca as well as in Benidorm have improved the tourism product locally and have increased the profitability of local enterprises as well as reducing seasonality problems. In some cases, drastic interventions have taken place such as demolishing hotels to create open public spaces. Against this background, the Greek islands may find it increasingly more difficult to compete unless both the private and public sectors initiate and respect a regeneration programme for local resources and implement a strong framework for sustainable development.

Conclusion

The unique sociocultural, environmental and heritage resources of the Aegean and Ionian islands attract millions of visitors every year. Nevertheless, the destination fails to take advantage of tourism and ensure the sustainability of its resources for future generations. A combination of deficiencies relating to the public and private sectors are responsible for the inability to optimize tourism's impacts and to ensure the prosperity of local residents. The public sector has failed to develop a comprehensive master plan, which should guide policy and regulations as well as provide clear guidance for their enforcement. It has also failed to generate research on the area in order to support rational decision-making and long-term strategies. As a result, officials follow conventional wisdom and unsophisticated management and planning methods. Poor enforcement mechanisms are also responsible for a near anarchic development in several resorts. Conversely, the private sector is dominated by SMTEs, which have inadequate understanding of tourism management and marketing and fail to appreciate the long-term implications of their actions. Thus, they are dependent on international mass tour operators who force their mass/undifferentiated tourism strategy. Over-supply at the destination and globally in combination with lack of efficient marketing strategies also means that SMTEs are forced to accept extremely low prices from tour operators (Buhalis, 1999a, 2000). Therefore, environmental policies and sustainability are often considered luxuries by the private sector, which needs to concentrate on short-term profitability and often survival issues.

Greek tourism is heavily geared towards mass tourism, despite a number of policies promoting alternative tourism development. Current development in Greece and on the islands not only endangers the future of local resources, but also has direct implications for the short-term profitability of local SMTEs and the economic benefits at destination level. As a result, the benefits of tourism in Greece deteriorate and the product needs a drastic re-evaluation and repositioning in the marketplace, while tourism policies need to be refocused towards new realities and challenges. As far as environmental resources are concerned, thorough environmental auditing should be employed in order to monitor the actual and potential environmental impacts of tourism. In assessing the actual impacts, the current conditions of resources should be examined. Moreover, an evaluation of potential