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TOURISM IN THE GLOBAL DEVELOPMENT STRATEGY OF MACEDONIA: ECONOMIC PERSPECTIVES

Biljana Petrevska¹

Abstract:

This case study makes an attempt to identify the adequate position of tourism within the global development strategy of Macedonia. The paper discusses two, extremely opposite attitudes. The first, argues that necessary preconditions must be established in order tourism to have intensive development, thus clearly stating in the development strategy the priority orientation of tourism industry. The second underlines the fake image of tourism and its economic contributions.

The paper brings out results of a comprehensive analysis of direct economic tourism effects, hence making clarification whether tourism sector has significant contribution within the entire economy, its influence on the employment, as well as its effects on the balance of payments.

Key words: tourism, economic effects, tourism strategy, development

1. INTRODUCTION

Every day practice shows that tourism in Macedonia is far behind the competition, due to the lack of global concept for development, as well as adequate general economic policy, especially development policy for supplementary sectors necessary for tourism follow-up development. Consequently, Macedonia skipped the development phase passed by other countries when they produce personal tourism identity by creating authentic, specific and well-known tourism offer. As a result, all this led to current uniformed tourism offer and undeveloped tourism industry.

It is more than obvious that certain changes must be made in the global concept for tourism development in Macedonia. In 2003 the “Global Study on Tourism in Macedonia” was prepared, but never implemented. Five years later, the “National Strategy on Tourism Development in Macedonia 2009-2013” was prepared with a main vision: by 2013 Macedonia to become famous travel and tourism destination in Europe based on cultural and natural heritage, as well as to become famous for the high quality of its products and services.

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The necessity of implementation of such strategic document is crucial, since it represents a strong mechanism and tool for creating general policy for economic development (Williams and Shaw 1991; Frechtling 2001). In the same line, major efforts must be made in order to define direction course which in first line, contributes to optimal usage of natural, social and other resources aiming at creating opportunities for tourism to support and initiate other sectors' development. Such concept, imposes the necessity of introducing new economic policy, whereas, the tourism shall not be treated as autonomic sector, but as an integral part of the entire economy.

In the same time, it should be very precautious in the line of making difference, whether to define a concept for tourism development as a total entity, or to work on a concept for developing only particular tourism selective type. Namely, while "the global concept for tourism development is boost by the tourist needs in general" (Goeldner and Ritchie 2006, 378), and the economic system of the country as well, the concept of tourism development in specific types and dimensions is defined by many other factors. Hence, the current natural and other tourism resources of the country should be reviewed in details in order to fulfill the tourism demand necessities. So far, this was not a case when preparing the local and regional tourism plans for tourism development of Macedonia.

Simultaneously, part of the main reasons for insufficient development of tourism sector can be allocated in "unclear definition of development goals and adjusted development strategies" (Edgell et al. 2008, 193). Based on this, a thesis may be set, that the weak developmental possibility of the country inevitably imposes the necessity for selective approach of priority development trends. Further on, as basic criterion for selection of developmental priorities is the contribution that certain sectors have in resolving complex problems, in the first line, in the international economic relationship, but also in the solution of the world problem – unemployment. As in Macedonia the possibilities for tourism development on individual basis are very rare and limited, it is necessary to look for solutions in the frames of rationalization of tourism institutions, as well as in the accelerated development of the so called small economy, which on the other hand, do not provoke major investments.

So, the tourism development in Macedonia is based on "a lack of concept and strategic vision, while the other countries practice tourism on a previously identified vision for development" (Gradiska Temenugova 2001, 51).

2. OPPOSITE APPROACHES ON TOURISM ACHIEVMENT

Coordination of activities in the tourism sector is crucial for implementation of established basic aims, corresponding with economic development of the country. It means that in Macedonia the tourism so far has not been based on strategy which however is essential for fulfillment of identified basic development goals. There is a lack of defining the development priorities, which is a basic element of development strategy of a country (Gunn 1993; Hall 2005). In the same line, it is well-known that the number of priorities varies, but it is generally limited by two factors: the level of development and the territorial size of the country. Smaller countries with low degree on development have smaller number of priorities, which must be clearly defined.

"The intention is to avoid or to minimize the weaknesses, meaning on one hand to increase the number of situations when the external possibilities and internal strengths

can be maximized, and on the other hand, to minimize the situational achievement on external threats and internal weaknesses” (Stahl and Grisby 1998, 112).

