

ECONOMIC EFFECTS OF SUSTAINABLE TOURISM DEVELOPMENT

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Abstract

Tourism development generates a large number of positive economic and environmental effects. Therefore, it is a very important segment of faster economic development of every country. Reconciling economic and environmental goals is the essence of the modern concept of sustainable tourism, which, in line with the current changes in the environment, is based on the concept of sustainable development and responsible consumption in tourism. The paper outlines the economic effects of sustainable tourism development, aiming to contribute to the country's economic development and competitiveness and analyses Serbia's competitiveness index (Travel & Tourism Competitiveness Report) established according to the World Economic Forum methodology.

Key Words: *economic effects, tourism, sustainable development, sustainable tourism development*

JEL classification: *Q01, Z32*

Introduction

Globally, tourism became one of the most widespread and mass phenomena (based on the number of participants) at the end of the 20th and the beginning of the 21st century, and because of its realized economic effects, this economic activity became a great development opportunity for a large number of countries. The data on the number of tourists in the world indicate that this dynamic service industry has become a revenue generator for underdeveloped, developed, and developing countries. Tourism services also dominate tertiary sector on a global scale along with financial

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services. The advantage of the tertiary sector, especially tourism, is that it is bypassed, for the most part, by protectionist measures leading to crises and economic problems. Thus, economies with a higher share of goods than services in trade with the rest of the world have suffered greater negative effects of the crisis in the economy (Pelević & Ristanović, 2011).

Tourism has become a generator of economic and social development in most countries. Tourism accounts for a big and significant share in the total GDP, the number of workplaces and employees in this industry, etc. (Ministry of Trade, Tourism, and Telecommunications, 2016).

Nowadays, it is far more important to consider various effects of tourism within an economy. These effects, resulting from the development of tourism and expanding of tourism services, are reflected on other industries, such as: infrastructure, agriculture, wholesale and retail, transport and construction, also having certain impact on small and medium-sized enterprises, etc.

In spite of being completely aware of the tourism potential of the economy, tourism development policymakers are equally aware that in addition to its economic effects, tourism can also pose a threat to natural. Resources present the basis for tourism development; still, tourism has the power to stimulate the conservation of these resources (Katić et al., 2005).

However, according to Ristić, Bošković & Despotović (2019), although the pursuit of economic interests is still a priority today, lots of countries have begun to pay more attention to the environmental interests of destinations as a result of adopting and implementing a new concept of tourism development, known as "sustainable tourism development". It is a modern approach to tourism development which involves establishing a positive relationship and link between tourism development and environmental protection; that is, achieving complete harmony between economic and environmental interests (Ristić et al., 2019).

Therefore, the paper will outline what constitutes sustainable use of natural resources, as well as the role and importance in its effective implementation in business activities, with particular reference to sustainable tourism development and analysis of competitive advantages and disadvantages of tourism in Serbia, compared to other analysed countries within the Travel & Tourism Competitiveness Index.

Sustainable use of natural resources

Natural resources, land, soil, and everything on and in it, all forms of water resources, air and biodiversity have to be used in a sustainable way. Sustainable use of natural resources implies strict planning and management of the existing reserves in terms of the requirements of economic development. This involves avoiding the wrong resource management policy and emphasizing an adequate resource allocation policy to discourage shadow economy in tourism and encourage legal activities that will lead to an increase in government revenue (Ristanović, 2018). Hence, effective management and control present the key to achieving sustainable use of natural resources. As for non-renewable resources, a modern approach to sustainable use is vital; however, it is generally considered that their sustainable use is impossible.

Natural resources mean the same as natural sources and refer to the natural goods which are used. Natural potentials are natural resources with reserves of natural goods and natural conditions that may be or are already useful to people, i.e. mineral raw materials, water, land with vegetation and natural conditions. Natural resources are the potentials, as well as the existing human resources, on which economic development of a country should be based.

