

NEW APPROACHES TO VALUE CREATION IN THE TOURISM SECTOR - THE CIRCULAR ECONOMY

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ABSTRACT. The circular economy is an alternative economic model to the current linear economy. The main feature of the circular economy is to preserve the value of resources. The circular economy generates indisputable environmental benefits, social benefits and added value for companies, aspects necessary to guarantee resource sustainability and ecological diversity in a globalized, complex and often unpredictable global context. Despite the fact that tourism plays an important role in the economic development of tourist regions and in the integration of these economies in the process of globalization, it puts great pressure on natural resources and the environment. Tourism activity generates environmental impacts and economic impacts. The aim of this paper is to analyze the future tendencies of tourism, how the circular economy can create value for the tourism sector and the steps to be followed to create a sustainable model. The society we live in has exhausted the resources needed to meet the future needs of an increasingly affected planet. Tourism is a sector sensitive environmentally, because while exploiting resources for its economic development, compromising their future growth. For this reason, it is very important to adopt tourism practices that promote respect for the planet - Earth, because we destroy our home and today we are already living the consequences and the circular economy is born of the real need to save the planet we live on. Change is the key to a sustainable model. Today there are endless opportunities, we need to rethink our current system and open up to new perspectives through innovation and creativity.

Keywords: Circular economy, Sustainable tourism, Resources, Tourism

JEL classification: Z32, L83, Q01, Q56

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INTRODUCTION

Imminent population growth, combined with the rate at which natural resources are exploited today, will generate a demand that cannot be met (Wubbolts, 2014). Resources are becoming more expensive and more difficult to exploit. In addition, we question the amount of garbage generated by our current lifestyle.

The classical linear economy scheme, according to which the successive stages of extraction, processing, production, use and disposal of products and materials are developed, is not sustainable indefinitely, aggravated by the fact that, during the process, waste comes and by-products capable of being brought back into the production circuit or in the natural cycle, but which, on the other hand, are ignored and destined for disposal by incineration, destruction or storage in landfills. This situation leads to the need to identify priorities for strengthening a more competitive, responsible and sustainable economy, guided by a framework in which innovation is essential for progress and for ensuring the well-being of humanity.

The circular economy is the antithesis of the linear model. It is, conceptually, a “holistic”, “restorative” and “regenerative” model. It allows products, components and materials to maintain their value and usefulness permanently throughout the production and use cycle. It generates indisputable environmental benefits, social benefits and added value for companies, aspects needed to ensure resource sustainability and ecological diversity in a globalized, complex and often unpredictable global context.

1. LITERATURE REVIEW

The circular economy creates long-term prosperity but requires the involvement of all the elements that make up the economy and that are interconnected. Companies, consumers and governments must work together for a common goal: “to implement a fair, social, collaborative and sustainable economy” (Tejerina, 2017).

Marcet et al (2018), believe that the term circular economy is used to define an economic model that aims to maintain materials, products and components in circular processes, in which they can be reintegrated into the chain. Value once their useful life is over, ensuring that the materials lose the lowest possible value.

Although the concept of circular economy is not new but unfortunately it cannot be traced back to a specific year or author because it has deep-rooted origins. The circular economy has not always been given the same meaning but is explicitly linked to sustainable development. The circular economy is a model designed to replace the linear economy, built on the sequence: take resources from nature, manufacture, use or consume and throw away. Due to the negative impact on waste on the environment (accumulated in landfills), as well as the progressive deficit and rising cost of resources, this model is already unsustainable. The basics of the circular economy are highlighted in Figure 1.

