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DEVELOPMENT OF TOURISM IN SERBIA IN THE CONTEXT OF AN INTEGRAL ECONOMY

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Abstract

In the present conditions, Serbia is ahead of the choice of development model and economic growth. The object of this paper is to look at the place and role of tourism in general economic development. The aim of the paper is to present the facts that tourism in Serbia still does not take adequate treatment in strategy and development models. Serbia with no doubt has the quality of the basic for the development of tourism. Natural attractions, as well as the established level of accommodations and other facilities refers to the fact that Serbia can develop many types of tourism, especially if it is taken into account the spatial diversity of Serbian natural resources. These resources offer opportunities for practicing a variety of sports and recreational activities (in the winter and summer season), as well as recovery and rehabilitation, and engaging in hunting and fishing and other activities related to staying in a number of destinations (points, areas) in Serbia.

Key Words: *tourism, tourism consumption, economic impact, development.*
JEL: *O11, R28, Z32*

Introduction

When talking about tourism we can notice that it as an extensive economic activity is not taking desired place in economic development. Many other developing countries (neighbour countries) or ones that went through the process of economic integration (Slovakia, Czech Republic, Hungary), or the ones similar in size like Serbia (Austria, Switzerland) are treating tourism as an important economic role, therefore, they have much better effect based on their investments in this industry. A new economic

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policy should be focused on selective subsidies that are clear set in particular time period in order to attract investors that are able to invest in competitive activities such as tourism and demand more payed workforce in order to revive domestic entrepreneurship. It is necessary that public institutions and the Chamber of Commerce of Serbia to point out to domestic economist or to ones that are considering creating some business on touristic products that are demanded on Serbian market, supporting logistics in the terms of advice and information necessary for certain investment. It is also of great importance to research markets in the region, especially aspects of tourist structure and then to look at the possibilities to compete with the new one touristic product that has never been placed on the particular markets. It is clear that awaking of private initiative should be supported with adequate support of the country. On the other hand, except when talking about innovation that support should not be based on the subsidies, as well as foreign investments that are expected should not be based on this type of financial present but only with strictly defined activities and investments with the limited period of time. Natural basis represents necessary but not sufficient basis for accelerated economic growth.

Serbia is placed in the group of countries with average natural resources, with available physical capital that is below average, technological advancement is also below average level. When having all this in mind it is clear that dynamic and sustainable economic growth is possible to conceive on growing physical capital while investing in human capital, or to be more precise constantly to promote human capital. For the growth of the economy, the necessary condition is that the expenditure structure increases the share of productive expenditures such as public investment and investment in education, research and innovation in relation to current expenditures (salaries, pensions, subsidies, etc).

Then, for the growth of the economy, it is necessary to improve the efficiency of the state in carrying out all functions (judicial, administrative and security, through the more efficient realization of public investments, to ensuring better education and encouraging research and innovation.) Therefore, the question is why tourism, except the mentioning in strategies, plans, policies and promises is not in a realistic framework of economic and regional development, cross-border cooperation and cooperation in the region. The state needs to stimulate tourism with various (non) market measures. In the most developed market economies, the state is very much involved in the economic

process, so it reaches and redistributes up to two thirds of the social product somewhere. The reason is that there are still no areas where private interests and the functioning of the market do not provide socially optimal solutions, so state intervention is necessary (ecology, public goods, large infrastructure, defence and security, energy, regional development, development of individual branches and sectors of special importance, etc.) and development of the tourism industry. It is necessary to look at the effects of public-private investment not only in the infrastructure of general direction (road, energy, telecommunications), but also in the tourist infrastructure specific to each specific destination. Tourist consumption is a key parameter of economic criteria of tourism and the basis of economic impacts of tourism. In addition, one should bear in mind that Serbia is very attractive place for transit and travelling. Bearing this in mind, the question arises, as a basic hypothesis, what is missing in the tourism of Serbia that has a greater importance in economic development?

