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**TOURISM DEVELOPMENT GROWTH AS A  
STRATEGIC GOAL OF THE REPUBLIC OF  
SERBIA<sup>23</sup>**

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**ABSTRACT**

The economy of the Republic of Serbia is encountering serious structural disturbances that have been occurring for decades. That's why we observe negative tendencies in the balance of payment, employment, regional development and, finally, in the growth of GDP. Thus, the experts must create a comprehensive strategy of economic development of Serbia, and the strategy of restructuring. It should imply a balanced development of all economic sectors, with a full attention payed to sectors with large comparative advantages that haven't been used. First of all, that sector would be tourism, and adequate strategy should enhance the increase of competitiveness, domestic and foreign tourist flows, the increase of employment and the multiply effect that this sector would have on other sectors.

As a potentially new destination, Serbia has an opportunity to wisely direct tourist development, because it can use the experience of other countries, create new touristic products, and it also has a critical mass of physical and human infrastructure. There are, however, serious problems that must be overcome in the short-term period, of which the most significant we point out unstable politics, poor law regulations, successive periods of crises, inadequate infrastructure in perspective tourist regions and the absence of experts.

*Keywords:* restructuring, strategic goals, comparative advantages, tourism.

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<sup>23</sup> Review article

## INTRODUCTION

Despite the fact that statistics is still not that perfect to correctly monitor all tendencies in the service sector, it is obvious that the rapidly growing and developed tertiary sector is a parameter of the assessment of the development of an economy. The significance of services in developed market economies is so great that the most developed economies of the world are also called “service economies”. Naturally, the growth of the service sector is conditioned both by the increase in income in those countries and by the rapid industrial growth which affects the growth of production services. In Serbia, this sector has taken off in recent years and it is expected a lot from it in the sense of “pulling” the development of the entire economy and the deficit reduction of the current balance. Many tertiary branches have contributed to the faster economic development of Serbia; this refers primarily to transportation, trade, and telecommunications. It should be emphasized that there are some comparative advantages for the development of some other tertiary branches, but they are not even remotely exploit. This primarily refers to tourism, which could become one of the driving forces of the total economic development in the future, but also an absorber of redundant workers from the primary and secondary sector in the process of restructuring. Serbia has comparative advantages for the development of almost all types of tourism. Although the geographic location, climate, natural and man-made landmarks and cultural heritage favor the development of tourism in Serbia, the political situation, which is highly complex, frequently slows down the process of the total development in this region.

The paper contains three parts. The first part overviews contemporary tourism trends in the world and clearly demonstrates that tourism is one of the fastest growing industries in the world, and that it is equally important for developed, and undeveloped countries. In the second part, the authors deal with a contextual analysis of tourism in the Republic of Serbia, and especially with the SWOT analysis used as a foundation to identify basic and partial strategic goals and directions. In the third part, it is clearly seen what future strategies are the most important and to implementation of what strategies an adequate economic policy should respond, since it actively supports this branch. Naturally, optimal strategic directions, i.e. recommendations in the direction of fulfillment of strategic goals are also identified.

## CONTEMPORARY TOURISM TRENDS

Tourism is one of the largest and the most rapidly growing industries in the world, and it has an immense importance both for developed and undeveloped countries. It affects, more or less, economies of almost all countries and creates new structural relations in them. In this way, tourism affects also the creation of the future economic policy of a county, which can help to reach certain developmental goals. Other influences that are to be mentioned are those on the ecology and environmental protection, on the workforce, migration flows, the way of spending free time and, finally, an influence on the society in general.

Tourism is very important both for developed economies, which base their development on a strong service sector, as well, and for undeveloped countries, which can seek a chance to reduce their poverty through the development of tourism. The reason for this lies in the fact that this branch brings employment to the entire range of professions, from unqualified to semi-qualified to skilled workers. Furthermore, the very development of the tourism industry directly or indirectly causes an increase in supply of other industries, especially manufacturing, with a positive effect on the increase in employment. What makes tourism different from other services is that the supplier of tourism services offers his services at the location where he is, and where tourists come (OECD Observer, February 2008, pg. 1).