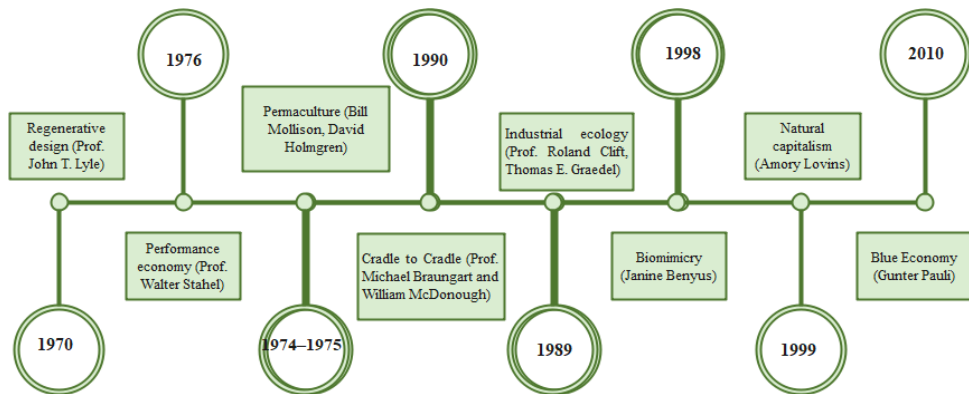


Figure 1. The evolution of the concept of circular economy over time

Source: Own elaboration with information from Ellen MacArthur Foundation, (2015), *DELIVERING THE CIRCULAR ECONOMY – A TOOLKIT FOR POLICYMAKERS*, https://www.ellenmacarthurfoundation.org/assets/downloads/government/EllenMacArthurFoundation_Policymakers-Toolkit.pdf

Walter R. Stahel, a Swiss architect, is one of the great thinkers of the sustainable trends behind the circular economy. In 1976, together with Genevieve Reday, he presented a report at the European Commission in Brussels entitled *The Potential for Energy Replacement*, which sets out the first approaches to the circular economy or the Loop economy and the Cradle to Cradle concept, which years later, in 2002, it was expanded by McDonough and Braungart (2002).

The concept of biomimicry or biomimetics was popularized by Janine M. Benyus, an expert in natural sciences and natural resource management. Benyus explains biomimicry as "a new discipline that studies the best ideas of nature to mimic these patterns and processes of solving human problems."

It was not until the 1960s, with the first ecological movements and the publication of the book "The Silent Spring", that the negative impact of industries on the planet began to become relevant, due to the non-discriminatory exploitation of resources, mono-cultures and excessive use of toxic substances in the environment. This revival, added to the first publication of the concept of "sustainable development" in the "Brundtland Report", marked a new stage in the importance of caring for current natural resources to ensure the quality of life of future generations. This concept is general, ambiguous, and imperfect, but ultimately marked a valuable starting point globally. Thus, throughout the twentieth century and until today, several economists have tried to find the best way to bridge the gap between environmental care and the theory of neoclassical economics, which made it possible to formulate a "green economy", to mitigate the impact on the environment and make efficient use of resources, although it insists on infinite and expansive growth. This proposal does not solve the basic problems, as it was oriented towards the internalization of costs and promoted the "polluter pays" principle but did not promote systematic changes in business culture from improving sources of process contamination and product design.



Figure 2. Linear economy VS Circular economy

Source: MacArthur Foundation, (2015), *DELIVERING THE CIRCULAR ECONOMY – A TOOLKIT FOR POLICYMAKERS*, https://www.ellenmacarthurfoundation.org/assets/downloads/government/EllenMacArthurFoundation_Policymakers-Toolkit.pdf

The United Nations Environment Programme (2011) defines the circular economy as “an economy that reduces resource consumption, waste generation, reuses and recycles waste during production, distribution and consumption processes”. While the Ellen MacArthur Foundation, together

with other organizations (2020), proposed the following definition: companies. This involves the gradual decoupling of economic activity from the consumption of finite resources and the design of waste from the system. Based on a transition to renewable energy sources, the circular model builds economic, natural and social capital.

The definition given by the United Nations Environment (2011) focuses on waste generation, reuse and potential recycling of waste while the definition given by the Ellen MacArthur Foundation together with other organizations (2020) emphasizes the need to transform production processes into the same time to generate positive benefits for society as a whole.

Blomsma & Brennan (2017), define the circular economy as a general term that covers all activities that reduce, reuse and recycle materials in the processes of production, distribution and consumption. Most definitions have the same essential notions as “reduce”, “reuse” or “recycle”.

Singha & Ordoñez (2016), define the concept of social economy as an economic strategy that suggests innovative ways to transform the current predominantly linear consumption system into a circular one, while achieving economic sustainability with much needed material savings.

Most researchers have come to the conclusion that the circular economy has made important contributions over time. In the paper published by Korhonen et al. (2018), it was found that there are limitations and challenges in practicing the circular economy. The European Commission presented its action plan for a circular economy in Europe in December 2015. This plan aims to indicate the various measures (up to a total of 54) on the basis of which the European Commission considers it necessary to act in the next 5 years to advance in the circular economy. The measures affect:

- at different stages of the product life cycle (design and production, consumption, waste management and use of waste resources by reintroducing them into the economy), and
- five areas that the Commission considers a priority (plastics, food waste, critical raw materials, construction and demolition and biomass and organic products).