More efficient use of tourism potentials cannot be achieved only by the mere possession of natural and similar advantages for dealing with tourism but requires certain investments in facilities, infrastructure, human resources, etc. Investment in tourism is an important prerequisite for using the opportunities it provides as an element of development policy. Other hypotheses include several elements of policy that would accelerate the development of tourism and economy, and vice versa. Whether it is attracting and directing FDI, growth on the basis of "cheap money", the application of measures of extensive credit-monetary policy, suppression of the grey economy, fiscal and general taxation policy, etc. The effectiveness of economic policy in the field of tourism development and causation with the development of the overall economy is based on a set of assumptions, which also represent subsidiary hypotheses.

Problems in economic development

In modern conditions not only the new geostrategic position of Serbia, but also in the conditions of integration processes, for membership in the European Union, Serbia is looking for a new model of its economic development. The Serbian economy, for a long time, faces problems of low competitiveness, undefined or, at least, an ambiguously defined industrial policy, and a non-transformed public sector, still underdeveloped transport and telecommunications infrastructures, as well as the positions and roles of the tertiary sector. In doing so, the allocation

of subsidies is not made by activities, but the funds are allocated indiscriminately, where tourism is disadvantaged. The cure to overcome these problems is certainly not subsidies that the state generously gives to investors (from 10,000 euros or more), and perhaps in some cases more than that, by employee, if that was the solution, according to the duration of the therapy in the form of subsidy as a bait for attracting foreign investment, it would already demonstrate its results in strengthening the export performance of the domestic economy and increased labour productivity. Instead, according to the latest World Economic Forum report, Serbia has ranked 133rd among 137 countries analyzed for its export capacity. In addition, this therapy is non-selective and largely non-transparent, which speaks of the existence of the so-called black boxes in the decision-making process for granting subsidies. In a certain way, this indicates that there is no clearly designed development policy with precisely defined investment objectives that could raise the competitive power of the Serbian economy.

Clear criteria are necessary for limited time subsidizing only those activities requiring exclusively sophisticated technology and highly qualified labour, while through systematic fight against gray economy, reduction of parafiscal charges and relaxation of workload, it is necessary to open windows to penetrate domestic private initiative, meaning entrepreneurial spirit, and to preserve attracted foreign investments to remain on the Serbian market. Unless the existing economic policy is dominantly based on the non-selective subsidizing of the economy, Serbia will anchor, mainly as a marketplace of cheap labour with low quality of life and low economic competences. In this case, in addition to possible natural resources, only cheap labour remains an element of the competitiveness of the domestic economy, leaving one society in material and cultural poverty.

Thus, the “brain drain” will remain a legitimate feature in the process of migration from Serbia (according to its competence to retain talents, 2018, Serbia is at 134th place, and by ability to attract professional workforce with more demanding skills Serbia is ranked 132nd in the Global Competitiveness Scoreboard World Economic Forum). On the other hand, Serbia has achieved macroeconomic stability in recent years (inflation is kept at a low level, considerably reduced budget deficit), so monetary and fiscal policy is considered to be very responsible. However, in past several years, Serbia has achieved low economic growth rates (3.5% predicted for 2018), which are insufficient for faster development

neither to "grab the connection" with the EU countries. A model of economic development for developed countries based on macroeconomic stability (focuses on inflation and budget deficit), and their level of development, economic structure and economic priorities are dramatically different compared to underdeveloped countries such as Serbia (developed EU economies do not need or can essentially increase their development, so their focus is on maintaining economic stability). Price stability in underdeveloped countries is mainly an indicator of an economic deadlock rather than a competent monetary policy. That is why Serbia needs a high growth rate in order to "catch the connection" with the countries of the European Union, while the level of inflation and the budget deficit should be in the second phase as long as the infrastructure is improving, while the real incomes and standard of the population are growing. This is extremely important for all service activities and for tourism, especially domestic, which is based on the increase in living standards and the level of freely available income.

