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CONSEQUENCES OF GLOBAL FINANCIAL CRISIS
FOR TOURISM INDUSTRY IN MONTENEGRO AND SERBIA:
A COMPARATIVE ANALYSIS

This paper analyzes the impact of global financial crisis on tourism in two neighbouring countries — Montenegro and Serbia. The situation in the insufficiently developed Serbian tourism industry has been additionally worsened due to the crisis, while the pre-crisis dynamic growth of Montenegrin tourism has been significantly slowed down by the crisis. Both countries have suffered a decline of the foreign exchange earnings from tourism in the time of crisis, but Montenegrin tourism industry has proven to be much more resilient to the crisis shocks.

Keywords: global financial crisis, tourism industry; Montenegro; Serbia; tourism turnover, foreign exchange earnings from tourism.

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ПОРІВНЯЛЬНИЙ АНАЛІЗ НАСЛІДКІВ СВІТОВОЇ ФІНАНСОВОЇ
КРИЗИ НА ТУРИЗМ У ЧОРНОГОРІЇ І СЕРБІЇ

У статті проаналізовано вплив світової фінансової кризи на туризм у двох сусідніх країнах — Чорногорії і Сербії. Ситуація в недостатньо розвиненій сфері сербського туризму додатково погіршалася через кризу, тоді як докризове динамічне зростання чорногорського туризму значно сповільнилося в результаті кризи. Обидві країни постраждали від зниження валютних надходжень від туризму в період кризи, але галузь туризму в Чорногорії виявилася набагато стійкішою.

Ключові слова: світова фінансова криза, галузь туризму; Чорногорія; Сербія; туристичний обіг; валютні надходження від туризму.

Таб. 3. Літ. 24.

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СРАВНИТЕЛЬНЫЙ АНАЛИЗ ПОСЛЕДСТВИЙ МИРОВОГО
ФИНАНСОВОГО КРИЗИСА В СФЕРЕ ТУРИЗМА
ЧЕРНОГОРИИ И СЕРБИИ

В статье проанализировано влияние мирового финансового кризиса на сферу туризма двух соседствующих стран — Черногории и Сербии. Ситуация в недостаточно развитом сербском туризме дополнительно ухудшилась в связи с кризисом, в то время как докризисный динамичный рост черногорского туризма значительно замедлился в результате кризиса. Обе страны пострадали от снижения валютных поступлений от туризма в период кризиса, но отрасль туризма в Черногории оказалась намного более устойчивой к кризису.

Ключевые слова: мировой финансовый кризис, отрасль туризма; Черногория; Сербия; туристический оборот, валютные поступления от туризма.

1. Introduction. The recent world economic crisis relentlessly, day after day, affects the global economy, leaving its mark in time. It originated in the USA in September 2007, and then, like a chain reaction, spread around the world. In the era

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of globalization the recession is very easily transmitted from one country to another. Add to that the fact that the United States is the strongest global economic power, it is clear why the developments at the American market had such a profound impact on the rest of the world. As they say "When the USA sneezes, the world gets pneumonia" (Babic, 2001).

Of course, the world economic crisis spared neither Serbian and Montenegrin economies, nor their tourism industries. Pre-crisis dynamic growth of Montenegrin tourism has been considerably slowed down by the crisis. Despite the increase in the total number of tourist arrivals, Montenegro still saw the decline of foreign exchange tourism earnings in the time of crisis. On the other side, the crisis has additionally worsened the already difficult position of Serbian tourism industry, causing not only the decline of the foreign exchange earnings from tourism, but also the decline in tourism sales in general. Tourism is the most promising industry in Montenegro, while Serbian tourism industry was and still is underdeveloped because policy makers did not have enough understanding of tourism, its potential and significance for the whole economy. Unlike in Montenegro, the adequate development of Serbian tourist products was left out, as was an adequate promotion of Serbia as a tourist destination.

2. Tourism in Montenegro and Serbia — the current situation. Tourism is a significant industry providing an opportunity for economic and social development of the whole society. Tourism encourages new jobs creation, trade and infrastructure development, as well as the development of less developed regions contributing to balanced regional development. The promotion of tourism has been identified as a key strategy that can lead to economic upliftment, community development and poverty relief in the developing world (Binns, Nel, 2002). Motives for tourist trips are mostly related to the desire to get to know cultural historical heritage of other countries and customs of local population, which marks the tourism as a social phenomenon.