The plan also includes a horizontal section on innovation and investment and a timetable for the 54 measures.

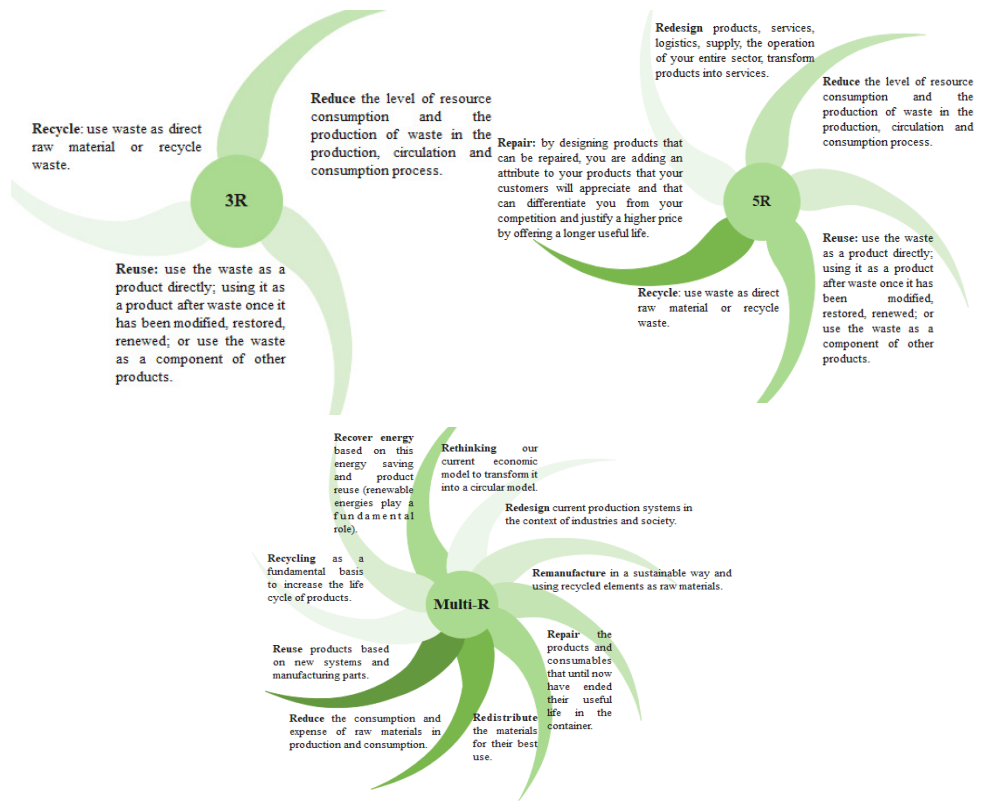


Figure 3. The evolution of R principles

Source: Own elaboration with information from Gaztelumendi I, Tarí A., (2019), *Informe sobre economía circular aplicada al turismo*, available at <https://www.segittur.es/wp-content/uploads/2019/09/Informe-sobre-economi%CC%81a-circular-aplicada-al-turismo-ok.pdf>.

The circular economy aims to improve the use of resources and energy, protect the environment and promote economic development, initially through the principles of the 3Rs. These principles (3Rs) were extended to 5Rs and eventually to Multi R. The MultiR concept was promoted by the Foundation for the Circular Economy. Today, the circular economy has emerged as a three-pronged tool, understanding economics, ecology and society as interdependent elements as part of the same system.

Table 1. Advantages of the circular economy

Economic advantages of the circular strategy	Environmental advantages of the circular economy	Business advantages of the circular economy	Advantages of the circular economy for society and for citizens
<ul style="list-style-type: none"> - Economic growth - Net raw material cost savings - Value creation - Employment creation - Innovation 	<ul style="list-style-type: none"> - Risk prevention and balanced management of natural resources - Reduction of Carbon Dioxide emissions - Reduction in the consumption of raw materials - Improved productivity and soil quality - Reduction of negative externalities 	<ul style="list-style-type: none"> - Increase in productivity and competitiveness - Generation of benefits - Reduced volatility and increased security of supplies - Generation of demand for new business services - Encouragement of greater interaction with customers 	<ul style="list-style-type: none"> - Increase in disposable income - Increase in quality and decrease in the price of products and services - Reduction of obsolescence - Improvements in prevention, safety and environmental health