For tourist activity, it is crucially important, with the development strategy, that its important place is found in the operational economic policy, which instead of stability (which is in the interest of foreign lenders and foreign investors) should be based on development that among other things is crucial for the expansion of tourism. Serbia should focus its development policy on agriculture, transport and tourism that are everywhere in the world considered as complementary and causal activities. Thanks to its impact on social product and national income, tourism can be a significant factor in overall economic development. Every modern economy is today based on a well-developed service sector. As long as the developed European countries achieve up to 80% of the total added value in the service sector, Serbia only accounts for 65% of its added value in the service sector.

In addition, the composition of the service sector in Serbia is much more unfavourable than in the developed countries (Prica, 2017). All this indicates that the state must interfere, with an efficient economic policy, in the nature of structural changes, so that they cannot be left to the "invisible hand" of the market. "If the growth rate in Serbia was 7 percent, it would double the gross domestic product (GDP) in the next 15 years, and then we would be at the level of Croatia when it entered the European Union" (Djuricin, 2018). Therefore, the very important question: "How does Serbia get out of the trap of the middle level of economic development"? One of the responses lies in the faster and more dynamic

(inclusive) growth and development of all aspects of tourism activity. An analysis of the efficiency of investments by calculating capital and production coefficients has shown that hotel industry and tourism are activities in which the efficiency of investing factors is under average. This is especially true for seasonal hotel industry and winter tourist centres, due to seasonal business and inelasticity of tourist offer (Blagojević, 2015). From the point of view of gross national income (GDP) tourism has many positive and negative effects, and affects the redistribution of income between economic sectors and companies within the economy of one country. Over the past twenty years, the growth rate of tourism has been twice as high as the GDP growth rate, tourism revenues are overshadowing health industry, energy industry or agriculture. In many countries it is among the three leading industries, achieving the largest or moving towards the largest volume of retail trade and the highest employment (Theobald, W.F., 2014). Many economists, as well as experts from other profiles, analyze the various effects of tourism on economic and general social development, among which are the numerous multiplied impacts of tourism on economic development.

Table 1: *Real GDP growth in the countries of Est. Europe*

	2015	2016	2017	2018	2019	2020
	Achieved	Achieved	Achieved	Planed	Planed	Planed
Albania	2,2	3,4	3,8	3,6	3,5	3,5
Belorussia	-3,8	-2,6	1,8	2,1	2,4	2,4
Bosnia and H	3,0	3,1	3,0	3,2	3,4	3,5
Bulgaria	3,6	3,9	3,8	3,9	4,0	3,9
Croatia	2,3	3,2	3,0	2,6	2,8	3,0
Hungary	3,4	2,2	3,9	3,8	3,1	2,9
Kosovo*	4,1	3,4	4,4	4,8	4,8	4,7
Macedonia	3,8	2,4	1,5	3,2	3,9	4,0
Moldovia	-0,4	4,3	3,5	3,8	3,6	3,3
Montenegro	3,4	2,9	4,2	2,8	2,5	2,1
Poland	3,8	2,9	4,5	4,0	3,5	3,1
Romania	3,9	4,8	6,4	4,5	4,1	3,5
Russia	-2,8	-0,2	1,7	1,7	1,8	1,8
Serbia	0,8	2,8	2,0	3,0	3,5	4,0
Ukraine	-9,8	2,3	2,0	3,5	4,0	4,0

Source: *Global Economic Prospects, World Bank, January 2018*

* Serbia does not recognize Kosovo as an independent entity.

Comparing the GDP growth in Serbia with the countries / territories of the Western Balkans (Serbia, Bosnia and Herzegovina, Macedonia, Albania, Montenegro) it is clearly noted that the economic growth of the Serbian economy is below the average of that group of countries. The GDP average growth in 2017 is estimated at 2.7% in the above-mentioned group of countries, while only 2% is in Serbia, according to the sources of the World Bank. Only weaker than Serbia is Macedonia with a growth rate of 1.5%, which was the result of the extremely turbulent political events in that country and the lack of new investments.