Development of tourism in a country directly corresponds with its economic development. Currently, the Republic of Montenegro and the Republic of Serbia are going through the final phases of transitional reforms, and are also intensively adjusting to European standards trying to become equal members of the EU. The accomplishment of these tasks will be a stepping stone on the way to their economic development, as well as to the development of tourism as an integral part of their national economies.

Tourism potentials of these former Yugoslav republics are at a high level, but they are not fully utilized. Serbian tourism potentials especially are insufficiently used, primarily because the development policy of the Republic of Serbia has never paid too much attention to tourism. Low budget allocations intended to promote Serbian tourist offer at the international market are mainly to blame for the lack of awareness of the Republic of Serbia as a tourist destination. So, an adequate commercialization of Serbian tourist products is missing, and what is worse, their preferred development is also missing. Serbia has numerous comparative advantages in tourism, such as its geostrategic position, huge untapped potentials of surface and underground waters with more than 1.000 springs of cold and hot mineral water, rich cultural-historical heritage with numerous medieval churches and monasteries, unspoiled vast nature. There are 466 protected natural areas in Serbia: 5 national parks (Fruska Gora,

Derdap, Tara, Kopaonik, Sar-planina), 16 natural parks, 16 areas of exceptional features, 69 natural reservations, 42 protected areas of cultural and historic values, 318 monuments of nature (<http://www.pks.rs/SADRZAJ/Files/Brosura%20srpski.pdf>). However, these comparative advantages do not mean much if they are not transformed into competitive advantages, because it is the only way to achieve their full value. We can say that the Republic of Serbia is still looking for its place under the sun when tourism and tourist offer are in question.

On the other side, Montenegro is already known as an attractive tourist destination with its magically beautiful landscapes and natural sites which has been luring tourists for decades and achieving comparative advantage over its competitors. What especially attracts visitors is its location in the Mediterranean and climate, as well as strong tourism sea-mountain complementarity. In addition to famous Montenegrin coast, which is the backbone of the Montenegrin tourist offer, there is also a northern mountainous region with significant untapped potentials for tourism development. It is enough to mention the national park Durmitor with the mountain range of the same name, an authentic work of nature, and the river of Tara known as "Tear of Europe". Promotional slogan "Wild Beauty" clearly indicates the essence of tourist offer of Montenegro as the destination. Contrary to its neighbouring Serbia, the significance of tourism for the future economic development and general prosperity of Montenegro was understood on time, which is confirmed by great marketing efforts and relatively high budget expenditures intended to international promotion of Montenegrin tourist offer. The concentration of different types of tourism in the geographically small space of 13.500 km² is a special advantage of Montenegro over its competitors, because it enables tourists to come from one tourist area to another with minimal consumption of time. The most important ecological-tourist values of Montenegro include: national parks (Lovcen, Skadar lake, Biograd mountain, Durmitor, Crnogorske Prokletije), internationally protected areas (Tara River Valley, Durmitor with Tara Canyon, Kotor-Risan Bay and Skadar lake), reservations of nature throughout Montenegro and basic zones of biodiversity (High mountain zone, Mountain forest zone, Coastal sweet water swamps zone and Coastal zone) (Dasic, Jovicic, 2011). However, it should be said that although Montenegro meets the criteria of a high-quality tourist destination when it comes to natural beauties, it does not when it comes to adequate infrastructure. Also, the quality of service is often not at the satisfactory level, which is very problematic considering that the quality of service is the best advertising for the quality of tourism of one country. Disadvantages of Montenegrin tourism are also insufficiently qualified tourism workers, dominance of low-standard accommodation, as well as the concentration of tourists in relatively short period during the year. So, there are numerous tasks in front of Montenegrin government that need to be done and obstacles which should be overcome in order for Montenegro to become an elite year-around tourist destination.

It should be emphasized that tourism is the main pillar of economic development of Montenegro and the most promising industry whose development provides a chance for overall progress of the country, which certainly cannot be said for Serbia. The current importance of tourism to the economies of these countries is best illustrated by Table 1.