Ecology and economics depend on: economic goods and economic processes; the relationship between supply and demand, production and consumption of various goods; human activities, cultural relations towards the environment, ecological education, ethnographic features, deficit of energy sources, drinking water, and other important raw materials. The systems directed to unlimited development with limited resources are unsustainable in the long run. The uncontrolled exploitation of natural resources results in environmental degradation and reduction in the flow of natural resources for future generations. Strongly influenced by the ecological approach, contemporary economic thought extends its field of consideration of nature while taking into account also the sources of natural goods supply, ecosystems, natural beauty, and is subject to institutional regulation, restrictions, and protection.

Natural resources are largely interdependent. Sustainable use of any resource will have a positive effect on the conservation of others, and irresponsible pollution or destruction of one will cause the degradation of other resources. The modern world is greatly confronted with the need for

a global, shared responsibility for development; we should meet certain needs of humans and nature, based on the opportunities provided to preserve the planet Earth and hand it over to future generations in an acceptable state. The present generation which has the right to exploit the resources and the healthy environment must not jeopardize the same right of future generations. Achieving the long-term goals of sustainable environmental development implies integrating and harmonizing the goals and measures of all sectoral policies (Hartwick & Olewiler, 1998).

One of the main priorities for achieving sustainable development is the protection and improvement of the environment and the rational use of natural resources. The adoption and implementation of the s National Strategy of Sustainable Use of Natural Resources and Goods (2012) will reduce the pressure on natural resources. In order to integrate environmental policy into other sectoral policies, especially in the field of spatial and urban planning, it is necessary to strengthen the capacities for applying strategic environmental impact assessment, policies, plans, and programs in accordance with the law (Blagojević, 2001).

The inefficient use or even the overuse of production factors is explained by the law of diminishing returns, according to which by adding one more unit of production factor beyond a certain level, it contributes less to the total production compared the previous unit. Moreover, it contributes to rising costs per unit of product. Decrease in production volume, i.e. diminishing returns result from an inadequate combination of natural resources. However, the modern approach goes one step further as it is dominated by human capital and more technologically intensive manufacturing processes and sophisticated products. Consequently, in addition to physical capital, human capital contributes to the increasing returns by which an adequate combination of labour and capital [labour \Leftrightarrow capital (technology) \Leftrightarrow education] with each additional unit of production factor increases the volume of production. There is a reciprocal link between labour and capital (not merely their sum or product, but their degree), which by means of technology and education leads to the specialization in production, sophisticated products and the growth in the volume of total production, while meeting diverse needs of people. Even so, the use of natural resources is far from being perfect. Their use will change in the coming decades due to new developments (Tošović-Stevanović & Ristanović, 2016).

Sustainable development and international business operations of companies which promote global sustainability

Internationally, the idea of sustainable development is now widely accepted. It all began with the well-known book *The Limits to Growth* (1972), when the Club of Rome pointed to the "dilemmas of humanity", primarily from the point of view of accelerated depletion of the most important natural resources. The First United Nations Conference on the Human Environment was held in Stockholm in 1972, and it is considered to be the turning point in human-nature relationship. The concept of sustainable development was adopted by the European Union in 1990 and by the United Nations in 1992 at the Second United Nations Conference on the Environment and Development held in Rio de Janeiro.

The expansion of industrial production and overconsumption worldwide, which now amounts to 6 billion people, will seriously damage natural resources vital to human survival. This will be even more essential for the 10 billion people in the mid-twenty-first century. On the other hand, the north-south division that separates the global population can hardly be overcome without further industrialization in developing countries. The information could be essential for the preservation of vital resources for humanity as a measure of global peace and human freedom.

According to the 1992 Brundtland Commission Report, at the UN Summit in Rio de Janeiro (Rio Declaration) sustainable development is an attempt to tackle sustainable development issues in a practical and political way. Sustainable development is trying to propagate industrial production and consumption worldwide while halting the process of environmental degradation. It further seeks to strengthen social cohesion, which is constantly being undermined by industrialization, the erosion of traditional social bonds, and environmental degradation.