Hence, regarding the role and importance of tourism in the global development economy of Macedonia, two extremely, opposite attitudes are present.

Namely, a part of economists consider that in Macedonia, it is necessary all forces to be focused on intensive tourism development, thus clearly stating in the development strategy the priority orientation of tourism industry. On the contrary, the absence of tourism from a national development concept presents serious strategic failure. According to these protagonists, tourism is the only choice for fulfilling certain development priorities in the line of economic development.

However, there are considerable number of experts who underline the fake image of tourism and its economic contributions to the economic development. The critical point of view is a result of huge rigidness and misjudgments on moderate, even poor tourism effects, automatically creating picture for its marginal role in realization of the most important strategic development goals. Thus, as most common reasons which support this approach, are stated the humble tourism results in the line of investments, seasonality in employment, low average in tourism capacities’ usage, and many social problems as outcome. In the same time, this approach for one-sided tourism economic aspects and modest effects is a consequence whereas the experts consider the tourism sector in Macedonia as homogeneous economic activity. Evidently, it is a matter of inappropriate approach because regardless how broad is the definition of tourism activity, it is impossible to cover all spectrum of economic elements which are involved. In case of Macedonia, very often the term tourism is equal to the term hotel industry, which results into “neglecting various, even more significant effects compared to those produced within the hotel industry” (Sinclair and Stabler 1997, 36). Such reduce of tourism impacts leads to conclusion that tourism has minor role in improving and balancing the preferred macroeconomic relationships. It is almost impossible to withdraw the term “parasite” which is often added to tourism, if previously the entire economic structure is not adjusted to needs and demands, in the first line, towards the international tourism market.

3. THE OVERALL ECONOMIC IMPACT OF TOURISM

In case of analyzing the economic importance of tourism in Macedonia, first issue that is addressed is the contribution of tourism for the overall economic activity, as measured by gross domestic product (GDP). Table 1 presents the GDP created in the hotel and restaurant sector during 1997-2008.

Table 1. GDP in the hotel and restaurant sector (mil. MKD in 1997 prices)

Year	Hotels and Restaurants	Annual Growth (%)	% of GDP
1997	2 819	-	1.5
1998	3 025	7.3	1.6
1999	3 771	24.7	1.9
2000	3 345	-11.3	1.6
2001	3 195	-4.5	1.6
2002	3 726	16.6	1.8
2003	4 085	9.6	2.0
2004	3 623	-11.3	1.7
2005	3 675	1.4	1.6
2006	3 951	7.5	1.7
2007	4 382	10.9	1.8
2008	4 642	5.9	1.8

Source: National Bank of Macedonia, *Quarterly Report III/2009*, Skopje, 2009, p. 2.

Note: Estimated data.

It is noticeable that in the analyzed period the economic activity in this sector, generally shows growth, which is yet, very volatile. For instance, in three years within the sample (2000, 2001 and 2004) the GDP created in the hotel and restaurant sector decreased comparing to the previous year. However, it has to be pointed out that the negative growth rate in these years is partially due to the war conflicts in Macedonia and the region. For example, the extreme fall of tourism activity in 2000, can be interpreted as a consequence of the Kosovo war, bomb attacks on Serbia and refugee crisis in 1999. Such conclusion throws a shade on unexpected extremely high growth of tourism sector in 1999 (when actually all these negative shocks were taking part), which can be elaborated as an outcome of abstinence of domestic population for travelling abroad i.e. an increase in domestic tourism demand. Further on, a major fall of GDP is noted in 2004, which can be provoked by increased interest for travel abroad, caused by the recovered economic activity and the rising consumer lending. In the rest of the analyzed period, the tourism sector shows a slight growth with uneven intensity. The lack of Tourism Satellite Accounts (TSA) is additional restrictive factor for “perceiving the final impact on the entire economy” (WTTC/WEFA 2007, 35). Further on, the absence of TSA concept prevents us to implement it as “a measure of the added value and to identify the tourism influence on the entire national economy” (Spurr 2006, 286).