Table 1. Importance of tourism for the economies of Montenegro and Serbia (data for 2011)

	Montenegro	Serbia
Direct contribution of travel & tourism to GDP	7,5%	1,7%
Total contribution of travel & tourism to GDP	15,4%	6%
Direct contribution of travel & tourism to employment	6,5%	1,5%
Total contribution of travel & tourism to employment	13,7%	5,5%

Sources: http://www.wttc.org/site_media/uploads/downloads/hungary2012.pdf,
http://www.wttc.org/site_media/uploads/downloads/serbia2012.pdf

According to WTTC (World Travel & Tourism Council), the total share of travel and tourism industry in the GDP of Montenegro for 2011 is 15,4%, while this share for Serbia is much lower and for the same year is only 6%. Also, total contribution of travel and tourism to employment in Montenegro is much higher than in Serbia — 13,7% in the case of Montenegro and 5,5% in Serbia. It is important to point out that according to the same source Montenegro ranks first out of 181 countries when it comes to future 10-year growth of travel and tourism industry share in the GDP and employment. On the other hand, Serbia is ranked 47th when it comes to forecast growth of travel and tourism industry share in the GDP, and 153th when we consider the future growth of this industry share in employment. Thus, the data clearly indicate much more significant role of tourism in the economy of Montenegro.

3. The impact of global crisis on the tourism industry of Montenegro and Serbia.

Having an impact on Montenegrin and Serbian national economies, the current global economic crisis has not spared tourism industries of these countries. The crisis has especially worsened already bad position of tourism industry of Serbia, first causing the decline of purchasing power of population, followed by the decline of tourism sales. Consumers paralysed by fear of the crisis are persistently staying at home (Pechlaner, Frehse, (2010). On the other side, Montenegro has not experienced the decline in tourism sales, however, the dynamic growth of Montenegrin tourism in the years before the crisis has been significantly slowed by it.

Table 2. Tourist arrivals in Montenegro and Serbia

Year	Montenegro			Serbia		
	Total	Domestic	Foreign	Total	Domestic	Foreign
2007.	1,133,432	149,294	984,138	2,306,558	1,610,513	696,045
2008.	1,188,116	156,904	1,031,212	2,266,166	1,619,672	646,494
2009.	1,207,694	163,680	1,044,014	2,021,166	1,375,865	645,301
2010.	1,262,985	175,191	1,087,794	2,000,597	1,317,916	682,281
2011.	1,373,454	172,355	1,201,099	2,068,610	1,304,443	764,167

Source: <http://www.monstat.org/>, <http://www.turizam.merr.gov.is>.

The total number of tourist arrivals in 2007-2011 has grown by 240.022 in Montenegro, but this number would have been much higher if it had not been for crisis. The lowest increase in the number of arrivals was recorded in 2009, which was the year of crisis and modest economic results. However, after the negative and stagnant indicators for 2009, the tourism industry recovered in 2010 and continued with very satisfactory results in 2011, especially when it comes to statistics of arrivals and

overnight stays (Government of Montenegro recommendations for economic policy in 2012). In 2011, 1.201.099 foreign tourists' arrivals were registered in Montenegro, which is the highest number in the last 10 years. Therefore, Montenegrin tourism industry recorded growth even in the years of crisis. Constantly increasing number of both local and foreign visitors tells us that small attractive tourist destinations are more resilient to crisis shocks, especially if consistent anti-crisis and development strategy is adopted on time. Crisis threats and dangers may be a good time and development opportunity, if used adequately, for making a decisive move in the direction of radical improvement of the quality of tourism services (Draskovic, Jovovic, 2009).

On the other hand, in 2007-2010 the total number of tourist arrivals in Serbia reduced by 305.961. Out of that number, the reduction of domestic guests' arrivals amounts for 292.597, while the reduction of number of foreign visitors' arrivals is only 13.764. Main reasons for this great reduction in domestic demand in Serbia were:

- 1) the decline of Serbian citizens' standard of living, caused by the global economic and financial crisis;
- 2) the abolition of the visa regime for Serbian citizens traveling to the EU member states on November 30, 2009, which diverted the travel demand of many Serbian citizens from domestic to foreign travel destinations.

Relatively small reduction of the number of foreign tourists' visits is explained by:

- 1) organizing XXV Summer Universiade in Belgrade from July 1 to 12, 2009, attended by 9.000 athletes from 145 countries;
- 2) introducing the tourist offer of Serbia into the catalogues of foreign tourist agencies; the contracts were signed with 14 German tourist agencies, 10 agencies from the Netherlands and Belgium, 9 from France, 3 from Great Britain and with one from Italy and Switzerland (<http://www.helloserbia.com/?p=182>).