Compared to the other countries of Central and Eastern Europe, Serbia is also at the bottom of the scale according to the achieved economic growth in 2017. All these data indicate that the Serbian tourist economy can contribute to faster economic growth and development of the country, provided that it has much more serious treatment than before, and from the declarative to the real strategic, tactical and operational measures in economic policy and realization. In Serbian and foreign literature there are different classifications of the economic effects of tourism on the overall economic development, but the best known is the fact that it emphasizes direct and indirect effects on the economy. According to this division, the most important direct impacts are: the impact on the social product and national income, the impact on the development of economic activities of the tourism industry, the impact on the balance of payments, the impact on the employment, the impact on investments (investment activity and the structure of investments) and the impact on faster development underdeveloped countries and areas. Indirect impact applies to agriculture, industry and construction industry. Touristic spending has an impact on almost all economic and non-commercial activities.

Consumption of foreign tourists has a multiplied impact on the total economy of the country (Unković, Zečević, 2009). On the other hand, other economic sectors in the Serbian economy have, in recent years, started to flutter and cannot be more sensitive to economic growth. Although it is planned to achieve economic growth at the rate of 3% in 2017, this was not the case, due to a downturn in electricity production, and also because of poor agricultural production. The first factor that produced a softer GDP growth rate of 1.9%, according to the estimates of the Republic Statistical Office or 2%, according to the World Bank, is strictly the product of a non-transformed EPS, or lack of investments in electricity capacities. The second factor was the sharp decline in agricultural production. "On the other hand, many hopes that were

directed towards tourism as a muddle of economic growth were disappointed, while a large number of destinations experienced the negative effects of tourism's development on the environment, culture and society, challenging the purposefulness of treating tourism as a development option" (Popescu, 2013). According to the Statistical Office of the Republic of Serbia, it is estimated that in 2017 agriculture has recorded a markedly negative dynamics of physical volume by 10%. The causes of such a marked shortage are result of bad weather conditions, that is, dry weather.

Encouraging the development of the tourism industry

One of the important things in tourism is the incitement of the development of tourism. Since the market does not encompass economic and social interest, the state must interfere in the allocation of the production factors. To make tourism attractive for investment, tourist economy should develop entrepreneurship; introduce innovations and other abstract factors of development, production factors. It is necessary that Serbia introduces a law about non-banking financial institutions (available in most European countries), which would, in a relatively short period of time, enable the placement of nearly 1 billion euros of micro credits into the Serbian economy and contribute to the opening of more than 100,000 new jobs (Project for Better Business Conditions, USAID, thus accelerating the development of micro, small and medium-sized enterprises, which account for 99.5 percent of the total number of companies, which employ 65 percent of employees, but generate only 32 percent of gross domestic product (Arsić, 2017).

The development of small and medium-sized enterprises needs tourism-related measures, so this part of the economy will improve the access to additional sources of financing and small and medium-sized enterprises from tourism will be the drivers of the economic development and export in the form of visits to foreign tourists. These non-banking financial institutions would not jeopardize the stability of the financial system, since the consequences of their high risk in business and possible losses would not be covered by the state but by the owners of funds. On the other hand, contemporary economic theory, as well as declarative choices and even strategies (strategic branches in Serbia: energy, transport, agriculture and tourism) clearly point to the necessity of tourism development in order to speed up its developmental return. However, the practice shows insufficient engagement in the development of tourism,

meaning inadequately understood its importance, role and mission in economic development. Contemporary economic theory in Serbian frameworks, in researching the contribution of tourism to economic development, always starts from increasing tourist spending, because "as a result of this spending, certain economic effects on the economy are made, on both countries and territories from which tourists come, as well as those countries and places that tourists visit" (Unković, Zečević, 2009). Indirectly, tourism consumption influences the development of the material production that is in the role of tourism industry suppliers, while directly influences the sliding of income from other countries, or the overflow of foreign accumulation into tourist destinations and the economy of the visited country.

