OVERCOMING THE DEPRESSIVENESS OF THE RESORT CITY OF JURMALA BY CREATING A TOURIST AND RECREATIONAL ZONE IN THE REGION

1. Introduction

Before the expansion of the European Union (EU) in the early 2000s, the attitude towards special economic zones (SEZs) in Western Europe was unambiguously negative [1, 2]. In developed European countries, as a rule, free port regimes have been recognized that have been in effect for a long time, but a different approach to doing business by granting benefits to certain groups or activities was denied. Global virtualization of the economy, changing the political and economic map of the world led to the emergence of depressive regions not only in post-Soviet, but also in developed countries. Expansion of the European Union at the expense of the countries of Eastern Europe has changed the attitude towards the creation of special economic zones in Europe.

Therefore, it is important to analyze the types of free zones according to the interpretation of the European Commission, as well as to identify depressive factors for a given region in order to make proposals for their elimination by creating a tourist and recreational zone in the considered region.

2. The object of research and its technological audit

The object of this research is the free economic zones in the European Union of different directions with an emphasis on special economic zones.

To eliminate the depressive factors, restore and develop recreational activities in the region, it is proposed to create a tourist and recreational zone in Jurmala and the region adjacent to the city.

3. The aim and objectives of research

The aim of research is assessing the degree of depressiveness of the Latvian resort city of Jurmala, identifying the possibilities of creating a special economic zone there.

To achieve this aim it is necessary to accomplish the following tasks:

1. To analyze the types of free economic zones in the European Union.

2. To determine the factors of depressiveness in the resort city of Jurmala.

3. To identify the positive and negative sides of the region for creating a tourist and recreational zone in Jurmala.

4. Research of existing solutions of the problem

According to the interpretation of the European Commission (EC), free zones in the European Union are divided into two types – Control I and Control II [3].

Free zones such as Control I have a perimeter fence, so that the goods placed there are controlled by the customs and are automatically under a special regime.

The rules for free zones Control II are essentially the same as for customs warehouses, but unlike traditional zones, goods (or produced) in them are subject to declaration.

In the list of the European Commission as of July 31, 2017 there are 81 free zones of different directions [4]. In fact, they are even larger, in any case, the Latgale special economic zone, created in Latvia in 2016, has not yet entered the list. There is no Birmingham Enterprise Zone (British) created in 2011 and repeatedly mentioned among the award-winning free zones in the world in the reports of FDI Intelligence Global Free Zones in the list of the EC and the free zone of Birmingham. The last time awards in several nominations were received by this zone in 2016 [5]. The Shannon Free Zone, created in the 90s in Ireland, mentioned in the same reports among those awarded in the category of industrial free zones, is missing in the list of the EC.

Accidentally or not, all three of the above-mentioned zones are formed in regions that can be attributed to depressive people who are in this state for various reasons. According to the SEZ theory, the creation of special economic zones is welcomed precisely in depressed regions. In these regions there is infrastructure and human resources, but there is no capital to restore the former glory – in the economy.

It is the depressed (and not backward) regions that often become objects for development and attracting investments by creating a free-zone regime for investors there.
Examples of Dublin and Birmingham are indicative from the point of view of economic development in Western Europe of depressed regions, to which Ireland belonged 30 years ago and at the turn of 20–21 centuries the city of Birmingham. In these regions, as a result of the new technological revolution, most large industrial enterprises are closed down.

A classic example is the Shannon Free Zone, with the introduction of a taxed business regime there, the structure of the economy of Ireland has changed towards creating industries with higher added value, primarily IT. And after it other industries associated with the application of modern achievements of scientific and technological progress, including pharmaceuticals and medicine. The country ranks 7th in the innovation performance rating of the Global Innovation Index 2016 among 128 countries [6], and Ireland’s GDP growth is the highest in the EU – 6.6 % in the second quarter of 2017.

The revival of the second-largest British city of Birmingham through the development of the business zone is one of the major projects for the GBSLEP (Growth Hub Business Support Programs), which can create 40,000 new jobs, adding 2 billion pounds a year to the economy [7]. In Birmingham, for more than two centuries, remained the industrial center of Britain, by the beginning of the 2000s, most major manufactures had been closed down. Several years ago, a special zone with preferential treatment for investors was created to take the city out of its depressed state. In turn, large budgetary funds were allocated for the creation of a new and restoration of the old infrastructure, new universities and professional colleges appeared to attract fresh labor resources to the region. Thus, the theory of creating special economic zones in depressed regions was embodied in developed economies.