Source: Own elaboration with information from Gaztelumendi I., Tarí A., (2019), *Informe sobre economía circular aplicada al turismo*, available at: <https://www.segittur.es/wp-content/uploads/2019/09/Informe-sobre-economi%CC%81a-circular-aplicada-al-turismo-ok.pdf>

In other words, the circular economy is presented as a very useful mechanism not only for achieving a more economically prosperous society and an ecologically more sustainable planet, but we can also achieve a fairer society and more dedicated to consumption, which not only helps us to preserve nature, but is also more respectful of the rights of workers and citizens.

2. METHODS

In carrying out this paper, the method of data collection - document analysis - statistical data analysis was chosen. As know, the National Institute of Statistics is the most important source of statistics for Romania. In this paper we used statistical data from the National Institute of Statistics, World Economic Forum and UNWTO - World Tourism Organization.

We will analyze: Indices of arrivals of foreign visitors in Romania and Indices of departures of Romanian visitors abroad and Competitiveness index in the field of tourism in Romania (international opening, how

important is tourism in Romania, Information and communication technology, human resources and labor market, health, security, business environment, price competitiveness, environmental sustainability, air transport infrastructure, land infrastructure, tourism services infrastructure, natural resources, cultural resources). The aim of this paper is to analyze the future tendencies of tourism, how the circular economy can create value for the tourism sector and the steps to be followed to create a sustainable model. This analysis is necessary for the creation of a new tourist model that will offer Romania a competitive advantage by increasing the tourist competitiveness and ranking Romania in a better position.

3. RESULTS

Tourism around the world faces new challenges whether we are talking about the covid pandemic or growing and more pronounced problems such as climate change, over-exploitation of natural resources or the destruction of ecosystems.

According to the World Economic Forum, Romania in 2019 scored 4.0 from 7. In 2015 and in 2017 the score was 3.8, Romania had a score of 3.8. Romania ranks 56th in the tourism competitiveness indicator, out of the 140 countries analyzed in 2019 by the World Economic Forum. In 2015 it was on the 66th place in the tourism competitiveness indicator, out of the 141 countries analyzed and in 2017 on the 68th place out of the 136 countries analyzed.

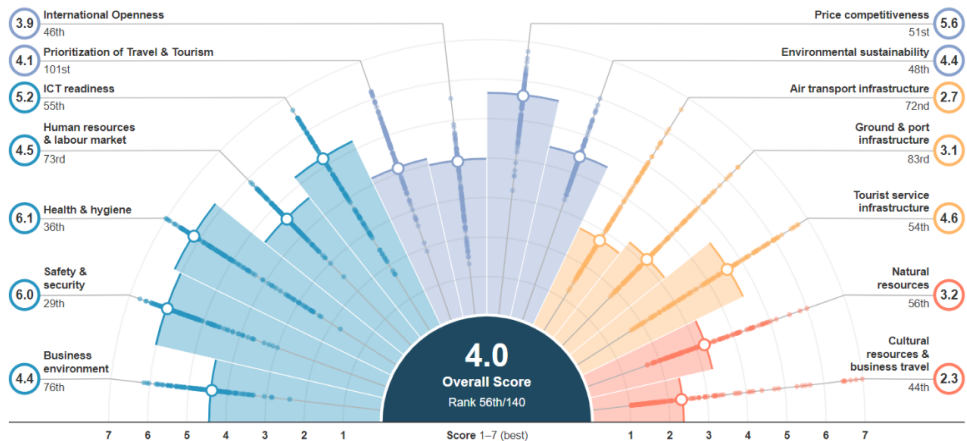


Figure 4. Romania Performance Overview 2019
Source: World Economic Forum

Only 2,760,100 foreign tourists come to Romania, spending an average of \$ 501.5 each. In Romania, the tourism industry represents US \$ 2,527.1 million, which means 1.5% of GDP.