Therefore, the interest of countries for the accelerated development of foreign tourism and its key advantage in relation to domestic tourism has increased. It is necessary to take into account the acceleration of tourism trends, following two consecutive financial and economic crises. In the world tourism trends in 2016, a record of 1.3 billion international arrivals were achieved, which is for 100 million or for 6.4 percent more than a year earlier, and on the list of countries that recorded the most significant growth of tourist visits, there is Serbia, according to a report from the World Tourism Organization (UNTWO, 2017). In that sense, more efficient and effective promotion of selected types of tourism in Serbia is necessary but about Serbia as an attractive destination. "Modern managers in tourism are expected to become a series of virtues in the process of performing this work: relative independence in decision making, designing and implementing new programs, unusual ideas and innovations, as well as a prepared, convincing performance in relation to the environment.

This further means a capable business tourist diplomat in every respect, which implies permanent education, continuous advancement, acquisition of new knowledge, the creation of one's own image of style "(Petrović, 2010). In the performance of Serbian tourist representation abroad, at fairs and other events, the approach until this date, should be changed.

Treatment of tourism in the European Union

In EU countries, tourism is directly related, among other things, to the exploitation and appropriate development of natural, historical and cultural assets, and to the attractiveness of cities and regions as a place to

live, work and visit. It is also linked to the development, innovation and diversification of products and services offered to tourists for shopping and / or enjoyment. The European Regional Development Fund (ERDF) supports the competitiveness, sustainability and quality of tourism products and / or services at the regional or local level. However, tourism has not been included as a thematic objective of the regulations on European structures and investment funds, since tourism is treated as an asset or business, rather than an objective. On the other hand, the regulations envisage numerous opportunities for adequate, profitable, investments in tourism. For the European Regional Development Fund, tourism continues to play an important role in planned investments, as well as in related investments in the protection, promotion and development of natural and cultural heritage.

Considerable resources are planned from the EFRR and, based on regional specializations in Europe, numerous regions have been identified as priorities in their tourism specialization strategies for innovation in services and innovations of business models in tourism, for which a different type of investment (ERDF) is envisaged. Experts from the European Social Fund propose to direct efforts in the development of competitive market niches and the development of brands, such as tourism for the elderly or ecological tourism, by improving existing value chains in tourism with the goal of entering different and more segments of the tourism market then in the diversification of the tourist destination and activities. The main goal, from this aspect, is to relieve dependence on seasonal variations in tourism (ESF, 2018). These recommendations (the Regional Development Fund and the European Social Fund) had already been adopted by a large number of regions by the end of 2017. In addition, the regions have adopted comprehensive strategies not only for switching to higher added value based on increased investments in various types of tourist activities. It is a question of incorporating numerous innovations in tourism not only in terms of new and / or products and services, but also in the management, finance, marketing, etc. Tourism has an increasing role, especially for less developed European regions, and as a complementary activity. One of the essential elements of the development strategy in tourism is the "sliding of value" into other activities and economic branches. This mobilization applies to other sectors, among others, such as cultural and creative artistic activities, music and sports events, organic food, exotic buildings, and more. In the context of Serbia's accession to European integration, all forms of evaluation of tourist activity and tourist activities should be

considered. The European Parliament, in particular through its Committee on Regional Policy, Transport and Tourism; Committee of the region consulted in the decision-making of the Commission and the Council when it comes to areas that have regional or local level representations; and then EUROSTAT, whose mission is to provide quality statistical information services and compare them at the level of regions and countries.

This data also helps in further understanding of the importance and role of tourism in economic development, but also as guidelines in which direction tourism activity should be developed, whether in relation to specific destinations and regions or concrete forms and guidelines for more active approach. First of all, however, it should be borne in mind that the European Commission's Tourism Department does not allocate financial resources for the implementation of tourism policies, but rather focuses on the creation of tourism policies. Therefore, it deals with the exclusive preparation of policies and is not involved in direct tourism activities, although it had previously been (it is important to keep in mind when Chapter 30 is being considered in the process of joining Serbia to EU membership). Specifically, the financing of tourist activities and manifestations is done through other instruments of the European Union. Tourism projects have the character to help create jobs, have the potential for competitive tourism companies and are integrated into regional or local development strategies, so funding is targeted specifically to programs of this nature.

