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**TOURISM
IN FUNCTION OF DEVELOPMENT
OF THE REPUBLIC OF SERBIA**

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**UNIVERSITY OF KRAGUJEVAC
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TOURISM AS A DEVELOPMENT OPPORTUNITY OF THE REPUBLIC OF SERBIA

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Abstract

Nowdays, we can talk about the concept of economic development which is driven by tourism, although the tourism development in many developed tourism destinations still depends of the level of economic development in general. Serbia has recognized the importance of this phenomenon; tourism came into the focus of the economic policy and expectations especially with regard to the future economic effects. Aware, that is necessary to establish a system of experience and comprehensive tourist products which are positioned and ready for the global market, as well as recognizable tourism image of the country as an attractive, safe, new and undiscovered tourism destination, Serbia defined new system of incentives, launched tourism industry, improve the regulatory framework, mobilized resources. With accepting global standards and rules, tourism fulfills all conditions to become a dynamic market for employment and career development in particular for young people.

Keywords: *economic development, incentives, investments, employment*

Introduction

Tourism is one of the most dynamic and most flexible branches of the economy today. The authors of this study sought to draw attention to the strong link between tourism and economic development, as well as the current contribution of tourism to the overall economic development of Serbia, but also on the prospects and conditions which are essential to bring Serbian tourism in the focus of economic policy of the country. Accordingly, the subject of research of this paper is review of the

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development of tourism as the chances for the development of the Republic of Serbia. Research are based on data and research provided by the United Nations World Tourism Organization (UNWTO), the United Nations (UN), World Travel & Tourism Council (WTTC), World Economic Forum (WEF), World Bank (WB), the Ministry of Trade, Tourism and Telecommunications (MTTT) of the Republic of Serbia, the Statistical Office of the Republic of Serbia (SORS), National Bank of Serbia (NBS) and relevant scientific workers in the field of tourism and hospitality, in the period from 2005 to 2015. Recognizing the object and purpose of research, this paper is conceived in five parts. The introduction defines the object, aim and expected contributions of the research. In the second part will be presented global trends, results and predictions. In the third part of the paper will be examined relationships / connections between tourism and economic development. In the fourth part will be analyzed the effects of tourism on the economy of the Republic of Serbia. The study will be completed with concluding observations.

Global Trends, Results and Forecasts

Over the past six decades, tourism has continued to expand and diversify; it is now one of the largest and fastest-growing economic sectors in the world. (Petković et al., 2016) Many new tourist destinations have emerged alongside the traditional ones of Europe and North America. From 1980 to 2015, international tourist arrivals (i.e. overnight visitors) more than tripled worldwide, leaping from 279 million in 1980 to 1,184million in 2015, corresponding to an average growth of 4.2 % a year. Tourism is resilient industry, continuing to grow even during the period of economic crisis. Year 2015 marks 6th consecutive year of above-average growth with international arrivals increasing by 4,4 % (Petković et al., 2016). Demand was strong and destinations recorded mixed results: due to foreign exchange rate fluctuations, the drop in oil prices and other commodities as well as increased safety and security concerns. (Petković et al., 2016). This growth in 2015 fit in trend projected for the period 2010-2020 with the average rate of growth +3.8%.