Latgale found itself in a depressed region after the collapse of the USSR and the liquidation of most of the industries there. Created recently in the most depressed region of Latvia, the Latgale Special Economic Zone [8] has the same goals: to withdraw the remote from the center and the once developed region from decay, attracting investors to establish new enterprises there in different sectors. Feature of Latgale special economic zone is granting the status of SEZ of the enterprises in different points of Latgale, and not only in a certain city.

But back to the list of the EC, with its more than 80 free zones in Europe [3]. This amount is quite enough to look more closely at what they are oriented on. So, first let’s call the EU countries, where, according to the European Commission, there are no free zones: Austria, Belgium, Cyprus, Hungary, Slovakia, Sweden, Ireland and Great Britain. We have already mentioned the last two, so these countries can only expand the list of free zones.

In the list of the European Commission there are no free zones of tourist and medical orientation. There is an explanation for this. Tourism in developed European countries, including international ones, has long occupied a proper place in the economy, and the industry does not need special preferences. What can’t be said about the countries formed as a result of the collapse of the socialist state, where the economic, geographical and political situation changed, and where primarily internal tourism between the republics of the USSR, or between the CMEA countries (the Council for Mutual Economic Assistance) took place. With the collapse of the socialist system, new European countries had to establish tourist links with the outside world. Many resort and tourist regions were isolated from their former clients who remained in the CIS countries.

Someone, such as Lithuania, with its «all-Union» health resorts in Druskininkai, Birštonas, Neringa and Palanga, managed to quickly establish a tourist and recreational business and overcome the crisis. As early as the beginning of the 1990s, a law was adopted in Lithuania, according to which these four cities received the status of a resort, and where state and then European funds were attracted for infrastructure development, followed by private investors. It was not necessary to create tourist free zones there. Today in Lithuanian resorts the issue of seasonality has been resolved, only the ratio between foreign and local tourists is changing. Tourism services account for 25 % of Lithuanian exports [25].

Another situation in the new EU countries. In addition to the traditional free ports, they are characterized by the creation of various types of industrial parks with preferences of free zones. The most active in terms of creating free industrial zones are Poland (8), Lithuania (12) and Latvia (3). In Latvia, the established benefits for all zones – port and special zones are identical and spelled out by a separate law [9]. In Lithuania, where three SEZs were created 20 years ago, today special zones are being created in different cities and regions. Customs zones are common in Bulgaria (6), Croatia (7), Czech Republic (8), Estonia (3), Latvia (5), Romania (6) and Slovenia (1).

An analysis of the scientific literature on a given topic shows that the development of depressed regions in Europe is of interest to researchers in countries such as Slovakia [10], Latvia [11] and Russia [12]. Among the works devoted to the creation and operation of special economic zones, it can be noted the research of scientists from Latvia, Lithuania and Poland [1, 13, 14]. Medical tourism issues are most represented in the scientific literature; most often they are devoted to the research of the most popular medical services and their prospects [15–17]. But there are also works with proposals for the development of resorts [18, 19]. It can be noted the studies of Ukrainian, Russian and Latvian authors linking medical tourism with the organization of special economic zones [20–24].

5. Methods of research

To achieve this aim, the methods of analysis and synthesis, personal observations, analogies and comparisons, and the processing of statistical data are used in the work.

6. Research results

6.1. Medical Tourism and SEZs. In the list of the European Commission there are no free zones of tourist and medical orientation. There is an explanation for this. Tourism in developed European countries, including international ones, has long occupied a proper place in the economy, and the industry does not need special preferences. What can’t be said about the countries formed as a result of the collapse of the socialist state, where the economic, geographical and political situation changed, and where primarily internal tourism between the republics of the USSR, or between the CMEA countries (the Council for Mutual Economic Assistance) took place. With the collapse of the socialist system, new European countries had to establish tourist links with the outside world. Many resort and tourist regions were isolated from their former clients who remained in the CIS countries.

An example of the revival of the historic resort with the help of a special tourist-recreational zone can serve the Ukrainian city of Truskavets. Political and economic factors prevented rapid exit from the depression of the resort city with exclusive natural conditions. However, it managed to still preserve the sanatorium facilities, and
in the region medical tourism and pharmaceuticals are developing little by little [26].