From the very beginning, critics viewed sustainable development as contradictory. However, it is the contradiction that makes this concept appealing. All major corporations worldwide felt the need to get involved, for everyone to benefit. If sustainable development can advance beyond mere rhetoric, then efforts have to be concentrated on environmentally sustainable conversion of industrial production and consumption. Only in this way this concept can be extended to all humanity while preserving the environment. A central part of this concept is the production of energy from non-renewable resources whose combustion undoubtedly damages the

environment and affects global climate change. In addition to switching to renewable energy sources, it is also very important that industrial production is performed in "closed" conditions (without harmful emissions) and, in general, to promote the "dematerialization" of the economy.

Most of the things which were to be done were cited three decades ago. Nowadays, there are a number of technologies which can be used to harness energy from renewable resources. However, scientific and technological investments have to be drastically accelerated if the progress is to be made regarding closed production systems and the "dematerialization" of the economy. The tasks that need to be solved are difficult and cannot simply be left aside. It is clear, and even written in the statements of the Rio Declaration that developed countries are obliged to be in charge of modifying industrial production methods. They are (mostly) the ones which live above their potentials in terms of environmental protection.

They also have all the means to actively perform this conversion. They should set an example for new industrialization, and often the necessary hardware. Conversely, industrialized countries and their large corporations implement another form of "technological revolution" whose environmental sustainability (except for communication technologies) is, to say the least, suspicious. In general, despite the commitment of leading elites to sustainable development, we treat the environment in a way that does not guarantee the survival of humanity beyond the twenty-first century. This claim is supported by the fact that most environmental indicators have deteriorated over the last 15 years.

Renault-Nissan is one of the companies developing the cars of the future and is focused on creating products that improve society, increase mobility for all and help address the most important safety and environmental challenges of today. In August 2016, the company became the newest member of the World Business Council for Sustainable Development (WBCSD).

WBCSD is a global association of more than 200 major international companies promoting global sustainability. The association works with the world's leading companies so that they could create a range of business-friendly solutions. Some of the members are well-known companies such as: General Motors, DuPont, 3M, Nestle, BP, Jain Irrigation Systems, and Royal Dutch Shell. The association is focused on four major economic

systems: energy, nutrition and land management, sustainable cities and mobility, and redefined values. Energy systems represent enormous potential and power in all economies. Although fossil fuels will continue to be an important part of economic growth in the near future, the transition to a low-carbon economy will lead to cleaner energy in the future, which means a rapid transition to new and alternative energy sources, which in return requires new technologies. And all this leads to business development.

Renewable energy resources have been increasing their market share over the last 20 years. Greater investments in energy efficiency, in the economy and in buildings and transport present enormous potential in international business. For example, in developing countries alone, decentralized renewable energy resources can supply more than one billion people.

Food production and productive, sustainable land management can be increased, as well as the development of rural areas, the protection of forests and the reduction of land over-utilization with the use of new technologies and a comprehensive approach to land and water management. It is estimated that by 2030, 70% of the world's population will be living in cities, using 80% of total energy, and generating 70% of global greenhouse gas emissions. Business opportunities for positive development in this area are more than obvious.

The companies whose business is based on sustainable development are trying to find the way to build better, smarter cities where everyone will have the access to technology, healthcare, education, and communication. There is a need to find a way to build Zero Emission City with maximum energy efficient infrastructure, which is again the potential for international business operation, as one company is certainly unable to meet the challenges of sustainable development.

The effects of sustainable tourism development

Analysing the general concept of sustainable development, it is quite clear that the concept of sustainable tourism development cannot be analysed as a separate unit, because all the concepts are interdependent and represent the whole, that is, the ideal harmony of sustainability.