Generally speaking, the tourism in Macedonia has accomplished an average growth of 4.64% per year, which is higher than the average growth of the entire economy (3.12%). Consequently, in the analyzed period the participation of tourism in the creation of GDP increased from 1.5% in 1997, to 1.8% in 2008. In this regard, some oscillations in the economic importance of tourism can be noted, which in 2003 reached its peak of 2% in total GDP. In the same line, during the observed period the tourism, on average, generated 1.7% of GDP. Comparing to the world average of 3.2% in 2009 (WTTC 2009), it can be concluded that the contribution of tourism in Macedonia is very modest, but the impression is completely opposite when compared to the average for Central and Eastern Europe of 1.6% (WTTC 2009).

4. TOURISM AND UNEMPLOYMENT

In conditions when the unemployment rate in Macedonia is very high, approximately 35%, and having in mind that the tourism industry by its nature is labor intensive, we proceed with the analysis in order to find out whether tourism development can contribute to the job creation as a factor for decreasing the unemployment rate. In this regard, the lack of appropriate statistical data appears as a serious obstacle and a crucial limiting factor for more in-depth analysis. Namely, in absence of more detailed data covering the number of employees in tourist agencies, tour-operators and other tourism mediators, the analysis is based only on data on the employees in hotels and restaurants.

Table 2. Employees in the tourism sector in Macedonia

Year	Employees	Growth %	% of total employment
1999	9 998	-	1.8
2000	10 403	4.1	1.9
2001	10 070	-3.2	1.7
2002	9 982	-0.9	1.8
2003	9 880	-1.0	1.8
2004	12 672	28.2	2.4
2005	13 558	7.0	2.5
2006	19 034	40.4	3.3
2007 ¹	18 995	-0.2	3.2

Source: State Statistical Office, *Statistical Yearbook of Macedonia, 2008*.

From Table 2, one characteristic feature of the data is the double increase of the number of employees in the hotel and restaurant sector since the beginning of the analyzed period – 1999 (9 998 employees) until the last available data for 2007 (18 995 employees). Despite the fact that the official data regarding the employment should be analysed with caution (for ex. the extremely high rates of growth of tourism employees in 2004 and 2006 are in close correlation with the official recording system), yet, it is clearly that the number of employees in tourism grows with higher intensity than the total employment. In that respect, the number of total employees from 545 222 in 1999 grew to 590 234 in 2007, representing only 8% growth in the sample. Due to more intensive growth, the participation of tourism employees in the total workforce increased from 1.8% in 1999 to 3.2% in 2007. Although this result might seem moderate, it should be pointed out that the tourism sector in Macedonia has a higher influence on the entire employment in comparison to the region. In these regards, the national average is more than twice bigger than the average of the Central and Eastern Europe being 1.4% in 2009 (WTTC 2009).

From the one side, the tourism employment dynamics is a reflection of the increase in tourism activity (measured by the GDP created in tourism), but on the other side, it reflects the labor-intensive character of the tourism industry. This is illustrated by the fact that the increase of participation of tourism employees in total number of employees exceeds the increase of participation of tourism GDP in total GDP. Once again, it is confirmed that the tourism development in Macedonia can create new job positions, and consequently contribute to curbing the unemployment rate.

So, according to the 10-year forecasts of the World Travel and Tourism Council, it is expected that the number of employees in the tourism industry in Macedonia will have an upward trend and will reach 40 000 jobs in 2019, representing 6.2% of the total workforce, i.e. 1 job in the tourism out of every 16.1 jobs (WTTC 2009).

As mentioned previously, the official statistical data must be interpreted with a high caution since it does not include unregistered employees. Although, this is a common problem referring the total employment, it can be foreseen that it's much more emphasized in tourism as a result of:

- (1) A large part of the employees in tourism are seasonal workers, and
- (2) Tourism is characterised by low qualified workforce (which is usually dominant in the grey economy).

Thus, the Hotel Association of Macedonia estimates that the total number of employees in hotels and restaurants is much higher compared to the official statistics amounting to approximately 50 000 employees. According to them, the unregistered employment is not included, meaning approximately 15 000 unregistered workers with full-time and 15 000 unregistered workers being engaged part-time (or on a call).

When speaking about the number of employees in tourism in Macedonia, another interesting moment can be noted, regarding the gender issue. Namely, opposite the world statistics where the female population dominates in the tourism sector, in Macedonia, around 70% of the employees in tourism is male workforce.

5. TOURISM EFFECTS ON THE BALANCE OF PAYMENTS

The importance of tourism for the economic activity in Macedonia can be seen from the analysis of balance of payments, or more precisely, of net inflows of tourism services in the period 2000 – 2009.