Figure 1: *Tourism – an economic and social phenomenon*



Source: *UNWTO, 2015*

In the same period, the export value of tourism - that is, international tourism receipts, including international passenger transport - increased from US\$ 125 billion in 1980 to US\$ 1,384 billion in 2015. In real terms, this corresponds to an average growth of 4.1 % a year, which is virtually the same pace as tourist arrivals. According to UNWTO (2016), long-term forecast *Tourism Towards 2030*, international tourist arrivals are expected to continue to grow at the sustained pace of 3.3% a year on average, reaching 1.8 billion by 2030. International tourist arrivals in the emerging-economy destinations of Asia, Latin America, Central and Eastern Europe, Eastern Mediterranean Europe, the Middle East and Africa will grow at double the pace (4.4 % a year) of advanced economy destinations (2.2 % a year). As a result, arrivals in emerging economies are expected to surpass those in advanced economies by 2015. In 2030, 57 % of international tourist arrivals will occur in emerging-economy destinations (versus 30 % in 1980 and 47 % in 2010). Arrivals in advanced-economy destinations will make up 43 % of arrivals overall (versus 70 % in 1980 and 53 % in 2010). Projections (especially for 2016) are based on a scenario of sustained but uneven growth driven by low oil prices, strong US dollar and moderate economic improvement in some source markets (especially in advanced economies: United States and United Kingdom for example, while, according to the forecasts, Brazil and Russia will continue to suffer from weak economic conditions after significant travel decrease in 2015. China will remain leading out bond market.). Security and safety risks (including the growing threat of terrorism) and geopolitical tensions in number of destinations will have strong impact on future tourism results (in first two months in 2016, Paris recorded 20% decrease of foreign tourists arrivals, mostly from Japan, China and other Far East countries).

Tourism and Sustainable Development Goals (SDGs)

Future tourism development must be guided by the principles of sustainable development: tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities can be defined as sustainable tourism. According the UNWTO (2015) sustainable tourism should: a) make optimal use of environmental resources that constitute a key element in tourism development, maintaining essential ecological processes and helping to conserve natural resources and biodiversity; b) respect the socio-cultural authenticity of host communities, conserve their built and living cultural heritage and traditional values, and contribute to intercultural understanding and tolerance; c) ensure viable, long-term economic operations, providing socio-economic benefits to all stakeholders that are fairly distributed, including stable employment and income-earning opportunities and social services to host communities, and contributing to poverty alleviation.

Furthermore, it is important to say that the year 2015 has been a milestone for global development as governments world wide have adopted the 2030 Agenda for Sustainable Development, (UN, 2015) along with the Sustainable Development Goals (SDGs), which are people-centred, transformative, universal and integrated (UN, 2015).

Tourism has the potential to contribute, directly or indirectly, to all of this goals. In particular, it has been included as targets in goals 8, 12 and 14 on inclusive and sustainable economic growth, sustainable consumption and production (SCP) and the sustainable use of oceans and marine resources, respectively.

Relationship between tourism and economic development

Bearing in mind the above accomplishments, outlined trends, estimates and forecasts about a global tourism, the logical question of relationship and connection on tourism and economic development (or a national economy) arises. It has long been recognized that tourism can have an impact on economic activity (Dwyer et al., 2004). The experiences are different. In some countries, the tourism development is a result of the overall economic development (e.g. US and Germany), while there are many examples of countries where tourism was the initiator or the generator of overall economic development, for example. Spain,

Seychelles, Taiwan or the Canary Islands, in which the competent authorities are trying to find an adequate answer to the question of how to continue "to maintain their presence on the international markets with prices that are compatible with growth and income?" (Parrilla et al., 2007).

The future will show if the economic growth theory, emphasizing the importance of destinations' knowledge, innovativeness and natural capital, can offer the desired exit. Numerous studies have been carried out on this subject. However, researchers have reached mixed and sometimes conflicting results despite the common choice of time series techniques as a research methodology (Chao, 2013, p. 227). In a multi-country study, Chen and Chiou-Wei (2009) show that the tourism-led economic growth hypothesis was supported for Taiwan with a reciprocal causal relationship found for South Korea. Ongan and Demiroz (2005) suggest bi-directional causality between international tourism and economic growth in Turkey for the period of 1980–2004 using Granger causality test results. One of the last conducted research (that could be very interesting from the perspective of Serbia) refers to research causal linkages between the tourism spending and economic growth with particular attention to domestic tourism spending (Chao, 2013, p. 227).

The research encompasses annual data from 10 transition countries (Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Poland, Romania, Slovakia and Slovenia) over the period of 1988–2011. Empirical results indicate that for 3 of these 10 countries (Bulgaria, Romania and Slovenia), the neutrality hypothesis is in the nature of a causal direction between tourism spending and economic growth (Chao, 2013, p.231). Results also support evidence on the growth hypothesis for Cyprus, Latvia and Slovakia, a reverse relationship was found for the Czech Republic and Poland, while a feedback hypothesis held for Estonia and Hungary. The study applies the bootstrap panel Granger causality approach (Chao, 2013, p. 231).