The concept of sustainable development should be the basic guideline in tourism management, which will enable the achievement of economic,

social and aesthetic goals, while protecting cultural values, social integrity, key ecological processes, and biological diversity (Jovičić, 2000, Stefanović & Azemović, 2012). New knowledge and new skills are necessary for the further development process (Živaljević et al., 2015).

According to Stefanović & Azemović (2012), sustainable tourism implies integral and complex development of tourism, ensuring simultaneous achievement of heterogeneous goals where none of them should become dominant in relation to the others:

- realization of economic profit;
- preserving the social integrity of local communities;
- affirmation of cultural identity of the receptive areas;
- environmental protection;
- optimal satisfaction of tourist needs.

To achieve sustainability through tourism, or improve the quality of life of a local community, to enable visitors/consumers to achieve a high quality of experience via tourism and maintain the quality of the environment on which both the local community and visitors depend, three main forms of sustainability are important (Popesku, 2004):

1. ecological sustainability – it ensures that the development remains compatible with the maintenance of basic ecological processes, biological diversity, and biological resources,
2. socio-cultural sustainability – it ensures that the development increases people's control over their lives, compatibility with the culture and values of people under the influence of development, maintenance and strengthening of community identity;
3. economic sustainability – it ensures that the development is cost-effective and the resources are managed so that they can be supported by future generations.

The benefits of sustainable tourism can be seen through (Vitić-Četković et al., 2012):

- the extension of the tourist season,
- the increase in tourism expenditure,
- attracting high-income tourists,
- the expansion of local tourist zones,
- job creation in the local community.

Special attention is paid to sustainable tourism, also presented as a major concept of tourism development in the EU. Therefore, in Serbia, it is also

one of the priorities of economic development. According to the Tourism Development Strategy of the Republic of Serbia for the period from 2016 to 2025, the vision of tourism of the Republic of Serbia until 2025 states that "In 2025 the Republic of Serbia will become a globally recognized tourist destination as a result of the established system of development, sustainable resources management, and the coordination of the activities of all entities relevant to tourism development".

Consequently, the role of the Government is emphasized, since it can enhance the process by decisive support and concrete measures within the framework of sustainable tourism development and related activities, and thus, the creation of a competitive position based on the creation of a destination that respects the concept of sustainable development.

Tourism carrying capacity defined by the Travel and Tourism Competitiveness Report

Tourism carrying capacity is defined by the World Tourism Organisation (UNWTO) as "the maximum number of people that may visit a tourist destination at the same time, without causing destruction of the physical, economic, and sociocultural environment and an unacceptable decrease in the quality of visitors' satisfaction" (World Economic Forum – TTCI, 2019).

In order to adequately and reliably perform competitive analysis, it is of utmost importance that the concept of competitiveness is well conceptualized (Tošović-Stevanović, 2009). Every two years Travel & Tourism Competitiveness Report Index (TTCI) publishes an analysis on competitive advantages and disadvantages of tourism in many countries.