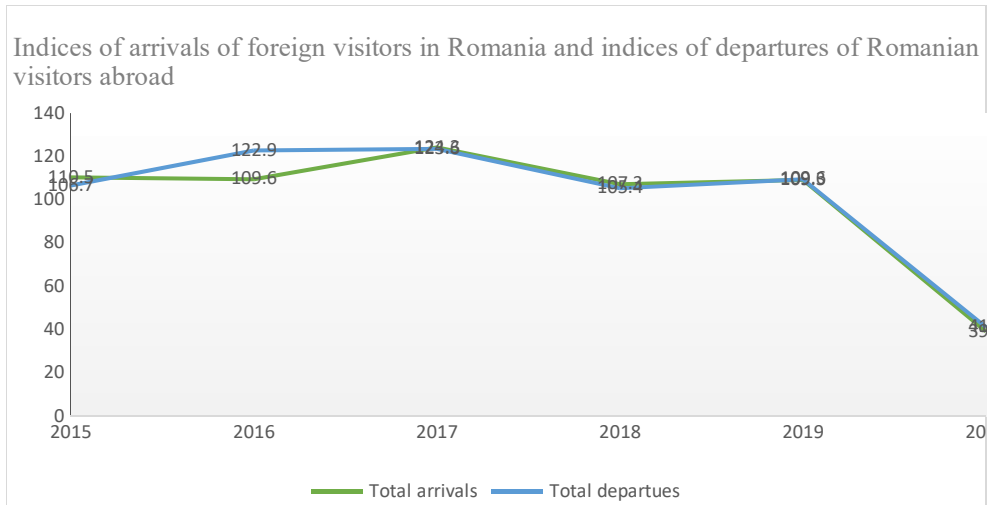


Figure 5. Indices of arrivals of foreign visitors in Romania and indices of departures of Romanian visitors abroad
Source: National Institute of Statistics (INSSE)

The general index is calculated from several component indices. For example, in terms of road quality, we are in 83rd place out of the 140 countries considered. More precisely, Romania has a very low score on the infrastructure sub-indicator: 2.7 air infrastructure, respectively 3.1 ground and port infrastructure. In terms of ease of finding qualified employees, we are in 73rd place. In terms of the number of jobs in this industry, 222,500 employee jobs represent 2.6% of the total. We are also ranked 101st in the priority given by the Government to tourism, although tourism was one of the traditional ways of GDP growth in Romania, at least in the statements of many politicians. Moreover, we are ranked 73rd in the world in terms of marketing and branding efficiency in attracting tourists to Romania. So, the money invested in fairs, country brandings, led us to attract as many tourists as possible.

In 2019, the number of tourists arriving in accommodation units reached a record, so that about 13.3 million tourists stayed in hotels and guesthouses in the country, being the highest level recorded in the

last ten years. However, the Romanian tourism industry has been significantly affected by the pandemic crisis, and this can be seen from the latest data from Statistics showing the situation for the whole of 2020. Thus, the number of tourists arriving last year was only 6.3 million.

Table 2. Turism inbound – Romania

Romania	Arrivals (milion)	Receipts (USD bn)	Receipts per arrival (USD)	Tourism as % of Exports
2015	2.2	1.8	823	3%
2016	2.5	2.0	819	3%
2017	2.8	3.1	1.110	4%
2018	2.8	3.4	1.216	4%
2019	2.7	3.6	1.332	4%
2020	-	1.4	-	2%

Source: Own elaboration with information from UNWTO

According to data from UNWTO - World Tourism Organization, the year 2020 was a challenge for tourism in Romania and beyond.

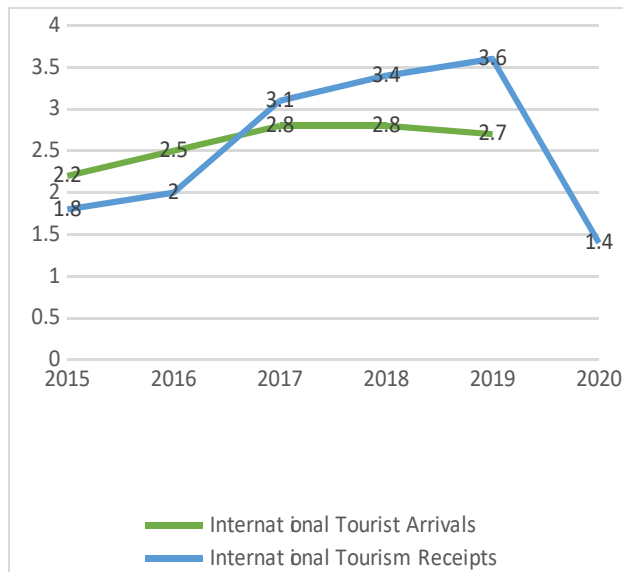


Figure 6. Change over previous year (%)

Source: Own elaboration with information from UNWTO

In 2020, internal tourism receipts at 1.4 although in 2019 it was 3.6. The departures of Romanian visitors abroad, registered at the border points, were in 2020 of 9510.1 thousand, decreasing by 58.8% compared to 2019. The means of road and air transport were the most used for departures abroad, representing 71.0% and 28.3% of the total number of departures, respectively. The index of net use of accommodation in 2020 was 22.9% of total tourist accommodation structures, decreasing by 11.3 percentage points compared to 2019.