The European Regional Development Fund finances activities aiming at faster development or accelerated regional development projects being implemented through partnerships in each region (including the public and private sectors as relevant regional actors). The basic task of this fund is to promote economic and social cohesion within the EU through reducing imbalances between regions and social groups. Mostly these are just some of the programs funded by the European Union, supporting economic development, based on investments in tourism and based on the adopted criteria. Certainly, tourism in the EU has a great importance and role, and more than half of all EU citizens are touristically active with the domination of intraregional exchange. The majority of all tourist trips (in the country and abroad) are realized within the region on intraregional trips, where more than 90% of the tourist activity of EU citizens take place in one-day excursions, on short "short breaks" and on traditional holiday trips, how in domestic as well as in international tourism

(European Commission, 2010). These facts travel agents in Serbia should keep in mind.

The impact of tourism on macroeconomic performance

Tourism, especially foreign, affects the balance of payments of all countries, and so Serbia, and this impact is one of the most important economic functions of tourism. This summarized statement of the economic transactions of the residents of some economy with the rest of the world, for a certain period, is influenced by tourism trends. The significance of certain categories in the balance of payments depends on the participation in it of primary, secondary and tertiary activities in the structure of the economy, the achieved level of economic development and especially of the involvement in international flows of goods, services and production factors and financial flows. It is well known that tourism is a very important source of foreign exchange assets, which is why it is classified in favourable export branches, and also in Serbia.

One should bear in mind that for countries that were, above all, distinguished as significant receptive tourist countries in the international receptive tourism market, foreign exchange inflows from tourism represent the most important item of income in the balance of payments and a very important factor of overall economic development (often this type of foreign exchange an inflow called "invisible exports" or "silent exports" because it was not followed by the exit of goods or services across the border). This specific type of exports has many advantages over the classical exports of goods and services (Richard Sharpley and David J. Telfer, 2004):

- In the international trade of certain goods, they cannot be exchanged (natural, cultural and social attractiveness), but can be valorised through tourism by indirectly "selling" on the tourism market in the form of a more complex tourism product;
- Many products have been "exported" by selling them to foreign tourists who have visited the country (e.g. wines, honey, cheeses, craft products,);
- Exports based on sales to foreign tourists result in high profits, based on higher prices and lower costs, as there are no transports or insurance;
- Some perishable products, such as agricultural products sold to tourists in the country, can simply not be eligible for export due to insufficiently developed infrastructure and export flow management.

All these advantages are characterized by tourism as a relatively inexpensive and easy way (sometimes only) earnings of foreign currencies that are then invested in investments and development.

In modern conditions, many countries in the world have a balance of payments deficit, so that the results of international tourism can help alleviate the deficit, if not neutralize, and contribute to the provision of financial resources needed for economic and social development. Therefore, most countries try to stimulate the consumption of foreign tourists through an active tourism policy and contribute to balancing the trade and balance of payments in general. Indicators of tourism development can be viewed through economic, geographical, sociological, psychological, environmentalist, behavioural spheres, and as such tourism "shrinks into all spheres of economic and social life" (Bakić, 2006). This means that the development function of tourism in Serbia needs to be seen from all levels continuously.

Today, unemployment, especially for young people and professionals, is one of the biggest problems that many countries face. Therefore, the development of tourism, as a highly labour-intensive activity, can significantly increase employment, both directly and indirectly. Direct employment refers to employment in activities that are directly related and dependent on tourism (hotels, restaurants, travel agencies, etc.). Indirect employment refers to employment in activities that are indirectly related to tourism (trade, construction, agriculture, etc.). Moreover, in global terms, tourism is the most significant single source of employment, so it is estimated that together with related sectors, the tourism industry provides up to 11% of global employment (WTO, 2017). In addition to a series of data indicating that tourism can significantly contribute to an increase in employment, employee structure often represents a poor side of human resources in tourism. Most of the employees in tourism have not been educated enough and the qualification structure has not reached a level of severity. In addition, most tourism deals are seasonal (related to the tourist season) and are jobs that are often entrusted to students or pensioners who are not part of the working age population. However, almost every 8th workplace in the Union is in some way related to tourism, and usually employing those who otherwise find it more difficult to find jobs, which are mostly women and young people (European Commission, 2010). Thus, tourism has an explicit impact on macroeconomic aggregates and increases the macroeconomic stability of the national economy, while at the same time accelerating local and regional development, increasing employment and increasing living

standards of the population. Numerous research of tourism has pointed to its influence on other (not only comparative) economic branches, economic activities, and on the overall economic development.