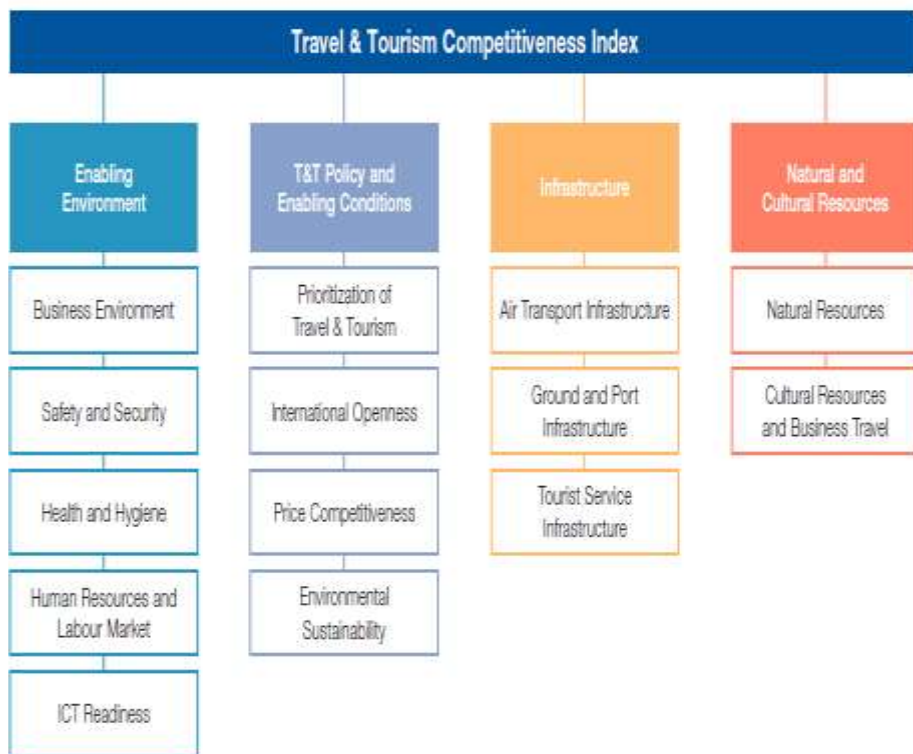
In the latest 2019 report, 140 countries were analysed. Serbia has been ranked since 2008 (in 2007 it was rated within the state union of Serbia and Montenegro). For each year a position is given, i.e. for more than 10 years, Serbia's ranking of tourism in the world and in Europe has recorded positive results in the international market of tourist services.

According to Travel & Tourism Competitiveness Report Index (2019) established in line with the World Economic Forum methodology, in the context of enormous growth potential, and increasing pressure on tourism infrastructure and services, travel & tourism competitiveness can be seen simultaneously as a powerful economic growth driver and a risk to the

ongoing development of the industry if not managed correctly. In the modern and turbulent world, every country aims to achieve high quality and stable economic growth (Tošović-Stevanović & Jovancai, 2018).

Figure 1 gives an overview of the subindices containing certain pillars of competitiveness, and each pillar of competitiveness consists of a series of individual variables and quantitative data. The presented information was obtained from various international organizations and experts.

Figure1: *Travel & Tourism Competitiveness Index*



Source: *World Economic Forum - Travel & Tourism Competitiveness Report, 2019.*

Based on Travel & Tourism Competitiveness Index (2019):

- Enabling Environment subindex captures the general conditions necessary for operating in a country and includes 5 pillars:
 1. Business Environment (12 indicators);
 2. Safety and Security (5 indicators);
 3. Health and Hygiene (6 indicators);
 4. Human Resources and Labour Market (9 indicators);

5. ICT Readiness (8 indicators).

- T&T Policy and Enabling Conditions subindex captures specific policies or strategic aspects that impact the T&T industry more directly and includes 4 pillars:
 1. Prioritization of Travel and Tourism (6 indicators),
 2. International Openness (3 indicators);
 3. Price Competitiveness (4 indicators);
 4. Environmental Sustainability (10 indicators).
- Infrastructure subindex captures the availability and quality of physical infrastructure of each economy and includes 3 pillars:
 1. Air Transport Infrastructure (6 indicators);
 2. Ground and Port Infrastructure (7 indicators);
 3. Tourist Service Infrastructure (4 indicators).
- The Natural and Cultural Resources subindex captures the principal "reasons to travel" and includes 2 pillars:
 1. Natural Resources (5 indicators);
 2. Cultural Resources and Business Travel (5 indicators).