Very interesting is revealed and the application of capital-output coefficient analysis to prove that tourism as an economic sector can be a generator of overall economic development. According to Mihalič (2015) capital-output ratio represents the ratio between the capital input and the output produced over a particular period of time and, therefore, an increase in the rate at which capital produces a unit of output (i.e. a lower capital-output ratio will enhance the economic growth rate). Author

argues that, after a certain level of development, the country tourism competitiveness, depends on many (economic development related) factors: country total and tourism related fixed capital, level of economic development, economic structure and tourism consumption (Mihalič, 2015). According to the same author (2015), capital-output analysis divides tourism development into three phases according to tourism's contribution to growth of the local destination economy. During the first development phase, tourism development is spontaneous and unsupported by either a tourism development policy or intensive capital investment. In this phase, the average capital-output ratio in the tourism sector is low, almost zero and much lower than the average for the economy as a whole. Tourism contribute to economic growth in the region, but tourism generated income in this phase is not key source of financing. In the second phase, tourism development is promoted and supported by the public sector with investment in tourism infra- and supra-structure. Consequently, the capital-output ratio within the tourism sector increases substantially and might exceed the overall economy's average capital-output ratio. In this phase, the average national economic growth rate is slowing down.

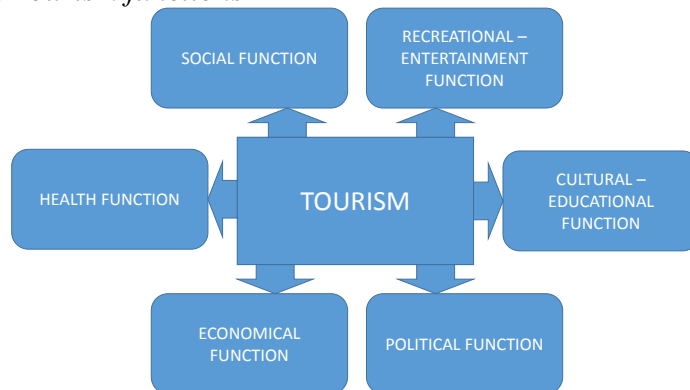
When the average tourism capital-output ratio started to fall, tourism development came into third phase. This phase is characterized by public and private sector investments, innovations, diversification and improvements in the quality and structure of tourism products which resulted in higher levels of tourists spending. This is a stage of maturity where tourism-led economic growth theory may find its place if the tourism coefficient falls below that for the economy (Mihalič, 2015). In other words, capital-output ratio is low and in order to increase income generated by tourism sector low level of additional capital investment is required.

Summing up the results of those studies, we conclude that the links between economic development and tourism exist, they are two-way and the nature of their relationship has not been elucidated (Petković et al., 2011, p. 90), which leaves room for further research of this current topics. Due to the potential economic benefits that tourism can bring to the national economy, such as increases in foreign exchange earnings, income, employment and taxes, many governments have engaged in tourism development for the purpose of promoting economic growth (Sahli & Nowak, 2007).

Economic and Non-economic Functions of Tourism

Furthermore, in the literature, many authors agree with the division of the basic functions of tourism: economic (primary) and non-economic (consequential) functions. Figure 2 shows all the functions of tourism.

Figure 2: *Tourism functions*



Source: *Dobre, 2005*

Economic functions of tourism are (Dobre, 2005, p. 34):

- a) conversion function – tourism converts the non-economic (e.g., untapped natural resources into a tourist attraction that brings income) in the potential economic resources);
- b) inductive function - triggers the production to meet the needs of tourism (e.g. production of organic food for the tourists needs);
- c) the multiplicative function - tourism runs nearly all branches of the national economy and creates multipliers of GDP growth, employment and investment;
- d) the accelerating function - tourism accelerates regional and local development faster than any other industries;
- e) export function - tourism encourages foreign currency inflow and improves the country`s balance of payments;
- f) the function of stimulating the development of underdeveloped areas - tourism can initiate the development of undeveloped areas that do not have the capacity nor the resources for industrial development;
- g) employment function - tourism is labor intensive, but more time and knowledge-based industry, which requires trained personnel and high performance, expert and managerial skills.