Tourism in Serbia should have a greater impact on the faster development of the underdeveloped regions (a good example for this is Lukovska Banja), and especially the border areas (the example of Stara Planina), therefore, besides investing funds into good programs (cluster example), good management is also needed, example Ribarska spa), and could also start agricultural and industrial development. Unlike other branches of the economy, tourism maintains a high level of labour force in hotel industry, catering, retail and public transport. This development strategy has important role when Serbia ,on the one hand, faces a population problem and, on the other hand faces with the emigration of a young educated people. Serbian not only economic but also general state policy must intensify the interdependence of demographic and population policy with the development of tourism and its comparative activities.

Review of current trends in Serbian tourism

In 2017, about 8.3 million overnight stays were registered in Serbia, or by 11.8% more than a year earlier. In addition, the number of domestic overnight stays was 5.1 million, or 12.7% more than in 2016, while the number foreign overnights is around 3.2 million, which is an increase of 15.9% compared to the situation of one year ago. This improved the structure of guests in the number of overnight stays through a reduction on the part of domestic guests from 63.6% in 2016 to 61.9% in 2017, that is an increase in foreign visitors from 36.4% in 2016 to 38.1% a year later. This is the result of a more active and thoughtful performance of the Tourist Organization of Serbia, and the introduction of new direct flights from Belgrade to Beijing and New York and the existence of the direct flights to Tel Aviv. A more proactive TOS performance is reflected through exhibitions at fairs, not only worldwide but also regional, and also targeting those markets with significant potential for presence in Serbia, such as Russia, Turkey, Iran, etc. The introduction of new direct flights (such as Tehran from the beginning of 2018) will additionally promote Serbia's tourist potential in new markets, so in 2018 and some other countries (like Iran) could be among the countries that will intensify to strengthen the tourism economy of Serbia.

In relative terms, the most advanced move forward in the number of overnight stays was recorded by guests from Israel, almost 3 times more than in January-December 2016. Also, a significant increase in the number of overnight stays was recorded by tourists from China, 2.2 times, reaching 94.845 overnight stays. In 2018, the positive tendencies of tourism traffic from both these markets, and especially Chinese, should be considered. In addition, we should expect positive tendencies from the Iranian market by introducing direct flights with this country, as well as by strengthening tourism through a larger inflow of guests from the US, based on a direct airline with New York. Otherwise, US citizens made nearly 82.000 overnight stays, or by 18.4% more than in 2016, so this rate of growth should be kept in 2018, which also implies a more proactive approach of the Tourism Organization of Serbia to this market, branding Serbia through positive characters from the past and present, such as Nikola Tesla and Novak Djokovic.

Particular attention should be paid to the Scandinavian countries (Finland, Norway, Denmark and Sweden) whose citizens in Serbia in 2017 made a total of nearly 94,000 overnight stays, which is less than the number of nights from guests coming from Israel and China. For example, the Finns in Serbia have only made 8 thousand overnights, which is unacceptably low. Therefore, it is necessary to create special programs for clientele from these countries. We think that spas could be a good bait for guests from these countries, but Serbia has to make efforts to rehabilitate the spa itself and arrange the transport infrastructure to them, so that tourists from the Nordic countries would be stimulated to visit them in large numbers. In addition, one should work on designing a unique tourism product with Montenegro, so that prior to arrival at the Montenegrin coast or during their stay there, they take a break in the form of excursions in Serbia, at least for two days.