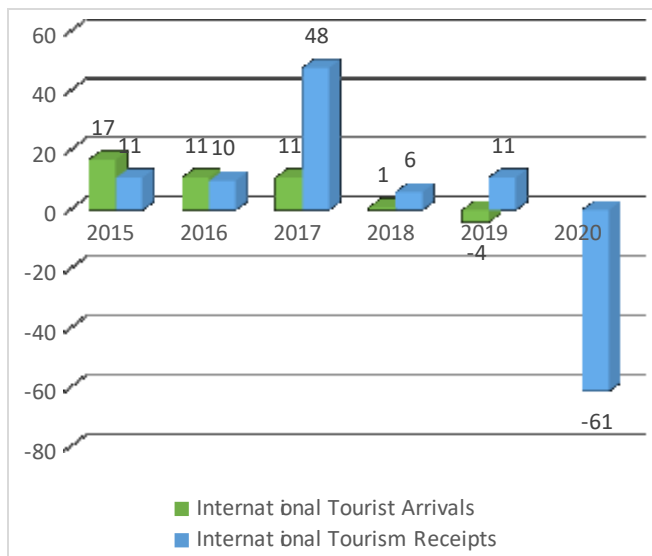


Figure 7. International Tourism (absolute values)

Source: Own elaboration with information from UNWTO

In the first seven months of 2020, the arrivals registered in the tourist reception structures amounted to 3.066 million, decreasing by 57.8% compared to the period January 1 - July 31, 2019.

Romanian tourists accounted for 96.7% of the total number of arrivals in 2020, while foreign tourists accounted for 3.3%. Regarding the arrivals of foreign tourists in the tourist reception structures, the largest share was held by those in Europe (88.7%) the vast majority being from countries belonging to the European Union.

The effects of the pandemic on Romanian tourism can be seen in statistics. According to the National Institute of Statistics, arrivals registered in tourist reception structures decreased by 44.4% in July 2020 compared to July 2019, to 917,800 arrivals.

Tourism is a strategic sector, an integration tool and a key engine for socio-economic recovery.

4. CONCLUSIONS AND DISCUSSION

Tourism is one of the industries most affected by the crisis caused by COVID-19. The impact of the situation has radically changed all the activities of the sector, from the preferences of tourists to the offer of services.

Motivations and needs are constantly evolving, and consumption is increasingly conscious, appealing to social and environmental issues, that is, sustainable tourism where the consumer demands from the countries and tourism providers they hire, a strong commitment to the environment they visit.

To conclude this paper, we see that the circular economy is not only necessary to address the environmental conflicts presented to us by the linear economy of infinite waste generation but is also very important as a tool for resolving political conflicts if used. Correctly, the improvement in the macroeconomic number must be accompanied by inclusive policies that allow the working middle class to have more purchasing power, the circular economy could save Romania a lot of money, companies significantly reduce costs and therefore wages and employment opportunities of young people would improve. Basically, I see this opportunity as a key for Romania to know how to use this economy intelligently.

COVID-19 has changed our economic and social landscape. The pandemic has exposed many fragilities in our economies, deepening existing inequalities and making more visible the situation of those in vulnerable situations. At the same time, it forces us to rethink the systems that support the economy, stimulus packages should focus on finding a way back to normal. There is a growing demand for an ecological recovery and for turning the crisis into an opportunity to build more inclusive economies. The World Economic Forum (WEF), for example, highlights the unique opportunity presented for the “Great Reset” of our economies and societies.

This is a major concern for developing economies as they undertake recovery. Tourism, driven by the public and private sectors, is not only an essential source of foreign exchange, but has the potential to serve as a development “tool” to strengthen supply chains, improve the productivity of local businesses, create jobs and generate income. This activity generates for local communities and how sustainable tourism creates economic value while preserving culture and natural assets.

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