**Table 1:** The Ten Most Visited Countries of the World

Rank	Country	International tourists arrivals (2014)
1	France	83.7 million
2	USA	74.8 million
3	Spain	65.0 million
4	China	55.6 million
5	Italy	48.6 million
6	Turkey	39.8 million
7	Germany	33.0 million
8	Great Britain	32.6 million
9	Russia	29.8 million
10	Mexico	29.1 million

*Source: "UNWTO Tourism Highlights 2015 Edition", UNWTO, Madrid 2015, pg.6.*

**Table 2:** Countries with the Largest Income from Tourism

Rank	Country	Income from international tourists
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		<b>(2014)</b>
1	USA	\$177.2 billion
2	Spain	\$65.2 billion
3	China	\$56.9 billion
4	France	\$55.4 billion
5	Macau (China)	\$50.8 billion
6	Italy	\$45.5 billion
7	United Kingdom	\$45.3 billion
8	Germany	\$43.3 billion
9	Thailand	\$38.4 billion
10	Hong Kong (China)	\$38.4 billion

*Source: "UNWTO Tourism Highlights 2015 Edition", UNWTO, Madrid 2015, pg.6.*

Over the past few decades, the world tourism market has experienced a large growth, but also large changes (Tables 1 and 2). Since 1970, the world tourist turnover has increased for almost five times, and leading tourist destinations change their relative participation and importance over time. The number of new and interesting tourist destinations grows from year to year, and their participation in the total tourist turnover is expected to grow in the coming years, unlike traditional tourist destinations, whose participation is expected to decline. The World Tourism Organization has defined eight key elements that are to be satisfied in order for new destinations to appear on the tourist map, and these are the following:

1. political will and support to the development of tourism,
2. institutional and legal framework,
3. investments,
4. development of all types of transport,
5. integrations,
6. promotion and commercialization,
7. quality,
8. public-private partnership (Marjanović , Djordjević, Mladenović, 2012, pg. 1249).

Contemporary economic developments and developments in tourism indicate numerous challenges which every tourist destination (either a traditional or a new one) has to face in the time ahead, especially lower growth rate, larger number of competitors, increasingly demanding

consumers, the relationship between willingness to pay and price, improvement of human resources, technology-controlled market, etc.

Based on the analysis of recent trends in developments of the world tourist turnover, the highest growth rates are to be expected in tourism segments such as marine, sports, medical, urban, cultural, conference and rural tourism. The future trends in the modern tourism are certainly going to be the following: a continuous increase in both tourist supply and demand; an increase in diversification of tourist destinations and products; demographic changes; an increased number of individual travels; low cost variants. The tourist of the future will be a combination of business, authentic, cultural and experience seeking tourist (Ministry of trade, tourism and services, 2005, pg. 46). Prognoses indicate that in 2020, there will be 1.56 billion international arrivals, wherein Europe's market share is expected to decline along an increased involvement of Asia and Pacific. New markets in Europe (primarily the transitional economies) have a large growing potential, because they are seen as completely new and represent a challenge for tourists, while the traditional markets (France, Spain, Italy, Austria) will have somewhat decreased growth.

It is a fact that European countries play a key role in the global tourist market, which can be seen from the tables above. Europe is the most important tourist region and destination, but it is also an area from which the largest number of tourist travel to other destinations. Although a permanent decrease in the market share of European destinations is recorded, as a consequence of a dramatic growth of very dynamic regions, such as the region of South Asia, the prognoses indicate that it will remain a key player in the world tourism market for a long time.

The evolution of the international tourism in Europe is influenced by many factors, some of which are also very difficult to notice. In recent years, an extreme instability of the international socio-economic and political situation, as well as numerous significant events in Europe have influenced the behavior of tourists and their decisions. The most significant factors that have affected the development of the international tourism in Europe in the last several years, can be grouped into five main categories:

1. political factors,
2. economic factors,
3. social, health and weather factors,
4. market factors and accessibility,
5. technological factors (European Commission, 2006, pg. 8).

## CONTEXTUAL ANALYSIS OF TOURISM OF THE REPUBLIC OF SERBIA

In the contemporary tourist demand with increasingly greater needs for new, unknown areas, rich cultural heritage and healthy environment, the Republic of Serbia appears as a potentially receptive territory, which can satisfy the needs of tourists to a large extent. There are several elements that point to a positive side of the potential development of tourism in Serbia:

1. favorable physical-geographical and transport location,
2. the diversity of natural resources,
3. favorable climate characteristics,
4. healthy environment,
5. cultural and historical treasures,
6. specific ethnographic elements,
7. favorable economic conditions for foreign investors,
8. large space for initiatives.