Global Economic Contribution of Tourism Sector in 2015

Tourism, as an important economic activity, has direct economic impact, as well as significant indirect and induced impacts on the global economy. The direct contribution of tourism to the global GDP in 2014 was USD 2,364.8 billion (3.1% of GDP). According to the WTTC (2015) preliminary results, this contribution rise by 3.7% to USD 2,451 billion in 2015. This primarily reflects the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation services (excluding commute services). But it also includes, for example, the activities of the restaurant and leisure industries directly supported. The direct contribution of tourism to GDP is expected to grow by 3.9% p/a to USD 3,593 billion (3.3% of GDP) by 2025. The total contribution of tourism to GDP (including wider effects from investment, the supply chain and induced income impacts, according to the preliminary results, was USD 7,864 billion (9.9% of GDP) in 2015, which represents growth by 3.7% compare to 2014. It is forecasted to rise by 3.8% per annum to USD 11,382 billion by 2025 (10.5% of GDP).

Leisure travel spending (inbound and domestic) generated 76.6% of direct tourism contribution to GDP in 2014 (USD 3,850 billion) compared with 23.4% for business travel spending (USD 1,176 billion). Business travel spending is expected to grow by 4.0% in 2015 to USD 1,222 billion, and rise by 3.2% p/a to USD 1,679 billion in 2025. Leisure travel spending is expected to grow by 3.3% in 2015 to USD 3,978 billion, and rise by 4.1%p/a to USD 5,929 billion in 2025. Furthermore, WTTC (2015) reports that domestic travel spending generated 72.5% of direct tourism GDP in 2014 compared with 27.5% for visitor exports (foreign visitor spending or international tourism receipts). Domestic travel spending is expected to grow by 3.7% in 2015 to USD 3,777 billion, and rise by 3.8% pa to USD 5,465 billion in 2025. Visitor exports are expected to grow by 2.8% in 2015 to USD 1,423 billion, and rise by 4.2% pa to USD 2,140 billion in 2025. Money spent by foreign visitors to a country (or visitor exports) is a key component of the direct contribution of tourism. In 2014, the world generated USD 1,384 billion in visitor exports. In 2015, this is estimated to grow by 2.8%. By 2025, international tourist arrivals are forecast to total 1,796,210,000 generating expenditure of USD 2,140 billion, an increase of 4.2% per annum.

Capital investments include spending by all industries directly involved in tourism and also include spending by other industries on specific tourism

assets such as new visitor accommodation and passenger transport equipment, as well as restaurants and leisure facilities for specific tourism use. Tourism sector have attracted capital investment amounted to USD 814.4 billion in 2014. According to preliminary results for 2015, capital investment accounted for USD 853.5 billion (rise by 4.8%) and it is expected to rise by 4.6% per annum over the next ten years to USD1,336 billion in 2025. On the other side, it is expected that tourism's share of total national investment will rise from 4.4% in 2015 to 4.9% in 2025.

Directly, tourism generated 107,519,000 jobs worldwide (3.6% of total employment), or 2.0% more than in 2014. This data includes employment by hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). It also includes, for example, the activities of the restaurant and leisure industries directly supported by tourists. WTTC (2015) forecasts that by 2025, tourism sector will account for 130,694,000 jobs directly, an increase of 2.0% per annum over the next ten years.