Table 3. Balance of payments in Macedonia – Tourism services (mil. Euro)

Year	Inflows	Outflows	Net
2000	41.2	37.2	4.0
2001	29.0	43.0	-14.0
2002	41.4	47.3	-5.8
2003	49.9	42.3	7.6
2004	57.9	43.9	14.0
2005	72.3	49.9	22.4
2006	102.4	56.2	46.3
2007	134.9	73.9	61.0
2008	155.2	92.4	62.7
2009 ¹	120.4	56.9	63.6

Source: National Bank of Macedonia, Various publications.

Note: Data only for three quarters

From Table 3 it is noticeable that tourism inflows are permanently increasing (with exception in 2001, for the already mentioned reasons) and only gain in the importance in 2006, when they exceeded 100 mil. Euro. In order to have a clearer general picture for the tourism inflows, it should be pointed out that in 2009 they represented 26% of total inflows of services and 8% of exports of goods.

In the same time, in 2009, the tourism inflows were 20% higher than the foreign direct investments in Macedonia. In the frames of services, tourism inflows were the second biggest item (just a little bit lower compared to the inflows of transport services), which is 1.3 times higher than the inflows of business services and 2.4 times larger than communication services inflows. When calculated on net-basis, the tourism inflows are by far the most important item in the sub-balance of services. Despite the fact that in the past years the tourism inflows were 3-4 time higher compared to the beginning years of the sample period, yet, the importance of tourism in the balance of payments in Macedonia is much reduced by the tourism outflows. So, in the period 2000 – 2008, the outflows of tourism services increased 2.5 times. Actually, Table 3 represents that in the first half of 2000s, the tourism inflows are almost identical with the outflows, so the net foreign exchange effect of tourism is very modest. For some significant net foreign exchange effect of tourism can be discussed only in the last years of the sample period, as a result to the more representative inflows of foreign tourists. Yet, it should be stressed out that the net inflows of only 60 mill. Euros per year are extremely modest compared to the inflows attracted by the neighboring countries.

Table 4. Tourism net inflows in selected countries, in 2008

Country	Mil. Eur	% of GDP
Bulgaria	900	2.6
Greece	9 000	3.8
Hungary	1 400	1.3
Slovenia	1 000	2.7
Croatia	6 700	14.3
Serbia ¹	-128	-0.4
Macedonia	63	1.0

Source: Own calculations based on: www.ec.europa.eu/eurostat, www.nbrm.gov.mk, www.nbs.rs and www.hnb.hr: Data for 2007.

As presented in Table 4, the net inflows of tourism in Macedonia are only 1% of GDP, which is far below even to the countries which are not famous and leading tourism destinations, as Bulgaria and Slovenia. Simultaneously, such condition indicates high potential to increase the tourism effects in economic activity in Macedonia.

The previous analysis refers only to the direct tourism effects, meaning that the indirect ones are not addressed. In this respect, just to mention, that so far in Macedonia concrete calculations and analysis regarding the multiplicative tourism effects have not been undertaken. However, having in mind the extremely low inter-sectional relationship and the trade deficit, it is expected that the multiplicative tourism effect in Macedonia is not very high.

CONCLUSION

Tourism in Macedonia should be observed in broad, macroeconomic frames as specific market segment which dimensions and economic content comprehensively may be interpreted within the quantity and structure of tourism expenditure. That is the only

way for creating analytical frame for identifying all tourism impacts, and thus, to define objectively its position within the global development strategy in Macedonia.

According to the undertaken analysis, and having in mind the tourism trends in Central and Eastern Europe, it can be concluded that the tourism contribution within the economic development in Macedonia is important, firstly measured by the participation in creating the GDP (1.8%), and especially in generating new jobs (3.2%). However, the results of the comparative analysis showed that there is still plenty possibilities to promote tourism inflows (only 1%), in terms of undertaking serious measures and activities for attracting larger number of foreign tourists.

Consequently, in order to overview the entire tourism contribution to the economy, it is necessary within the frames of System of National Accounts to prepare Tourism Satellite Account. In that way, from the one hand, a clear picture regarding the direct and indirect tourism effects could be presented, and from the other hand, an international comparison of tourism contribution could be enabled. Having in mind the variety of obstacles and difficulties when ensuring comprehensive and reliable statistical data, especially for the tourism industry, the objective assessment of the tourism influence on the economic development in Macedonia is very difficult, almost infeasible.

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