**Table 3:** Number of tourists in Serbia

<b>year</b>	<b>total</b>	<b>index</b>	<b>domestic</b>	<b>index</b>	<b>foreign</b>	<b>index</b>
<i>2006</i>	2.007	101	1.380	100	469	103
<i>2007</i>	2.306	115	1.610	105	696	148
<i>2008</i>	2.266	98	1.619	101	646	93
<i>2009</i>	2.021	89	1.376	85	645	100
<i>2010</i>	2.000	99	1.318	96	683	106
<i>2011</i>	2.068	103	1.304	99	764	112
<i>2012</i>	2.079	100	1.270	97	810	106
<i>2013</i>	2.192	105	1.271	100	922	114
<i>2014</i>	2.192	100	1.160	92	1.029	112
<i>2015</i>	2.437	111	1.305	112	1.132	110

Source: The Ministry of Trade, Tourism and Telecommunications, "Tourism Development Strategy of the Republic of Serbia for the period from 2016 to 2025", Draft for discussion, Belgrade, 2016, p. 17; Statistical Office of the Republic of Serbia.

The main factors that influence the development of tourism in transitional countries such as Serbia are privatization, investments, and the role of the state in development stimulations. Without the adequate privatization, attracting foreign direct investments and bringing large tourist and hotel chains, the development of tourism in these countries would be very slow. Furthermore, Serbia will have to found several tourist and hotel chains on her own, with active participation of and stimulation by the state. Without a strong actual role of the state in the development of the infrastructure and

investments in tourism, an adequate and fast development result can hardly be expected.

The development of tourism has to be approached systematically. An adequate economic-system ambient is a precondition for the development of not only tourism, but all sectors of economy. In this regard, it is necessary to continuously conduct strategic planning, as a supplementary element of the coordination mechanism of an economic system.

**Table 4:** Overnight stays of tourists in Serbia

<b>year</b>	<b>total</b>	<b>inde x</b>	<b>dome stic</b>	<b>inde x</b>	<b>forei gn</b>	<b>inde x</b>
<b>2006</b>	6.592	101	5.577	101	1.015	102
<b>2007</b>	7.329	111	5.853	105	1.476	145
<b>2008</b>	7.334	100	5.935	101	1.398	95
<b>2009</b>	6.776	92	5.307	89	1.469	105
<b>2010</b>	6.413	95	4.961	94	1.452	99
<b>2011</b>	6.645	104	5.002	101	1.643	113
<b>2012</b>	6.485	98	4.688	94	1.796	109
<b>2013</b>	6.567	101	4.579	98	1.988	111
<b>2014</b>	6.086	92	3.925	86	2.161	109
<b>2015</b>	6.652	109	4.242	108	2.410	112

Source: The Ministry of Trade, Tourism and Telecommunications, “Tourism Development Strategy of the Republic of Serbia for the period from 2016 to 2025”, Draft for discussion, Belgrade, 2016, p. 18; Statistical Office of the Republic of Serbia.

Although none of the scenarios of the previous strategy was realized, Serbia generated a net profit from tourism, and an improvement in several existing tourist products (City Breaks, Guča, Exit) is also noticeable. During this period, the number of tourists and overnight stays increased, but what worries is the fact that the number of overnight stays of domestic tourist has been continuously decreasing (Tables 3 and 4). At the same time, creation and stimulation of new tourist products was delayed. Significant investments in this branch were also not recorded, which is not good at this level of development, resulting in a developmental delay behind comparable competing destinations.

Strategic tourist markets for the Republic of Serbia are the EU countries, the countries of the former Yugoslavia, Turkey, Russia, China, and the USA. The domestic market should certainly not be neglected. The following are highlighted as the tourist products of a special importance for the

development of tourism: city tourism, events, mountain and spa tourism, rural tourism, MICE, cultural and thematic tourism.