Tourism Effects on Serbian Economy: Current Status and Perspectives

Traditionally, Serbia hasn't been a tourist-oriented country but a country where the agriculture and industry were the main economic activities. During the 90's of the last century, the tourist offer of Serbia has been additionally exposed to negative impacts both in terms of structure and in terms of quality. In the same period, Republic of Serbia was registered a decline in tourism demand, especially in foreign tourists (according to data of the SORS, in 1993, the Republic of Serbia was visited by only 70,143 foreign tourists, while foreign currency inflow amounted to 22.8 million USD). With this starting point, tourism industry, in the recent history of the country, hasn't had an adequate role in economic policy and development for many years. Tourism Development Strategy ("Off. Gazette of the RS", No 91/06) determined the strategic development goals for Serbian tourism, as well as measures for their implementation. Expected global results of the Strategy's implementation were as following: rise of Serbian tourism competitiveness, increase of foreign exchange earnings, rise of domestic tourism turnover, increase of international tourists' number, as well as increase of employment through tourism in order to transform Serbia into a competitive tourist destination (Lovreta et al., 2015, p. 124).

Ten years later, we can say that the realization of the Strategy of tourism development gave limited results. The transition process, incomplete (or badly implemented) process of privatization of tourism and accommodation/catering capacities, and related concerns, the global financial crisis, the incompleteness of basic infrastructure projects (roads, railways, water supply, sewerage and infrastructure along Corridor 7, and others), dysfunction of small local airports, inadequate management of destinations, insufficient investment in marketing and promotion, but also the inadequate treatment of tourism industry when it comes to economic policy, certainly contributed to the fact that Serbia has failed to establish a system of experiences and final product positioned and ready for the global market (Lovreta et al.,2015, p. 126) as it was envisaged by the Strategy.

Consequently, it is not fully established recognizable tourist image of Serbia as an attractive, safe, new, and undiscovered tourist destination (Lovreta et al., 2015, p. 126).

Table 1: *Comparison of the Tourism Strategy Development 2005-2015 Projections and Actual Results*

	Initial data 2005	2015	Difference	Index 2006/2015	% growth
Number of arrivals	1.645.485	2.437.165	791.680	148	48
Number of overnights	5.609.437	6.651.852	1.042.415	119	19
Moderate growth projections					
Number of arrivals	5.504.300	2.437.165	-3.067.135	44	-56
Number of overnights	15.000.000	6.651.852	-8.348.148	44	-56
Ambitious growth projections					
Number of arrivals	6.607.500	2.437.165	-4.170.335	37	-63
Number of overnights	17.636.000	6.651.852	-10.984.148	38	-62

Source: *MTTT, 2015*

Note: Since 2007, tourists from Montenegro are accounted as foreign tourists.

Table 2: Tourists Arrivals 2007-2015 in 000

Year	Total	Index	Domestic	Index	Foreign	Index
2007.	2.306	115	1.610	105	696	148
2008.	2.266	98	1.619	101	646	93
2009.	2.021	89	1.376	85	645	100
2010.	2.000	99	1.318	96	683	106
2011.	2.068	103	1.304	99	764	112
2012.	2.079	100	1.270	97	810	106
2013.	2.192	105	1.271	100	922	114
2014.	2.192	100	1.160	92	1.029	112
2015.	2.437	111	1.305	112	1.132	110

Source: SORS, 2016

On the other hand, in the same period there was an increase in the total number of tourist arrivals, reducing of the overnight stays, and changes in the structure of demand of tourist product of Serbia: in 2015, foreign tourists in the total arrivals have had their share amounting to 46.5%, compared to 2007 when foreign tourists accounted for 30.2%. Consequently, there was a significant increase in foreign exchange earnings from tourism, but not at the rate (the amount) which was projected in the Strategy of development of tourism.

Table 3: Tourists Overnights 2007-2015 in 000

Year	Total	Index	Domestic	Index	Foreign	Index
2007.	7.329	111	5.853	105	1.476	145
2008.	7.334	100	5.935	101	1.398	95
2009.	6.776	92	5.307	89	1.469	105
2010.	6.413	95	4.961	94	1.452	99
2011.	6.645	104	5.002	101	1.643	113
2012.	6.485	98	4.688	94	1.796	109
2013.	6.567	101	4.579	98	1.988	111
2014.	6.086	92	3.925	86	2.161	109
2015.	6.652	109	4.242	108	2.410	112

Source: SORS, 2016

Table 4: *Foreign Currency Inflow from Tourism 2007-2015*

Year	EUR (in million)	Index	USD (in million)	Index
2007.	630	/	531	130
2008.	640	101	944	109
2009.	617	97	865	92
2010.	605	98	798	92
2011.	710	117	992	124
2012.	708	100	906	91
2013.	792	110	1.053	116
2014.	863	109	1.139	108
2015.	945	109	1.048	92

Source: NBS, 2016

Note: during the reporting period there were significantly changes in the relative values between currencies: USD and EUR.