The SEZs toolkit is actively used in Turkey, where tourism (tax-free tourism zones), including medical, is one of the priorities of the state economic policy. In Turkey today there are 20 SEZs that take advantage of the country’s geo-economic situation and proximity to the markets of the Near and Middle East [27].

It is worth noting that in Europe there was a peculiar overlapping of the medical tourism network with the already established medical and recreational one. Such resorts in Eastern Europe as Karlovy Vary and Mariánské Lázně (Czech Republic), Balaton and Hévíz (Hungary), Varna (Bulgaria) and others managed to maintain their position due to their geographical proximity to consumers of recreational and medical services in Western Europe and more rapid entry into the market. The humane pricing policy also contributed to the development. Due to the attraction of tourists-seniors to resorts, boarding houses and hotels even in the autumn-winter season are filled there by 95 %.

6.2. Factors of depressiveness of the resort city of Jurmala. Of the famous European spa centers, Jurmala, the mud and hydrotherapeutic resort is the least fortunate, with a rich, more than a hundred-year history, oriented to the tourist from the east in Soviet times. Unlike neighboring Lithuania, in Jurmala most sanatoria and boarding houses closed. It should be noted that the status of the resort of Jurmala at the legislative level found only in 2013, but the city authorities do little to restore recreational and medical tourism [26].

The assessment of the depressiveness of the city of Jurmala is done on two scales: a comparison with the past state and with other regions.

Among the reasons for the decline of the sanatorium business in Jurmala, first of all, it is necessary to call the political factor – the authorities of the country and the city are afraid of the influx of «Russian» tourists, counting on Europeans. The last to go here to be treated far away, full of offers in more convenient places. In the Ministry of Health of the Republic of Latvia, the development of balneology and export of medical services is not considered a priority, focusing on the budgeting of the industry. The funds of European funds aren’t fully used in Jurmala, which at one time helped restore sanatorium in Lithuania [28]. Self-management of Jurmala focused all its attention on the cultural center of the city, where the concert hall was reconstructed, as well as in the Kauguri microdistrict, where the majority of the electorate lives. Quarters of elite apartment buildings built with money from investors from the CIS are empty in the center of the city. With a master’s approach, they could be used as apartments for tourists coming to rest and improve their health.

Repeatedly in their publications, the authors noted the need to create a special tourist and recreational zone in Jurmala in order to attract investments in enterprises connected with tourism and medicine and restore the former glory of the resort city. And thus expand the possibilities of attracting medical tourists to Latvia. For this, it is necessary to eliminate the factors of regional depressiveness.

The city of Jurmala, which had all the characteristics for the development of sanatorium-resort activity, today can be attributed to the depressive region on several factors.

The population of Jurmala, a city in the immediate vicinity of the capital, declined by 18.6 % during the years of independence, from 60.6 thousand in 1989 to 49.3 thousand in 2016 [29]. The main reasons for the decline in the number of inhabitants is absence of work and labor migration.

Earlier Jurmala has positioned itself as an «all-union health resort», only in Kemeri operated 9 resorts – 7 for adults («Kemeri», «Daugava», «Dzimtene», «Chaika», «Latvia», «Lantarnyi bereg», «Jaunkemeri») and 2 children’s («Mezha May» and «Spiditis»). And all before 1991 in the city of Jurmala there were more than 30 sanatorium-and-spa institutions of different profile. Today in the Register of Enterprises of Latvia there are only 4 actively functioning specialized Jurmala sanatoria. This is «Jaunkemeri», privatized in the 90-ies by chief physician. Two sanatoria («Belorusia» and «Lantarnyi bereg»), remaining in the subordination of Russia and Belarus. And the national rehabilitation center «Vaivaris». Unfortunately, all the above-mentioned sanatorium establishments, based on natural medical factors, do not correspond to modern concepts of comfort, require major repairs of buildings and premises.

The historical sanatorium «Kemeri», which for several years has changed its owners, is in a state of permanent restoration, surrounded by the ruins of a balneary and other resort buildings. The village of Kemeri once the center of the resort life of Jurmala, where there are still six churches of different faiths, are in depressive existence, destroyed infrastructure, roads are broken, the old park near the sanatorium is broken, the last cafe was closed in the place. In Jurmala there are several multi-storey hotels, transformed from sanatoriums and boarding houses, where guests can take advantage of the services of SPA and dentistry, however they are mostly loaded in summer and the issue of seasonality of the resort is not solved.