**Table 5:** The SWOT Analysis of Tourism of the Republic of Serbia

<b>STRENGTHS</b>	<b>OPPORTUNITIES</b>
<ol style="list-style-type: none"> <li>1. A diverse structure of resources and attractions</li> <li>2. Geostrategic location</li> <li>3. Set development visions for key tourist destinations</li> <li>4. Legal framework</li> <li>5. Innate hospitality and openness of people</li> <li>6. Entry of global and regional brands in the hotel market</li> <li>7. Continuous trend of increase in the overnight stays of foreign tourists</li> <li>8. Internationally established and professionally organized events</li> </ol>	<ol style="list-style-type: none"> <li>1. A large number of bilateral agreements on economic cooperation signed with developed countries and regions</li> <li>2. The acceleration of the integration process of Serbia in the EU and the possibility of utilization of a large number of support programs and projects</li> <li>3. The change of habits and motives of tourists in the global world market</li> <li>4. Dynamic growth and development of air traffic</li> <li>5. Reforms which create conditions for public-private partnerships for larger foreign investments in tourism</li> <li>6. The possibility to sell or make concessions for facilities in tourism</li> </ol>

<b>WEAKNESSES</b>	<b>THREATS</b>
<ol style="list-style-type: none"> <li>1. Not recognizing tourism as an important factor of economic and regional development of the state;</li> <li>2. Neglecting contemporary trends in the world tourism market;</li> <li>3. A passive relationship toward tourism;</li> <li>4. Undeveloped stimulation measures</li> <li>5. Absence of Serbia on the global map of tourism</li> <li>6. Undefined ownership for a large number of facilities</li> <li>7. Poor statistical monitoring</li> <li>8. A high level of unregistered facilities and gray market</li> <li>9. The lack of general infrastructure</li> <li>10. Insufficient and incomplete application of contemporary standards;</li> <li>11. Outdated and inadequate model of management in tourism, marketing and destination promotion</li> <li>12. The lack of cooperation between the public and private sector in the development of a product</li> <li>13. The lack of efficient interdepartmental cooperation</li> <li>14. Insufficient involvement of local authorities in the planning and development of tourism</li> <li>15. The quality of workforce in tourism and hotel management</li> </ol>	<ol style="list-style-type: none"> <li>1. Slowdown of the world economy due to the global crisis</li> <li>2. The lack of reforms in the management and coordination systems</li> <li>3. Political tensions in the Balkans</li> <li>4. Intensification of regional disparities</li> <li>5. Unfavorable demographic trends</li> <li>6. Slowing foreign direct investments inflow</li> <li>7. An incomplete economic system and errors in the economic policy</li> <li>8. The delay in transition.</li> </ol>

Source: The Ministry of Trade, Tourism and Telecommunications, "Tourism Development Strategy of the Republic of Serbia for the period from 2016 to 2025", Draft for discussion, Belgrade, 2016; research of the authors.

### **BASIC GOALS AND DIRECTIONS IN THE TOURISM DEVELOPMENT STRATEGY OF THE REPUBLIC OF SERBIA**

Using positive and negative experiences of other countries, a tourist product has to be created in accordance with the newest tourist trends.

Because of the built infrastructure and existing professionals, the reaction can be relatively fast. Bearing in mind the global shift in tourism, with new and small destinations coming into the spotlight, and tourists wanting new experiences, the Republic of Serbia has a chance regarding the development of this tertiary branch in the long run.

Since the strategic goals in the tourism development strategy of the Republic of Serbia 2006-2015 were incompletely realized due to the global crisis, budget limitations and the lack of recognition of tourism as one of the key economy branches, a new, better strategy needs to be created. A system of tourist destinations management was not established in the Republic of Serbia, and what is more important, a functional connection between economy, tourist organization and educational institutions was not created, even though these are requirements for the sustainable development of tourism in certain areas in Serbia. There is no connection between different branches and levels of government, significant market research was not conducted, the pre-accession assistance funds of the EU are not sufficiently used for the development of tourism, the possibilities of ICT are insufficiently used for the promotion of the tourism supply in Serbia, the issues of international standards, a grey market and statistical monitoring of the tourist turnover in the Republic of Serbia are still not tackled.

A poorly conducted restructuring process through the privatization of tourist facilities, as well as the centralized and interventionistic policy of the regional development has made the development of tourism in the Republic of Serbia additionally difficult and even set it back.