Furthermore, the Report of WEF indicates that tourism and catering industry are good to invest in Serbia (WEF, 2012). Given the current state of the Serbian tourism industry, investments are necessary in order to provide the appropriate service (Pindžo & Barjaktarović, 2013, p. 183), which will meet more demanding market need. Survey done by Barjaktarović et al. (2016) showed that Serbian companies in hotel industry use predominantly internal source of financing. They use external sources of financing when internal source are dissipated. Furthermore, analysis showed that banks' credit is the most important external source of financing. It is in line with survey done by Barjaktarović & Ječmenica (2011), and Račić et al. (2011). Accordingly, Barjaktarović D. and Barjaktarović L. (2010) suggested particular subsidized credit lines (by state's banks) for further development of SME hotel companies in Serbia. Moreover, Barjaktarović D. & Barjaktarović L. (2009), proposed adequate specialized project financing for further development of Belgrade's hotel offer. Finally, Barjaktarović & Mašić (2014) concluded that foreign investments via REIT and cross-border loans are crucial for further growth of tourism in Republic of Serbia.

Serbian hotel market has been progressing significantly over the past couple of years, under going dynamic quality restructuring and volume growth. Belgrade remains in the center of attention for international hotel management companies (Barjaktarović D. & Barjaktarović L, 2010), followed by Novi Sad, the capital city of the province of Vojvodina. Major recent additions to the supply include: Crowne Plaza Belgrade;

Metropol Palace, a Luxury Collection Hotel by Starwood; Falkensteiner, Radisson Blu Old Mill and Courtyard by Marriott in Belgrade (Horwath HTL, 2015). The ways of financing and encouraging quality of accommodation capacities in Serbia are possible by using: 1) line of credit provided by the Government of the Republic of Serbia through the Development Fund and the competent Ministry, and 2) project finance domestic and foreign banks i.e. cross-border / credits. (Pindžo & Barjatarović, 2013, p. 190). Since 2007, the state is recognizing the importance of tourism development, particularly in terms of creating new jobs and balanced regional development, by developmental, privileged "soft" credit lines (the total value of 1.450 million RSD), significantly influenced in the change of the structure of accommodation capacities, specially hotels, which resulted in a change in the structure of the tourism offer of the Republic of Serbia (Pindžo & Barjaktarović, 2013, p. 184). Primarily, increasing the number of foreign tourists, foreign currency inflow from tourism, as well as the total number and total value of investments in tourism and in related activities (12% of total investments in Serbia), as fact that more than 48,000 people, have a job in tourism sector in Serbia (directly and indirectly), and that this branch is the "invisible" exports in the amount of 7.3% of total exports, shows a huge impact, but even more the potential of this industry when it comes to economic development of country.

Adopted Amendments to the Law on Tourism in 2015 and defined the main strategic directions for future tourism development are the result of permanent communication with the tourism industry on the one hand and the involvement of a large number of stakeholders. The focus is on Serbia as a tourist destination, the fight against the gray economy, joining the work of the tourist inspection with those at the local level, complying with European Union's regulations with regard to the consumer protection, increasing the safety of passengers. Also, the key changes relate to the introduction of destination management organizations that, according to the modern tourist business model, may include a public-private partnership. During 2015, for the first time, the pilot project for encouraging domestic tourism traffic through a voucher scheme. For more than three months, the Serbian tourism is, only thanks to this project, numbered around 118,625 overnight stays more. In 2016 it is expected that about 46,000 people (voucher users) will realize the minimum 250,000 nights additionally. In 2016, for the first time, the necessary conditions for improvement of the organized foreign tourist traffic were created, introducing the new system of incentives, that great

number of countries, in this stage of tourism development, had already been introduced.