Another indicator reflecting the depressiveness of the region is the average salary in the private sector. If in Latvia the average monthly gross salary in the private sector, with the number of employees 50 or more, was 973 euros in 2016, in Riga – 1071 euros, in Jurmala – 734 euro. Approximately as much as in the depressed Latgale region: Jekabpils – 717 euros, Daugavpils – 608 euros (Table 1).

| Place | City       | 2014* | 2015* | 2016* |
|-------|------------|-------|-------|-------|
| Latvia|            |       |       |       |
| 1     | Riga       | 562   | 1020  | 1071  |
| 2     | Ventspils  | 527   | 562   | 562   |
| 3     | Liepaja    | 783   | 890   | 946   |
| 4     | Valmiera   | 830   | 867   | 939   |
| 5     | Talsi      | 564   | 663   | 717   |
| 6     | Jurmala    | 621   | 681   | 734   |
| 7     | Jekabpils  | 689   | 663   | 717   |
| 8     | Rezekne    | 547   | 639   | 650   |
| 9     | Daugavpils | 536   | 562   | 608   |

Table 1
Rating of the average salary in the private sector in the cities of Latvia, in enterprises with 50 or more employees, in 2016, EUR/month*.

Note: * is compiled on the basis of data [25].
The indicators of investment activity in Jurmala also leave much to be desired. The volume of fixed capital invested in the enterprises of Jurmala is on 02.12.2017 – 270.6 million EUR. For comparison, in the municipality of Marupe (bordering with Riga) with a population of 11 thousand people, the fixed capital of its enterprises is 530.8 million EUR [30].

Attempts to attract foreign investment in the medical tourism industry are also failing. The most eloquent example is the rehabilitation of the sanatorium «Kemeri», because of the unprofessional approach to the organization of competitions, investors one by one go from a distance, and unfinished building is an eyesore to tourists visiting the once attractive neighborhood of the resort. Direct foreign investments in the capital of enterprises of Jurmala as of 02.12.2017 amounted to 65.1 million EUR. This is less than that of a city as close to the capital as Olaine (68.2 million) with a population four times less than in Jurmala (about 12,000) (Table 2).

| Place | Cities/districts | DFI, million EUR |
|-------|-----------------|-----------------|
| 1     | Riga            | 5 473.57        |
| 2     | Rīgas 20.        | 428.20          |
| 3     | Ventspils       | 254.08          |
| 4     | Liepaja         | 126.25          |
| 5     | Cēsise District  | 110.12          |
| 6     | –               | 109.49          |
| 7     | Jelgava         | 69.095          |
| 8     | Olaine          | 68.25           |
| 9     | Jurmala         | 65.07           |
| 10    | Valmiera        | 40.10           |
| 11    | Daugavpils      | 32.88           |
| 12    | Ogre            | 22.16           |
| 13    | Tukums raion    | 17.91           |
| 14    | Jelgava district| 17.81           |
| 15    | Cēsis           | 17.32           |
| 16    | Bauska district | 15.44           |
| 17    | Jaunjelgava     | 11.07           |
| 18    | Balozi          | 10.61           |
| 19    | Dobele district | 9.54            |
| 20    | Daugavpils area | 9.53            |
| ...   | Total TOP-20    | 6 909.54        |
| 99    | TOTAL across Latvia | 7 051.91 |

Note: * is compiled on the basis of data [31].

To eliminate the factors of depressiveness in the city, to develop resort and medical activities by attracting investors to medical tourism, we propose to create a special tourist and recreational zone with preferences for businesses related to medicine and recreation. This corresponds to modern ideas about the development of depressed regions in Western Europe and the theory of development of depressed regions. In Jurmala there is infrastructure and human resources, but there is no capital to restore past glory – in the economy, in industry or in other spheres, for example, in tourism and health care.

7. SWOT analysis of research results

**Strengths.** The strength of the research is that the explored resort city of Jurmala has a number of positive qualities, which include:
- geographical location near the sea coast;
- presence of natural curative mud and mineral waters;
- historical factors of sanatorium-and-spa activity;
- human resources in the field of health and tourism (in Latvia, several universities train doctors and specialists in tourism);
- availability of a large number of modern apartments, waiting for their tenants or buyers.