2011 was the year of mild recovery and progress of Serbian tourism. Although the number of domestic tourist arrivals this year continued its negative trend, there was a significant increase in the number of foreign guests visits, which resulted in increase of the total number of tourist arrivals in Serbia for 68.013 compared to the previous year.

We come to the conclusion about the effects of the global economic crisis on tourism of Montenegro and Serbia also by looking at Table 3, which shows the inflow of foreign exchange earnings from tourism during 2008-2011.

Table 3. Inflow of foreign exchange earnings from tourism (in US dollars)

Year	Montenegro	Serbia
2008.	755,000,000	957,000,000
2009.	662,000,000	869,000,000
2010.	660,000,000	798,000,000
2011.	777,000,000	992,000,000

Source: <http://www.indexmundi.com>.

For both countries, the first what is noticeable is the decline of foreign exchange tourism earnings inflow in 2008-2010, and then significant increase in 2011 which indicates the recovery of tourism industries in Montenegro and Serbia. Revenues from tourism point to sustainability and significance of this industry for the whole econo-

my, as well as to its contribution to new jobs creation and more balanced regional development.

Some measures on stimulating recovery and development of tourism which are available to governments of Montenegro and Serbia in the time of current crisis are: reduction of taxes and fees in the catering industry, granting favorable credit lines, improvement of visa regime, regional cooperation, collective strategies, as well as numerous marketing measures such as promotions, discounts, campaigns and the like. It is believed that collective strategies through collaborations, regional cooperation, and partnership will serve as effective coping strategies for the recovery of inbound and outbound tourism (Papatheodorou et al., 2010). A government must not tighten the belt and save money on tourism, especially in the time of crisis, but rather enhance tourism promotion activities, improve the service quality and expand the range of tourist attractions.

One of the measures applied in Serbia in order to combat negative effects of global economic and financial crisis on tourism is the approval of subsidized loans for travel in Serbia to help the development of domestic tourism. Loans are granted at the annual interest rate of 7,5% and repayment period of 3 years (Unkovic, Sekulovic, 2010). Generally, tourism is in crying need of information and knowledge for decision-making and for strategies to effectively respond to the current situation (Papatheodorou, et al., 2010).

Let us add that promising tourist products of both countries are: MICE (meetings, incentives, congresses, exhibitions) and business tourism, touring, nautical tourism, events and health tourism (spa & wellness). Also, one of the priorities of the future tourist development in Montenegro and Serbia should be the development of green tourist products and services such as: mountain climbing, eco-tourism, cycling, rural tourism etc.

4. Conclusion. The impact of the global financial crisis did not miss the economy and tourism of Montenegro and Serbia. The crisis additionally worsened already difficult position of tourism of Serbia, while the previous growth of Montenegrin tourism was significantly slowed down. Both countries had experienced the decline in inflow of foreign exchange earnings from tourism, but Montenegrin tourism still proved to be much more resilient to crisis.

As with any other disorder or anomaly, appropriate measures and programs must be undertaken in order to eliminate them, and not wait for things to resolve themselves. The success of any program depends on all of its integral elements and factors, as well as on the strategy which the program has been implemented with. Even the best-designed programs can fail if there is not enough understanding or willingness to implement them appropriately (Blanchard, 2003). The greatest responsibility for recovery is on the policy makers, but the role of individual tourist workers is also very important and they have to show more knowledge in providing tourism services and more flexibility, especially in defining prices. That is because it is possible to alleviate negative trend in tourism in the short run with more affordable prices. However, in the long run, more investments of both countries are needed, primarily in human resources development and in infrastructure. Also, it is necessary to strengthen the promotion at the international market, particularly Serbian tourism products.

One of the most important goals for the future, when it comes to Montenegrin and Serbian tourism, is the successful promotion of these countries at the international investment market as tourist destinations with favorable investment climate. FDI are much needed by both Montenegro and Serbia, and the prerequisite for obtaining them is a stable political situation and the climate of confidence and certainty which foreign investors must feel. The absence of foreign capital reflects a situation which is not optimistic and in the today's world of globalization makes these economies unsustainable and non-perspective. The Republics of Montenegro and Serbia must undertake extensive measures to strengthen their national economies, especially emphasizing development of tourism as one of the most profitable industries in the world.

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