Despite the fact, that according to official data, the tourism industry contributes between 1% and 1.5% to the country's gross domestic product, while according to the research which applied WTTC methodology, total contribution of tourism sector accounted for around 5,4% in 2014.

Table 5: *Indicators of Economic Effects of Tourism in Serbia 2013-2015 (estimation according to the WTTC methodology)*

	2013	2014	2015
Total contribution of tourism in GDP	4.91	5.4-5.7	6.00
Total share of paid taxes of tourism legal entities in total budget of RS	2.32	2.52	3.12
The budget RS allocation for tourism development (% of total budget)	0.49	0.14	0.27
The budget RS allocation for tourism development (% of total tourism sector income)	21.24	6.36	8.37
Minimum necessary allocations	0.48 – 1%		
Officially recorded income from tourism (estimation)	38.25		
Estimated gray economy	61.75		

Source: *Denda, 2016.*

The preliminary research data presented in previous table indicate much higher contribution of tourism sector to overall economic growth in Serbia than it is presented by officially published data due to the methodology and (under-utilization of all relevant) source of data. Furthermore, it could be concluded that contribution of tourism sector is higher than the direct state's investments in its development. Keeping all the above in mind, it can be concluded that a strong, mutual, two-way relationship between economic development (growth) and tourism development in Serbia exist. In this phase of transition, and reform of the economy, taking account of the need to overcome the time lag in these processes, it is difficult to accurately determine who will have a dominant influence: economic development on tourism or tourism will assume the role of one of the generators of economic and social development of Serbia. It could be said that there is an emphasized need that these processes are underway almost immediately. In the future, the public

sector will play a crucial role in the development of tourism in Serbia, taking into account the fulfillment of the (previously mentioned) preconditions especially in the field of the completion of major infrastructure projects (roads, railways, airports, marinas, docks, signaling, etc.) and finalization of privatization processes, that is important for the overall economic development, but also the development of tourism. On the other hand, tourism, as a mainly labor-intensive, and to a lesser extent, capital-intensive, global phenomenon, is the right way to economic recovery, primarily to enable Serbia to create new jobs (employment of youth, women, and those who have lost jobs in the process of privatization), balanced and sustainable regional development, increase foreign exchange earnings. We should not forget the fact that tourism is probably one of the best channels of political marketing, which will enable Serbia to improve its image on the global level.

The business climate in the country is significantly improving, according to the ease of doing business index published by the WB, which compares business regulation in different countries. Serbia achieved remarkable progress, rising to 59th in the 2016 overall ease of doing business ranking with respect to the previously published ranking 91st out of 189 economies (WB, 2015). This favorable business climate will be additional a strong boost to further tourism development. Furthermore, to enable tourism business going forward, Serbia has to define and introduce professional destination management, including stronger tourism marketing and promotion towards international sources of demand, to develop planning documents (spatial, regulatory master plans) and new concession and PPP business models with a stimulating fiscal policy (redefinition and reduction of different taxes in determined period), the applicate reduced rates of VAT (10%) for other services (primarily catering), to establish a new regulatory framework for the use of modern management models in real estate - application of the model sale-leaseback etc. Serbia needs further visa regime liberalization and the introduction of seasonal visas, the introduction of new direct flights of the national airline company, check low-cost airlines to alternative airports, renovation and modernization of the existing conference facilities as well as the expansion of international hotel chains outside Belgrade.

Conclusion

Tourism has an undoubted impact on macroeconomic aggregates and causing an increase in macro-economic stability of each country and, at the same time, allows the acceleration of regional and local development, employment growth in underdeveloped areas and attractive tourist destinations. This is precisely the opportunity for Serbia as a tourist destination, especially for those tourist destinations in Serbia which have comparative advantages, and that the global tourism industry is recognized as a promising tourist destination. In order to strengthen competitiveness, facilitate investments and build a new image, the Serbian tourism industry needs to be placed on the economic agenda as one of key priorities, backed by a clear vision and strong leadership. Only this way can Serbian tourism become a true driving force of the economic growth.

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