This would create a synergetic effect for both Serbia and Montenegro (MAP, 2018). Domestic tourist demand relies heavily on tourist vouchers, which were close to 92.000 in 2017, a significant advance from 45,000 a year before. On this basis, 700.000 guests from Serbia were provided. Observed by turquoise sites, the largest number of overnight stays in 2017 was recorded in spas, around 2.227.945 or 6.9% more than a year earlier. The number of both domestic and foreign guests increased by 6.9%. This positive shift in the dynamics of tourist traffic in the spa areas should pre-eminently thank the tourist vouchers, which have made increased domestic demand towards these tourist destinations. Since Serbia has no

sea, the main tourism activity of Serbia is considered as spa tourism. From this aspect of the main activity in cooperation with the European Association of Spa, focus should be on: 1) assistance in the introduction of ISO standards and seals of quality EuroSpa, exchange of experiences with European associations - ESPA members and participation in the work of ESPA; 2) Strengthen cooperation with the associations of Romania and Slovenia. The instruments for affirmation of spa tourism in Serbia on the European market are as follows:

- a) Creating awareness about the need to give a common contribution to European climatic sites and spas in the health sector
- b) Identify the importance of preventive medicine for the preservation of health and disease prevention in national legislation, and
- c) services in Special hospitals for rehabilitation and provision of equal conditions for work in health care.

Importance of the development of foreign tourism in Serbia

The significance of tourism as an export branch can be seen from the World Tourism Organization (WTO) and the International Monetary Fund (IMF), according to which international tourism is the world's leading export category (which exceeds even the automotive and chemical industries). Thus, the results of international tourism today represent the most significant individual item in the total value of world exports of goods and services. Similarly, tourism is one of the five leading export categories for 83% of all countries, and the main source of foreign exchange for at least 38% of countries. For many countries, such as Serbia, especially those with a limited industrial sector or only with few opportunities for developing alternative export sectors, tourism is the main source of foreign exchange earnings.

Tourism represents the main source of foreign exchange earnings for one third of developing countries and almost half of the least developed countries (Richard Sharpley and David J. Telfer, 2004). However, as the increased consumption of foreign tourists appears as a positive account of the balance of payments, the increased expenditures of the population for travelling abroad appear as a negative balance of payments ("invisible imports"). The influence of foreign tourism on the balance of payments can be considerably higher if one considers the overall tourism economy with all industries and sectors that are interdependent. This overall contribution to tourism is measured by the tourism satellite account (TSA). Tourism experts believe that this balance definitely confirms the

existence of previously undiscovered tourism effects on the economic development of the country as a whole, which can now be located and measured thanks to it (WTO, 2018).

Tourism is considered to be an industry that has the best conditions for expanding and creating employment, and also for economic growth. However, the role and contribution of tourism to employment, and development, varies significantly according to the extent, character and level of development and importance attached to the tourism industry in a specific country or destination, which could not be said, for example, for the treatment of the tourism industry in Serbia.

Conclusion

Economic life is very complex because the economy is a system with a large number of incoming and outgoing connections. Tourism, as a labour intensive activity, is a particularly complex system that develops and operates in international, national and local contexts and is influenced by a number of interdependent elements on which it depends and on which it affects.

The development of tourism as a competitive activity with added value would be a source of Serbia's economic growth, and its development would contribute to the improvement of the foreign trade balance of Serbia but it would primarily support the “healthy” growth of the rest of the economy. It is necessary to overcome the long-standing attitude and treatment of tourism in Serbia that tourism has only been implemented, the consequent phenomenon of economic development (with adequate legal regulations that could be effectively and effectively applied).

The achieved level of general social and economic development certainly assume the positive impact of tourism on economic development, but it should be kept in mind that the most important factors that trigger the development of tourism (available income, leisure, urbanization, technological revolution, transport, events, experiences, etc.) are the consequence of rapid economic development. Inadequate, in economic policy, tourism has long been regarded only as a result of economic development. However, numerous studies have shown that the development of tourism affects the overall economic development of the country and should be an important factor in economic development.

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