**Weaknesses.** The political factor can be attributed to the weak sides – the authorities of the country and the city are afraid of the inflow of «Russian» tourists and businessmen to Jurmala.

Economic factors of the region’s depression that arose after the restoration of Latvia’s independence:
- population reduction;
- closure of most health facilities;
- low investment level, including foreign direct investment.

**Opportunities.** Opportunities for the development of the city of Jurmala, the author sees in the restoration and development of medical and recreational tourism on the basis of the creation of a tourist and recreational zone in the region, which requires further in-depth studies in this area.

**Threats.** Negative impact of political factors can complicate the promotion of the project to attract investment by creating a tourist and recreational zone.

8. Conclusions

1. Analyzing the list of the European Commission, which included 81 SEZs, it is revealed that only in 8 EU countries there are no free economic zones. In developed countries, the free zone regime operates mainly in free ports and customs zones. In 10 countries there are 25 such SEZs. In new developing countries, in addition to traditional free ports, it is characteristic to create various types of industrial parks with preferences for free zones. The most active in terms of creating free industrial zones – Poland (8) and Lithuania (12). Interestingly, the list of the European Commission is not include zones focused on the development of depressed regions – in Shannon (Ireland), Birmingham (Great Britain) and Latgale Special Economic Zone (Latvia).

2. Analysis of some indicators of the life of the resort city of Jurmala reveals the main factors of the depressiveness of the once famous spa town. These include the political factor – the fear of the authorities and self-government to increase the influx of tourists from the East, primarily from Russia. The economic factors of depressiveness are also named: outflow of population; the closure of most health facilities; Low in comparison with other regions of Latvia level of investments into the capital of enterprises.

3. It is proposed to overcome the state of depressiveness in Jurmala by creating a tourist and recreational zone in the city and its suburbs. Privileges for doing
Разработлена и обоснована методика оценки коммерческого баланса рынка социально-экологических услуг леса, как новой для лесного сектора экономики Украины эколого-экономической системы. Коммерческий баланс визначено как соотношение между объемом социально-экологических благ, которые могут генерировать лесные территории, и объемом коммерческих предложений на их потребление. Определение возможности леса по предоставлению услуг осуществляется через уровень лесистости территорий и структуру лесов.

**Ключевые слова:** социально-экологический потенциал, рынок социально-экологических услуг, коммерческий баланс рынка, природные зоны, оптимальная лесистость.

1. **Introduction**

Significant prospects for development of the economic space of the forest sector of Ukraine’s economy are related to the capitalization of the social and ecological potential of the forest, it calls for the formation of new ecological and economic systems for the forestry of Ukraine. In particular, the market of social and environmental services of the forest, the object of which is a special commodity is the social and environmental service. The opportunities for the active development and functioning of any commodity market depend on the filling of the market with the goods (market volume) and on the marketing environment, the main component of which is real and potential demand. With certain approaches to the evaluation of any commodity market and forecasting possible demand, the specificity of the market for social and ecological forest services as an ecological and economic system requires new approaches to the analysis and evaluation of its state and development dynamics. The specificity of such market is determined by the following: the market object is a social and environmental service; the producer of the goods – the social and ecological potential of the forest and the subjects of forest management; consumer – economic entities of other industries and social actors. A special problem lies with consumers who unambiguously perceive the policy regarding the need to pay certain funds for using the natural resource of the forest, which they are accustomed to use for free, necessitating the development of a methodology for evaluation of the commercial balance of the market. These features motivate to determine the commercial balance of the market as a ratio between the volume of social and environmental benefits that can generate forests and the volume of goods, for which they are willing to pay, and the volume of commercial consumption. That is, the evaluation of the commercial balance of the market, to a large extent, aimed at those components of the intangible benefits of the forest, which, under certain eco-natural and economic features of the territories, can acquire demand and be the object of commodity-money relations.

The problem of commercial balance of the market of social and ecological services of the forest is that its evaluation should be carried out in several directions. The first direction is the potential capacity of the forest to generate social and environmental benefits. The second direction is the level of social and ecological tension of the territories, it can form a potential demand. The third