Table 1: *Economy rank and score of Serbia - Travel & Tourism Competitiveness Report*

			Difference from 2017		Score diff. from benchmark avg.	
Global Rank	Economy	Score	Rank	Score Growth (%)	Regional (%)	Global (%)
83	Serbia	3.6	12.0	7.2	-15.1	-5.7

Source: *World Economic Forum - Travel & Tourism Competitiveness Report, 2019.*

According to TTCI (2019), Serbia (95th to 83rd) achieved the biggest improvement in the subregion thanks to significant enhancements to environment (62nd to 56th), T&T policy and enabling conditions (112th to 91st), airport infrastructure (86th to 76th), ground infrastructure (94th to 85th).

Based on Travel & Tourism Competitiveness Report (2019) Serbia achieved improvement in:

- a substantial reduction in visa requirements (69th to 18th); increased overall T&T prioritization (116th to 109th);
- ticket prices and airport taxes were also reduced (92nd to 55th);
- nation's air transport infrastructure improved (84th to 76th);
- more airlines operating in the country (51st to 46th);

- perceptions of airport infrastructure quality became more positive (92nd to 88th);
- ground infrastructure also got better (94th to 85th);
- improvement in areas related to the business environment (112th to 74th);
- human resource and labour markets (82nd to 58th).

Table 2: Score for Serbia and Northern Europe Average - Travel & Tourism Competitiveness Report

	ENABLING ENVIRONMENT (56 – score 5.2)					T&T POLICY & ENABLING CONDITIONS (91 – score 4.3)				INFRASTRUCTURE (82 – score 3.2)			NATURAL & CULT. RESOURCES (112 – score 1.9)	
Global Rank	Business Environment	Safety & Security	Health & Hygiene	Human Resources & Labour Market	ICT Readiness	Prioritization of T&T	International Openness	Price Competitiveness.	Environ. Sustainability	Air Transport Infrastructure	Ground & Port Infrastructure	Tourist Service Infrastructure	Natural Resources	Cultural Res. & Business Travel
Northern Europe Average	5.2	6.1	6.4	5.4	6.1	5.0	4.1	4.7	5.2	4.2	4.4	5.0	2.9	1.9
Serbia 83	4.4	5.5	6.3	4.7	5.1	3.9	3.2	5.5	4.5	2.6	3.0	3.9	2.1	1.7

Source: World Economic Forum - Travel & Tourism Competitiveness Report, 2019.

Despite so much improvement, if Serbia wishes to leverage recent gains it has to start improving with its scarce natural and cultural resources. The data from the National Bank of Serbia indicate faster growth of foreign tourists from the growth in export earnings, indicating decrease in average consumption per foreign tourists in Serbia, insufficient or inadequate offer of tourist services in Serbia (Foundation for the Advancement of Economics, 2019).

Tourism service infrastructure needs to become more accommodating. It needs to continue reducing travel barriers by entering into more air service and trade agreements, and it has to improve its safety and security. According to TTCI (2019), one positive sign is increased environmental sustainability (61st to 40th), which should help grow the attractiveness of its natural assets (100th), but a lot more needs to be done for Serbia to become truly competitive.

Conclusion

Improving the competitiveness of the tourism sector in Serbia contributes to ensuring stable and sustainable growth and development; however, having certain comparative advantages does not guarantee a better competitive position of Serbia as a tourist destination.

Therefore, it is necessary to make the unused potential in the form of preserved natural resources, diverse tourism offer and human potential more attractive to potential tourists and attain an adequate competitive position in comparison to other countries.

Sustainable tourism, presented in the EU as the main concept of tourism development has been accepted in Serbia also as an important challenge for the development of the tourism sector, which can be seen in the results of the TTCI. However, according to the TTCI report, despite the existence of natural resources and their attractiveness to foreign tourists, the achieved level of tourism development, indicated by a large number of analysed indicators, significantly lags behind in terms of resources and market opportunities.

This implies the need for a more active role of the state in implementing incentive measures, because thanks to the richness and diversity of natural resources and simultaneously by stimulating the industry, the conditions

for achieving better economic effects and future sustainable development of tourism in Serbia can be created.

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