Because of the mentioned reasons, the main goals for the development of tourism in the future strategy should be:

1. Stimulation of the growth and employment,
2. Improvement of the international image of Serbia,
3. Sustained development of tourism (integrated management of natural and cultural resources),
4. Encouraging competition,
5. An increase in the number of hotel and catering facilities,
6. Improvement of utilization of accommodation capacities,
7. Increase in the number of overnight stays,
8. Efficient management system,
9. Improvement of the statistical monitoring and harmonization with international standards,
10. A reduction in the grey economy in tourism .<sup>24</sup>

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<sup>24</sup> “Tourism Development Strategy of the Republic of Serbia”, The Ministry of Trade, Tourism and Services, Belgrade, 2005; The Ministry of Trade, Tourism and Telecommunications, “Tourism Development Strategy of the Republic of Serbia for

With reference to this, crucial development directions are to be chosen in the tourism strategy; and these are the following:

1. Understanding tourism as one of the priority sectors,
2. Improving the capacity of tourism organizations,
3. Institutional support, and incentives policies,
4. Public-private partnerships to increase investments,
5. Harmonization of supply with demand in this sector and introduction of new tourism products,
6. Improvement and construction of infrastructure,
7. ICT improvement
8. More efficient utilization of the EU funds,
9. Increasing marketing activities in the foreign market,
10. Human resources improvement,
11. Networking with other sectors,
12. Clear national vision of tourism.

## **CONCLUSION**

The economy of the Republic of Serbia has serious structural disturbances. Their consequences are negative tendencies in the balance of payments, employment, regional development, and finally in the GDP growth. Therefore, a comprehensive economy development strategy is needed in the Republic of Serbia, which would also serve as a foundation for the economy restructuring strategy of the Republic of Serbia, which is one of the most important individual strategies. The implementation of the basic goals of the restructuring strategy has to reduce structural misbalance in the economy of the Republic of Serbia and to incite such a structural transformation which would bring the economy of the Republic of Serbia to its optimum.

The largest comparative strengths of the Republic of Serbia are definitively the geographic location, natural potential and historical and cultural heritage. The cross-road of the most important pan-European corridors, especially the Corridor X as the shortest intercontinental connection between Europe and Asia (via Branch C). These are all requirements for the development of very perspective tertiary branches (such as tourism and transport), but also of agriculture and industry. However, these comparative strengths remain largely unused by Serbia.

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the period from 2016 to 2025", Draft for discussion, Belgrade, 2016; research of the authors.

The improvement and construction of infrastructure has a great importance for the further economic development of Serbia. Almost all sectors of economy depend on the infrastructure, especially industry, transport and tourism. Besides, the infrastructure construction itself has a significant multiplier effect (especially in construction and manufacturing industry).

Serbia needs to make a large effort to improve its economy image in the world, which was quite ruined during the 90s. Promotional activities and the strong economic diplomacy are of a great importance in this sense.

Human capital, which is believed to be one of the comparative strengths, has to be directed in the economy in a productive way. This means that better communication between scientific and research institutions and economy is needed in order for disparities not to appear in the needs in the job market, on the one hand, and existing professions, on the other.

Despite comparative strengths of Serbia for the development of almost all types of tourism that were mentioned many times, there are still serious problems which are to be overcome with great effort of the state. One of the most serious problems is the unstable political situation and, associated with this, poor legal regulations. Successive series of crisis periods caused inadequate infrastructure in the promising tourist locations in Serbia. The lack of professionals in the field of tourism is also an important negative factor.

On the whole, all these main limitations mentioned above and many others have resulted in traditional repulsiveness of the Balkans for Europeans, which is bad for the development of tourism. In relation to this, the economic policy in the tertiary sphere needs to make an extreme effort to mobilize all potential tourism resources, which can be expected to bring a significant foreign exchange inflow in the near or distant future. The thing to start with is the infrastructure which is a precondition of the development of tourism and economy in general. Beside infrastructure, human resources are another important element of the improvement of tourism supply. An adequate policy of human resources development in this field conducted by the government would be the right thing because it would modernize and improve the tourism offer of Serbia and create an educated army of workers in tourism which would promote tourism of the Republic of Serbia in the international level in the best possible way.

The institutional support must not be absent and it is even redundant to mention expansive fiscal and monetary policy associated with it. In this way, conditions would be created for increasing the average wage in this sector, which would in turn attract the necessary professional workforce.

In general, the improvement of tourism will not be contributed only by foreign tourists (there is a great chance to attract them with only minimal investments), but also by domestic tourist, who increase the demand for tourist products as their standard improves in the future period.

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